

MONGOLIA
DEPUTY PRIME MINISTER'S OFFICE
MINISTRY OF URBAN DEVELOPMENT, CONSTRUCTION AND HOUSING

MONGOLIA
PROJECT FOR PROMOTING THE DEVELOPMENT
OF THE NEW ZUUNMOD CITY
AND FREE ECONOMIC ZONE
PROJECT COMPLETION REPORT

JULY 2026

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

ALMEC CORPORATION
KOEI RESEARCH & CONSULTING INC.

IM
JR
26-092

MONGOLIA

DEPUTY PRIME MINISTER'S OFFICE

MINISTRY OF URBAN DEVELOPMENT, CONSTRUCTION AND HOUSING

MONGOLIA

**PROJECT FOR PROMOTING THE DEVELOPMENT
OF THE NEW ZUUNMOD CITY
AND FREE ECONOMIC ZONE**

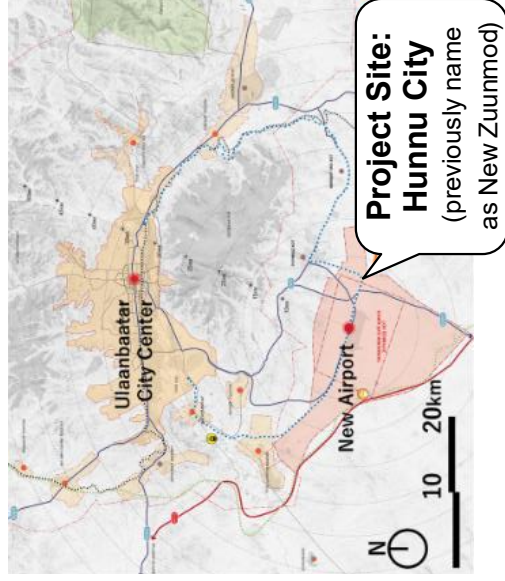
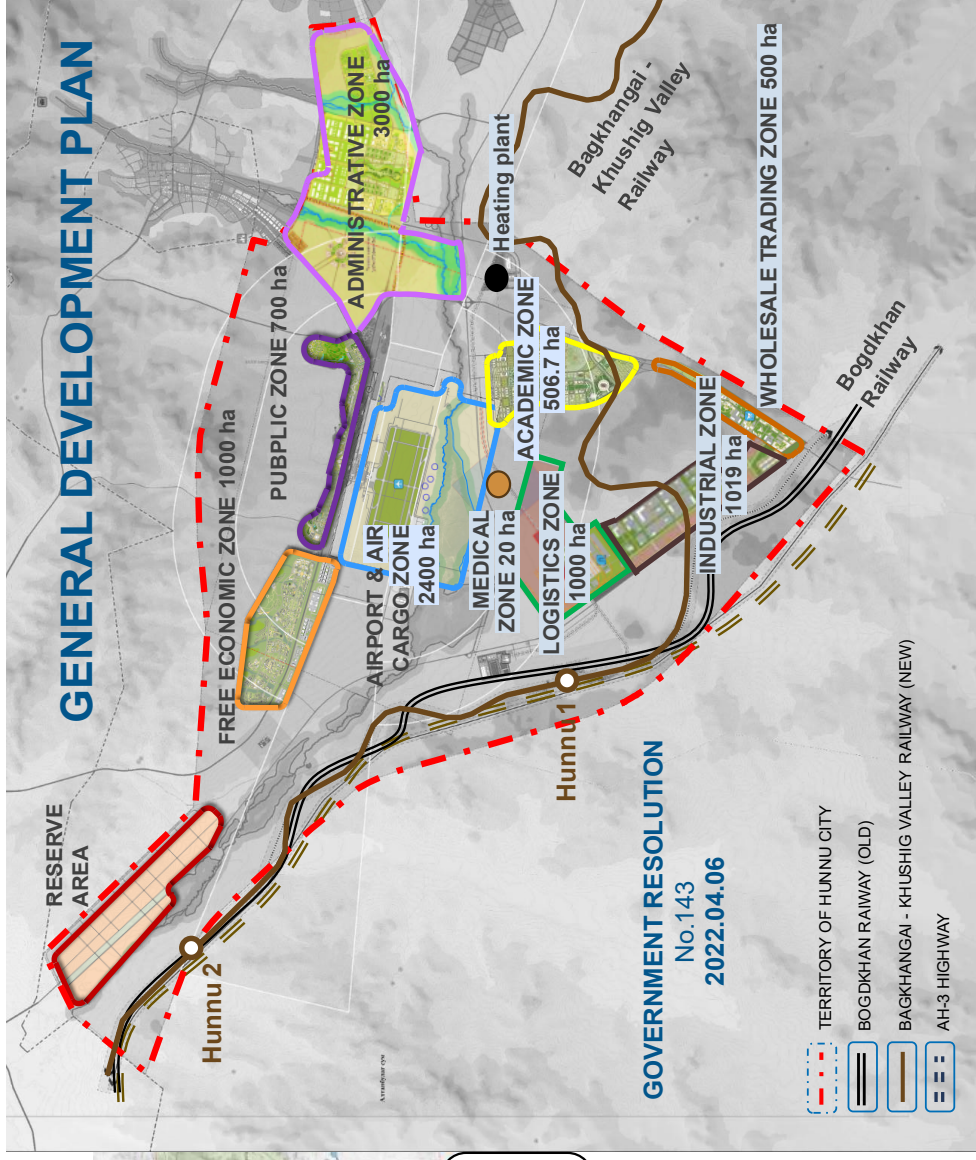
PROJECT COMPLETION REPORT

JULY 2026

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

ALMEC CORPORATION

KOEI RESEARCH & CONSULTING INC.



Source: JPT based on information from HC and HCDC

Figure Location and Development Zone Map of New Zuunmod/Hunnu City

Table of Contents

I.	Basic Information of the Project	1
1.	Country	1
2.	Title of the Project	1
3.	Duration of the Project (Planned and Actual)	1
4.	Background	2
5.	Overall Goal and Project Purpose (from Record of Discussions (R/D))	2
6.	Implementing Agency	2
II.	Results of the Project	5
1.	Results of the Project	5
1-1	Input by the Japanese side (Planned and Actual)	5
1-2	Input by the Mongolian side (Planned and Actual)	8
1-3	Activities (Planned and Actual)	10
2.	Achievements of the Project	66
2-1	Outputs and indicators	66
2-2	Project Purpose and Indicators	67
3.	History of PDM Modification	68
4.	Others	69
4-1	Results of Environmental and Social Considerations	69
4-2	Results of Considerations on Gender/Peace Building/Poverty Reduction, Disability, Disease infection, Social System, Human Wellbeing, Human Right, and Gender Equality	69
III.	Results of Joint Review	70
1.	Results of Review based on DAC Evaluation Criteria	70
(1)	Relevance	70
(2)	Coherence	71
(3)	Effectiveness	73
(4)	Efficiency	73
(5)	Impact	75
(6)	Sustainability	76
2.	Key Factors Affecting Implementation and Outcomes	78
3.	Evaluation on the Results of the Project Risk Management	80
4.	Lessons Learnt	80
5.	Performance	81
6.	Additionality	81
IV.	For the Achievement of Overall Goal after the Project Completion	83
1.	Prospects to Achieve Overall Goal	83
2.	Plan of Operation and Implementation Structure of the Mongolian Side to Achieve Overall Goal	85
3.	Recommendations for the Mongolian Side	86
4.	Monitoring Plan from the End of the Project to Ex-post Evaluation	87

List of Annexes

ANNEX 1: Results of the Project

- (1) List of Dispatched Experts
- (2) List of Counterparts
 - 1) JCC
 - 2) WG
- (3) Revised Plan of Operation
 - 1) PO Version 0
 - 2) PO Version 1 (First JCC on December 13, 2024)
 - 3) PO Version 1 (Second JCC on May 16, 2025)
 - 4) PO Version 2 (Third JCC on June 3, 2026)

ANNEX 2: List of Products Produced by the Project

ANNEX 3: PDM (All versions of PDM)

- (1) PDM Ver.0
- (2) PDM Ver.1 (December 13, 2024)
- (3) PDM Ver.2 (June 3, 2026)

List of Tables

Table I-1: Comparison of Institutional Arrangements	3
Table II-1: List of Training in Japan and Mongolia	5
Table II-2: List of Working Group Meetings	6
Table II-3: Sub-WG-1: Zoning Regulation	7
Table II-4: Sub-WG-2: Project Selection Regulation	7
Table II-5: List of JCC Meetings	9
Table II-6: Summary of Development Plans for Each Zone	12
Table II-7: Summary of the Key Insights and Implications Learnt from Case Studies	15
Table II-8: Breakdown of National and MUB Budget (2022–2025)	17
Table II-9: Annual Investment Schedule for HC Development Financed by Public Funds (2025-2036)...	19
Table II-10: Status of Core Infrastructure Development in HC (as of December 2025)	20
Table II-11: Summary of Current Status for Each Zone (as of May 2026).....	21
Table II-12: Result of the Prioritization Analysis	22
Table II-13: Outline of Sub-Phase Plan	23
Table II-14: Ongoing Development Projects and their Implementing Agency	30
Table II-15: Steps and Key Processes to Prepare the Amendments on the HC Law	31
Table II-16: Table of Contents of the Zoning Regulation	40
Table II-17: Table of Contents of the Project Selection Regulation.....	42
Table II-18: Schedule and Study Tour Destinations.....	45
Table II-19: Overview of Lectures and Study Visits.....	45
Table II-20: Cases and their Implications	51
Table II-21: Proposed Actions for Option A	63
Table II-22: Proposed Actions for Option B	64
Table II-23: Achievement of Output 1	66
Table II-24: Achievement of Output 2	66
Table II-25: Items Modified in the First JCC Meeting	68
Table III-1: Detailed Evaluation of Relevance.....	70
Table III-2: Detailed Evaluation of Coherence	71
Table III-3: Detailed Evaluation of Effectiveness.....	73
Table III-4: Detailed Evaluation of Efficiency.....	73
Table III-5: Detailed Evaluation of Impact	75
Table III-6: Detailed Evaluation of Sustainability	76
Table IV-1: Detailed Evaluation of Overall Goal.....	83
Table IV-2: Actions to be Taken.....	85
Table IV-3: Progress Monitoring	87
Table IV-4: Monitoring for Important Assumption.....	88

List of Figures

Figure II-1: Location of the HC Development Area	12
Figure II-2: Recommendation toward HC development.....	16
Figure II-3: Status of Core Infrastructure Development (as of December 2025)	19
Figure II-4: Sub-Phase Plan for the FEZ	23
Figure II-5: Sub-Phase Plan for the Administrative Zone.....	23
Figure II-6: Hunnu City Development Roadmap: C/P Plan	26
Figure II-7: Hunnu City Development Roadmap: JPT Proposal	26
Figure II-8: Organization Involved in HC Development and Their Relationship	29
Figure II-9: Legal Framework of HC Law.....	32
Figure II-10: Master Developer Approach.....	33
Figure II-11: Government-led Structure – Prime Minister’s Office-led	35
Figure II-12: Government-led Structure – DPMO & MUDCH-led.....	36
Figure II-13: Ulaanbaatar City-led Structure	36
Figure II-14: Proposed Coordination Mechanism for Zone Development	37
Figure II-15: Overview of Building Regulatory Framework in Mongolia	38
Figure II-16: Concept of ICT/Smart Tech Clustering	50
Figure II-17: Industrial Development Scenario	53
Figure II-18: Difference in Economic Activities in FEZ and FZs	56
Figure II-19: Institutional and Operational Framework of FEZ	58
Figure II-20: The Roadmap for Evolution of Investment Promotion Activities	61

Abbreviation List

ADB	Asian Development Bank
AI	Artificial Intelligence
AKVD	Administration for Khushig Valley Development
ALAMGaC	Agency for Land Administration and Management, Geodesy and Cartography
BCR	Building Coverage Ratio
BPO	Business Process Outsourcing
C/P	Counterpart
CAAM	Civil Aviation Authority of Mongolia
CDC	Construction Development Center
CEO	Chief Executive Officer
DEP	Demonstration Experiment Platform
DMP	Detailed Master Plan
DPMO	Deputy Prime Minister's Office
FAR	Floor Area Ratio
FDI	Foreign Direct Investment
FEZ	Free Economic Zone
FEZMP	FEZ Master Plan
FS	Feasibility Study
FZ	Free Zone
GALAGaC	General Authority for Land Administration, Geodesy and Cartography
GOM	Government of Mongolia
HC	Hunnu City
HCDC	Hunnu City Development Corporation
HCMP	Hunnu City Development Master Plan
ICT	Information and Communication Technology
IFC	International Financial Center
IT	Information Technology
ITA	Investment and Trade Agency
JCC	Joint Coordinating Committee
JICA	Japan International Cooperation Agency
JPT	JICA Project Team
KOICA	Korea International Cooperation Agency
MaaS	Mobility as a Service
MCUD	Ministry of Construction and Urban Development
MDDIC	Ministry of Digital Development, Innovation and Communications
MECC	Ministry of Environment and Climate Change

MED	Ministry of Economy and Development
MICE	Meeting, Incentive Travel/Tour, Convention and Exhibition/Event
MICE ⁺⁺	MICE + Entertainment + Commerce
MLIT	Ministry of Land, Infrastructure, Transport and Tourism
MNT	Mongolian Tugrug
MOE	Ministry of Energy
MOEd	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health
MP	Master Plan
MRT	Ministry of Road and Transport
MRTD	Ministry of Road and Transport Development
MUB	Municipality of Ulaanbaatar
MUDCH	Ministry of Urban Development, Construction and Housing
O&M	Operation and Maintenance
PDM	Project Design Matrix
PIP	Public Investment Program
PMO	Prime Minister's Office
PPP	Public-Private Partnership
R&D	Research and Development
R/D	Record of Discussions
SEZ	Special Economic Zone
SWG	Sub-Working Group
TA	Technical Assistance
TOR	Terms of Reference
UBMP2040	Ulaanbaatar City Master Plan 2040
WG	Working Group

I. Basic Information of the Project

1. Country

Mongolia

2. Title of the Project

Project for Promoting the Development of the New Zuunmod City and Free Economic Zone

3. Duration of the Project (Planned and Actual)

Planned: December 2023–November 2025

Actual: December 2023–June 2026

Due to delays in project activities caused by the repeated reorganization of the Government of Mongolia (GOM), the project period was extended twice. As a result, the original completion date of November 2025 was revised to June 2026. The background to each extension is described below.

First extension (from November 2025 to February 2026): Progress from project launch to the first Joint Coordinating Committee (JCC) meeting in December 2024 was hampered by the delayed formation of JCC and Working Group (WG). This delay was caused by administrative procedures on the Mongolian side, in addition to an unanticipated slowdown resulting from post-election ministerial restructuring. Additionally, changes in the implementation framework for New Zuunmod City (renamed as Hunnu City [HC]) development further affected the timeline.

During the period from the initiation of this project to the first JCC meeting in December 2024, WG was established by the Ministry of Construction and Urban Development (MCUD, currently Ministry of Urban Development, Construction and Housing [MUDCH]) Order No. A/29 in February 2024. Three WG meetings were held in March and April 2024, but after the third WG meeting, WG meetings were suspended due to uncertainty of the replacement of officials. Although during the period the JPT conducted the required analysis and prepared for each Project activity, experts' person-months needed to be conserved for activities following the resolution of organizational changes. Given these circumstances, it became difficult to complete all technical cooperation activities within the original project period ending in November 2025. Accordingly, the first JCC meeting in December 2024 concluded that an extension until February 2026 was necessary.

Second extension (from February 2026 to June 2026): Progress, particularly from June to December 2025, was hindered by additional organizational changes following the change of the Prime Minister in June 2025 and the delayed formation of implementing agencies for HC development. Additionally, replacement of the head of the Deputy Prime Minister's Office (DPMO) under the Deputy Prime Minister in charge of regional development and emergency matters, following resignation of the Deputy Prime Minister in October 2025, caused cancellation of the third JCC meeting planned in November 2025. Moreover, the meeting with the newly appointed head of the DPMO was impossible due to the end of the financial year in Mongolia. During this period, the WG and Sub-WG (SWG) meetings were held to proceed with the Project activities. However, the activities slowed down due to the chairperson's and members' changes and repeated explanations on the Project and its activities.

In January 2026, a Japan International Cooperation Agency (JICA) mission and counterpart (C/P) agencies held discussions to reassess the progress status of project activities and the overall timeline. As a result, it was mutually agreed to extend the project completion to the end of June 2026.

4. Background

Ulaanbaatar, the capital of Mongolia, is home to approximately 1.6 million people (about half of the country's total population). The concentration of population and economic activities in the capital city has led to an ongoing challenge of the deteriorating urban environment and traffic congestion. It is important to diversify the country's mining-oriented economic structure, which is greatly affected by fluctuations in international resource prices, and to alleviate dependence on China and Russia, in terms of the economy, business, and trade. The highest national policies of the GOM, i.e., the long-term development policy "Vision 2050" (2020) and "New Recovery Policy" (2021), have consistently emphasized the importance of correcting the concentration of capital, regional development, and industrial diversification.

In April 2022, the Mongolian Parliament approved the "Khushig Valley/New Zuunmod Development Master Plan (renamed the Hunnu City Development Master Plan [HCMP])". HCMP addressed the relocation of universities and administrative facilities from Ulaanbaatar, as well as the development of logistics centers, commercial and industrial facilities, free economic zones (FEZ), and residential areas. Although HCMP was prepared for HC development, the government faced a lack of a legal framework for building a new city and the mechanisms for development management and project coordination required to implement HCMP. Moreover, government officials faced difficulties in initiating development of a new city due to limited experience since the GOM did not build a new city after the socialist era.

In addition, Parliament Resolution No. 10 was issued on 7 April 2022 to develop a 1,000-ha FEZ in the HC area. Mongolia has already established three Free Zones (FZs) at its borders with China and Russia. The law applicable to all FZs is identical and designed for overland transportation. However, according to HCMP, the proposed FEZ is distinguished from existing FZs by its strategic location surrounding the airport and its broader range of targeted industries. Thus, the FEZ, a new concept in Mongolia, lacked a concrete legal framework for promoting development and mechanisms to enhance investment attractiveness.

In light of these situations, JICA received a request from the GOM for assistance in strengthening its capacity to promote the implementation of HCMP. The purpose of this technical cooperation project (the Project) is to promote HC development by establishing the necessary implementation framework for the master plan (MP) and strengthening the GOM's capacity to develop the legal framework and investment environment for the establishment of the new city and the FEZ.

5. Overall Goal and Project Purpose (from Record of Discussions (R/D))

(1) Overall Goal

Development of the New Zuunmod city in Khushig Valley Area proceeds based on the legal and institutional framework.

(2) Project Purpose

The capacity of Mongolian government agencies for coordination and cooperation in order to promote the development of the New Zuunmod city is enhanced.

6. Implementing Agency

The Implementing Agencies and other related agencies underwent several changes during the project period. The table below compares the institutional arrangements at the time of the signing of R/D and at project completion.

Table I-1: Comparison of Institutional Arrangements

Stage	R/D	Project completion (As of June 2026)
Implementing Agencies	• MCUD • Ministry of Economy and Development (MED)	• DPMO • MUDCH • HC • Hunnu City Development Corporation (HCDC) • Khushig Valley FEZ Governor's Office
Other Related Agencies	• Administration for Khushig Valley Development (AKVD) • Agency for Land Administration and Management, Geodesy and Cartography (ALAMGaC) • Construction Development Center (CDC) • Investment and Trade Agency (ITA)	• General Authority for Land Administration, Geodesy and Cartography (GALAGaC)¹ • CDC • Municipality of Ulaanbaatar (MUB)
Other Concerned Agencies	• Ministry of Energy (MOE) • Ministry of Finance (MOF) • Ministry of Road and Transport Development (MRTD) • Ministry of Nature, Environment and Tourism • Ministry of Digital Development and Communication • Ministry of Education and Science • Ministry of Culture • Ministry of Justice and Internal Affairs • Tuv Aimag • Civil Aviation Authority of Mongolia (CAAM) • Water Agency • Ulaanbaatar Railway	• MOE • MOF • Ministry of Road and Transport (MRT) • Ministry of Environment and Climate Change (MECC) • Ministry of Digital Development, Innovation and Communication (MDDIC) • Ministry of Education (MOEd) • Tuv Aimag • CAAM • Water Agency

Changes in the implementing agencies and other related agencies were mainly influenced by the following factors:

Government Restructuring Following the Elections: Following the general election in June 2024 and the local election in October 2024, the government structure was changed. As part of this restructuring, administrative responsibility for the FZ Law was transferred from the MED to the DPMO, which is responsible for regional development and emergency matters.

Legal and Institutional Changes: The Law on the Legal Status of New Zuunmod City (renamed as the Law on the Legal Status of Hunnu City [HC Law]) was approved by Parliament in June 2024, changing the project implementation framework. At the initial stage of the Project, the AKVD was responsible for the Khushig Valley development, but it was reorganized into the 20-Minute City Development Center, which became responsible for implementing the 20-Minute City concept nationwide and in Ulaanbaatar. Accordingly, some of its staff were transferred to the New Zuunmod Development Corporation. Moreover, the HC was established as the newly established administrative body. Subsequently, the FEZ Governor's Office was established under the DPMO to oversee the development and administration of the Khushig Valley FEZ based on the FZ Law, following the revision of the HC Law in January 2025.

Transfer of Development Responsibility: The MCUD was originally responsible for development of New

¹ ALAMGaC was renamed to GALAGaC due to a change in its supervising ministry from MCUD to the Prime Minister's Office.

Zuunmod City during the Project's initial stage. However, it was transferred to the newly established HC government based on the HC Law.

Renaming of C/Ps: Following the 2024 general election, the MCUD was renamed the MUDCH. Furthermore, based on the amendment to the Law on the Legal Status of New Zuunmod City submitted on 22 January 2025, the name of New Zuunmod City was renamed HC on 15 February 2025. Accordingly, the New Zuunmod Development Corporation was also renamed to HCDC.

II. Results of the Project

1. Results of the Project

1-1 Input by the Japanese side (Planned and Actual)

(1) Total Project Cost

Planned: JPY 250 million

Actual: JPY 221 million

(2) Number of Dispatched Experts

Six short-term experts have been dispatched (see Annex 1-1) for the following:

1. Team Leader / Urban Planning
2. Institutional Coordination/ Public Finance Analysis (2) / Urban Development System
3. Public Finance Analysis (1)
4. Investment Policy
5. Land Management
6. Economic Zone Development

(3) Number of Participants

1) Training in Japan and Mongolia

The 8-day high-level study tour in Japan was held from 16 to 23 April 2025, with 16 participants. Its program included lectures and site visits in Tokyo, Kitahiroshima City in Hokkaido Prefecture, and Tsukuba City in Ibaraki Prefecture, focusing on the legal and institutional frameworks for the development of new cities and special economic zones (SEZs).

The training in Mongolia was conducted 5 times, attended by a total of 180 participants. Table II-1 lists the training activities in Japan and Mongolia.

Table II-1: List of Training in Japan and Mongolia

Training Program	Date	Outline	Number of Participants
High-Level Study Tour in Japan	16–23 April 2025	Lectures and site visits on Japanese experiences in new city and SEZ development	16
Training in Mongolia 1	8 May 2025 (Half day)	Experience sharing from the High-Level Study Tour in Japan.	39
Training in Mongolia 2	23 December 2025 (Half day)	Experience sharing from Asian Smart City Conference held in Japan and JICA Thematic Training Program in Japan: Smart City	26
Training in Mongolia 3	2 February 2026 (Half day)	Guidance on the Project Selection Regulation for HC development and evaluation method for the selection	20
Training in Mongolia 4	31 March 2026 (Half day)	How to use the Zoning Regulation for successful HC development	29
Training in Mongolia 5: Final Seminar	2 June 2026 (Full day)	Sharing the project results and promoting cross-governmental discussion on future HC and FEZ development	66

2) WG and SWG

The WG, composed of technical staff of C/Ps, was established to discuss topics addressed in the Project activities. The initial appointment of members for the WG was in 2024, and three WG meetings were held in March and April 2024. In 2025, new WG members were appointed following the replacement of the chairperson and several WG members because of the general and local elections in 2024. Given the significant changes in the organizational structure and membership, WG activities were restarted in February 2025, with the first meeting under the new structure being designated as the first WG meeting. Under this WG structure, three WG meetings were held from February to April 2025. Subsequently, the WG composition was revised a third time, with members added and replaced, and one WG meeting was held in July 2025. The fourth change in the WG was in September 2025, when the Cabinet had changes following the Prime Minister's, and five WG meetings were held between October 2025 and April 2026.

Two SWGs were also established to conduct technical-level discussions in preparation for the development of the Zoning Regulation and Regulation on the Criteria and Procedure of Project Selection, and the Requirements for Selection Participants (referred to as Project Selection Regulation).

The WG and SWG activities had a total of 300 participants, as shown in Tables II-2 to II-4.

Table II-2: List of Working Group Meetings

WG Composition	WG Meeting	Date	Agenda	Number of Participants
1 st WG Composition	1 st WG Meeting (2024)	5 March 2024	1) Project introduction 2) Explanation of Output 1 3) Explanation of Output 2	20
	2 nd WG Meeting (2024)	12 March 2024	1) Preliminary discussion on the concept for the legal framework through the introduction of case studies of new city developments 2) Case study of service city-type Free/ Special Economic Zones ~ for designing a legal and organizational framework for Khushig Valley FEZ	15
	3 rd WG Meeting (2024)	23 April 2024	1) Preliminary discussion on the concept for the legal framework 2) Preliminary discussion for preparation of HCMP Roadmap	15
2 nd WG Composition	1 st WG Meeting	11 February 2025	1) Project introduction 2) Preliminary discussion for preparation of HCMP Roadmap	24
	2 nd WG Meeting	14 March 2025	1) HCMP Roadmap - Discussion for financial analysis and prioritization of the development zone 2) Institutional arrangement for new city development – Other countries' cases and the current arrangement	17, including online participants
	3 rd WG Meeting	15 April 2025	1) Industrial Development Scenario – basic direction 2) Regulation on project requirements, project applicant requirements, and project selection - Concept 3) Zoning regulation - Concept	18
3 rd WG Composition	4 th WG Meeting	2 July 2025	1) Industrial development scenario 2) Implementation approach for Phase 1 development 3) Project progress	14, including online participants

WG Composition	WG Meeting	Date	Agenda	Number of Participants
4 th WG Composition	5 th WG Meeting	31 October 2025	1) Legal framework and organizational structure for the HC development 2) Progress and schedule of project activities	18
	6 th WG Meeting	17 November 2025	1) Suggestions for amendment of the HC Law 2) Coordination mechanism for the HC development	18
	7 th WG Meeting	16 December 2025	1) Legal framework for HC development – concept for amendment of the HC Law	16
	8 th WG Meeting	11 February 2026	1) Budget situation and financial plan for HC development 2) Roadmap of the HC development considering budget situation 3) Legal framework for HC development – draft for amendment of the HC Law	15
	9 th WG Meeting	13 April 2026	1) Roadmap of the HC development considering budget situation 2) Explanation on HC Law 3) Explanation on Zoning Regulation 4) Explanation on Project Selection Regulation	15

Table II-3: Sub-WG-1: Zoning Regulation

SWG-1	Date	Agenda	Number of Participants
1	28 March 2025	1) Objective and target of urban development Zoning Regulation 2) Relation between development procedure and Zoning 3) Skeleton of Zoning Regulation 4) Discussion points	6
2	25 June 2025	1) Positioning of Zoning Regulations in other countries 2) Discussion on the policy direction for drafting the Zoning Regulation	8, including online participants
3	15 September 2025	1) Discussion on provisions based on the draft prepared by the JICA Project Team (JPT)	16
4	17 December 2025	1) Discussion on provisions based on the draft prepared by the JPT	11
5	14 February 2026	1) Discussion on provisions based on the draft prepared by the JPT	14

Table II-4: Sub-WG-2: Project Selection Regulation

SWG-2	Date	Agenda	Number of Participants
1	28 March 2025	1) Objective and target of the requested rules/ procedure 2) Existing rules/ procedures on land distribution and project selection 3) Applicability of the existing rules/ procedures 4) Skeleton of the Project Selection Regulation in HC, including FEZ	9
2	28 May 2025	1) Draft Project Selection Regulation in HC, including FEZ	11
3	18 September 2025	1) Draft Project Selection Regulation in HC, including FEZ	13
4	12 December 2025	1) Case study of similar SEZs	7

(4) Cost of Handover Equipment

The total cost of the equipment handed over is JPY 2,264,450. These are two multifunction printers and one meeting room monitor.

Under the original plan, with a budget of JPY 2,246,102, two multifunction printers and two projectors were to be procured for the project offices in the MCUD and the MED. Instead, two multifunction printers were handed over to MUDCH (previously MCUD) and HCDC and one meeting room monitor to the HCDC, with an actual cost of JPY 2,264,450. This change was due to the shift in the main C/Ps from the MED to the DPMO, the addition of HCDC as an Implementing Agency, and the relocation of the project office to HCDC. Accordingly, the two originally planned projectors were replaced with a single meeting room monitor for the HCDC office, and procurement was completed.

(5) Cost of Overseas Office

None

1-2 Input by the Mongolian Side (Planned and Actual)

(1) JCC and WG

1) JCC

The JCC was established on three occasions by Joint Decrees of the Deputy Prime Minister and the Minister of the MUDCH: (i) 15 November 2024, (ii) 10 February 2026, and (iii) 7 May 2026 (see Annex 1-2 (1)).

Three JCC meetings were held. Under the original plan, the JCC meetings were to be held every six months from the Project's commencement. However, due to delays in establishing the JCC caused by the administrative procedural issues in the Mongolian side and by the restructuring of the GOM following the 2024 general and local elections, the first JCC meeting was held in December 2024, approximately one year after project commencement. The second JCC meeting was held in May 2025. The third JCC meeting, originally scheduled for November 2025, was postponed to June 2026 due to the resignation of the Prime Minister in June 2025 and subsequently the Deputy Prime Minister and the head of the DPMO in October 2025. More details related to JCC are summarized below.

The first JCC was established by the Joint Decree of the Deputy Prime Minister and the Minister of the MUDCH No. 91/100, on 15 November 2024. The JCC chairperson was the head of the DPMO, and the vice-chairperson was the State Secretary of the MUDCH. Besides, 16 members were appointed from 15 concerned organizations, including HC (1 member), the MUDCH (1 member), the MOF (1 member), the MOEd (1 member), the MDDIC (1 member), the MRT (1 member), the MOE (1 member) and the MECC (1 member), the 20-Minute City National Committee (1 member), the MUB (1 member), GALAGaC (1 member), CAAM (1 member), Tuv Aimag (2 members), the AKVD (1 member), and the CDC (1 member).

At the first JCC meeting in December 2024, the Project outline and progress were confirmed. The JCC also approved the revisions to Output 1 and its related activities to reflect the enactment of the HC Law, which had originally been expected to be developed under the Project, as well as an extension of the project period until February 2026.

The JCC chairperson was replaced on 11 April 2025, just before the dispatch of the high-level study tour to Japan and the second JCC meeting due to the change of the DPMO head.

The second JCC meeting was held with the new chairperson in May 2025. At the meeting, the Mongolian and Japanese sides confirmed the progress of project activities and agreed on the schedule for future activities. Both parties also agreed to continue discussions through the WG and SWG meetings on project activities, including a feasible development roadmap, the Industrial Development Scenario centered on Information and Communication Technology (ICT), and institutional frameworks for project implementation. In addition, both parties agreed to renew the JCC/WG members by including

representatives from newly established organizations and a training program in Japan, and to hold the next JCC meeting in August 2025.

Following the second JCC meeting, a Cabinet reshuffle in June 2025 delayed the issuance of a letter on the revision of the JCC members, and the third JCC meeting, originally scheduled for August, was postponed. In addition, following the resignation of the Deputy Prime Minister and the head of the DPMO in October 2025, the third JCC meeting, rescheduled for November, was again postponed. Finally, the new JCC was established through Joint Decree No. 35/22 on 10 February 2026. The composition of the JCC was also updated. The Acting State Secretary of the MUDCH was newly appointed as the vice-chairperson. In addition, the representatives of the MUDCH, the MDDIC, the MRT, and the MECC were replaced, while one new member each from the HCDC and FEZ Governor's Office was appointed.

However, the JCC chairperson (DPMO head) was again replaced following the changes in the Deputy Prime Minister's leadership after the appointment of a new Prime Minister and the formation of a new Cabinet in April 2026. The new JCC chairperson was appointed by Joint Decree No. 97/77 on 7 May 2026. In addition, the representatives from the FEZ Governor's Office and the MUB were replaced following their resignations.

At the third and final JCC meeting in June 2026, the Mongolian and Japanese sides acknowledged the Project's overall achievements and final outputs. Both parties also confirmed future actions to be taken following its completion and the importance of continued efforts by the C/Ps to implement the Project outcomes, including legal amendments, development roadmap, institutional coordination, and investment promotion activities. In addition, both parties confirmed the Project's successful completion and agreed on the need for continued leadership and inter-agency coordination to advance HC and FEZ development beyond the project period.

Table II-5 summarizes the JCC meetings organized in this Project.

Table II-5: List of JCC Meetings

No.	Date	Agenda	Number of Participants
1st JCC	13 December 2024	1) Project scope, project implementation structure, progress, project schedule, and upcoming activities	21
2nd JCC	16 May 2025	1) Progress of project activities in general 2) Details of project activities	21
3rd JCC	3 June 2026	1) Summary of each project activity 2) Joint Evaluation Result of the Project	26

2) WG

The WG was established on four separate occasions by MUDCH Order (i) on 26 February 2024, (ii) on 6 December 2024, (iii) on 22 May 2025, and (iv) on 5 September 2025 (see Annex 1-2 (2)).

The first WG was established by MCUD (currently MUDCH) Order No. A/29 on 26 February 2024. The chairperson was the Director General of the Development Policy, Planning and Urban Development Department (currently the Urban Development, Construction and Housing, Policy and Coordination Department of MUDCH). 19 members were appointed from 15 concerned organizations, including the MOF (1 member), the Ministry of Culture (1 member), the MCUD (4 members), the Ministry of Environment and Tourism (currently MECC; 1 member), the Ministry of Education and Science (currently MOEd; 1 member), the Ministry of Digital Development and Communications (currently MDDIC; 1 member), MRTD (currently MRT; 1 member), the MOE (1 member), Water Agency (1 member), GALAGaC (1 member), CAAM (1 member), the National Civil Aviation Center (1 member), Tuv Aimag (1 member), the AKVD (1 member), and the CDC (1 member).

The second WG was established after the election in June 2024, pursuant to MUDCH Order No. 120 on 6

December 2024. Due to the organizational restructuring and the appointment of DPMO as the Implementing Agency of the Project, several WG members were also replaced. In addition to changes in organizational names and representatives, the DPMO (2 members), the MUB (1 member), and the National Institute for Regional Development (1 member) were included, bringing the total number of WG members to 24.

The third WG was formulated to add members from the newly established HC (2 members), and the FEZ Governor's Office (1 member), as well as the non-C/P participants at the working level of the high-level study tour in Japan, including the DPMO (1 member) and the 20-Minutes City National Committee Office (1 member), bringing the total number of WG members to 31.

The fourth WG was formulated to include additional members closely involved in HC development, including officials from the HCDC (2 members), the FEZ Governor's Office (1 member), GALAGaC (1 member), the MUB (1 member), and the 20-Minute City Development Center.

The details on the WG meetings are provided in Table II-2.

(2) Project Office

The main C/Ps, the MCUD and the MED, provided office spaces for the JPT in their respective buildings at the beginning of the Project. However, following the transfer of FEZ-related responsibilities from the MED to the DPMO, the project office in the MED was relocated to the HCDC in February 2025.

In March 2025, the other office in the MUDCH was also relocated to HCDC due to an increase in MUDCH officials and a shortage of office space in its building. After September 2025, additional office space at the HC, located next to the HCDC office, was provided to the JPT, as the HCDC had recruited additional staff and no longer had enough space to accommodate all JPT members.

(3) Other Inputs

- Coordination of the JCC and the WG meetings, as well as other meetings and events related to the project activities among the C/Ps
- Provision of meeting venues
- Office-related expenses necessary for the project implementation, including electricity costs

1-3 Activities (Planned and Actual)

(1) Activity 1-1: To Review Laws, Budgets, and Master Plans for New City Development

Planned	To review the existing laws/regulations related to urban development and establishment of new cities, the budget status, formulated master plans, and case studies of other countries.
Changes	None

This activity was largely completed in the first year (April 2024); however, additional documents were reviewed as deemed necessary.

The following categorized information/ documents were reviewed to grasp the proposed HC and the current situation of legal/ organizational/ investment framework in relation to HC, and to obtain inputs to the activities for Output 1:

- Existing laws and regulations related to urban development and the establishment of new cities;
- National government and MUB budgets and their priority projects (see details in Activity 1-2);

- HCMP, FEZ development master plan (FEZMP), and the detailed master plans (DMPs) of various development zones within HC;
- Other related policies and plans; and
- Other countries' cases.

1) Existing Laws and Regulations

The existing laws and regulations mainly reviewed are as follows.

- Law on Urban Development
- Law on Land
- Law on Construction
- Law on Free Zone
- Law on the Legal Status of Cities and Towns
- Law on Administrative and Territorial Units and their Governance

The results of the review were applied to amending the HC Law in Activity 1-4 and to the drafting of two regulations in Activity 1-6.

2) HCMP, FEZMP, and DMPs of Various Development Zones

The results of the review were applied to the recommendations in Activity 1-1 and the proposed roadmap in Activity 1-2.

HCMP was approved in 2022 as a long-term urban development plan with a target year of 2040. Under the plan, HC was designated a development area of 31,500 ha, with a target population of 34,000 by 2040. The development area is divided into ten zones, as illustrated in Figure II-1. Based on HCMP, FEZMP and four DMPs, i.e., the Administrative Zone, Logistics Zone, Academic Zone, and Medical Zone, have been prepared. The key features of HCMP, FEZMP and DMP for each zone are summarized in Table II-6. Discrepancies exist between HCMP and FEZMP/DMPs, and furthermore, between FEZMP/DMPs and the actual implementation situation.

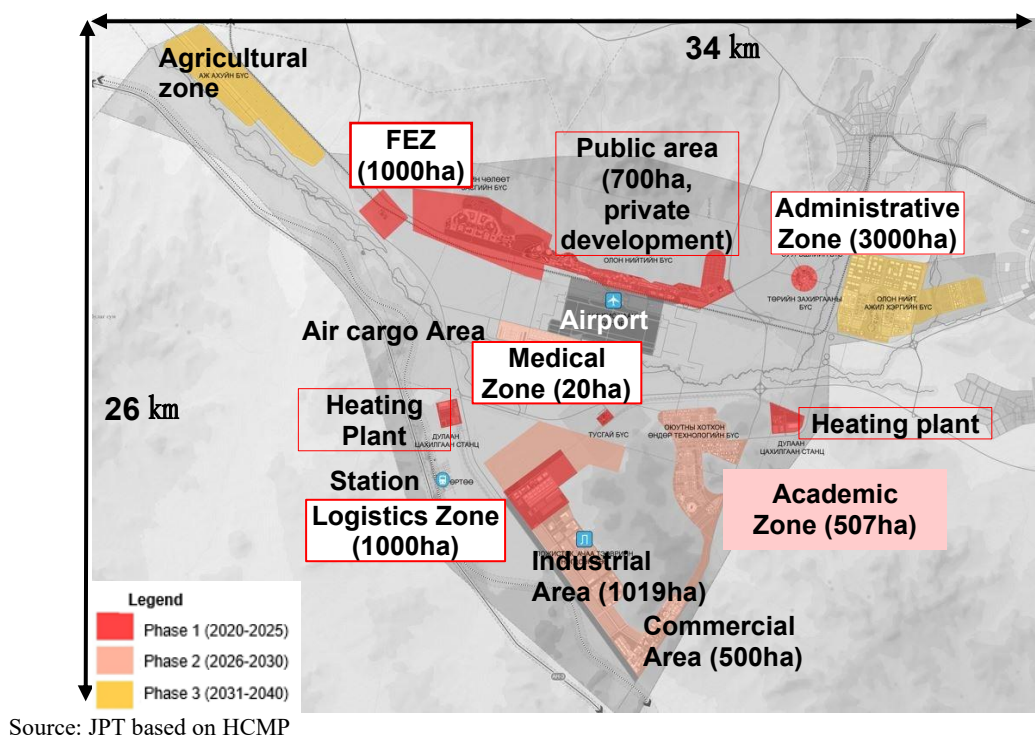


Figure II-1: Location of the HC Development Area

Table II-6: Summary of Development Plans for Each Zone

Zone	Summary of the Development Plan
Administrative Zone	- Administrative center planned to alleviate the overconcentration of functions in MUB. <HCMP> A government complex (approximately 400,000 m²) was planned on 36.94 ha, together with the relocation of selected national government agencies. <DMP> Approved in 2025 by the Cabinet. Covered 3,000 ha and planned a mixed-use district comprising administrative, residential, public, commercial, and logistics functions. The total investment cost was estimated at approximately Mongolian Tugrug (MNT) 4.96 trillion for the period 2025–2040. - Phase 1 (2025–2030) focused on the development of 247.2 ha, selected for ease of access to existing infrastructure and high feasibility for implementation, with the aim of advancing the urban core development and strengthening administrative functions. The estimated investment cost was approximately MNT 707.6 billion.
FEZ	- Leveraging its proximity to the airport, the FEZ aimed to promote investment and industrial development by concentrating free-trade, financial, and service functions. Also planned as a tourism destination with international-standard entertainment, commercial, and business functions. <HCMP> Designated 440.8 ha for development. <FEZMP> Approved in 2024 by Cabinet. Covered 1,000 ha and proposed a two-phase development with 59.9 ha (2022–2028) of Phase 1 and 940.1 ha (2029–2040) for Phase 2. The total investment cost was estimated at approximately MNT 9.06 trillion.
Logistics Zone	- Intended to accommodate international logistics, customs, and related service functions. <HCMP> Proposed an initial development area of 400 ha to facilitate the relocation and concentration of logistics functions from Ulaanbaatar, with an additional 600 ha reserved for future expansion. <DMP> Approved in 2022 by Tuv Aimag Citizens' Representatives' Khural. Divided the initial 400 ha into two phases: 324.8 ha (2022–2027) for Phase 1 and 75.2 ha (2028–2032) for Phase 2. The estimated investment cost was approximately MNT 511.9 billion.

Zone	Summary of the Development Plan
Medical Zone	- Planned as the Second National Infectious Disease Hospital covering 20 ha. <HCMP> The first phase consisted of 2.7 ha (564 beds), with expansion to 6 ha by 2040. <Detailed design> Approved in 2021 by Cabinet. Divided the site into four functional zones: medical services, research, administration, and reserve facilities. The estimated investment cost was approximately MNT 277.0 billion.
Academic Zone	<HCMP> Envisioned an education, research, and innovation hub comprising a University and Research Area (221 ha) and a High-Tech Industrial Area (257 ha). <DMP> Approved in 2022 by Tuv Aimag Citizens' Representatives' Khural. Proposed a three-phase development program: 20 ha (2022–2026) for Phase 1, 50.58 ha (2026–2030) for Phase 2, and 128.04 ha (2030–2040) for Phase 3. The total investment cost was estimated at approximately MNT 855.0 billion.

Source: JPT based on HCMP, FEZMP, and DMPs

Overall, HCMP-based HC development faces three challenges. These issues were shared with the C/Ps during the third WG (2024) meeting in April 2024 and the first WG meeting in February 2025 as a preliminary analysis for the roadmap review of the HCMP.

(i) Low Investment Feasibility Due to the Absence of Major Investors and Limited Private Sector Participation

Given the absence of major investors and limited private sector participation, the feasibility of realizing investments is considered not high. In Mongolia, demand for new urban development remains limited with the current population scale; simply constructing a city will not automatically attract residents. Under these circumstances, it is necessary for the public sector to take the lead in creating visible and tangible urban agglomerations, even on a small scale, while promoting the relocation of industries and population through central administrative relocation, and prioritizing the development of key functions that trigger growth. By doing so, the city must establish its attractiveness, offering a superior living environment, job opportunities, and educational standards that surpass those of MUB.

(ii) Inefficiency in Infrastructure and Urban Service Development and Maintenance Due to Extremely Low Population Density

Extremely low population density reduces the efficiency of infrastructure development and its operation and maintenance (O&M), as well as the provision of urban services. HCMP envisions infrastructure development across a vast area of 31,500 ha. With a projected population of only 34,000, the overall density is as low as 1 person per ha and 67 persons per ha in the residential area of the Administrative Zone, which represents an area of the highest population concentration in the whole HC. Under such conditions, it is critical to consolidate development areas and increase population density to improve infrastructure efficiency and service delivery.

(iii) Concerns Regarding Functional Sustainability and Economic Viability Due to Transportation Networks

Enhancing connectivity both within HC and between the HC and the MUB is critical. Insufficient internal and external transport networks raise concerns regarding the planned city's functional sustainability and economic viability. Under HCMP, residential areas are fundamentally designed to be located within the Administrative Zone. However, given the vast spatial scale of HC, extending 34 km east–west and 26 km north–south, the distance between residential areas and the various development zones (workplaces), where employment opportunities are concentrated, is significant. As a result, daily mobility is likely to rely heavily on private vehicles. Substantial freight traffic from logistics centers will also generate a high traffic volume of heavy trucks. Moreover, visitor-attracting facilities, such as MICE (meeting, incentive travel/tour, convention, and exhibition/event) and other large-scale facilities, will further increase vehicular traffic, particularly during events. There are concerns that traffic congestion will emerge in the near future. As key mitigation countermeasures, it is essential to have an effective public transportation system and to develop a road network based on logistics planning.

3) Other Related Policies and Plans

The Ulaanbaatar Planning and Research Institute developed the Ulaanbaatar City Master Plan 2040 (UBMP 2040), including HC development within its long-term urban structure and infrastructure planning framework. However, following the change in leadership at MUB in October 2023, the mayor revised it in light of the policy shift. Changes were made to the ring road and urban rail plans, as well as to the number and boundary of lower-level administration. The document is officially listed in the 2024 discussion issues of the spring session of Parliament. However, it has not yet been approved by Parliament, and its prospects for approval remain uncertain, despite the draft having undergone several revisions. The draft plan (unknown version) designates HC as a satellite city of the MUB, integrating key urban functions such as an airport, dry port, free zone, logistics center, and tourism hub. Although the latest modifications could not be shared with the JPT, the core concept regarding HC within UBMP2040 has remained consistent across recent versions, suggesting minimal impact on the Project.

The MRTD (currently MRT) conducted the feasibility study (FS) of the Bogdkhan Railway in 2024. The primary objective is to reroute freight transport, which currently concentrates at major stations within Ulaanbaatar, to the multi-modal logistics hub in the Khushig Valley. Upon completion, the project is anticipated to significantly reduce heavy-duty truck traffic entering downtown Ulaanbaatar by up to 50%, thereby mitigating urban traffic congestion and reducing vehicular emissions. The FS estimated the annual rail freight volume to HC at 3.5 to 20 million tons. This includes 50% imported goods (food, machinery, plastic products, chemicals, etc.) and 0.5 to 10 million tons of construction materials, equipment, and supplies. Given that imports from China via rail in 2024 totaled 618,092 tons, it is assumed that the aforementioned HC freight volume figure also includes cargo originating from Russia.

Negotiations with Russia, the 50% shareholder of Ulaanbaatar Railway, were unsuccessful in building the Bogdkhan Railway. Thus, the government changed the railway name to Bagakhangai-Khushig Valley Railway, including its alignment. The revised FS was approved in 2025. The railway was planned to construct 102.8km in two phases: (i) from Bagakhangai Station to Khushig Valley (HC) (87.2 km) and (ii) Khushig Valley (HC) to Shuvuun Fabrik (15.6 km).

According to the MRT, implementation of the first phase, spanning from Bagakhangai Station to Hunnu-2 Station, commenced in April 2025, achieving an 84% completion rate by April 2026 and completing by September 2026.² Notably, in April 2026, the governments of Mongolia and Russia reached an agreement regarding the construction of a new branch rail line of the existing railway. Subsequently, the MRT intends to revise the alignment, shifting the destination to Emeelt, which was originally planned under the Bogdkhan Railway project. Construction for the subsequent section between Hunnu-2 Station and Emeelt Station is scheduled to begin in the third quarter of 2026.

4) Other Countries' Cases

Key insights and implications from the case studies of Tsukuba Science City, Kansai (Keihanna) Science City, Woven City, and Minato Mirai 21 (MM21) in Japan, Sejong Special Self-Governing City in the Republic of Korea, Ibu Kota Nusantara, the new capital of Indonesia, and Aspern-Seestadt of Vienna, Austria were shared in several WG meetings. In the second WG (2024) meeting in March 2024, information on Tsukuba Science City and Keihanna Science City was presented. Nusantara was featured in the first WG meeting in February 2025. In the fourth WG meeting in July 2025, Woven City, MM21, and Aspern Seestadt were introduced as similarly sized priority development areas of the Administrative Zone and FEZ. Furthermore, the implementation frameworks for Tsukuba Science City, Sejong, Nusantara, and Aspern Seestadt were explained in the fifth WG meeting in October 2025. A summary of the key insights and implications learnt is as shown in Table II-7 (see Chapter 1 (1) of the Separate Volume).

² Based on information provided during a meeting with MRT's Director General of Policy Planning Department, April 2026.

Table II-7: Summary of the Key Insights and Implications Learnt from Case Studies

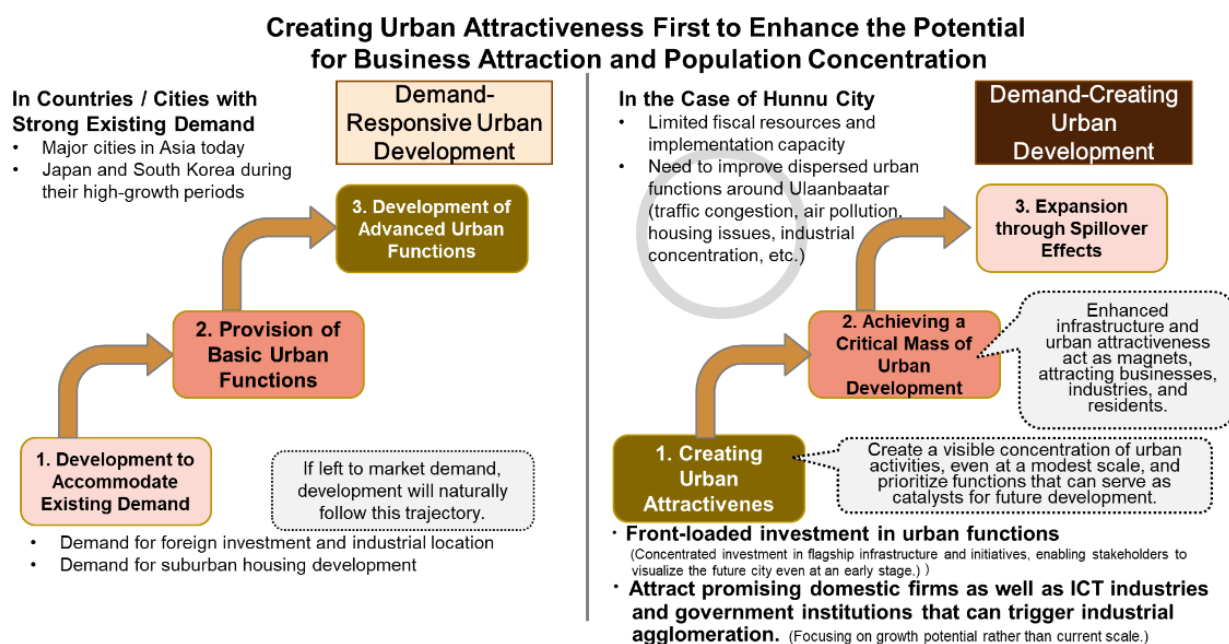
City/Country	Key Insights and Implications
Tsukuba Science City, Japan	A reference for “planned hub development” that balanced alleviating Tokyo’s overcrowding with the formation of a self-sustaining academic city through the wholesale relocation of government research institutes and universities led by the national government, focusing on the development timeline with the targeted area and change of actors from government initiative to public-private corporation, law framework, and coordination mechanism of stakeholders.
Keihanna Science City, Japan	A reference for “cluster development and regional governance” in a private-sector-led academic city arranged in a ‘cluster’ type, focusing on the development timeline and coordination mechanism of stakeholders.
MM21, Japan	A reference in risk management through phased development to ensure urban sustainability and flexibility, transition of the investment from government-led to private sector-led, strategy to sustain the city by attracting people and industries, promoting private sector participation by utilizing tax breaks and concessional loans from the government.
Toyota Woven City, Japan	A reference of the similar scale of development as the priority development area of the FEZ, focusing on the integration of “risk management through phased development” and “incorporation of testbed functions into the city” to ensure flexibility.
Nusantara, Indonesia	A reference in phased development that prioritizes the core government area with planned financing sources (public, private, and public-private partnership [PPP]) and focuses on the development timeline, the first phase target area and infrastructure, a wide-area infrastructure network, financial scheme, and implementing structure.
Sejong, the Republic of Korea	A reference to the relocation of administrative functions through a strong initiative by the national government to alleviate overcrowding in the capital. The phased relocation of national government agencies was used to forcibly generate initial urban demand and population growth. By having a public enterprise centrally manage everything from land acquisition and infrastructure development to the sale of land to the private sector, the government ensured the implementation of the MP and the city’s rapid development.
Aspern-Seestadt of Vienna, Austria	A reference to the same scale of development as the Phase 1 area of HC’s Administrative Zone, focusing on phased development.

Source: JPT

5) Recommendation

After reviewing the results, the JPT had recommended adopting the **phased development approach**, anchored by initial government investment (see Figure II-2), in HC development. The initial development phase of HC must **focus on creating a visible urban agglomeration, even if on a small scale, supported by a clear strategy to sustain and attract investment**. Currently, the top priority should be given to establishing functions that can trigger broader development, subject to two key conditions:

- Strategic upfront investment in infrastructure to **strengthen high-standard smart city capabilities**, incorporating forward-looking digital and cutting-edge technologies (even on a partial basis) to accelerate the realization of the development plan.
- Strategic initiatives to attract international firms by **leveraging government organizations through government relocation as anchor institutions and initially attracting promising domestic companies** as catalysts for initial industrial clustering, with an emphasis on growth potential over scale.



Source: JPT

Figure II-2: Recommendation toward HC development

Detailed analysis and recommendations are provided in Chapter 1 (2) of the Separate Volume.

(2) Activity 1-2: To Propose a Roadmap and Budget Scenario

Planned	To propose a roadmap including a budget securing scenario based on the results of 1-1 above.
Changes	None

The roadmap, considering the GOM's financial capacity, was proposed based on the results of Activity 1-1. This section is divided into two sections: (i) analysis of the national and capital budgets and project costs, and (ii) roadmap preparation.

1) Analysis of National and Capital Budgets and Project Costs

To assess the funding capacity of the central and local governments for HC development, documents related to the national government and the MUB capital budgets, as well as project cost information for HC development, were reviewed, taking into account other ongoing and planned mega projects. The detailed analysis is provided in Chapter 2 of the Separate Volume.

• Analysis of Annual Investment Capacity and Investment Schedule of HC Development

First, the capital budgets of each concerned ministry and the MUB for the period from 2022 to 2025 were reviewed. The result shows that development budgets have increased at both the national and MUB levels, although the national development budget declined in 2025. At the national-level, the MUDCH, the MRT, and the MOEd accounted for 50–60% of the total development budget during 2022–2025, with the MRT's share increasing while those of the other two ministries declined. Including the MOE and the Ministry of Health (MOH), their combined share reached about 70% in 2025. At the MUB level, higher tax revenues, the discontinuation of fiscal transfers to the national government in 2025, and municipal bond issuance since 2024 have significantly increased development budgets. As a result, capital city investment rose sharply from MNT 708 billion in 2022 to MNT 4,735 billion in 2025. However, given MUB's many planned infrastructure projects, including the 24 Mega Projects (later consolidated into 16 projects), fiscal room for HC development remains limited.

Table II-8: Breakdown of National and MUB Budget (2022–2025)

Unit: Billion MNT

National/UB	Organization		2022	2023	2024	2025
National Budget	Overall	Total expenditure	11,909	17,239	22,678	24,210
		Capital expenditure	2,764	3,952	6,107	6,547
		Development budget	1,394	2,686	3,829	3,124
	HC related budget	Direct	2.4	63.5	45	52.5
		Indirect	8.5	7.3	167	50
	MUDCH	Total	244	387	459	424
		Capital expenditure	223	345	414	354
		Development budget	223	345	414	354
	MED	Total	312	339	183	276
		Capital expenditure	0.2	43	92	159
		Development budget	0.2	43	67	51
	MRT	Total	307	482	818	1,091
		Capital expenditure	293	465	794	1,067
		Development budget	231	409	737	951
	MOE	Total	143	256	468	298
		Capital expenditure	81	169	226	196
		Development budget	81	169	226	196
	MOEd	Total	2,321	3,104	4,150	4,466
		Capital expenditure	357	529	723	473
		Development budget	357	529	723	473
	MOH	Total	976	1,336	1,659	1,847
		Capital expenditure	73	172	283	193
		Development budget	73	172	283	193
MUB Budget	Overall	Expenditure	1,389	1,656	3,406	5,972
		Capital city total expenditure	1,213	1,278	3,370	5,958
		Financial support to districts	7.9	8.3	16	14.1
		UB revenue transfer to the state	168	370	19.6	0
	Capital city investment	Total	708	604	2,278	4,735
		Capital city budget investment	141	284	1,565	1,567
		Multiyear investment	-	-	-	773
		RF investment	68	66	78	153
		LDF investment	15	21	24	24
		PTDF investment	-	-	28	29
		UB bond investment	-	-	450	2,188
		Investment carryovers	50	234	133	0
		Others	434	-	-	-

Note: LDF =Local Development Fund, PTDF =Public Transportation Development Fund, RF =Road Fund, UB = Ulaanbaatar

Source: JPT based on National and MUB Budgets

The project costs specified in the HCMP, FEZMP, and DMPs were reviewed after. Using these cost estimates, an annual investment schedule for the period from 2022 to 2040 was prepared.

Subsequently, the projected national and MUB capital budgets were compared with the estimated project costs in HCMP, FEZMP and DMPs, categorized by the responsible implementing organization. Through this comparison, the budget requirements for HC development and their shares within the total capital budgets of each organization were estimated.

In parallel, project cost information for other large-scale initiatives, including the national “14 Mega Projects” and the MUB “Mega Projects,” was examined. The analysis showed that while most national mega projects rely on foreign loans and private investment, three major MUB-funded projects alone are projected to require MNT 654 billion annually during 2025–2028 (about 30% of the average annual development budget) and MNT 406 billion in 2029 (about 19% of the budget).

• Analysis of the Detailed Investment Schedule and Update of Funding Capacity

From April 2025 onward, the JPT continued to collect more detailed budget- and cost-related documents, including tender lists, annual budget proposals for the HC project, and information on other mega projects and donor-supported programs.

HC investment during 2022–2025 remained limited and was mainly financed by the national budget. National allocations exceeded MNT 35 billion annually during 2022–2024 and increased to MNT 111.9 billion in 2025, raising HC’s share of the national development budget from 1.1% in 2022 to 3.5% in 2025. In contrast, MUB made no allocation until 2024 and allocated MNT 2.3 billion in 2025. Although the corresponding shares increased to 4.1% for the national budget and 0.9% for the MUB budget in 2026, the overall scale of HC investment has remained modest.

Due to the limited budgets of the national government and the MUB, the GOM requested the Asian Development Bank (ADB) to provide lending support for HC development. ADB implemented the transaction technical assistance (TA) to prepare a large-scale investment program for the phased development of a green, climate-resilient new satellite city in the Khushig Valley area from 2023 to 2025. This included identifying urban development strategies and components, conducting a feasibility study for infrastructure projects, and enhancing project readiness. In particular, the TA focused on the core infrastructure for the Phase 1 area designated by NZMP, located on the northern side of Chinggis Khaan International Airport. These included flood control channels, wastewater treatment facilities, a pilot geothermal heating system, and roads.

Following the TA, ADB changed the scope of components and added the Phase 1 area of the Administrative Zone (286 ha) to support subsequent infrastructure investment under a USD 100 million financing window. As of April 2026, the components proposed for ADB financing include core infrastructure for flood control channels and sewage pipes in the northern part of the airport, as well as basic infrastructure within the 286-ha Phase 1 area in the Administrative Zone, including flood protection channels, sewage and water pipelines, power facilities, and heating pipelines, and utility conduits. Construction of roads, a smart city control center, a kindergarten, and a school are also included, focusing on the city center (90.2 ha) within the 286-ha Phase 1 area. However, the final scope may be revised based on the results of the ongoing feasibility study. The feasibility study covering the entire 286-ha area, including the 90.2-ha core area, is being undertaken by a Mongolian planning firm, with a draft report expected in June 2026.

Based on updated information and further review, including discussion in the ninth WG meeting held in February 2026, a more detailed investment schedule for the period from 2025 to 2036 was prepared, and the required annual national and MUB budget allocations were updated accordingly.

The investment schedule was revised into a 12-year framework (2025–2036) consisting of three four-year phases (see Table II-9). The total investment requirement is MNT 2,548 billion, with a large share concentrated in the first two phases. Of this, MNT 1,711 billion is expected to be financed by the national budget and MNT 777 billion by MUB. The cumulative development budgets over the same period are estimated at approximately MNT 38,466 billion for the national government and MNT 26,608 billion for the MUB, based on 2025 budget levels and subsequent annual assumptions.

Although the required MUB budget for HC development in each phase is relatively modest compared to the Selbe City Housing Project, annual investment is heavily concentrated in 2027–2030, peaking at over MNT 500 billion in 2028 and remaining similarly high in 2029.

The share of the development budget allocated to HC increases significantly under the planned investment schedule. Based on projected development budgets of the national government (MNT 3,213 billion) and MUB (MNT 2,187 billion), the implied average shares reach 6.0% (2025–2028) and 4.7% (2029–2032) for the national government, and 4.1% (2025–2028) and 4.4% (2029–2032) for MUB. These levels represent a clear increase from recent actual allocations, which remained at around 1–2% in 2022–2024 and rose in 2025–2026 to only around 3–4%, although they remain relatively high historically. At the annual level, the required shares peak during 2027–2029, reaching up to 10.1% for the national budget and around 8–9% for the MUB, indicating a concentration of fiscal demand over a limited period.

Table II-9: Annual Investment Schedule for HC Development Financed by Public Funds (2025-2036)

Unit: Billion MNT

Area	Category	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Area-wide	Survey/Design	22.7	4.6	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Construction	78.1	125.0	81.0	148.8	127.1	84.3	84.8	84.8	83.9	83.9	83.9	80.2
Admin Zone	Survey/Design	0.0	3.1	1.9	1.4	0.4	0.0	0.3	0.0	1.0	0.0	0.0	0.0
	Construction	9.7	8.5	65.8	59.8	109.8	93.7	21.0	0.0	16.0	15.0	0.0	0.0
FEZ	Survey/Design	0.0	2.6	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Construction	0.0	0.5	23.5	95.3	78.5	20.5	10.2	10.2	0.0	0.0	0.0	0.0
Medical Zone	Survey/Design	0.0	0.0	0.0	0.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0
	Construction	3.0	6.3	76.0	76.0	76.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Logistics Zone	Survey/Design	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Construction	0.0	0.0	32.4	32.1	10.2	10.2	0.0	0.0	0.0	0.0	0.0	0.0
Academic Zone	Survey/Design	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Construction	0.0	0.0	78.8	92.2	91.2	76.2	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total	Survey/Design	23.3	10.6	7.0	1.4	4.4	5.0	6.3	7.0	9.0	9.0	10.0	11.0
	Construction	90.8	140.3	357.5	504.2	492.7	284.9	116.0	95.0	99.9	98.9	83.9	80.2
Total		114.2	150.9	364.4	505.6	497.1	289.9	122.3	102.0	108.9	107.9	93.9	91.2
Four-Year Total		1,135.1				1,011.4				401.8			
Budget	National Budget	772.6				607.1				331.8			
	UB City Budget	363				382				32.0			

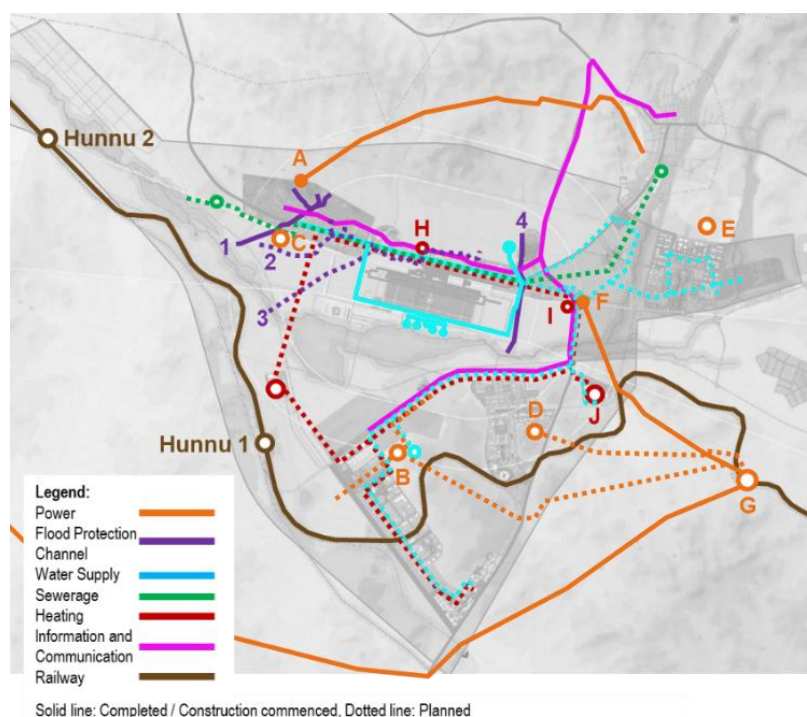
Source: JPT based on project lists from HC and FEZ Governor's Office, budget proposals, and tender documents

2) Roadmap Preparation

The proposed roadmap by the JPT was prepared based on HCMP, the budget analysis above, and the current development progress (see Chapter 3 of the Separate Volume).

• Current Situation

Core infrastructure development in HC has been progressing across various fields in accordance with HCMP. Development of the core infrastructure connecting the development zones across HC has commenced in sectors such as power supply, information and communication systems, and railway. However, progress differs among infrastructure sectors in terms of implementation timing (see Figure II-3 and Table II-10). For example, while the development of information and communication infrastructure has been completed, the development of water supply and sewage systems is experiencing delays. Additionally, the development of heating facilities has not yet begun.



Source: JPT

Figure II-3: Status of Core Infrastructure Development (as of December 2025)

Table II-10: Status of Core Infrastructure Development in HC (as of December 2025)

Infrastructure	Development Status
Power (MOE)	- Among the seven planned substations, the Khundi substation (A) near FEZ has been completed. Logistics (B), FEZ (C), and University Campus (D) substations are under design, while the Park substation (E) remains unplanned. - Transmission lines from Khundi substation to the northern Administrative Zone, and from Aerocity substation (F) to Sergelen substation (G), have been completed. - Construction for the Songino – Sergelen transmission line and the line connecting Sergelen – University Campus – Logistics substations are ongoing.
Flood Protection Channels (MOE/MUDCH)	- Among the four planned channels, Channel No. 1 is under construction and expected to be completed in 2026, while Channel No. 4 has already been completed. - Channels No. 2 and No. 3 are planned with ADB support.
Water Supply (MUDCH)	- Wells, pumps, and pipelines south of the airport have been completed. - Pipelines for sharing water supply with northern airport areas (FEZ/Public Zone) are partially completed and partially under design.
Sewerage (MUDCH/MUB)	- Wastewater treatment facilities for northern airport areas and Zuunmod have completed the design and tendering. - Approximately 21 km of sewage pipelines are expected to be developed with ADB support. - Southern airport areas are planned to have zone-level wastewater treatment systems.
Heating (MOE)	- After 2027, two distributed heat supply facilities are planned through PPP for the transit hotel area and the 70-ha Administrative Zone area north of the airport. - Thermal power generation facilities are also planned under PPP arrangements.
Information and Communication (MUDCH/MOE/MDDIC)	- The communication infrastructure has already been completed. - Additional backbone communication infrastructure is planned for future FEZ data center development.
Road (MUB/MRT)	Roads under design include Administrative Zone (77.8 km), FEZ (24.6 km), Public Zone arterial roads (6.4 km), Academic Zone secondary roads (2.2 km), and Logistics Zone secondary roads (6.4 km). Construction is planned after 2027–2028.
Railway (MRT)	Construction of the Bagakhangai–Khushig Valley Railway is underway.

Source: JPT

The development of HC has commenced in four Phase 1 development zones (the FEZ, Administrative Zone, Medical Zone, and Logistics Zone) and the Academic Zone, which is scheduled for development in Phase 2 (see Figure II-1). Based on interviews with concerned ministries and HC, an overview of the development progress in each development zone has been summarized (see Table II-11). As of May 2026, development activities are progressing in a fragmented manner across the zones.

Table II-11: Summary of Current Status for Each Zone (as of May 2026)

Area	Summary of Current Situation
Administrative Zone (HC, HCDC) (3,000 ha)	- Detailed design work for zone infrastructure of the priority development area (286 ha) along the road corridor connecting the airport and Zuunmod has been prepared under the MUB budget. - Within the 286-ha area, approximately 90.2 ha on the Zuunmod side is being coordinated for infrastructure development with ADB support, including infrastructure facilities, a smart city control center, a school, and a kindergarten. ADB is conducting an FS covering the 286-ha area. - MUB has decided to simultaneously proceed with the development of an additional 76 ha site closer to the airport, in addition to the above-mentioned 90.2 ha, both of which are within the 286-ha area.
FEZ (FEZ Governor's Office) (1,000 ha)	- Revision of the MP and preparation of a DMP are scheduled for 2026. - The first phase of the development area has expanded from 59.9 ha in the central-western FEZ to 120 ha in the central-eastern area (with possible further revision under discussion). Detailed design work for zone infrastructure is underway under the MUB budget. - The FEZ Governor's Office prepared a list of development projects and a budget plan for the 120-ha area. - MDDIC initiated tendering for an FS for a data center but made no contract award. The Terms of Reference (TOR) are currently being revised.
Medical Zone (MOH) (20 ha)	- The project budget was approved in 2022 for construction of the Second Infectious Disease Hospital. Infrastructure development started in 2024, and its completion was originally scheduled for 2026. - Approximately MNT 234.2 billion has been included in the Public Investment Program (PIP) for 2026–2030. Completion of the hospital building is planned for 2029. - Although funding is secured for both the hospital building and its internal utilities, construction is currently suspended.
Logistics Zone ³ (MRT / Mongolian Railway) (1,000 ha)	- Construction of the Bagakhangai–Khushig Valley Railway section between Bagakhangai and HC is underway, with test operations planned in August 2026. Two stations are planned in HC: one on the south side for general cargo handling (HC-1 station) and another on the west side for hazardous goods (HC-2 station). - Following agreements with Russia, the destination will be changed to Emeelt station. Development of the HC–Emeelt section is planned after autumn, and budget sources have not been identified yet. - A 15-ha logistics center is planned for HC-1 station. The location of Logistics Zone (400 ha) is planned to be revised to create linkages between the two facilities and to reflect changes in the rail alignment within HC resulting from topographical constraints. The World Bank is preparing to conduct the FS for the logistics centers. - Regional logistics roads, i.e. (i) Emeelt Park–Shuvuun Factory Road, (ii) Khushig Valley–Mandalgobi–Dalanzadgad Road expansion, and (iii) Khushig Valley–Choir Road development, are planned to be constructed.

³ Information is from a meeting with MRT Director General of Policy Planning Department, April 2026.

Area	Summary of Current Situation
Academic Zone (MOEd) (506 ha)	- Relocation of the School of Mechanical Engineering and Transportation of the National University of Science and Technology is planned. Its FS is being conducted. - The establishment of the Inner Mongolia University of Technology is planned under consideration through Chinese loan financing.

Source: JPT

• Prioritization of Development Zones

Given the government's limited financial resources, the JPT has proposed a phased development approach that prioritizes the development zones. The prioritization analysis was conducted using the following five evaluation criteria: (i) the availability of the approved DMP, (ii) the availability of land and the absence of need for land acquisition, (iii) the availability of basic infrastructure, (iv) the possibility of attracting development trigger industries, and (v) the possibility of new job creation for local people. The FEZ and the Administrative Zone were the first and second development priorities, respectively, as shown in Table II-12 (see more details in Chapter 3 (1) of the Separate Volume).

Table II-12: Result of the Prioritization Analysis

Criteria	FEZ	Administrative Zone	Medical Zone	Logistics Zone	Academic Zone
Availability of the approved detailed area masterplan	A	A	A	A	A
Availability of land	C	A	A	D	D
Availability of basic infrastructure	A	B	D	C	D
Possibility of attracting development trigger industries	A	B	A	B	A
Possibility of new job creation for local people	A	C	C	C	B
Total Rate	16	13	10	7	8

Score: A = 3, B = 2, C = 1, D = 0

Source: JPT

During the second WG meeting on 14 March 2025, it was noted that, taking into account the repayment of loans for existing and planned mega projects as well as the redemption of the MUB bonds, there was a risk of a shortfall in available public budget resources. In light of this situation, participants emphasized the importance of prioritizing investment mobilization for HC development to ensure steady project implementation. They agreed to prioritize the FEZ as the initial development phase.

However, following the second WG meeting, the HC Mayor shared that the government had established a committee tasked with the relocation of the central administration to HC, and that by 2028, the HC needed to establish the Administrative Zone to accommodate 3,000 officials and their families. In the fourth WG meeting, it was concluded that the FEZ and the Administrative Zone should be prioritized for the initial development.

• Phasing Development

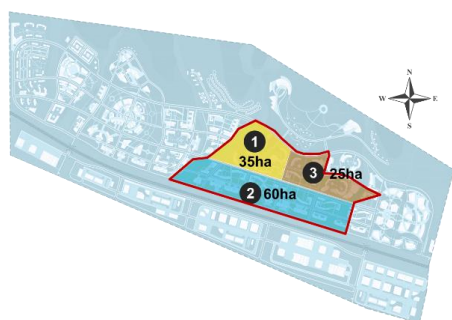
The JPT formulated a draft roadmap for HC development based on the project implementation schedules assumed by the HC, the HCDC, and the FEZ Governor's Office, while taking budgetary constraints into account.

Following the second WG meeting in March 2025, the JPT consulted with the HC, HCDC, and the FEZ Governor's Office to compile a list of projects envisioned by the Mongolian side. To do this, the JPT verified the projects planned by each agency and their implementation schedules (including completed projects, ongoing projects, and those under budget request review), in addition to cost-related information from bidding lists. However, the draft development schedule presented by C/Ps was realistically difficult to implement, considering the required scale of investment and the current status of infrastructure development, particularly the delays in heating infrastructure. As discussed in the budget analysis, concentrating investments within a limited timeframe would impose a substantial fiscal burden on both the national government and the MUB. Therefore, the JPT proposed a roadmap that adopts a phased development approach to establish a more feasible development sequence by evenly distributing development expenditures over time.

The FEZ and the Administrative Zones are both large in terms of planned area, with the FEZ covering 1,000 ha and the Administrative Zone covering 3,000 ha. During Phase 1 development, it is essential to narrow the scope to a smaller and more manageable area. For both the FEZ and the Administrative Zone, the FEZ Governor's Office and HC-designated Phase 1 development areas are within the overall planned boundaries. Although FEZMP initially identified 60 ha for Phase 1, the FEZ Governor's Office subsequently expanded the target area for initial infrastructure development to 120 ha; however, the target area was considered to expand to 139 ha in January 2026. In the Administrative Zone, while the DMP set a development area of 247.2 ha as Phase 1, the HC decided to expand it to 286 ha in July 2025.

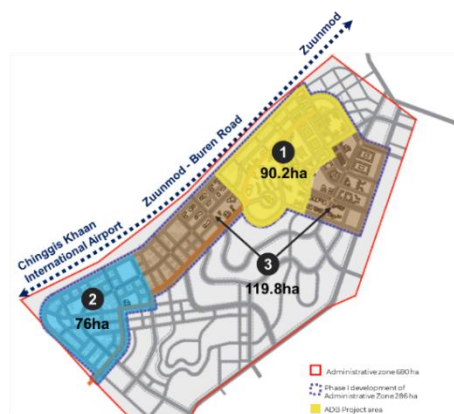
In establishing the roadmap, the JPT proposed further narrowing down the selected development areas in response to findings from the budget analysis, which highlighted the risk of insufficient development funding from both the national government and the MUB. Given GOM's limited fiscal capacity and the relatively modest construction demand, the project scale must remain realistically manageable. Therefore, the proposal assumes dividing the project into smaller sub-areas to allow for phased development.

Consequently, the 286-ha Administrative Zone and the 120-ha FEZ were focused on the Phase 1 development zones. Within these designated zones, the JPT proposed detailed sub-phasing plans (see Figure II-4, Figure II-5, and Table II-13 for summary).



Source: JPT

Figure II-4: Sub-Phase Plan for the FEZ



Source: JPT

Figure II-5: Sub-Phase Plan for the Administrative Zone

Table II-13: Outline of Sub-Phase Plan

FEZ (120 ha)	Administrative Zone (286 ha)
Sub-Phase 1 (35 ha / 2025–2033): A Data Center Park will be developed. By 2033, the national data center of MDDIC will be established and commence operations. In addition, after 2031, private data centers and industry-related facilities, such as Research & Development (R&D) and demonstration facilities, will be attracted, and facilities will be expanded accordingly. The national	Sub-Phase 1 (90.2 ha / 2025–2032): Under ADB support, 90.2 ha was designated as the first-phase development area. The scope includes roads within the administrative area (9.1 km), a smart city control center, a kindergarten, and a school. Completion is planned by 2032 (excluding private investments).

FEZ (120 ha)	Administrative Zone (286 ha)
data center is assumed to occupy a site area of 5 ha with a total floor area of 175,000 m ² (with a floor area ratio (FAR) of 35%, referring to the Ishikari Data Center in Japan). The remaining 30 ha is assumed to accommodate private data centers and office facilities for ICT companies. An additional power supply will be required for data center development.	
Sub-Phase 2 (60 ha / 2032–2036): Triggered by the establishment of the national data center, infrastructure development will be carried out after 2032. Subsequently, private development projects will be implemented in phases.	Sub-Phase 2 (76 ha / 2032–2036): Development will be promoted in the corner area on the Chinggis Khaan International Airport side, which has high accessibility. Development will commence after 2032, once a clear outlook for Sub-Phase 1 development has been established.
Sub-Phase 3 (25 ha / After 2036): Development priority is lower due to the location being far from the arterial road and the presence of land tenure holders. Development will be carried out after 2036.	Sub-Phase 3 (119.8 ha / After 2036): Development will be carried out in areas connecting Sub-Phases 1 and 2, as well as in areas located away from the arterial road, to enhance urban functions across the entire 286-ha area. Development will be implemented after 2036.

Source: JPT

From December 2025 to January 2026, meetings were held with HC, HCDC, and the FEZ Governor's Office. During the meetings, the JPT provided a detailed explanation of the proposed sub-phasing approach for the Administrative Zone and the FEZ. It has been confirmed that this approach is broadly consistent with the development direction envisaged by the C/Ps.

• Proposed Roadmap

Although the JPT focused on the Administrative Zone and the FEZ, some development activities have already commenced under the MOH and the MRT in the Medical and Logistics Zones (see Figure II-1 for the location of each zone and Table II-11 for the development progress in each zone). Since it is considered difficult to halt these ongoing developments, they were included in the roadmap. The Academic Zone was also added as a subject for consideration, given the preparatory stage for the establishment of the two universities is underway.

Initially, a proposal for the short-term (2026–2030) and medium-term (2031–2035) development schedules were prepared, reviewing the C/P plan. This roadmap was drafted based on the sub-phasing plans within the Phase 1 development areas of the Administrative Zone and the FEZ, under a budgetary framework set by the JPT that allocates approximately 7% of the annual project budget from both the national government and the MUB respectively to the HC project (although securing even 7% is anticipated to be difficult in reality).

The eighth WG meeting concerning funding issues and the proposed roadmap was held on 11 February 2026. The JPT presented the draft roadmap, which included a detailed investment schedule covering the period from 2026 to 2035. In response, the HC and the HCDC asserted that the heating facilities would be completed by 2030. The WG chairperson instructed the HC, the HCDC, and the FEZ Governor's Office to submit their latest plans to the JPT. Furthermore, the C/Ps proposed that the roadmap be formulated every four years to align with the government's planning cycle.

To update the draft roadmap and the detailed investment schedule, the JPT once again conducted a verification process with the three C/Ps, particularly the HC, to understand their respective assumed project implementation schedules. Based on this, while considering the budgetary framework and the status of infrastructure development, the JPT updated the proposed roadmap. Following the advice from the C/Ps, the updated roadmap defines the development schedule for each zone across three development phases: covering 2025–2028, 2029–2032, and 2033–2036.

Since the initial list of proposed projects contained significant omissions and lacked a comprehensive overview of HC development, the JPT supplemented it by incorporating both planned and ongoing projects into a detailed investment schedule. In the absence of clearly financed construction projects, a stricter budgetary framework was applied, setting the HC project costs at approximately 5% of the annual project budgets of both the national government and the MUB respectively. As a result, lower-priority projects were proposed to be deferred to 2036 and beyond.

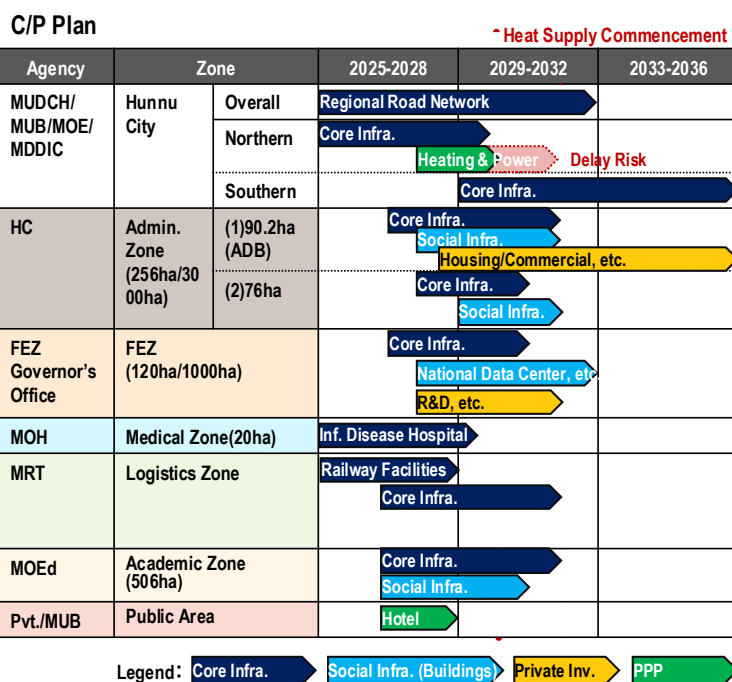
Since the construction of heating facilities is the primary bottleneck hindering HC development, its completion was set as a crucial milestone in the roadmap, with a target completion year of 2031.

In the initial phase (up to 2032), along with the infrastructure development of the respective Phase 1 areas of the Administrative Zone, the FEZ, and the Logistics Zone (90 ha, 35 ha, and railway installation only, respectively), the plan aims to advance the development of certain administrative facilities and social infrastructure such as schools in the Administrative Zone, as well as data centers in the FEZ. Additionally, the construction of the hospital in the Medical Zone was included in the schedule based on budget allocations of PIP. However, the future progress of the Medical Zone and the Logistics Zone will depend on the budget allocation for essential core infrastructure development.

In the medium-term (2033–2036), the JPT proposed continuing the development of the Phase 1 area in each zone while implementing infrastructure development for the Phase 2 area. In addition, particularly for the FEZ and Logistics Zone, where accelerating development solely through the government budget is difficult but private sector development is deemed possible, the JPT proposed encouraging private sector participation starting at the infrastructure development stage. The development schedule for the Academic Zone was postponed as its priority is lower than that of the other zones, given the establishment of two universities is still in the preparation stage and the possibility of their relocation to other zones. Moreover, future progress of the Academic Zone is expected to depend on budget availability and core infrastructure advancement, such as water supply, heating and power supply.

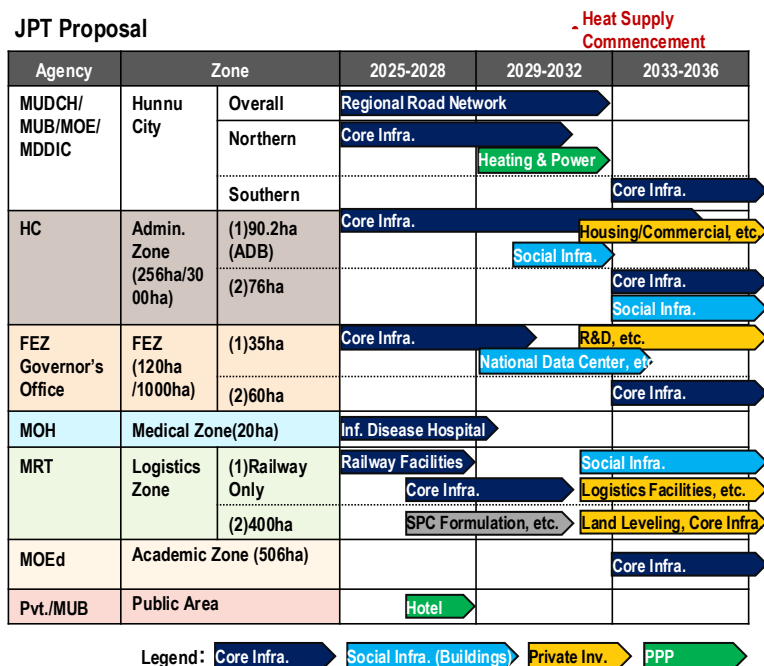
The updated roadmap was shared at the ninth WG meeting in April 2026. No comments were made on the proposal during the meeting. However, after the meeting, the Mayor of HC notified the JPT of a plan modification to develop a 76-ha area near the airport using the MUB budget to be carried out simultaneously with the development of the 90-ha area proposed under the ADB loan project.

In response to this, the JPT revised the roadmap and the detailed investment schedule once again based on additional consultations with the HC (see Figure II-6 for the C/P plan, Figure II-7 for the JPT proposal, and Chapter 3 of the Separate Volume for details). As stated in the budget analysis, since concentrating investments within a limited timeframe would place a heavy financial burden on both the national government and the MUB, the final proposed roadmap maintains the plan to start the Administrative Zone at 90 ha. This approach offers a more gradual and financially viable development sequence than the one envisioned by the Mongolian side.



Source: JPT

Figure II-6: Hunnu City Development Roadmap: C/P Plan



Source: JPT

Figure II-7: Hunnu City Development Roadmap: JPT Proposal

Further Actions to be Taken: Following the Project, concerned organizations are expected to reflect the proposed roadmap in their respective actions and financial plans of the urban development MPs and DMPs during their revisions and formulations. Such plans are particularly necessary to facilitate high-level agreements among concerned agencies, including a consensus at the Cabinet level on key strategic

decisions, such as which areas should be prioritized for development and at what scale development should proceed.⁴ Moreover, such consistent implementation plans need to be reflected in the PIP.

Due to the instruction from the International Monetary Fund in June 2025 and the tightening of the 2026 budget, it has become increasingly important to establish a new implementation plan for HCMP as well as DMPs for the Phase 1 areas explicitly linked to available financial resources. By early 2026, the JPT believed that, although development in the Administrative Zone and the FEZ was being implemented in a manner deviating from the MPs, these issues could be adequately fixed through the preparation of DMPs for the Phase 1 area. However, development projects not envisaged in MPs have continued to emerge in a sporadic and uncoordinated manner. Under these circumstances, particularly under conditions of constrained government finances, the risk that HC may fail to develop into an internationally competitive new city has been increasing.

According to the FEZ Governor's Office, it has requested the DPMO for the budget to revise FEZMP and DMP for the Phase 1 area to reflect the detailed road design. Meanwhile, the HC intends to prepare the zoning map for the Phase 1 area of the Administrative Zone based on detailed road designs.

During this planning process, it is recommended in principle that the implementation of all projects within HC be suspended to prevent inefficiencies and redundant investments.

3) Implementation Realities and Key Implications

Continuous Changes of the Development Project Investment Schedule: Although the roadmap has been formulated, the circumstances surrounding HC development continue to change. As the plan was repeatedly revised to reflect changing circumstances, it was challenging for the JPT to formulate the roadmap. Consequently, the JPT had to continuously update the information until the final stage of the Project.

Notable changes include:

- i) Preparations for Phase 1 development are being undertaken in areas within the Administrative Zone and the FEZ that differ from those designated in HCMP, FEZMP, and DMP.
- ii) In response to recommendations from this Project and the Korea International Cooperation Agency (KOICA) project, indicating that HC suffers from very low population density and consequent inefficiencies due to high infrastructure costs, a review of the development plan for the Phase 1 area of the Administrative Zone is under consideration, with the aim of increasing population density.
- iii) The MDDIC has prepared TOR to conduct an FS with a view to establishing a national data center within the FEZ (the exact location within the FEZ and whether the project will be implemented have not yet been confirmed).
- iv) Construction of the railway between Bagakhangai and HC has been undertaken as part of the Bagakhangai–Khushig Valley railway project. However, following an agreement with the Russian reached in February 2026 (with formal signing in April), the line will be able to connect to the existing Ulaanbaatar Railway at Emeelt station.
- v) In HC, two stations will be built: HC-1, located in the southern part of HC and designated for handling minerals and general cargo, and HC-2, located along the river on the western side of HC and designated for handling hazardous materials. In addition, a 15-ha logistics center for the railway will be developed adjacent to the HC-1 station.
- vi) As a result of modifications to the railway alignment due to topographical constraints identified during the detailed design phase, the railway traverses the development zones designated by HCMP. Additionally, changing the HC-1 station location requires reconsidering the placement of the Logistics Zone originally planned under HCMP.

⁴ The issue of the coordination mechanism for consensus building of HC development is handled as part of Activity 1–5.

vii) According to Government Resolution No. 86 in 2025, the development of the logistics center is planned to be implemented by the MRT under a PPP scheme.⁵ The World Bank is conducting its FS. The land is expected to be provided by HC, while infrastructure development will be financed by the national budget.

viii) MUB plans to build an airport hotel through a PPP scheme.

Need for Formulating Implementable MPs: Through the roadmap formulation process, it became apparent that concerned agencies during Phase 1 of HC development had been addressing issues in an ad hoc manner without sufficient prior examination of prioritization. Consequently, some implemented projects were found to be inefficient or duplicative.

These issues are largely attributed to the lack of detailed and comprehensive financial and implementation planning in MPs, as well as political pressures. In light of this, it is critical to enhance the level of precision and practical applicability of both the urban development MPs and DMPs, transforming them from conceptual frameworks into effective implementation tools. Specifically, the contents and details currently addressed in a DMP should be integrated into the urban development MP. Instead, DMP should focus strictly on priority development areas (e.g., 286 ha for the Administrative Zone and 120 ha for the FEZ) and delineate concrete implementation measures. Particularly, DMPs must incorporate not only a development implementation policy that subdivided the Phase 1 development area into sub-phases, based on the phased development approach shown in this roadmap, but also detailed spatial, financial, and implementation action plans for each sub-phase area.

Recognizing the ongoing Urban Development Law revision by the MUDCH, the JPT has shared the above concerns. The revised legislation should include provisions to ensure that master plans are realistic, feasible, and focused on implementation.

(3) Activity 1-3: To Clarify Organizational Roles and Responsibilities

Planned	To clarify the roles and responsibilities of each organization concerned based on the current status and issues related to development in the New Zuunmod City.
Changes	None

1) Roles and Responsibilities of Concerned Organization

The organizational structure, number of staff, and roles and responsibilities of each JCC member organization were collected and organized three times: (i) at the beginning of the Project, (ii) after the 2024 election, and (iii) after the reforming of the Cabinet in the second half of 2025 due to the Prime Minister change in July 2025 (see Chapter 4 of the Separate Volume). The information was collected from the websites of each agency and input from the WG members.

2) Challenges and Proposed Measures for a Coordinating and Cooperating Mechanism

In reference to the HC Law and the current organizational arrangement for HC development, the challenges for a coordinating and cooperating mechanism were analyzed as follows. These issues were discussed at the second and fifth WG meetings in 2025, together with examples of implementation and coordination mechanisms for new city development in other countries. The current challenges and the measures are as follows.

⁵ If Government Decree No. 86 of 2025 applies to the Logistics Zone in addition to the railway logistics center, it would be more appropriate to apply the master developer mechanism proposed under the HC Law draft amendment of this Project rather than the PPP Law, as the latter applies only to individual infrastructure projects.

Table II-14: Ongoing Development Projects and their Implementing Agency

Project / Sector	Responsible Organization(s)
Core Infrastructure	Water Supply, Flood Control Channel: MUDCH; Sewerage: MUDCH, MUB; Heating: MUB; Power Supply: MOE; ICT/Telecommunications: MDDIC
FEZ	FEZ Governor's Office
Administrative Zone	HC
Railway	MRT, Mongolian Railway
Logistics Zone	MRT (railway-related), HCDC
Second Infectious Disease Hospital (Medical Zone)	MOH
Universities	MOEd
Environmentally Sustainable Smart City Development	MDDIC, MUDCH, HC

Source: JPT

Given the aforementioned challenges from i to iv, particularly the existence of numerous projects led by the central government agencies for HC development, it is essential to establish a “Coordination Committee” to oversee integrated coordination among the relevant agencies. The objective of this committee is to materialize effective new urban development based on MPs within the framework of the limited public budget; its primary role is to coordinate the following matters related to the formulation of project implementation plans and to conduct its implementation monitoring:

- Prioritization of related projects and formulation of implementation schedules, and
- Clarification of the division of responsibilities (clarification of project assignments) among implementing agencies to secure the project budget required for HC development projects (including PIP applications).

This committee should be led by an agency with the decision-making authority to coordinate concerned organizations, serve as a mechanism for incorporating HC’s perspectives into national projects implemented by the ministries, and facilitate coordination between local governments and national government agencies. This will be further explained in the following Activity 1-5.

<Coordination of Administrative Authority>

Two key challenges were identified regarding the delineation of functions among the organizations concerned across the various development stages for both HC and FEZ developments, as shown below.

- Division of responsibilities in infrastructure development and O&M is unclear between the HC, zone development agencies, and the HCDC.
- With the implementation of the HC Law, administrative authorities were transferred from Tuv Aimag to the HC, MUB, and FEZ Governor’s Office. However, roles and authorities among them and the HCDC remain unclear.

To this end, a matrix detailing the division of responsibilities for activities within the development and operation stages, including planning, land management, infrastructure development, and O&M, has been prepared (see Chapter 5 of the Separate Volume). This matrix defines the institutional relationship and division of responsibilities, particularly between the HC and the FEZ, throughout the development implementation and operation processes. Based on a draft prepared by the JPT reflecting relevant legislation, intensive consultations were held from December 2025 to February 2026 involving the HC, the FEZ Governor’s Office, the HCDC, and JPT-engaged legal specialists. The key point of the discussions was the delineation of responsibilities among the three organizations in areas not clearly defined in the existing legislation.

This matrix was shared in the ninth WG meeting. The FEZ Governor’s Office commented that HC should not interfere in any aspect of planning and development within FEZ, including DMP approvals and building

permission. In response, the JPT responded that the FEZ is not an export processing zone, but an urban development, and since the infrastructure will be shared with HC, it should comply with urban development rules addressed in the Urban Development Law.

(4) Activity 1-4: To Prepare Legal Enhancement Proposals for New Zuunmod City

Planned	To prepare the draft law on the development of the New Zuunmod city with listing up major contents to be covered based on results of 1-1. to 1-3. above.
Changes	The original activity was revised to “To prepare the proposal for enhancing the Law on the Legal Status of New Zuunmod City based on results of 1-1. to 1-3. above.” at the first JCC meeting, as the Parliament approved the HC Law on 5 June 2024.

The steps and key processes to prepare the amendments to the HC Law are summarized in the following table.

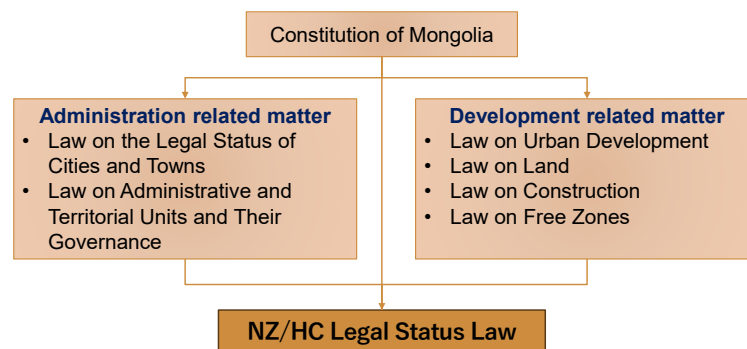
Table II-15: Steps and Key Processes to Prepare the Amendments on the HC Law

Step	Key Process	Timing
1. Identification of key contents for the original law	In the third WG (2024) meeting, challenges and risks related to HC development were discussed. Based on these discussions, the key contents to be covered in the law were identified (see Chapter 6 (1) of the Separate Volume). These discussions formed the basis for the subsequent drafting of the law.	WG3 (2024) (April 2024)
2. Review of the draft HC Law and its Enactment	The HC Law was drafted by the MUB and the AKVD. The JPT commented on the draft law three times. In June 2024, the Parliament approved the law, and in January 2025, it was amended to change the city name to Hunnu City.	June 2024
3. Review of issues and identification of amendment directions	In the fifth WG meeting, the JPT presented key issues identified in the HC Law, including institutional, financial, and urban development challenges, as addressed in the following Section 2) Major Points for the HC Law Amendment. Addressing these issues through legal amendment was discussed. Based on the discussions, key amendment directions were identified for incorporation into the amendment law.	WG5 (October 2025)
4. Draft preparation and review	Based on a review of related laws, the JPT prepared the draft amendment law and presented the first half of it in the sixth WG meeting. In particular, legal issues related to land rights and the role of the master developer were discussed. In addition to the WG members, the Mayor of HC and the Chief Executive Officer (CEO) of HCDC attended the meeting and shared their views on the master developer’s possession rights. In the seventh WG meeting, the first full draft was reviewed article by article, and comments were incorporated into the subsequent draft.	WG6–WG7
5. Detailed legal revision	Following the seventh WG meeting, the draft amendment law underwent repeated revisions through a series of closed meetings among the JPT, JPT legal specialists, the HC, the FEZ Governor’s Office, and the HCDC. These discussions focused on legal and technical details of the amendment and helped refine the draft further. The final draft was prepared in April 2026.	Between WG7 and WG9
6. Final confirmation	The final draft amendment law was presented by the HC lawyer in the ninth WG meeting. The WG members had minor comments, which were incorporated into the draft. After final legal review, the amendment draft was finalized jointly by the HC lawyer, the JPT legal specialist, and a Japanese expert (see Chapter 6 (2) of the Separate Volume).	WG9 (April 2026)

Source: JPT

1) Legal Framework

The legal framework of the HC Law is shown in Figure II-9.



Source: JPT

Figure II-9: Legal Framework of HC Law

2) Major Points for the HC Law Amendment

To establish the new administrative entity of HC, a satellite city of the MUB, within the territory of Tuv Aimag, it was necessary to enact special legislation. To serve this purpose, the Law on the Legal Status of New Zuunmod City (current HC Law) was enacted on 5 June 2024; however, in light of the actual development implementation, it was necessary to address its shortcomings. Key issues in the HC Law identified are as follows.

- The national government's involvement in HC development is limited, and implementing new city development solely under local administration is difficult. Initially, national government agencies led HC development to be the logistics hub of Northeast Asia until the HC Law designated HC as MUB's satellite city. Although the MUB has the capacity to develop a new city, the national government leadership in its relocation process is essential to accelerate HC development.
- As analyzed in Activity 1-2, enormous budget allocation from the national government and MUB is required for the new city development. However, given the limited government budget, the government alone is unable to implement new city development. Thus, a mechanism to involve the private sector as a partner in development is required to obtain their skills and investment from the initial stage.
- Uncontrolled development takes place in newly developing areas under the MUB. Private residential developments within Ulaanbaatar have caused excessive structural density, severe infrastructure deficits, and a misalignment with municipal land allocation. This rapid and market-driven expansion has led to chronic traffic congestion, environmental degradation, and a lack of public spaces. The lessons learned from Ulaanbaatar's urban challenges strongly demonstrate that without strict urban development regulations, market forces inevitably lead to uncontrolled urban development and fragmented growth; therefore, establishing robust planning controls is an absolute prerequisite for the new city development to ensure long-term sustainability.
- The roles and responsibilities of related organizations are unclear. Under the approved HC Law, HC is established as a satellite city of the MUB within the territorial jurisdiction of Tuv Aimag. This institutional framework places the MUB in a leading role, creating a complex relationship among the MUB, Tuv Aimag, and the HC for the allocation of authority and responsibility. Since an urban administrative body naturally requires a well-defined territorial and financial base, it is difficult for the HC to pursue autonomous and sustainable development under its current arrangement. Additionally, because the FEZ Governor's Office, the HC, and the HCDC all hold responsibilities related to investment attraction and urban management, their respective jurisdictions overlap. While HCDC is intended to act as a master developer, the statutory description was insufficient, and the functions of the HC (administrator) and the HCDC (responsible for infrastructure and investment promotion)

overlap. The involvement of the FEZ Governor's Office, which possesses unique legal authority under the FZ Law, has further complicated the division of authority among the agencies concerned. Therefore, clarifying the roles and responsibilities of each organization and reorganizing their functions is essential for the integrated and efficient implementation of the overall HC development initiative.

To address the key issues, the amendment was prepared, incorporating the following four points (see Chapter 6 (2) of the Separate Volume).

- **Clarifying the Roles of HC Development and Strengthening the Responsibilities of the National Government and MUB**
 - Stipulating dual roles as both a satellite city aimed at resolving urban challenges in the MUB and a base for administrative relocation.
 - Clarifying the roles and responsibilities of both the national government and the MUB regarding HC development and strengthening their respective support mechanisms.
- **Clarifying Urban Development Regulations and Land Management Matters**
 - Distinction between "khroloroo (administrative body under district)," "development zone," and "land plot."
 - Differentiating between urban zoning and the overall city structure.
 - Tightening regulations to effectively prevent uncontrolled urban development activities and sprawl (specifying development-restricted areas, specifying the timing of land allocation, adding notes and amendments regarding zoning, and adding provisions for the revocation of land use rights, etc.)
- **Introducing a Master Developer Mechanism**
 - Granting land possession rights to the HCDC.
 - Adopting a new management framework of a master developer (stipulated as the General Development Entity under the HC Law) for zone development to utilize skills, know-how, and financial support from the private sector in the initial stage of the development under the HC (see Figure II-10).

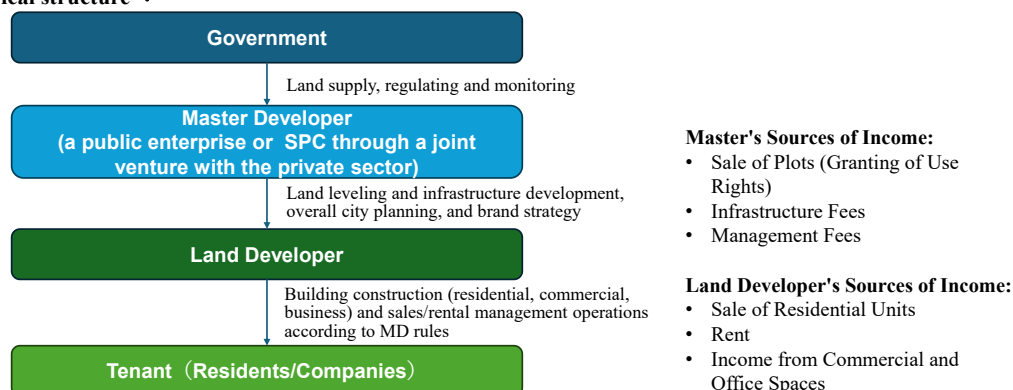
■ Overview of the Master Developer Approach

A single entity (the master developer) is responsible for the development of an entire city (or Phase 1 area) and entrusts the development of individual plots to land parcel developers (sub-developers).

■ Role of the Master Developer

The MD is responsible for the 'entire city development' and functions like an urban management company.

Typical structure :



Source: JPT

Figure II-10: Master Developer Approach

- **Delineating Jurisdictions and Institutional Arrangements**

- Including representatives from the MUB and Tuv Aimag in the HC's Council.
- Clarifying the institutional status of the HCDC and securing its financial sustainability during the initial development phase.
- Delineating clear boundaries and mandates among the HC administration, the HCDC, and the FEZ Governor's Office.
- Establishing a transparent reporting mechanism (including financial disclosures) to the MUB, Tuv Aimag, and the national government.

During the discussions, the FEZ Governor's Office expressed that HC should not intervene in the FEZ planning and development matters. The FEZ is envisioned as a special zone that can operate independently within HC. However, the HC should be responsible for the development and O&M of the core infrastructure utilized by the FEZ, and the FEZ should be subject to the city's specific rules and regulations, including zoning requirements. Given the practical challenges for the FEZ Governor's Office to develop a new urban area independently, as well as the necessity of complying with urban development regulations and standards, provisions were incorporated into the HC Law requiring the FEZ to adhere to the Zoning Regulation and for HC to coordinate and collaborate with FEZ in the planning and development process.

3) Limitations of the HC Law Amendment

The C/Ps indicated that revisions to the HC Law that would affect existing related laws were likely to complicate the approval process. Meanwhile, as the MUDCH was preparing amendments to the Urban Development Law, the JPT advised on matters requiring modifications in relation to urban planning and development issues associated with HC development. The main points of the advisory includes: (i) clarification of the required contents of each type of urban planning document, as well as the scale and spatial coverage of planning maps; (ii) clarification of the entities responsible for the preparation and approval of urban planning documents prepared by the bodies other than local governments; (iii) clarification of the positioning of Zoning Regulation, including their linkage to relevant planning instruments; and (iv) establishment of coordination mechanisms among urban development master plans, land management plans, and zoning regulations.

The proposed amendment to the HC Law has limitations. Due to legislative and jurisdictional constraints, certain issues that fall outside its scope are not adequately addressed. First, many of the key measures necessary to ensure orderly urban development cannot be institutionalized through this amendment alone, as they properly fall within the Urban Development Law as addressed above and should therefore be addressed in its amendment. Second, while there is a need to establish coordination frameworks for project implementation, including coordination mechanisms among concerned stakeholders such as central government agencies, the current draft amendment does not incorporate concrete provisions to this end. This is primarily because such matters extend beyond the mandate of the C/Ps. Third, the strategic framework required to ensure the active integration and meaningful participation of Tuv Aimag in the development process remains insufficient. Therefore, while this proposed amendment provides a strategic starting point, higher-level administrative coordination and additional legislative measures will be necessary going forward.

4) Further Actions to be Taken

It is noted that under the Law on Legislation, the required documents, including an impact assessment report on the law's implementation and a concept for the amendment, are to be prepared. The C/Ps are required to establish the WG for law amendment and undertake this task to ensure an adequate assessment of the necessity and demand for the proposed amendment.

(5) Activity 1-5: To Propose a Coordinating and Cooperating Mechanism

Planned	To propose a mechanism for coordinating and cooperating among the relevant organizations for the development in the New Zuunmod City.
Changes	None

Based on the challenges for inter-agency coordination under the HC Law analyzed in Activity 1-3, options for coordination and cooperation mechanisms were proposed in Activity 1-5 to ensure smooth project progression. Activity 1-3 underscored that establishing a "Coordination Committee" is vital for integrated inter-agency alignment, given the numerous central government-led projects within HC. This approach aims to deliver effective new city development aligned with MPs, even under budgetary constraints.

The Coordination Committee's core mandates include organizing project implementation plans and monitoring progress. Additionally, it should serve as a mechanism for integrating local insights into national initiatives and bridging the gap between local and central authorities. Therefore, an entity vested with formal coordination authority should ideally lead this committee.

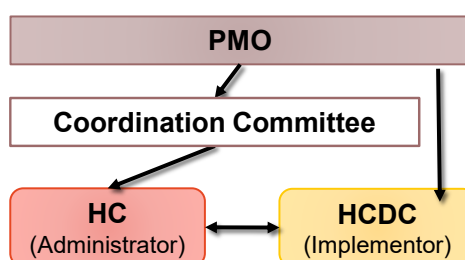
The proposed coordinating and cooperating mechanism options were shared and discussed in the fifth WG and the sixth WG meetings. Three options for the coordination mechanisms were proposed, together with their respective advantages and disadvantages: (i) Cabinet-led, (ii) Prime Minister-led or MUDCH-led, and (iii) MUB-led. After considering legal implications, procedural complexity, and potential political sensitivities, the WG members, the Mayor of the HC, and the CEO of the HCDC agreed to proceed with Option 3 (MUB-led) as the most feasible option at that stage of the sixth WG meeting.

However, after finalizing the 2026 development budget, the HC and HCDC recognized that securing budget allocations at both the national and the MUB levels remained challenging. This highlighted limitations of the current law and served as a catalyst for a strong recognition of the need to establish a new coordination mechanism at a higher level of government.

Considering this, the JPT subsequently refined and presented four options for coordination mechanisms for further discussion and implementation by the C/Ps. The four options are as follows. Detailed analysis is provided in Chapter 7 of the Separate Volume.

• Option 1: Government-led Structure – Prime Minister's Office-led

Given the government's relocation to HC, the city should be developed as a special function, and its development should be treated as a national priority. To proceed with developing the site for the relocation of central administrative offices to HC, the Prime Minister is required to lead a national committee to ensure the smooth implementation of HC development, guaranteeing whole-of-government coordination to realize the relocation plan prepared by the government relocation committee. The Prime Minister is expected to build consensus among the concerned organizations and ensure their coordination to implement and materialize the development strategies and plans. While HC remains legally under the MUB, the HCDC would function under the Prime Minister's Office (PMO) for relocation-related implementation. The national government would bear key development and operational costs, particularly for the Administrative Zone.



Source: JPT

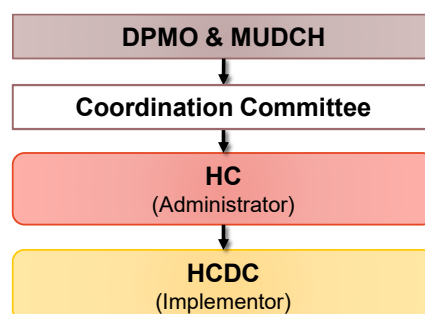
Figure II-11: Government-led Structure – Prime Minister's Office-led

• Option 2: Government-led Structure – Cabinet Secretariat-led

This option is similar to Option 1 in structure, but HC development would be led at the Cabinet level, with the Cabinet Secretariat replacing the PMO. A national committee would be established under the Cabinet Secretariat, chaired by the Chief Cabinet Secretary, with the HC Mayor as secretary. The approach follows the precedent of the Kharkhorum City coordination mechanism; that coordination committee was dissolved in July 2025 by Government Resolution No. 22. As with Option 1, HC development would need to be recognized as a national priority to ensure effective implementation.

• Option 3: Government-led Structure – DPMO & MUDCH-led

This option retains the current JICA project coordination structure. HC development would continue to be overseen by the DPMO from a regional and FEZ development perspective, while the MUDCH would remain responsible for new city development. The coordination committee would be chaired by the Deputy Prime Minister in charge of regional development and emergency matters, with the MUDCH serving as Vice Chair. Although this arrangement is institutionally feasible given the limited establishment of new Cabinet-level committees, it has a weaker linkage to the government relocation agenda compared with Options 1 and 2. A potential risk is slower implementation due to differing policy priorities between the two agencies.

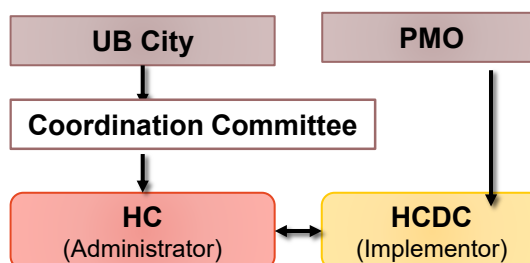


Source: JPT

Figure II-12: Government-led Structure – DPMO & MUDCH-led

• Option 4: Ulaanbaatar City-led Structure

Under this option, the MUB would lead HC development, with the coordination committee chaired by the MUB Governor. This arrangement is legally straightforward and consistent with the HC Law. To ensure effective implementation of government relocation and whole-of-government coordination, the HCDC would need to be positioned under the PMO, which would provide overall guidance and instructions. Otherwise, the option would imply that HC development is primarily a city-level initiative, with limited national prioritization. Compared with Options 1 and 2, this structure has weaker coordination with line ministries and reduced effectiveness in budget allocation and prioritization at the national-level, although it benefits from MUB's strong commitment, existing urban development capacity, and willingness to allocate its own budgetary resources.



Source: JPT

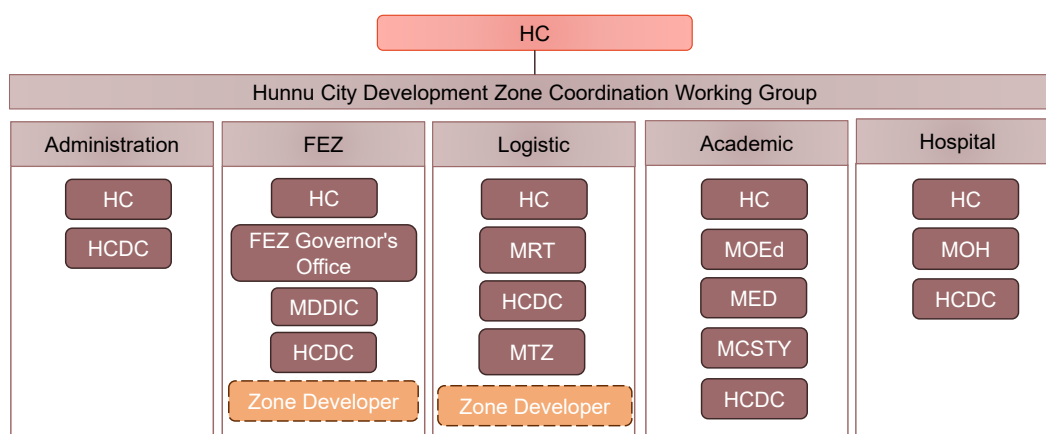
Figure II-13: Ulaanbaatar City-led Structure

The JPT proposed four coordination mechanisms for HC development in this Project. Taking into account the HC Law structure and strong political initiative to position HC development as one of the capital city's mega projects, Option 4 (MUB-led structure) can be selected. On the other hand, in light of the government

relocation and the required capacity and authority for coordination, it is necessary for the Prime Minister (Option 1) or the Cabinet Secretariat (Option 2) to lead HC development to ensure cross-sectoral coordination, coordination between central and local governments, and budgetary alignment.

• Coordination Mechanism for Zone Development

Regardless of which of the four options is ultimately selected, it is necessary to establish WGs under the leadership of HC, bringing together the concerned organizations for each zone to coordinate development efforts at the operational level. The WGs' core mandates include discussing the DMP of the concerned development zone, coordinating the DMP's project implementation plan, and monitoring progress. Additionally, the WG is expected to share the activities of all relevant organizations involved in the development zone to monitor project progress and coordinate policies for advancing the projects between the HC and the ministries responsible for implementing national projects. Each WG meeting is expected to be held once every six months for coordination purposes.



Note: MCSTY = Ministry of Culture, Sports, Tourism and Youth, MTZ = Mongolian Railway
Source: JPT

Figure II-14: Proposed Coordination Mechanism for Zone Development

Further Actions to be Taken: Discussions on these options within the GOM will be necessary after the Project completion. This is crucial to facilitate smooth implementation of HC development, with the goal of reducing overconcentration in Ulaanbaatar and turning it into the logistics hub of Northeast Asia. The selected coordination mechanism must also be clearly specified in the proposed amendment to the HC Law, in addition to issuing an order.

Moreover, the WGs under HC must be established to create a structure in which HC leads the city's development efforts.

(6) Activity 1-6: To Prepare Draft Regulations Based on the Law on the Legal Status of New Zuunmod City.

Planned	To prepare draft regulations based on the draft law prepared in 1-4 above.
Changes	The original activity was revised to "To prepare draft regulations based on the Law on the Legal Status of New Zuunmod City," as decided at the first JCC meeting.

Regarding the regulations to be formulated under the Project, the JPT held a prior consultation with the Mayor of the HC ahead of the first JCC meeting, following MUDCH's recommendation to entrust the selection to the mayor. Based on this consultation, in the first JCC meeting, two specific regulations were selected, namely (i) the Zoning Regulation and (ii) the Project Selection Regulation. These are the only regulations explicitly stipulated in the HC Law, although the JPT also presented other options that could be

beneficial for implementing the development.

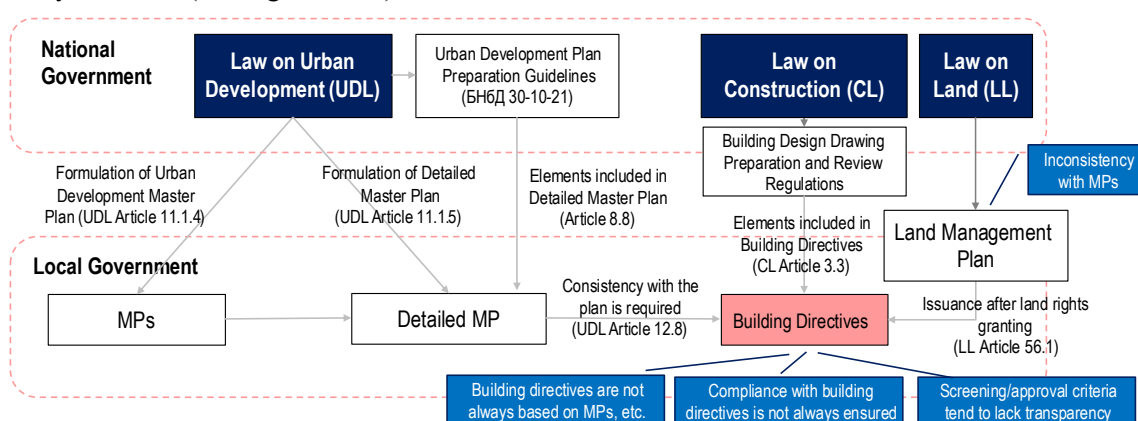
Subsequently, the SWGs were established under the WG for each regulation: SWG-1 for drafting the Zoning Regulation, and SWG-2 for drafting the Project Selection Regulation. Furthermore, based on multiple discussions and exchanges of opinions with C/Ps, as well as reviews by JPT-engaged legal specialists, the JPT prepared the draft regulations.

1) Zoning Regulation

Although the HC Law stipulates Zoning Regulation, it shall be developed in accordance with the Urban Development Law, other relevant legislation, and UBMP2040. Therefore, prior to drafting the Zoning Regulation, the building regulatory framework in Mongolia was reviewed in comparison with those of other countries.

• Reviewing Zoning Regulations in Other Countries

SWG-1 members reviewed the zoning regulation frameworks in other countries, including Japan, the Republic of Korea, Germany, and Australia. In some countries, urban development MPs define the overall direction of land use in cities, and legally enforceable zoning regulations or plans impose area-wide controls on buildings. In contrast, in Mongolia, controls are imposed on individual buildings through building directives. Although these documents are nominally based on MPs, compliance with designated land use is not always ensured (see Figure II-15).



Source: JPT

Figure II-15: Overview of Building Regulatory Framework in Mongolia

Box 1: Process of Building Design and Construction in Mongolia

- Preparation of Building Directives:** The Chief Architect and Land Management Specialist prepare building directives that define the key planning and design requirements for the project.
- Preparation and Approval of Preliminary Designs:** The Chief Architect reviews and approves preliminary designs to ensure compliance with urban planning policies and development guidelines.
- Application for Technical Requirements:** The client obtains technical requirements from relevant utility and infrastructure service providers to ensure that the proposed development can be connected to the required infrastructure networks.
- Preparation and Approval of Detailed (Construction) Designs:** Following the approval of the preliminary design and the obtaining of technical requirements, detailed construction designs are prepared. These designs are then reviewed by authorized design review bodies and approved by CDC.
- Issuance of Construction Permit:** After completion of the design review process, a construction permit is issued by the MUDCH or the governor of the aimag or Ulaanbaatar.
- Construction Supervision:** During construction, supervision is conducted by the architect who prepared

the detailed design and licensed technical supervisors.

7. **Final Inspection and State Commission Approval:** Based on the final inspection by the commissioning group, the State Commission, under the governor of the aimag or Ulaanbaatar, grants final approval for the building's commissioning and operation.
8. **Issuance of Occupancy Certificate (Commissioning Certificate):** Following approval by the State Commission, an occupancy certificate is issued by MUDCH.
9. **Property Registration:** After obtaining the State Commission's approval, the building is registered in the state property registration system.

*Following the amendment to the construction regulations, the issuance of “Building Directives” is no longer required as of March 2026. The approval process for building design became unclear.

In Mongolia, buildings are regulated through building directives based on MPs, however, the following issues have been identified:

- Building directives are not always based on urban development MPs or DMPs, since MPs do not always define specific land use in detail.
- Compliance with building directives is not always ensured.
- Screening/approval criteria tend to lack transparency.
- Misallocation of infrastructure land to private land tenure holders.
- Discrepancy between MPs and Land Management Plans.

Based on the issues identified above, the JPT drafted a regulation to ensure individual development projects are appropriately controlled, so urban development implementation would be in line with HCMP. The drafting process is as follows:

• Setting the Objective/ Target of the Regulation

SWG-1 members agreed to the following at the first SWG-1 meeting in March 2025:

Objective: To ensure urban development consistent with HCMP by regulating individual development through legally enforceable regulations.

Target: Provisions regulating building uses and building form, including FAR and building coverage ratio (BCR) for buildings constructed within the city.

User: HC office

The Zoning Regulation comprises regulatory text and zoning maps. Although zoning maps are generally developed in accordance with urban development MPs or DMPs, their preparation is not included in the Project scope.

• Setting the Policy for Drafting the Zoning Regulation

The SWG-1 members agreed on the policy for drafting the Zoning Regulation.

- Land use is guided by HCMP and DMPs and regulated through zoning category based on UBMP2040 and building types and density controls are defined for each zone.
- Construction is generally restricted in designated conservation and reserve zones.
- All buildings are subject to zoning regulations.
- New construction is prohibited in areas without an approved zoning map.

- Zoning regulations are publicly disclosed.

Key features of the Zoning Regulation are as follows.

- All buildings constructed within HC are subject to the Zoning Regulation.
- In principle, new construction and reconstruction of buildings in areas where zoning maps are not designated are prohibited; however, infrastructure-related facilities may be constructed in such areas.
- Zoning classifications consist of a total of 16 zones, based on the Urban Development Law and the 16-zone system of UBMP2040, excluding a residential improvement area, with the addition of an agricultural zone. Land use is defined for each zone, and for each zone, (i) permitted building types, (ii) allowable ranges of FAR, and (iii) allowable ranges of BCR are specified in a table.
- Land for infrastructure will be secured by designating Overlay Zones for engineering infrastructure sites, networks, and roads.
- Provisions for monitoring are included to ensure proper building controls.
- In HC, a new city development area, zoning maps are designated based on land use defined in DMPs.

The following table shows the contents of the Zoning Regulation.

Table II-16: Table of Contents of the Zoning Regulation

Sec. 1	:	General Provisions: Establishes the purpose of the regulation, as well as its legal basis and scope of application.
Sec. 2	:	Definitions of Terms: Provides definitions of the terms used in these regulations.
Sec. 3	:	Classification of Zones: Specifies the classification of sub-zones in accordance with the Urban Development Law.
Sec. 4	:	Designation of Base Zones: Defines base zones and sets out the principles for their designation.
Sec. 5	:	Purpose and Restriction of Base Zones: Defines each sub-zone within the base zones and specifies the permitted building uses.
Sec. 6	:	Designation of Overlay Zones: Defines the purpose of overlay zones and the principles for their designation.
Sec. 7	:	FAR and BCR: Specifies the methods for determining FAR and BCR.
Sec. 8	:	Scope of Application: Establishes the scope of application of this regulation.
Sec. 9	:	Monitoring and Evaluation of Zoning Regulation: Outlines the methods for monitoring and evaluating the implementation of this regulation.
Sec. 10	:	Rights and Obligations Related to Zoning Regulation: Defines the roles of organizations and responsible parties involved in the implementation of this regulation.
Sec. 11	:	Amendments and Revisions to the Zoning Regulation and Zoning Map: Defines the conditions under which amendments to this regulation and the zoning map may be made.

Source: JPT

• Drafting the Proposed Regulation

Following the discussion in the first SWG-1 meeting, the JPT prepared the initial draft and presented an overview at the second SWG-1 meeting in June 2025. Subsequently, at the third SWG-1 meeting in September 2025, each item on the draft was reviewed, with detailed explanations provided for each section.

The JPT revised the draft regulation based on feedback received during the third SWG-1 meeting and prepared the second and third drafts accordingly. The third draft was subsequently reviewed by JPT's legal specialist. After the legal check, the fourth draft was shared at the fourth SWG-1 meeting in December

2025. At the fifth SWG-1 meeting in February 2026, the list of participants was expanded to include additional main C/P members from the WG to collect a wide variety of comments.

Throughout the series of SWG-1 meetings, major feedback from the SWG-1 members centered on the following points:

- Relationship between zoning regulation and other zones, such as classification of the unified land territory under the Law on Land, land fee zone under the Law on Land Fee, etc.
- Positioning of zoning maps within the Urban Planning Framework, including urban development MPs and DMPs.
- Detailed regulatory provisions for building use and volume, including BCR and FAR calculation.
- Roles and responsibilities for operating the Zoning Regulation.
- Monitoring methodology for zoning regulations.

The final draft regulation was shared in the ninth WG meeting in April 2026 by HC's architect and then handed over to HC.

• Preparation of Draft Guidelines for the Use of Zoning Regulation

In line with the draft regulation, a guideline was developed for HC. The Zoning Regulation is also expected to be applied to FEZ through an amendment to the HC Law. It is expected that a common Zoning Regulation will also be applied across the MUB, while the maximum FAR and BCR should be determined in accordance with the current MUB condition.

The following challenges remain for implementing the Zoning Regulation:

- When setting FAR in zoning maps, it is necessary to assume a future population; however, there is no consensus on the future population figure of 34,000 stipulated in HCMP and its distribution in development zones.
- Zoning maps in each development zone must be created based on HCMP or DMPs, but some plans must be reviewed during infrastructure design and project implementation.

The draft Zoning Regulation and draft Guidelines for the Use of Zoning Regulation are provided in Chapter 8 (1) and 8 (2) of the Separate Volume, respectively.

Further Actions to be Taken: As of May 2026, the draft regulation was handed over to HC, which will prepare the documents required by the General Administrative Law for its submission to the HC's Council.

2) Regulation on the Criteria and Procedure of Project Selection, and the Requirements for Selection Participants

One of the major challenges in urban development in Mongolia is that land rights are frequently traded for speculative purposes, and construction work is often not carried out. Consequently, it became necessary to establish regulations to select real estate developers capable of carrying out projects, incorporating measures to strengthen development permitting and oversight. The drafting process was as follows:

• Setting the Objective/ Target of the Regulation

First, the JPT and the SWG members agreed on the objective/ target of the regulation as follows at the first SWG-2 meeting in March 2025:

Objective: to ensure quality development and avoid disorderly development of each development zone in HC, through adequate control of land distribution by the government authority and usage by land-plot (real estate) developers

Target: Land-plot (real estate) development projects to be invested in by developers in each

development zone for the purpose of promoting economic activities in HC

User: HCDC and HC

• **Reviewing the Existing Regulation and Setting Key Policy Directions for Drafting the Regulation**

Key challenges were identified in the existing project selection regulation under the Law on Land. The JPT and SWG-2 members reviewed Government Resolution No. 10 of 2016 (Rule/ Procedure for Project Selection for Land Ownership/ Usage) and identified the following challenges:

- **Lack of strategic planning:** In granting land rights for real estate development and other projects, the auction method has been predominant, with the project selection method rarely practiced. Consequently, land rights have been granted without well-defined actionable business/ financial plans, resulting in limited implementation of investment realization particularly within the existing FZs; and
- **Incompatibility with the development model:** Under the existing regulation of the Law on Land, land use for real estate development is not envisaged. The eligibility criteria for project participants, required documents, and project selection criteria are vague and barely relevant given that HC's land development model, including the FEZ, is premised on private real estate development.

Considering the above challenges, the following key policy directions were agreed upon during the first SWG-2 meeting:

- **Adoption of a two-step project selection system:** Reflecting the planning stages of real estate development (from initial project concept and FS to facilities' basic design and financing plan), a "two-step approach" is adopted. Under this framework, the concept plan shall be submitted for project selection first, followed by the submission of a development plan (equivalent to an implementation plan) by the selected participants.
- **Establishment of stricter qualification criteria:** To ensure the selection of competent and appropriate real estate developers, the qualification requirements and selection criteria will be tightened.

Based on the above review, the JPT and the SWG-2 members at the second SWG-2 meeting agreed to draft a separate regulation based on the HC Law with the following table of contents and the subjects to be covered.

The proposed two-step approach by JPT, consisting of (i) project selection, which grants a conditional planning permit to the participant with the best project concept, and (ii) appraisal, which grants a land use title to the selected participant, if the submitted development plan is appraised as satisfactory. This approach was accepted by the HC and HCDC. Furthermore, the submitted documents from real estate developers were prescribed, pertaining to documents and drawings required to proceed with real estate development.

Table II-17: Table of Contents of the Project Selection Regulation

Sec. 1	:	Common ground: Establishes a legal basis for the regulation and defines key terminologies.
Sec. 2	:	Land-plots subject to project selection: Specifies land-plots eligible for development through project selection.
Sec. 3	:	Requirements for the participant in project selection: Specifies the requirements/ conditions for participating in project selection in terms of financial stability, similar project experience, and workforce availability.
Sec. 4	:	Sequence of project selection activities: Describes overall steps of project selection from preparation, announcement, application submission, arrangement, to issuance of land use right/ entrance of land-plot development agreement.
Sec. 5	:	Preparation of project selection: Specifies information to be determined and prepared for

		announcement of project selection, and tasks to be undertaken during the project selection preparation.
Sec. 6	:	Announcement of project selection: Describes the procedure and means to announce project selection and information to be presented to interested participants.
Sec. 7	:	Submission and acceptance of application for project selection: Specifies the detailed list of application documents (as “concept plan”) to be submitted by participants and the procedure/ manner to be followed upon the submission and registration.
Sec. 8	:	Selection of concept plan of project: Explains conditions/ procedure for forming the Selection WG and organizing the project selection and specifies the criteria for evaluating the concept plan with an evaluation method for concluding decisions to be made on the selection and issuing a “provisional planning permit” to a selected land-plot developer.
Sec. 9	:	Appraisal of development plan of project: Explains the conditions/ procedure for the selected land-plot developer in the preparation and submission of a “development plan,” including the list of documents to be attached, the rules/ procedure for appraising the submitted plan, and concluding the decisions to be made on the appraisal.
Sec. 10	:	Issuance of land use certificate and signing of land-plot development agreement: Explains conditions/ procedure to be followed upon signing of land-plot development agreement with the approved land-plot developer, issuance of land use right and the land-plot handover to the approved developer.
Sec. 11	:	Dispute resolution: Describes the procedure for participants in project selection to file complaints on the selection results, the handling of complaints, and solving disputes.

Source: JPT

• Preparing the Concept Paper, Proposed Regulation, and Proposed Guideline of the Project Evaluation

Based on the table of contents confirmed during the SWG-2 meeting, the JPT began preparing the concept paper and draft regulation in June 2025. The concept paper outlines the proposed regulation and addresses its necessity and possible impacts (see Chapter 9 (1) of the Separate Volume). The first drafts were prepared in August 2025 and presented at the third SWG-2 in September 2025, where feedback was requested from participants.

Major feedback from the SWG-2 members centered on the following particulars:

- Information to be announced by the HC and eligibility requirements for participants in the project selection process;
- Duration to be spent on project selection/ appraisal, and documents to be submitted by the participants in project selection;
- Minimum/ maximum size of land-plot subject to project selection;
- Members and their eligibility for the Selection WG, and mobilization of the third-party professional in project selection;
- Evaluation criteria for project selection, minimum score for selection, and selection policy in case of single bid.

Based on the feedback received, the JPT revised the draft regulation and presented the second draft to the HCDC division responsible for project selection. After incorporating the feedback received in early November 2025, the third draft was reviewed legally by a JPT’s legal specialist in November 2025.

In addition, the evaluation method for project selection was prepared as a guideline in December 2025, as requested by the HCDC, covering the evaluation criteria/ viewpoints, scoring method, and the format to be used in the evaluation. The HCDC agreed to attach the guidelines to the proposed regulation as an appendix.

The fourth revision of the draft regulation was based on the legal review presented to the HCDC and the HC, along with the proposed project evaluation guideline. The JPT once again revised the regulation based on the feedback and prepared the fifth draft.

Based on the fifth draft, the JPT organized a guidance session in February 2026 (held as the third training in Mongolia) to explain the proposed regulation and project evaluation guideline to C/Ps, including the HCDC and HC officers. The participants provided feedback, and the JPT revised the draft again accordingly. The main point of the feedback was to revise the regulation's objectives to distinguish it from the project selection regulation under the Law on Land.

With the concurrence of the HCDC and the HC, the final project draft of the regulation was handed over to the HCDC in April 2026, together with the project evaluation guideline (see Chapter 9 (2) of the Separate Volume). This was also presented in the ninth WG meeting in April 2026 by the Director of the Investment Cooperation Department of HCDC.

Further Actions to be Taken: The HCDC considers that the draft regulation would be proposed for Cabinet approval (together with the associated documents, including the concept and impact of the proposed regulation, as required by the General Administrative Law) in preparation for the timing when the land-plots can be available for commercial development with a sufficient prospect of infrastructure/ utilities connection and land valuation in the priority area of the Administrative Zone.

It is noted that project selection has rarely been applied to grant land titles in Mongolia due to limited familiarity with the proposed regulation's content and use case. Circulating the draft regulation among related ministries and agencies may pose a challenge; therefore, it is suggested that the HCDC ensure prior explanations to the relevant ministries and agencies.

(7) Activity 1-7: To Conduct Training(s)

Planned	To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 1-1 to 1-6. above.
Changes	After the Prime Minister's replacement in June 2025, the Cabinet was reorganized, delaying participant selection and canceling the third country training program in the Philippines, supposedly scheduled in August 2025.

In Activity 1-7, training was conducted to enhance the capabilities and knowledge of C/P personnel concerning the development of a new city and FEZ, which was necessary for the implementation of Activities 1-1 to 1-6. While both the WG and SWG meetings are part of capacity enhancement efforts, this activity mostly focuses on the high-level study tour and training in Mongolia.

The high-level study tour in Japan was held from 16 to 23 April 2025. Its program included lectures and site visits in Tokyo, Kitahiroshima in Hokkaido Prefecture, and Tsukuba in Ibaraki Prefecture, focusing on the legal and institutional frameworks for the development of new cities and SEZs (see Table II-18). Sixteen participants from the C/Ps joined the tour, where they learned about comparable development cases relevant to HC in Japan and deepened their knowledge and understanding (see Table II-19). The participants also exchanged views with Japanese government agencies and local governments regarding the new city development, investment promotion, and institutional arrangements. The knowledge and experience gained through the study tour were subsequently shared and discussed in the first Training in Mongolia.

Table II-18: Schedule and Study Tour Destinations

Date	Destination	Accommodation
16 April (Wed)	Arrival in Japan	Haneda (Tokyo)
17 April (Thu)	JICA Headquarters	Haneda (Tokyo)
	Cabinet Office, Promotion of Regional Revitalization	
18 April (Fri)	Ministry of Land, Infrastructure, Transport and Tourism (MLIT), City Bureau	Haneda (Tokyo)
	Site Visit: Haneda Innovation City (Ota Ward, Industrial Promotion Division)	
19 April (Sat)	Site Visit: Marunouchi (Tokyo Station / Tokyo International Forum)	Haneda (Tokyo)
	Site Visit: Tokyo Waterfront Area (Tokyo Big Sight / Odaiba)	
20 April (Sun)	Transfer: Haneda Airport → New Chitose Airport	Sapporo (Hokkaido)
	Transfer: New Chitose Airport → Hotel (Site Visit: Sapporo Ekimae-dori Underground Walkway)	
21 April (Mon)	Kitahiroshima City, Economic Department, Ballpark Coordination Promotion Office	Haneda (Tokyo)
	Site Visit: Hokkaido Ballpark F Village	
	Transfer: New Chitose Airport → Haneda Airport → Hotel	
22 April (Tue)	Urban Renaissance Agency (UR), Department for Global Affairs	Narita (Chiba)
	Site Visit: Tsukuba Science City (Tsukuba City, Urban Planning Department, Urban Planning Division)	
23 April (Wed)	Departure / Return to Mongolia	—

Source: JPT

Table II-19: Overview of Lectures and Study Visits

Category	Organization / Site	Lecture / Study Visit Theme	Overview
New cities developed under special legislation	MLIT, City Bureau	Role of MLIT in New City Development [Lecture]	To understand the role of the national government in the development of new cities in Japan through two government-led cases—Tsukuba Science City and Kansai Science City—and to draw lessons for the development of HC, particularly regarding the establishment of special legislation, institutional arrangements, and coordination among relevant agencies.
	Urban Renaissance Agency, Department for Global Affairs / Tsukuba City, Urban Planning Division)	Management of Large-Scale Urban Development Projects: Urban Development of Tsukuba Science City [Lecture & Site Visit]	To learn how large-scale new town development projects in Japan have been managed under challenging economic conditions and weak housing demand, including approaches to ensuring project viability and financial sustainability. The lessons gained from the case provided useful references for the development and management of HC.
Airport-adjacent special economic zones and strategically planned development areas	Cabinet Office, Office for Promotion of Regional Revitalization	Overview of the Special Zone System [Lecture]	To understand Japan's special zone system, which promotes bold regulatory reforms, institutional flexibility, and tax incentives, and to explore its applicability to the development of the FEZ.
	Ota Ward (Haneda Innovation City)	Airport-Oriented Mixed-Use Development [Lecture & Site Visit]	To learn about the development of Haneda Innovation City as a public-private initiative that leverages its proximity to Haneda Airport to create a hub for innovation, business, and industry, and to draw lessons for industrial promotion and investment

Category	Organization / Site	Lecture / Study Visit Theme	Overview
			environment development in HC, which hosts the Chinggis Khaan International Airport.
Development centered on tourism, MICE, and entertainment	Kitahiroshima City (Hokkaido Ballpark F Village)	Kitahiroshima City's Ballpark Vision [Lecture & Site Visit]	To understand Kitahiroshima City's regional revitalization strategy centered on a new ballpark developed through PPP, which aims to generate economic activity, tourism, and community interaction. The experience will provide insights into industrial promotion and investment attraction in HC.
	Central Tokyo (Marunouchi, Otemachi, etc.) and Tokyo Waterfront Area (Tokyo Big Sight, Odaiba, etc.)	Strategic Urban Development for Enhancing International Competitiveness [Site Visit]	To observe strategic urban development initiatives in central Tokyo, the economic core of Japan, and the Tokyo waterfront area, which serves as a major hub for MICE and international tourism, and to understand approaches to enhancing international competitiveness through integrated urban development.

Source: JPT

The five training programs in Mongolia were conducted (see Table II-1). In the first training on 8 May 2025, the participants shared their learnings from the study tour in Japan and their implications for other WG members and government officials. Five high-level study tour participants presented their learnings, while the remaining participants contributed to the preparation. There were 39 participants in the session, which further deepened their understanding based on the knowledge and experience gained in Japan.

The second training was on 23 December 2025. The training focused on applying knowledge and experience gained from JICA's thematic training program on Smart City and the International Asia Smart City Conference held in Yokohama, Japan, to the development of HC and FEZ. During the session, representatives from the MUDCH and the HCDC delivered presentations on how these lessons learned could be incorporated into the planning and implementation of the FEZ and HC development. Based on these presentations, participants were divided into four groups to discuss feasible ideas and case examples applicable to the development of HC and FEZ, as well as potential challenges in implementation and possible solutions.

The third training on 2 February 2026 focused on guiding the Project Selection Regulation and evaluation (scoring) method (covering the criteria, viewpoints, and scoring method for the project evaluation) for the HC (and FEZ) development (drafted in Activity 1-6). The participants were officers from C/Ps (GALAGaC, MUDCH, HCDC, HC, etc.) In the session, the Director of the Investment Cooperation Department, HCDC, explained the proposed regulation and the JPT on the guidelines of project evaluation, focusing on the aspect of approach/ processes of project selection, documents to be submitted for project selection, and criteria/ scoring method for project evaluation, followed by a question-and-answer session.

The fourth training was on 31 March 2026, focusing on guiding the drafting of the Zoning Regulation under Activity 1-6. The participants were officers from C/Ps (MUDCH, GALAGaC, FEZ Governor's Office, HCDC, and HC), and the private sector. The C/P members who had not participated previously in the SWG discussions were also included. The JPT presented details of the proposed Zoning Regulation, and subsequently, participants discussed the challenges of preparing and implementing the regulation, as well as further actions.

The fifth whole-day training on 2 June 2026 was the final seminar in this Project. The Project's outputs were shared with a wide range of government officials, including those from agencies other than the C/Ps, to build momentum for promoting the future development of HC and FEZ across government agencies based on these outputs. The JPT presented the HC development roadmap (deliverables from Activities 1-1 and 1-2), the implementation coordination mechanism for HC development (deliverables from Activities 1-3 and 1-5), and an overview of the Project. The Mayor of the HC provided the draft amendments to the HC Law prepared under Activity 1-4 and the Zoning Regulation prepared under Activity 1-6, as well as an

update on the progress of HC development. The CEO of the HCDC explained HCDC's role in HC development and the Project Selection Regulation, another deliverable of Activity 1-6. In the afternoon session, the Deputy Prime Minister's Advisor presented the policy for FZ development. These presentations prompted various questions and comments from the audience. They noted that the event provided an opportunity to learn about HC and FEZ development.

(8) Activity 2-1: To Review Laws, Investment Frameworks, and Institutional Arrangements for FEZ Development

Planned	To review the existing laws / regulations, investment framework, investment promotion measures, institutional set-up (including the roles / scopes of related organizations) and cases by other countries.
Changes	None

This activity was largely completed in the first year (April 2024); however, additional documents, when deemed necessary, were reviewed further.

The following categorized information and documents were reviewed to grasp the proposed FEZ and the current situation of legal, organizational, and investment framework in relation to FEZ, and to obtain input for the subsequent activities for Output 2 (see Chapter 10 (1) of the Separate Volume).

1) Plan for the Proposed FEZ

Objective	To grasp the contents of FEZMP, economic activities to be promoted for the FEZ, and development approach, etc.
Materials	- FEZMP - Current Conditions of Mongolian FZs
Review result	The FEZMP, in terms of its objective, economic activities for promotion, development approach, and management model, were reviewed to identify the differences from the existing FZs and distinctive features of the FEZ, which were recognized as actual requirements to be addressed upon the examination of the legal framework for the FEZ (Activity 2-3). Further, current conditions and issues in the development/ management of the existing three FZs were identified through interviews with 20 to 40 officers, respectively, which have been considered in the subsequent project activities (Activities 2-3 and 2-4). Major issues include the following: - low realization rate of registered investment projects despite a large number of land-use registrations, due to inadequately prepared business and financial plans by investors and the limited duration of land-use rights initially granted to them. - stagnated infrastructure development due to limited and intermittent funding from the national government and coordination challenges between the national and local governments. - bureaucratic management of the FZ centered on administrative functions such as project registration/ licensing, and little marketing/ promotion activity. The existing FZs have been established and governed by the FZ Law and a set of specific regulations concerning the structure of the governor's office, land value assessment, and auction/ selection of land use project, service charges/ fees, procedures for registration of legal entities, and customs clearance in the FZs.

2) Laws/ Regulations Related to FZ/ FEZ

Objective	To review the existing FZ Law and identify the articles/ provisions stipulated in the existing laws/ regulations in Mongolia that can be concerned with development/ management of the FEZ.
Materials	The laws/ regulations related to the FEZ are (see Chapter 10 (1) of the Separate Volume for the detailed lists):

	- FZ Law - Laws/ regulations concerning industrial park, PPP, investment, tourism, the ICT industry, taxation/ taxes, customs clearance, labor affairs/ expatriate employment, and land - Government resolutions/ instructions on the FZs in Mongolia
Review result	Reviewed how much the existing FZ Law addresses the actual requirements to be reflected in the legal framework of the proposed FEZ, identified the articles/ provisions that refer to the FZs and are related to development/ management of both FZs and FEZ among related laws/ regulations, and examined a possibility for relaxing or exempting such articles/ provisions (Activity 2-3).

3) Investment/ Business Climate

Objective	To grasp the issues/ bottlenecks in the investment/ business climate in Mongolia, that have been frequently observed by foreign and domestic investors in Mongolia.
Materials	- Mongolia Investment Climate Statement 2024, US Embassy in Mongolia - Foreign Investment Climate in Mongolia, Eurochamber - Trade Policy Review 2021, World Trade Organization
Review result	Found that investors have observed issues/ bottlenecks on the conditions of land use, access to the experts/ professionals, conditions/ procedure of expatriate workers, and others. The possible measures to ease and address such business climate issues have been examined (Activity 2-3).

4) Roles/ Jurisdictions of Related Organizations

Objective	To grasp the current conditions on the organizations engaged in and related to development/ management of the proposed FEZ.
Materials	Documents showing the structure, duties, and staffing of the following organizations; - DPMO - FEZ Governor's Office - AKVD (reorganized into the 20-Minute City Development Center) - Investment & Trade Agency (ITA) under DPMO in charge of foreign investment and procurement - MED, Investment Policy Department
Review result	Based on the current condition of the structure, functions, responsibilities of each division and staffing of the organizations in relation to the proposed FEZ, the issues facing the FEZ Governor's Office/ ITA in the development/ management of the FEZ have been identified (Activity 2-4).

5) Cases of Similar SEZs in Other Countries

Similar cases of SEZs to the concept of the proposed FEZ (Astana and Alatau City SEZ in Kazakhstan, Incheon FEZ in the Republic of Korea, Clark City SEZ in the Philippines, Colombo Port City SEZ in Sri Lanka, Dubai Airport FZ in the United Arab Emirates) were studied in terms of the outline, development approach, legal framework (the underlying law/ regulation), promoted economic activities, special (preferential/ deregulatory) measures, and management framework. The JPT obtained the following findings, relevant to the subsequent activities of Output 2.

Target economic activities (global trends): While the earlier special zone focused on export-processing and manufacturing industries, recent international trends show a shift towards the development of the service sector, such as finance, ICT, and regional headquarters of multinational corporations, as well as the establishment of visitor-attracting facilities (MICE, tourism, leisure). Additionally, SEZs aim to create a smart city concept that integrates residential facilities with social infrastructure.

Legal framework and special measures: To encourage diverse economic activities and foreign direct investment (FDI), it is a standard feature to proactively introduce deregulation measures in relation to taxation, customs, expatriate employment, and other various licensing and approval regimes.

Development approach: Development is guided by an MP that defines zoning (specifying land use by plot). Land uses are broadly classified into public (education, healthcare, MICE, parks and green spaces, etc.) and commercial uses (business/ industrial, retail, residential, tourism/ leisure). Commercial land development is generally entrusted to individual private developers.

Development and management structure: Development and management are commonly undertaken by a public administration or corporation established under the relevant ministry or local government. In any case, an emphasis is placed on leveraging private resources, engineering know-how, management, and promotion to ensure effective development and management.

The case study of similar SEZs was explained during the second WG (2024) meeting in March 2024 and the seminar for the DPMO and the FEZ Governor's Office in December 2025 to increase the knowledge and awareness of the C/Ps (see the material in Chapter 10 (2) of the Separate Volume).

(9) Activity 2-2: To Revise the Development Plan or Concept for FEZ's Industry Promotion

Planned	To revise the development plan or concept concerning industry promotion in FEZ, as needed.
Changes	None

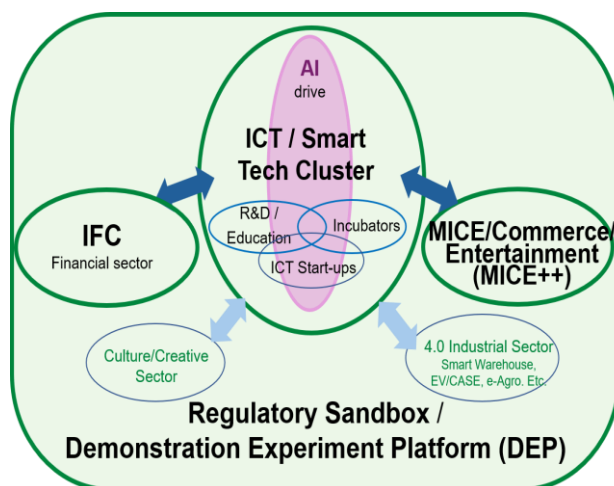
The JPT formulated an Industrial Development Scenario, covering conceptual direction, strategic focus areas, potential projects, and best practice examples. Outputs of the activity are provided in Chapter 11 of the Separate Volume.

1) Literature Review, Concept Development, and Scenario Formulation

The JPT reviewed three key documents: (i) FEZMP (approved by the Cabinet in 2025), (ii) Data Collection Survey on the New Ulaanbaatar International Airport City Development in Mongolia (JICA, 2022), and (iii) Preparing the Infrastructure Development for Green and Resilient New Satellite City in the Khushig Valley Area (ADB, 2025). These documents have already provided an analysis of and discussions on the direction of industrial development in the FEZ. Based on the fundamental concepts presented in these documents, the major industrial targets were identified and refined into four strategic fields: (i) International Financial Center (IFC), (ii) ICT/Smart Technology Clustering, (iii) MICE⁺⁺ (MICE + Entertainment, + Commerce), and (iv) Demonstration Experiment Platform (DEP), including a regulatory sandbox.

The JPT conducted a series of interviews with public and private stakeholders and discussions with the FEZ Governor's Office and the HCDC from the formulation stage of official establishment in the first half of 2025. The private stakeholders mainly targeted the ICT sector and broadly agreed on the direction. In particular, concrete interest already exists in conducting demonstration experiments in areas such as mobility (mobility as a service [MaaS], autonomous driving, drones), Business Process Outsourcing (BPO) and customer support, authentication and settlement systems, financial products, and the digitalization of public services. Based on these findings, the JPT substantiated the four strategic fields and formulated the concept of ICT /Smart Tech clustering as the core of industrial development. It is centered on an artificial intelligence (AI) development drive integrated with the ICT sector promotion mechanism and extended to the IFC, MICE⁺⁺ (closely related to the cultural/creative sector), and the ICT-integrating industry (Industry 4.0) on the DEP.⁶

⁶ The regulatory sandbox is an essential institutional framework for pilot projects in which existing regulations may hinder the introduction of smart infrastructure during development or the provision of innovative services during business deployment. Together with the physical infrastructure required for demonstration activities, it constitutes the soft infrastructure that supports innovation and investment.



Source: JPT

Figure II-16: Concept of ICT/Smart Tech Clustering

The initial direction and outline of the Industrial Development Scenario on the ICT/Smart Tech clustering concept were discussed in the third WG meeting held on 15 April 2025. The WG members accepted the concept and direction/outline of the scenario, and their feedback from the meeting was reflected in the Industrial Development Scenario. Major feedback from the third WG meeting is as follows:

- Rather than developing entirely new projects, it is suggested to focus on attracting and upgrading existing businesses and initiatives.
- Comparative analysis of the best international practices should be further conducted to inform the design and implementation approach.
- The scenario could further incorporate the modernization of Mongolia's existing industries, particularly the livestock and leather-processing sectors, through the introduction of advanced technologies, innovation, and R&D support.

This Industrial Development Scenario aims to reduce excessive dependence on Ulaanbaatar, not by merely leveraging the locational advantage of proximity to the airport, but by transforming the FEZ into an innovation hub for demonstration and pilot projects based on ICT and smart technologies. In addition, it seeks to promote sustainable development by fostering industrial agglomeration in coordination with the development of new urban functions, while also incorporating the perspective of smart city development.

2) Potential Projects

During the second quarter of 2025, a series of interviews and discussions with the private sector and stakeholders continued to substantiate the Industrial Development Scenario. The JPT identified ongoing potential projects that possibly contribute to the formulation of the core of ICT/high-tech clustering. Along with the smart city concept, which is more clearly integrated into the DEP in ICT/high-tech clustering, the potential and relatively viable projects are nominated with a focus on taking advantage of the platform, as follows:

- Graphics Processing Unit farm integrated Data Center for AI;
- R&D institution (pilot for the Academic Zone);
- BPO with customer support;
- Authentication system development;
- MaaS / Drone / Autonomous mobility;
- Smart commerce (commercial development that differentiates between residents and visitors within a smart city and enables the selective provision of incentives);

- Industrial 4.0 promotion (enhancement and automation of industrial and service activities through ICT, and creation of cross-sector products and services, such as mobile living spaces jointly developed by the automotive, entertainment, and housing industries); and
- IFC.

Considerations focused on promoting smart city development through the implementation of highly feasible, high-potential projects on a DEP. Among the projects examined, those with high potential and relatively strong feasibility were identified as priorities. These include projects for which implementation plans are already being discussed by the private sector or relevant agencies, or those whose initial phase is already underway. The main candidate viable projects are outlined as follows:

- Data center for AI development: Selected due to potential cooperation with the MDDIC/ IT-Park
- Expansion of drone application fields, and human resource development and pilot training: Selected due to potential collaboration with ongoing projects
- Enhancement of digital twin O&M system development: Selected due to potential collaboration with ongoing projects
- AI lab and development hub: Selected due to demonstrated interest of the private sector

3) International Practices and Implications for the Industrial Development Scenario

The following cases in Table II-20 focused on applicable implications for leveraging FEZ development.

Table II-20: Cases and their Implications

Case	Relevance	Lessons learned
China Telecom, Apple, agglomeration case in Inzai (Japan)	Cases of data centers: A leading example of efficient data center development, one of the potential and critical business components on the platform within the aforementioned ICT cluster. It demonstrates the feasibility of achieving significant cost reductions through air-cooling by leveraging geographic advantages.	Natural and locational advantages (particularly climate conditions and land availability) can be decisive factors in improving cost competitiveness and attracting data center investment, especially in early-stage ICT cluster development.
Astana Hub (Kazakhstan)	Relevance to ICT clustering: A leading example of ICT sector agglomeration and IFC development that can serve as the core of ICT cluster formation. Utilizing a former Expo site and introducing regulatory incentives demonstrates the importance of both infrastructure development and implementation of preferential regulatory measures to enhance the site's overall attractiveness.	ICT cluster formation can be effectively accelerated through phased development, starting from basic infrastructure and office functions, combined with targeted regulatory incentives to attract early-stage tenants and ecosystem actors.
Songdo International Business District (The Republic of Korea), Tianjin Eco-City (China), Toyota Woven City (Japan)	Relevance to DEP: A leading example of a smart city that leverages demonstration experiments. It presents a model for introducing DEPs tailored to different scales.	Demonstration-based urban development is most effective when initiated at a pilot scale, allowing iterative testing and expansion, while integrating living, research, and experimental functions to ensure scalability and real-world applicability.

Source: JPT

4) Scenario Finalization

Reflecting the feedback from the third WG meeting and integrating the project activity results from interviews and discussions, the refined outline of the Industrial Development Scenario was discussed and accepted at the fourth WG meeting held in July 2025. At this meeting, the JPT highlighted the importance of nominating potential (initial) projects, noting that doing so would help clarify both the priority of infrastructure development and the relevant legal framework required. At the same time, these projects are expected to attract larger-scale investors that could serve as a development partner (master developer).

Major feedback from the fourth WG meeting was as follows.

- Inclusion of a potential project to invite collaborating parties internationally for the establishment of a data center for AI development.
- Consideration of the project taking advantage of close attention to the establishment of a transportation and logistics hub.
- Introduction of more detailed projects that can specifically allocate and/or designate areas so that they can attract specific investors directly, such as the establishment of a tourism promotion center attached to the airport.

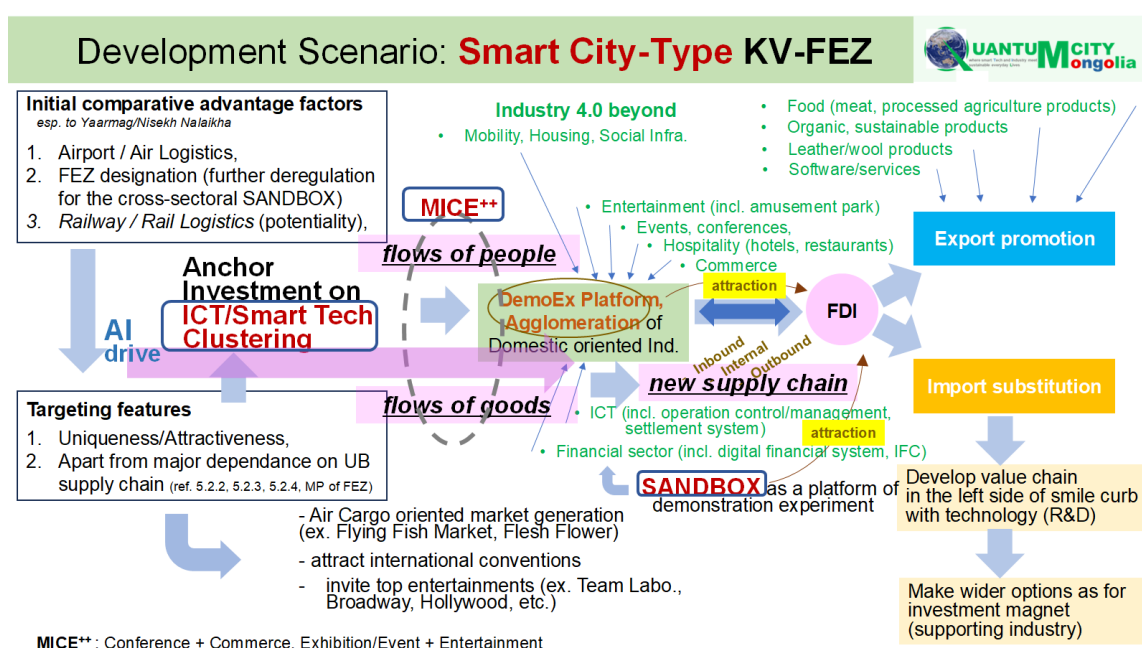
Through continuous discussions with the FEZ Governor's Office, the HC, and the HCDC, including the feedback from the fourth WG meeting, the Industrial Development Scenario was finalized for JCC's acknowledgement.

An overview of the contents of the Industrial Development Scenario is as follows (see Figure II-17). To realize the Industrial Development Scenario, it is essential that an investor entity (including a public-private consortium) develops and implements a business plan aligned with the scenario from the FEZ development stage.

- **The conceptual foundation of the relevant plan for industry promotion (Basic concept):** Shift of objectives of the economic zone from trade promotion to linking to global value chains, focusing on the next-generation knowledge-intensive high-value-added industries.
- **Direction of industrial development:** Based on the review of key plans and strategies as mentioned above, four priority focus areas are identified: (i) IFC, (ii) ICT/Smart technology clustering, (iii) MICE⁺⁺, and (iv) DEP (Sandbox). The objective of industrial development is to establish a self-sustaining economic structure that is not overly dependent on the Ulaanbaatar economy by expanding the base of investors and consumers, generating new flows of goods and people, and creating new supply chains.
- To realize this vision, the ICT cluster will be positioned as the core industrial platform, complemented by MICE⁺⁺ functions that generate flows of people, goods, and business activities, as well as a demonstration platform and regulatory sandbox that facilitate the implementation of new technologies and business models. By integrating these elements, the FEZ aims to foster the formation of a new industrial agglomeration. As these components interact and reinforce one another, the FEZ is expected to evolve ultimately into a smart city-oriented FEZ. Based on these considerations, four strategic pillars for cluster development are proposed as follows.
 - 1) ICT/Smart tech clustering as the core structure
 - 2) Creation of flows of people and goods (commerce) through MICE⁺⁺
 - 3) DEP and regulatory sandbox
 - 4) Industrial promotion and development toward a smart-city-type FEZ
- **Flow of Industrial Development Scenario:** Based on the above considerations, a comprehensive industrial development scenario was finalized, and its overall flow is illustrated in Figure II-17. The scenario illustrates the overall development architecture of the FEZ, showing how the four strategic pillars are interconnected to generate economic activities through flows of people, goods, and

investment, ultimately leading to a self-sustaining, innovation-driven ecosystem.

- The FEZ area has several initial comparative advantages, including its proximity to the new international airport, its designation as the FEZ, and the planned railway network and freight terminal. However, these advantages remain potential in nature and have not yet materialized into sufficient conditions to independently attract investment.
- In order to fully capitalize on these advantages in the future, it is first necessary to establish an attractive socio-economic environment that can serve as a catalyst for investment. In this regard, the highest priority is to develop a distinctive identity and positioning for the FEZ, thereby creating a new economic sphere capable of attracting investment. At the same time, reducing excessive dependence on the existing Ulaanbaatar-centered supply chain is essential, as such dependence would limit the relative competitiveness of the FEZ compared with other locations closer to the capital.
- In this context, ICT clustering is positioned as the core structural platform of the entire development scenario. It serves as the foundation that supports and integrates broader economic activities across the FEZ. The establishment of ICT clustering is anchored by the development of an AI innovation hub, which functions as the primary investment attraction point for ICT-related industries. In addition, the provision of demonstration and testing environments for advanced technologies—such as smart infrastructure and smart business platforms connecting tenant companies—is essential. A supporting ecosystem for start-ups and innovative enterprises, including opportunities for pilot projects and experimentation, will further facilitate the formation of a robust ICT cluster.
- Building on this foundation, MICE⁺⁺ is introduced as a mechanism to expand flows of people and goods, which in turn are expected to generate new commercial activities and contribute to the formation of new supply chains. International examples such as i-City in Malaysia and Bonifacio Global City in the Philippines demonstrate how MICE-oriented development can create such dynamic economic linkages. In the FEZ context, ICT clustering and MICE⁺⁺ are expected to reinforce each other, creating synergistic economic dynamics.
- Furthermore, DEPs and regulatory sandboxes are introduced as enabling institutional mechanisms for testing and deploying new technologies and business models. These elements collectively contribute to the formation of a smart-city-type FEZ, characterized by diversified economic activities and strengthened attractiveness for FDI and trade-related investment.



Source: JPT

Figure II-17: Industrial Development Scenario

- **Future outlook:** This scenario has been incorporated into the DPMO's Strategic Plan (2025–2028) following its approval at the second JCC meeting in May 2025, and implementation is already underway. In particular, collaboration with relevant domestic and international organizations, including private industry associations such as the Mongolian National Chamber of Commerce and Industry (MNCCI), is being actively promoted. To ensure effective implementation, securing personnel with relevant experience and technical expertise is an urgent priority. In parallel, it is essential to promote ICT clustering through public–private collaboration from the early stages of the FEZ development. Coordination with relevant ministries and agencies, such as the MDDIC and the IT Park, will also play a key role in advancing these efforts.
- **Linkage between the Industrial Development Scenario and investment promotion for its implementation:** Through the implementation of the Industrial Development Scenario, the FEZ can function as an industrial platform that promotes the testing, demonstration, and commercialization of new technologies and business models. Through the agglomeration of such industries and services, together with the enhancement of urban functions, the FEZ will have the opportunity to evolve into a smart city characterized by more advanced socio-economic activities.

Therefore, rather than remaining a conventional duty-free zone centered on export promotion and tax-exempt commercial activities, with only limited linkages to domestic industries, it is important to develop the FEZ into a smart city founded on industrial demonstration and commercialization, where economic activities based on substantive industrial development, as well as the associated social activities, can flourish.

To achieve this, it is necessary to promote demonstration projects and commercialization under public-private joint investment from the early stages of development, while fostering the agglomeration of industries and services that will contribute to the future advancement of urban functions. In this regard, it is essential to incorporate an investment promotion perspective that actively engages the private sector from the development stage onward.

(10) Activity 2-3: To Propose Measures for Improving the FEZ Legal and Investment Framework

Planned	To propose measures for improving legal framework for establishing FEZ and improving investment climate.
Changes	None

In this activity, the JPT provided inputs into and technical support to the FZ Law revision for FEZ development.

1) Review of Existing Laws in Mongolia and Other Countries

Firstly, related laws of Mongolia to the proposed FEZ have been reviewed for (i) finding the possible issues to be taken into account, and (ii) identifying the possible articles or provisions that can be reconsidered or amended (in particular, those related to taxes/ customs duties, labor/ employment and land), upon examining and proposing the legal framework for the proposed FEZ.

Secondly, laws and regulations concerning SEZs in other countries were examined to ensure the proposed legal framework for the FEZ is comparable to other international practices and sufficiently attractive to investors, through case studies of similar SEZs in Activity 2-1.

2) Discussion on Legal Framework Options for FEZ

The JPT discussed the options of legal framework for the proposed FEZ based on Chapter 12 (1) of the Separate Volume, namely, 1) revision (expansion) of the existing FZ Law, or 2) formulation of a specific

regulation for establishing the FEZ (that would be attached to the HC Law) while explaining merits and issues of each option, with the DPMO that succeeded the jurisdiction of the FZ/ FEZ affairs from the MED in October 2024.

The current FZ Law focuses on promoting trade and export processing through FZs and therefore does not assume the objectives or the distinctive development and management features of the proposed FEZ by the GOM. Further, the existing FZs have not been performing satisfactorily in terms of their development/ management as well as investment attraction/ realization. The GOM has therefore recognized the FZ Law as one of the laws to be revised.

In this regard, the DPMO initially shared that the FZ Law is to be revised during FY2025 in view of accommodating the proposed FEZ and revitalizing the existing FZs (i.e., addressing issues observed with the existing FZs that would be proposed by the existing FZ Governor's Offices). The JPT decided to assist the DPMO and the FEZ Governor's Office in revising the FZ Law to incorporate the FEZ components.

3) JPT's Proposed Inputs to the FZ Law Revision for Accommodating FEZ

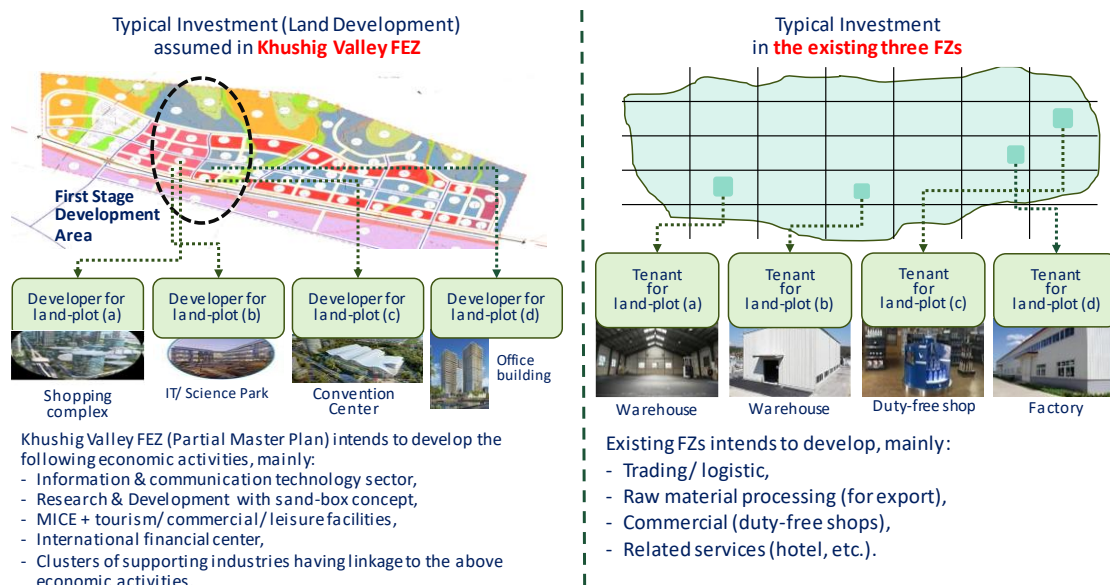
Accordingly, the JPT assisted in preparing the "Proposed Inputs to Draft Concept of the Amendment of the Law on FZs for accommodating the FEZ" (referred to as Concept Paper, see Chapter 12 (2) of the Separate Volume). Both the DPMO and the FEZ Governor's Office reached a consensus that one of the objectives of the revision is to establish a legal rationale for the development or management of the proposed FEZ, while reflecting distinctive features of the FEZ such as development concept and approach, and economic activities for promotion. The following are then recognized as "actual requirements" that must be addressed upon the revision of the FZ Law:

Principles of FEZ: Revision must consider the FEZ as a special site within Mongolia's territory and introduce special regulatory treatments for economic activities. It comprises two distinct areas: a customs territory for promoting diversified economic activities, and a non-customs territory for promoting conventional export processing and trading.

Purpose of FEZ/ economic activities to be promoted: The purpose of the FEZ is broader than the existing FZs to enhance national/ regional economic development and diversify economic activities. The proposed FEZ, as contrasted to the FZs focusing on labor-intensive/ export-oriented activities, is to promote knowledge-based/ higher value-adding economic activities (such as ICT/ digital/ science/ research-based), essential services for such economic activities (including financial/ logistic), and versatile services (including tourism/ entertainment/ education/ medical/ MICE), and establish an ICT/ digital industry cluster with a DEP and regulatory sandbox facility for demonstrating and experimenting advanced/ innovative technologies (see Figure II-18).

Two types of "investor" assumed for FEZ: Different from the FZs in which lands are leased to tenant lessees for their investment of factories/ warehouses mainly for export-processing and trading, the proposed FEZ seeks for real estate development in which lands are to be allocated to land-plot (real estate) developers that propose and invest the facility development such as office building, ICT/ science park, international hotel, shopping complex and leisure facility, convention center, etc. Following, unit-investors enter such facilities developed by real estate developers as tenant lessees to conduct their business. Accordingly, there are "two types of investors" assumed for the FEZ, namely (i) land-plot (real estate) developer and (ii) unit-investor (tenant lessee).

Participation of a "development partner" in FEZ development/ management: The DPMO and the FEZ Governor's Office can consider the option of designating a "development partner" to assign non-regulatory tasks such as land leveling, basic infrastructure/ utility works (including O&M), supervision/ monitoring of development projects by land-plot developers, and marketing for potential land-plot developers (i.e., sales promotion of land-plot), etc., considering the wide scope and complexity of FEZ development/ management. The JPT envisages that private entities, or a consortium of private entities, play the development partner role and contribute their own funds to performing the roles described above.



Source: JPT

Figure II-18: Difference in Economic Activities in FEZ and FZs

Adoption of special (preferential and deregulatory) measures: The FEZ (as well as FZ) is intended to be exempt from certain existing regulations. Accordingly, it is most important to introduce additional special measures, particularly in taxation and expatriate employment.

- **Taxation:** The existing law only sets out special taxation treatments for economic activities assumed in the existing FZs, i.e., export processing, trading, logistics, and hotel. Consequently, extending the scope to diverse economic activities, covering real estate developers engaged in land development projects, as well as ICT/financial/retail services, R&D activities (on innovative/ advanced technologies), etc., in the FEZ is necessary. It is also advisable to extend the scope of land fee exemptions to real estate developers.
- **Expatriate employment:** Considering the chronic shortage of professional workers in ICT, high-tech, tourism, entertainment, and financial sectors, the FEZ needs to actively introduce special treatments for expatriate employment.

Regarding preferential measures for the ICT sector, the Law on Supporting IT Production, formulated in June 2024, stipulates fiscal and non-fiscal incentives specifically applicable to the IT sector nationwide. Business entities in the IT sector to be in the proposed FEZ shall be entitled to incentives stipulated in this IT law as well as those available in the revised FZ law's economic activities.

It is also noted that, under the revised FZ Law, the proposed FEZ is to be designed as a DEP and regulatory sandbox facility for demonstrating/ experimenting with advanced and innovative technologies (particularly ICT, AI), which may require a separate deregulation regime. In this regard, the IT law stipulates that the government establishes a sandbox for advanced technology and adopts relevant regulations. DPMO/ FEZ Governor's Office is advised to be involved in the formulation process of this regulation, which will be led by the MDDIC.

Rule/ procedure for granting land use rights to land-plot developers: Unlike the existing FZs, the FEZ seeks land-plot developers to invest in real estate development projects. Accordingly, the existing rule/ procedure concerning project selection for granting land use rights must be adjusted to accommodate the general practices of real estate development. Thus, preparing a separate rule/ procedure for project selection for FEZ development needs to be addressed (the JPT suggested the DPMO and the FEZ Governor's Office adopt the regulation proposed in Activity 1-6).

Furthermore, the following issues in the investment/ business climate, which have been frequently indicated

as key bottlenecks by the international community, can be addressed by the proposed revision of the FZ Law:

- Foreign investors may initially be granted land use rights for five years, with limited chances for renewal, following the revision of the Law on Investment in 2024.
- It is noted that the land management authority (GALAGaC) in Mongolia suggested, in a hearing during the Project, that the initial grant of land use title is not necessarily limited to five years. This opinion was shared with the FEZ Governor's Office and the DPMO.
- Chronic shortage persists in most professional workers, who are internationally trained and English-fluent, including engineers in construction, information/ digital technology, financial/ professional business, and tourism services.
- Companies wishing to hire expatriates must obtain a work permit, which involves a rather cumbersome procedure. Moreover, the government periodically sets a quota on granting work permits, thus inhibiting the flexible employment of foreigners to some extent.
- Following the work permit, employers need to request a residence permit for the expatriates to be hired. However, this permit can be issued within the prescribed ratio of foreign nationals eligible for residence. This may hinder the increase in supply of skilled expatriates to Mongolia.
- In this regard, while a countermeasure to ease such issues of expatriate employment was provided in the previous version of the FZ Law (stipulating that each FZ Governor is authorized to formulate and enforce the workforce and employment policies of FZ), this was deleted. The Project's proposed FZ Law revision suggests reinstating this provision.

4) Process for Proposing Amendments to the FZ Law to Incorporate the FEZ Concept

In parallel to the above activity, the DPMO established the government WG for the FZ Law revision that consists of officers belonging to the DPMO, three FZ Governor's Offices, FEZ Governor's Office, etc., in the middle of August 2025. The WG started a series of activities required to revise the FZ Law, including concept paper preparation, needs assessment (to identify operational issues in the current FZ Law), and impact assessment. The proposed revision was scheduled for submission during the fall parliament session in (December) 2025.

The JPT first explained the concept paper drafted for the revision of the FZ Law (see Chapter 12 (2) of the Separate Volume) to the government WG to ensure consistent understanding of the proposed FEZ, including its distinctive features such as development concept and approach, as well as economic activities for promotion. Afterwards, based on the concept paper (actual requirements) and the issues observed on investment/ business climate, the JPT (i) reviewed and identified the articles and clauses to be revised and (ii) proposed their inclusion in the existing FZ Law.

Subsequently, the JPT prepared an initial draft of the FZ Law revision (in view of newly accommodating the FEZ) in mid-September 2025. The JPT has since continued to refine the draft proposal through a series of consultations and discussions with key WG members of the DPMO and the FEZ Governor's Office, handling their questions and concerns. As a result, the JPT drafted the revised FZ Law in November 2025 (see Chapter 12 (3) of the Separate Volume) and shared it with the DPMO (January 2026). Afterwards, the draft was further explained and shared with a newly appointed DPMO head (since April 2026) and DPMO legal advisor, who has supervised the revision of the FZ Law since May 2026.

Although the DPMO initially aimed to prepare the revised FZ Law through the government WG, it later decided to mobilize local consultants through an ADB-funded project (since March 2026) to advice the revision work, following the delays in progress partly caused by the replacement of the DPMO head. As of June 2026, the consultants, supervised by the DPMO's legal advisor, have been preparing a concept paper and draft outline of the revised law. In addition, the DPMO has been discussing internally whether the

revised law shall comprise not only the newly proposed FEZ but also industrial parks (currently regulated by a separate law) and SEZs (regulated by the Law on Legal Status of Ulaanbaatar, the Capital City of Mongolia).

Both the DPMO (the head and legal advisor) and the FEZ Governor's Office stated that they would refer to the outputs of this project activity for the proposal of the revised FZ Law. In this regard, a legal expert of the FEZ Governor's Office has compiled a proposal based on the Project's outputs to the DPMO so that key points such as development concept/ approach, economic activities to be promoted, special (incentive/ deregulation) measures as distinctive to the proposed FEZ, and key issues of business climate would be reflected in the local consultants' work.

5) Further Actions to be Taken

The DPMO is supposed to prepare and propose the draft revised FZ Law together with associated research on the current conditions of the FZ Law and impact of the proposed revision, as required for the legislation within this fiscal year. During this process, both the DPMO and the FEZ Governor's Office are requested to make use of the outputs prepared by this Project Activity in view of ensuring that those distinctive features of the proposed FEZ and business climate issues as indicated by the JPT would be adequately reflected in the revised law.

(11) Activity 2-4: To Confirm Roles and Issues for FEZ Institutional Framework and Investment Promotion

Planned	To confirm the roles / scopes of related organizations and issues to be examined, upon establishing institutional framework and promoting investment for FEZ
Changes	None

The information, including the institutional and operational framework of the existing FZs and existing and planned organization and staffing of the DPMO, the HC, and the HCDC, has been reviewed after altering the project implementation set-up, i.e., transfer of jurisdiction over FZ affairs from the MED to the DPMO.

The HC Law enactment, accompanied by the appointment of the HC Mayor and the decision to establish the HCDC, has since clarified the organizations responsible for the FEZ as follows:

- policy/ regulatory affairs = DPMO; and
- development/ management = FEZ Administration Unit of HC and HCDC.

However, the HC Law amendment in February 2025 removed the HC Mayor's authority. The DPMO decided to establish the Governor's Office for the FEZ, pursuant to the FZ Law, comprising the following five divisions (approved by Government Resolution No. 83 of 2025). The maximum number of positions is set at 30 (see Figure II-19):

- Investment & Planning Division;
- Administrative & Financial Division;
- Infrastructure & Land Management Division;
- Innovation & Technological Division; and
- Legal Division.



Source: JPT

Figure II-19: Institutional and Operational Framework of FEZ

The DPMO nominated the Governor and started recruiting office members. The Deputy Prime Minister was instructed to secure the operating expenses of the FEZ Governor's Office in the national budget of FY2025 and subsequent years. Accordingly, the organizations responsible for the FEZ have been reclarified as follows (the relation of the HC and the HCDC to the FEZ is currently disappearing in a legal sense):

- policy/ regulatory affair = DPMO, and
- development/ management = FEZ Governor/ Governor's Office.

The JPT advised the Governor's Office on the key tasks for development/ management of the FEZ, covering:

- Detailed land use planning (for priority area by stage);
- Land preparation (including infrastructure/ utility connection works in relation to land-plot preparation),
- Marketing/ promotion to potential land-plot developers,
- Announcement of land-plots for project selection (for granting land use rights),
- Conclusion of land-plot development agreement with land-plot developers (issuance of land use certificate),
- Supervision/ monitoring of land-plot development projects, and
- O&M of infrastructure/ utility* connection (within the zone, excluding utilities such as power, water, gas, heating, and telecommunications, which fall under the responsibility of public utility providers).

*Basic infrastructure/ utilities serving across the zone as a whole shall be developed by each responsible ministry/ national government agency, basically with the national budget. Civil structures such as roads/ water supply and sewerage facilities shall be transferred to HC/ HCDC for O&M.

In addition, the JPT advised the Governor's Office that the organization responsible for performing the above tasks desirably requires:

- Adopting corporate-style management rather than government-style management (i.e., an organization capable of securing and raising funds on its own account, including the ability to retain revenue from land use rights, and treating staff under private-sector practices);
- adopting a market-oriented approach for land use planning and land preparation;
- establishing a professional body to find, coordinate, and supervise multiple land-plot developers and their land-plot development projects; and
- mobilizing private entities' funding, know-how, and human resources, and network with the private sector (i.e., potential investors).

However, the current organizational set-up (the Governor's Office) may face the following constraints:

- limited capacity to formulate land use planning in a market-oriented manner;
- limited capacity or experience to find and guide potential land-plot developers (due to the limited network with private investors);
- limited capacity or experience in supervising and coordinating multiple land-plot developers and their land-plot (real estate) development projects.

* The office has a maximum staff of 30, which is small considering the scale of the zone development, and few staff have minimal experience in real estate development business and industrial park

operations.

- difficulty in securing the national budget and mobilizing own funds (revenue) for land preparation, and infrastructure and utility works in a timely and flexible manner, along with the needs of potential investors (the office is unable to raise its own funds and dispose of all the tax- and land-related revenue); and
- difficulty in recruiting personnel and experts in a flexible manner and treating them in the style of private organizations (the office shall be run as a local government unit).

ITA, a state investment promotion agency under DPMO responsible for foreign investment and procurement, is expected to facilitate investment in the proposed FEZ. The ITA consists of five divisions, including the investment promotion division. ITA's promotion activities have centered on participation in bilateral dialogue on economic/trade cooperation with other countries and the organization of investment seminars/webinars.⁷ It is suggested to involve the ITA when the FEZ Governor's Office intensifies its marketing/promotion activities.

Considering the constraints and issues faced by the FEZ Governor's Office, the JPT finds it important to propose an ideal organization set-up that would help the Governor's Office reach optimal development and management of the FEZ. This is further discussed in Activity 2-5.

The above observations by the JPT have been explained to and shared with the DPMO and the FEZ Governor's Office since April 2025, after the alteration of authority over the FEZ from the HC Mayor to the Deputy Prime Minister in charge of regional development and emergency matters.

(12) Activity 2-5: To Formulate the Roadmap towards Establishing the Organization and Developing the Promotion Activity

Planned	To examine the organizational set-up for developing / operating FEZ and draft activity plan for investment promotion, and to formulate the roadmap towards establishing the organization and developing the promotion activity.
Changes	None

1) Roadmap Towards Developing the Promotion Activity for FEZ

Building on the Industry Promotion Scenario developed under Activity 2-2 in the first half of 2025, the JPT examined a draft activity plan for investment promotion for the development and operation of the FEZ, as well as a roadmap for promoting such activities, through a series of discussions with the C/Ps since October 2025. These discussions were mainly conducted with the FEZ Governor's Office and HCDC, as the implementing authorities for investment promotion.

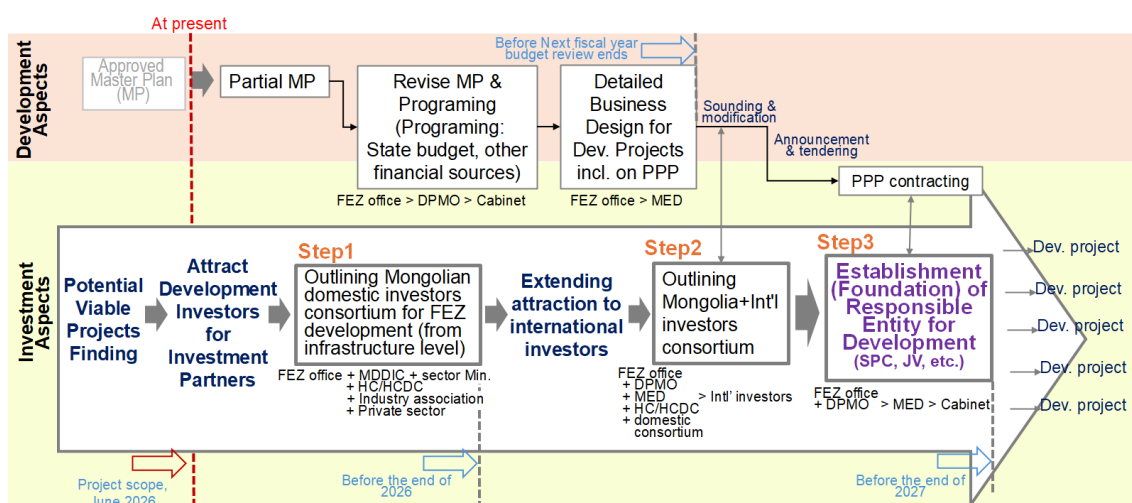
The JPT proposed shifting from the conventional concept of attracting investors merely as “tenants” to a broader concept in which investors can also participate as responsible development partners. To illustrate this approach, the JPT presented three phased development and operation models: (i) National-Led Integrated Arrangement (a unified structure responsible for both development and operation), (ii) Semi-Separated Arrangement (a structure in which public and private sectors share part of the responsibilities for development and operation), and (iii) Fully Separated Arrangement (a structure in which responsibilities for development and operation are shared between public and private sectors at each stage). Major investment attraction activities were also identified for each model.

Formulating a roadmap for the investment attraction activities, the activities focused on the National-Led Integrated Arrangement and early stage of Semi-Separated Arrangement are consolidated in alignment with

⁷ Information is as of December 2023 because it was excluded from the C/P agencies.

the development process and the progress of organizational coordination for the responsible development entity (e.g., Special Purpose Company), during the initial mobilization period of development, based on the discussion with the FEZ Governor's Office.

The roadmap in Figure II-20 sets out a three-step sequential process, in which the development approach progresses in the following order: (i) formation of a domestic investor consortium, (ii) transition to an international investor consortium, and (iii) establishment of the development entity based on the international investor consortium. Accordingly, it is expected that efforts will be initiated to promote PPP project pipeline development and the transaction preparation process through the three-step roadmap by 2027.



Source: JPT

Figure II-20: The Roadmap for Evolution of Investment Promotion Activities

The roadmap consists of the following key components and processes.

• **Planning / Market Sounding and Development Program (Development Aspect)**

- The FEZ Governor's Office, in consultation and coordination with relevant stakeholders (including HC where FEZ is located, as necessary), will formulate a DMP for the initial phase of development. In parallel, the office will conduct a preliminary market-sounding exercise.
- Through this process, it will engage in dialogue with major ICT- and IFC-related private sector entities to assess their interest in project-based investments that will be implemented on, or linked to, the DEP. Demonstrating the essential value of undertaking such investments must also be incorporated into the planning for the initial phase.
- Based on the above planning and market sounding results, a Development Program will be formulated as a core function of the FEZ Governor's Office under Article 8.7.2 of the FZ Law, identifying viable financing sources, including prospective PPP schemes.
- Within this Development Program, the investment attractiveness framework is defined, including the structuring of initial-phase investment incentives. In particular, anchor investments (e.g., a national data center) are positioned as strategic catalytic projects, and regulatory sandbox mechanisms and deregulation measures are incorporated as part of the value proposition to enhance investability.
- The Development Program also incorporates early identification of potential private-sector entities that may serve as future master developers, thereby creating the foundation for subsequent investor consortium formation.

• **Investment Consortium Formation (Investment Aspect - Step 1–3: Structuring of Investors)**

- The Governor's Office, in collaboration with the DPMO, will expand the scope of investment to include industrial investments, such as ICT and IFC sectors, as well as related social infrastructure.
- The initial composition of the investor consortium should primarily consist of Mongolian development-related companies and institutions, thereby establishing a credible domestic base to attract international investors (Step 1).
- Building on this, efforts will be intensified to promote participation of international investors, including development partners, such as JICA, ADB, and the World Bank, in the consortium (Step 2 and Step 3).
- It should be noted that the emphasis placed on domestic investment in the initial stage of investment attraction does not imply the exclusion of foreign investment. Rather, the intention is to demonstrate strong commitment to domestic investment and confidence in the international market, thereby enhancing the credibility and attractiveness of the FEZ as a potential destination for foreign investors. At the same time, the agglomeration of domestic industries itself is expected to contribute to the creation of a favorable investment environment, generating market opportunities, business linkages, and ecosystem effects that can further stimulate foreign investment. In this sense, domestic investment is positioned not only as a source of capital but also as a strategic catalyst for attracting subsequent FDI.
- Demonstration experiment-based projects, enabled through the Development Program and regulatory sandbox framework, function as validated project opportunities that support investor confidence and consortium formation.

• **Anchor Investment & Demonstration Projects (Catalytic Activation Layer)**

- Within the investment pipeline established through the Development Program, anchor investments, such as a national data center, serve as strategically positioned catalytic projects intended to trigger and accelerate subsequent project-based investments.
- These anchor investments are closely linked with demonstration experiment-based projects, which together form a dual mechanism:
 - Demonstration projects validate feasibility, technology, and regulatory effectiveness under sandbox conditions.
 - Anchor investments provide scale, visibility, and commitment signals that enhance overall investor confidence.
- This combination functions as the primary activation mechanism for translating the investment pipeline into actual committed investments.

• **Coordination with HC Development and Alignment with Overarching Policies (HC Coordination Layer)**

- With respect to development investment in the FEZ, it is important to ensure complementarity and mutual support between the FEZ and HC, particularly in relation to infrastructure development at the early stage.
- Regulatory sandbox provisions and preferential measures applicable to infrastructure development within the FEZ should, where feasible, also be applied to supporting infrastructure development on the HC side.
- It is further important to confirm that development policies for each zone within HC, including the FEZ, are aligned with the Vision 2050 objective of positioning HC as a transport and economic hub, and that the Cabinet-approved HCDC is understood as encompassing integrated zone development

within the broader city framework.

The draft activity plan and roadmap produced in this activity are provided in Chapter 13 of the Separate Volume.

2) Roadmap Towards Establishing an Ideal Organizational Set-up for FEZ

Based on the results of Activities 2-1 and 2-4, the JPT has examined the “Roadmap towards Establishing the Ideal Organizational Set-up for Development/ Management of FEZ” through a series of discussions with the DPMO and the FEZ Governor’s Office since April 2025.

By the end of October 2025, a roadmap towards establishing the ideal organization for the FEZ with a view to accelerating FEZ development over the medium-term was drafted. The proposed roadmap was explained to the FEZ Governor’s Office and the DPMO in December 2025. Details of the roadmap are provided in Chapter 14 of the Separate Volume.

• Option A: Partnership with a General Development Partner (Master Developer) with Task Demarcation

- A general development partner that runs on a corporate-style management shall be found to help the Governor’s Office with “development/ operational/ promotional tasks”, while the Governor’s Office focuses on “planning/ regulatory/ administrative tasks” as an authority over the FEZ.
- The DPMO and the Governor’s Office may find and designate a general development partner and establish the legal rationale through the FZ Law amendment, followed by the enabling regulation.
- An enabling regulation needs to prescribe the partnership and task demarcation in detail between the Governor’s Office and the general development partner, and provide for the questions, namely (i) who can be a development partner, (ii) how the tasks of infrastructure/ utility works and land preparation are demarcated, and (iii) how the proceeds are earned by a development partner.
- When conducting market sounding for identifying a development partner, it is advisable to begin by building relationships with private companies that have been contacted in the course of Activity 2-2.

Table II-21: Proposed Actions for Option A

Actions to be taken	Organization/ Timeline
i) Market sounding: Introduce the opportunity of becoming a general development partner to a private party (potential company) and public sector (potential public corporation) in Mongolia, through direct contact.	DPMO/ FEZ Governor’s Office During 2026
ii) Organization support: Facilitate organizing and establishing a general development partner.	DPMO/ FEZ Governor’s Office During 2027
iii) Legal arrangement: Prepare the enabling regulation (under the FZ Law) on the partnership with a general development partner and draft a partnership agreement.	DPMO/ FEZ Governor’s Office By the first half of 2028
iv) Agreement conclusion: Conclude the partnership agreement (as for development/ management of the FEZ) with a general development partner.	DPMO/ FEZ Governor’s Office By the end of 2028

Source: JPT

• Option B: Transformation (of the Governor's Office) into a Corporation

- Obtaining a partnership with the development partner as proposed in Option A or in parallel to Option A is difficult. The DPMO and the FEZ Governor's Office can also consider transforming the Governor's Office into a development/ management corporation (learning from a Kazakhstan SEZ). However, even if the FEZ Governor's Office seeks the partnership model, it may choose corporatization in parallel.
- According to the SEZ law of Kazakhstan, the national or local government may establish a management company for the SEZ in the form of a joint stock company or limited liability partnership. A management company can also be established with the participation of private entities, including foreign ones that have experience in developing and managing SEZs.
→ When examining the legal framework for corporatization, it is advisable to refer to the case of Kazakhstan SEZs and the establishment processes of the HCDC by the HC as a good reference.

Table II-22: Proposed Actions for Option B

Actions to be taken	Organization/Timeline
i) Legal arrangement: Further amend the FZ Law and prepare the regulation (under the FZ Law) for the organization and establishment of the FEZ development/ management corporation.	DPMO/ FEZ Governor's Office By the first half of 2027
ii) Corporate design: Examine/ design the corporation's organization in detail (including the possibility of a private entity's participation) and formulate its business plan.	DPMO/ FEZ Governor's Office By the end of 2027
iii) Corporate establishment: Establish the corporation in accordance with the design/ business plan, covering registration, staffing, initial funding arrangement, and website, etc.	DPMO/ FEZ Governor's Office By the end of 2028

Source: JPT

• Further Actions to be Taken

The proposed roadmap was explained to the FEZ Governor's Office and the DPMO in December 2025. It is recommended that the FEZ Governor's Office start exploring a general development partnership with private companies contacted during the roadmap formulation process to promote future activities for the FEZ.

The FEZ Governor consented to the roadmap and is interested in transforming the Governor's Office into a corporation in the future, opining that the FEZ should be developed and managed by a corporate-style organization to accelerate its development and strengthen its management. In this case, the FEZ Governor's Office is recommended to refer to the Kazakhstan case, where the state or local government may establish a management company for the SEZ.

(13) Activity 2-6: To Conduct Training(s)

Planned	To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 2-1. to 2-5. above.
Changes	As a result of the Prime Minister's replacement, the Cabinet was reorganized in June 2025. This led to delays in the selection of participants, ultimately resulting in the cancellation of the third country training program in the Philippines, which was scheduled for August 2025.

Sixteen C/P participants joined the high-level study tour in Japan, which included lectures and site visits in Tokyo, Kitahiroshima City in Hokkaido Prefecture, and Tsukuba City in Ibaraki Prefecture to examine the legal and institutional frameworks supporting the development of new cities and SEZs (see Section II-1-3 (7) Activity 1-7).

Two training sessions related to Output 2 were conducted: Training in Mongolia 1 for the experience sharing from the high-level study tour in Japan and Training in Mongolia 5 for the final seminar to share the Project results. Details are also in Activity 1-7.

Case studies of the SEZs in other countries, similar to the concept of the proposed FEZ (see Chapter 10 (2) of the Separate Volume), were explained at the second WG (2024) meeting in March 2024. Subsequently, in December 2025, a seminar was held for five officers from the DPMO and the FEZ Governor's Office to deepen their understanding and knowledge on the SEZs.

2. Achievements of the Project

2-1 Outputs and indicators

(1) Output 1: Establishment of Legal and Institutional Framework for Development of New Zuunmod City is Promoted

The achievement rating of Output 1 was high, with all indicators at 100%, as shown in Table II-23.

Table II-23: Achievement of Output 1

Objectively Verifiable Indicators	Means of Verification	Achievements based on Verifiable Indicators
1. Proposal for enhancement of the Law on the Legal Status of New Zuunmod City is prepared.	1. Proposal for enhancement of the Law on the Legal Status of New Zuunmod City (renamed to the Legal Status of Hunnu City in January 2025)	Achieved at 100% The final draft of the proposed amendment to the HC Law on the Legal Status of HC was prepared and submitted to C/Ps in April 2026.
2. Draft regulations on zoning and project requirements, project applicant requirements, and project selection are prepared.	2-1. Draft regulation on zoning 2-2. Draft regulation on project requirements, project applicant requirements, and project selection	Achieved at 100% 2-1. The final draft of the proposed Zoning Regulation was prepared and submitted to HC in April 2026. 2-2. The final draft of the proposed Regulation on the Criteria and Procedure of Project Selection, and the Requirements for Selection Participants was prepared and submitted to HC and HCDC in April 2026.
3. Roadmap is prepared.	3. Roadmap	Achieved at 100% The proposed roadmap was prepared and submitted to C/Ps in April 2026.

(2) Output 2: Establishment of Legal, Investment and Institutional Framework for Development of Free / Special Economic Zone in the New Zuunmod City is Promoted

The achievement rating of Output 2 was high, with all indicators at 100%, as shown in Table II-24.

Table II-24: Achievement of Output 2

Objectively Verifiable Indicators	Means of Verification	Achievements Based on Verifiable Indicators
1. Revised development plan or concept is prepared	1. Revised development plan or concept	Achieved at 100% Industry Development Scenario was prepared and explained to the FEZ Governor's Office in May 2025.
2. Proposal of measures is prepared	2. Proposal of measures	Achieved at 100% Proposed revision of the FZ Law to establish the legal status of FEZ in Mongolia was prepared and submitted to the DPMO and the FEZ Governor's Office in December 2025.
3. Roadmap is prepared.	3. Roadmap	Achieved at 100% 3-1. Roadmap towards establishing an ideal organizational set-up for FEZ was prepared and explained to the FEZ Governor's Office in February 2026. 3-2. Roadmap toward developing the promotion activity was prepared and explained to the FEZ Governor's Office in February 2026.

2-2 Project Purpose and Indicators

The Project Purpose is: “The capacity of Mongolian government agencies for coordination and cooperation in order to promote the development of the New Zuunmod city is enhanced.” Overall achievement of this purpose was moderate, as shown below.

Objectively Verifiable Indicator 1: Number of the counterparts staff with an understanding of the implementation system and roles in the development of the New Zuunmod city or free economic zone

Means of Verification: Interviews with concerned agencies' staff, training records

Achievement: 80%

The understanding of the implementation system and roles in the development of HC or FEZ was assessed based on the level of understanding of the Project's products.

About 80% of the C/P staff indicated a high level of understanding of the project results, rated 4 or above on a 5-point scale. The questionnaire survey targets WG members who have participated in more than half of the WG meetings since September 2025 (15 out of 35 WG members), as well as other key staff members involved in WG meetings. Due to the frequent changes in WG membership, participation by members other than the main C/Ps was limited.

Respondents were requested not to answer questions on topics they were not part of or could not recall. The results are as follows:

- **Proposed Roadmap for HC development:** 14 out of 17 members from the DPMO, the MUDCH, the HCDC, the HC, the FEZ Governor's Office, the MUB, etc.
- **Proposed Amendment for the HC Law:** 15 out of 17 members from the DPMO, the MUDCH, the HCDC, the HC, the FEZ Governor's Office, the MUB, etc.
- **Proposed Draft Zoning Regulation:** 14 out of 16 members from the DPMO, the MUDCH, the HCDC, the HC, the FEZ Governor's Office, the MUB, etc.
- **Proposed Draft Project Selection Regulation:** 13 out of 17 members from the DPMO, the MUDCH, the HCDC, the HC, the FEZ Governor's Office, the MUB, etc.
- **Proposed Roadmaps for Khushig Valley FEZ:** 12 out of 14 members from the DPMO, the MUDCH, the HCDC, the HC, the FEZ Governor's Office, the MUB, etc.
- **Proposed Amendment for the FZ Law:** 6 out of 10 members from the DPMO, the HCDC, the HC, the FEZ Governor's Office, etc.

Objectively Verifiable Indicator 2: Draft regulations concerning New Zuunmod city development / free economic zone establishment are processed in the respective ministries / agencies for circulation to the authorities concerned.

Means of Verification: Draft regulations processed by the respective agencies for circulation to invite comments from the authorities concerned.

Achievement: 75%

The formal circulation process for all proposed draft law amendments and regulations has not yet started, as it requires the Mongolian side to prepare the official documents. However, some activities for forthcoming circulation are being carried out as outlined below:

- **Proposed Draft Amendment for the FZ Law:** The DPMO has been working on the revision work by mobilizing local consultants since March 2026.
- **Proposed Draft Project Selection Regulation:** The HCDC considers that the draft regulation will be

submitted for Cabinet approval not in the immediate term, but in anticipation of land becoming available for commercial development. To this end, the HCDC considers undertaking preparatory activities, including consultations with private sector companies.

- **Proposed Draft Zoning Regulation:** The HC is working on developing a zoning map for its priority development area within the Administrative Zone based on the drafted Zoning Regulation.
- **Proposed Roadmap for HC development:** No activities have been conducted yet, as undertaking substantial revision in the immediate term is assumed to be difficult given the short period since its enactment.

Objectively Verifiable Indicator 3: Roadmaps and/or other proposed actions during the Project are submitted for acknowledgement by the authorities concerned, and further elaborated towards their implementation.

Means of Verification: Roadmaps or policy documents submitted for acknowledgement to the authorities concerned

Achievement: 60%

All outputs were agreed upon at the final JCC meeting in June 2026; however, they have yet to be elaborated for implementation. The status of the five outputs is as follows:

- Through discussions with the C/Ps, three proposed roadmaps were agreed on: (i) roadmap for HC development (submitted to the HC), (ii) roadmap towards establishing an ideal organizational set-up for the FEZ (submitted to the DPMO and the FEZ Governor's Office), and (iii) roadmap towards developing the promotion activity for the FEZ (submitted to the FEZ Governor's Office). The three proposed roadmaps will be further discussed within the GOM.
- The proposed FEZ Industrial Promotion Scenario was explained and submitted to the FEZ Governor's Office. Subsequently, further elaboration was undertaken by integrating the scenario into the DPMO's Strategic Plan (2025–2028).
- Regarding the coordination mechanism for HC development, consultations with C/Ps have been conducted, but further discussions at a higher level of the government are necessary after the Project.

3. History of PDM Modification

Output 1 and its activities, as well as indicators, were revised and endorsed at the first JCC meeting to make them more realistic and measurable, in light of the changes in the legal framework and institutional arrangements related to the development of HC, as summarized in Table II-25 (see Annex 3).

Table II-25: Items Modified in the First JCC Meeting

Item	Original	Modified
Output 1	<u>Law on the development of the New Zuunmod city is prepared.</u>	<u>Establishment of legal and institutional framework for development of New Zuunmod City is promoted.</u>
Indicator for Output 1	1. <u>Draft law is prepared.</u> 2. <u>Draft regulations are prepared</u> 3. <u>Roadmap is prepared</u>	1. <u>Proposal for enhancement of the Law on the Legal Status of New Zuunmod City is prepared.</u> 2. <u>Draft regulations on zoning and project requirements, project applicant requirements, and project selection are prepared.</u> 3. <u>Roadmap is prepared.</u>
Activity 1-4	To prepare the <u>draft law on the development of the New Zuunmod city with listing up</u>	To prepare the <u>proposal for enhancing the Law on the Legal Status of New Zuunmod</u>

Item	Original	Modified
	<u>major contents to be covered</u> based on results of 1-1. to 1-3. above.	City based on results of 1-1. to 1-3. above.
Activity 1-6	To prepare draft regulations based on <u>the draft law prepared in 1-4 above.</u>	To prepare draft regulations based on <u>the Law on the Legal Status of New Zuunmod City.</u>

4. Others

4-1 Results of Environmental and Social Considerations

Not Applicable

4-2 Results of Considerations on Gender/Peace Building/Poverty Reduction, Disability, Disease infection, Social System, Human Wellbeing, Human Right, and Gender Equality

Not Applicable

III. Results of Joint Review

1. Results of Review based on DAC Evaluation Criteria

(1) Relevance

Relevance is fully met across all three perspectives (rated 3), as shown in Table III-1. Firstly, consistency with Mongolia's development policy is high because no changes have been made to overarching policies since the ex-ante evaluation. Secondly, consistency with development needs remains high because, after the ex-ante evaluation, the MPs for HC and FEZ development were approved, and the MUB positioned HC development as one of its priority projects. Lastly, coherence in the Project plan and approach is high. The lead agency for HC development shifted from the policymakers to implementation organizations when the HC and the FEZ Governor's Office were established. The Project has flexibly adjusted its plan and approach to this change by shifting its C/Ps for discussions to the implementation organizations, while continuing its engagement with policymakers of the DPMO and the MUDCH.

Table III-1: Detailed Evaluation of Relevance

Sub-criteria	Evaluation
Consistency with Mongolia's development policy	- The consistency has remained unchanged since the ex-ante evaluation. - The higher-level policies incorporate the concept of HC. The GOM has set nine goals in its "Long-Term Development Vision 2050" (2020), a long-term development policy for the period up to 2050, and six issues in its "New Recovery Policy" (2021) for socio-economic recovery from COVID-19. They consistently address reducing the overconcentration in Ulaanbaatar, the importance of regional development, and the necessity of development of the non-mining sector and industrial diversification as key issues for the country. - The development of HC is stipulated in the Ulaanbaatar 2020 Master Plan and Development Approaches for 2030 as an airport city and the draft UBMP2040 as a satellite city.
Consistency with development needs	- The need for development remains high since HCMP has been developed and MUB includes HC development as one of its mega projects, though the four-year policy of MUDCH, which is initially in charge of the HC development, focuses on other large-scale new city development. - HCMP was approved by the Parliament in April 2022. Based on HCMP, DMP for the Medical Zone was approved in 2021, followed by its detailed design in 2022. DMPs for the Logistics Zone and the Academic Zone were approved in 2023, FEZMP in 2025, and the DMP for the Administrative Zone in 2025. FS of the logistic center has been conducted by the World Bank. On the other hand, revisions to HCMP and FEZMP, as well as DMP or FS for FEZ, which are planned, have not yet been allocated a budget. - The HC Law was enacted in June 2024 after the Project commencement. HC was designated as a satellite city of the MUB. The development of HC is identified as one of MUB's mega projects, demonstrating the capital city's commitment to HC development. - MUDCH's 2024-2028 action program has become the agency's core project. The government announced another new urban development initiative, the construction of "New Kharkhorum City" in the Orkhon Valley, through Presidential Decree No. 230 "Reconstruction of Kharkhorum City" issued in December 2022, and Parliament Resolution No. 07, issued in January 2023.
Coherence in project plan and approach	- The JPT revised the project plan and approach, adjusting to the situational changes in C/Ps and government structure for HC and FEZ development and enactment of the HC Law. - The HC Law, a major output of the Project, was enacted in June 2024. In response to these changes, Output 1 and several project activities under it were revised to suit the situation. For example, Activity 1-4 was replaced with: "To prepare the proposal for enhancing the Law on the Legal Status of New Zuunmod

Sub-criteria	Evaluation
	City,” since the proposed law was not enough to proceed with the development. The Project also changed the target of Activity 1-5 due to an updated organizational structure. The involvement of the National Committee for the Khushig Valley Development was excluded due to the cancellation, and the project implementation agency for HC development was replaced from the MUDCH to the HC authority and the HCDC. • Since the MUDCH was no longer in the leading role following the enactment of the HC Law in June 2024, the HC, the HCDC, and the FEZ Governor’s Office, which had become the de facto key C/Ps, as these organizations became involved as the main C/Ps after being staffed in September 2025, the focus of capacity building and discussions was shifted to these organizations. • Although the Project was substantially impacted by the switch of the main C/Ps from policymakers to implementation organizations, the JPT continued its engagement with policymakers through periodic reporting and discussions and promoting policymakers’ involvement through WG and SWG meetings, while maintaining regular dialogue with the implementation organizations. By shifting the focus of day-to-day discussions with the implementing organizations, thus addressing variations in the required scopes and depth of outcomes, the JPT also revised its operational approach to resolve issues on the ground. • The C/P structure, which continued to change and which the JPT realized as one of the Important Assumptions until the end of the Project, has changed significantly. Given the repeated changes in the Cabinet, the replacement of the key C/Ps occurred; (i) change in the FEZ’s supervising organization from the MED to the DPMO, following the Cabinet reshuffle after general election in June 2024; (ii) change in the project implementation agency in charge of HC development from the MUDCH to the HC authority and the HCDC following the enactment of HC Law in June 2024; and (iii) change in the implementing agency for the FEZ from the HC to the FEZ Governor’s Office following the amendment of HC Law in January 2025. Accordingly, the major C/Ps had been modified.

(2) Coherence

Coherence is rated 3. With regard to (i) consistency with the Japanese Government and JICA’s development cooperation policies; (ii) collaboration with other projects, support, and so on within JICA; and (iii) cooperation with organizations outside JICA and international entities: (i) is considered to be fully consistent, while (ii) and (iii), although some projects are not initially envisaged, have been promoted and coordinated within the framework of this Project. Details are in Table III-2.

Table III-2: Detailed Evaluation of Coherence

Sub-criteria	Evaluation
Consistency with Japanese Government/JICA development cooperation policy	• The consistency with the Japanese Government/JICA development cooperation policies remains as high. • The Project is consistent with the development cooperation policies in the following points: (i) the Japanese Government has assessed the current situation in its Country Development Cooperation Policy for Mongolia as “Urban problems and regional disparities caused by the overconcentration of the population in Ulaanbaatar City are becoming more serious.” The Project is slated as a measure to resolve urban problems in support of building a new satellite city of MUB. (ii) It also stipulates “process of diversification of the economy and strengthening the rural development strategy” and “Realization of balanced economic growth in harmony with the environment” as one of the priority areas. This Project supported economic diversification by proposing an industrial strategy to focus on the ICT/AI sector as the core industry in FEZ and enhancing urban environmental challenges through drafting legislation for urban planning

Sub-criteria	Evaluation
	and HC management. • The Project is consistent with the “Urban Management and MACHIZUKURI⁸” cluster under the “Urban and Regional Development” in Section 1 of the Global Agenda, which forms part of JICA’s cooperation strategies. The drafted Zoning Regulation for HC aligns with JICA’s strategy in emphasizing urban management measures, including the establishment of land-use control systems, as one of the specific support approaches. • This Project is aligned with the “Japan-Mongolia Special Strategic Partnership for Peace and Prosperity Action Program (2022–2031)” due to both governments mentioning “cooperation on investment, legal system development, and industrial attraction related to the development around Chinggis Khaan International Airport.”
Collaboration with other projects, support, and so on within JICA (synergies, and so on)	• This Project was conducted utilizing the results of JICA’s previous studies of “Data Collection Survey on Development Possibility of New Ulaanbaatar International Airport Satellite City in Mongolia” and “Data Collection Survey on Development of New Ulaanbaatar International Airport Surrounding Area.” • In the “ICT Industry Development Project,” which commenced in 2026, coordination was undertaken to establish a framework for continuing discussions based on the FEZ Industrial Development Scenario proposed under this Project. To realize the FEZ Industrial Development Scenario, which promotes ICT cluster development, it is important to attract ICT industries as anchor investors. HC was appointed as a member of the SWG for the “ICT Industry Development Project”. This is expected to contribute to establishing an ICT cluster at the FEZ. • Chinggis Khaan International Airport, located in HC and opened in July 2021, is recognized as a symbol of Japan–Mongolia cooperation. A study on the airport expansion was initiated in 2025; however, since the planned extension is confined to its designated area, there has been no collaboration with this Project.
Cooperation with organizations outside JICA and international entities	• ADB implemented the “Preparing the Infrastructure Development for Green and Resilient New Satellite City in the Khushig Valley Area” project starting in 2023. Several experts of this project, including the team leader, are also engaged in the ADB project, so this Project has been implemented taking into account the outcome of the ADB project. However, in response to changes in the GOM’s HC development implementation structure, ADB has reviewed the scope of its loan and is currently discussing with the GOM a loan targeting part of the priority development areas within the Administrative Zone. Accordingly, the HC development roadmap under Activity 1-2 incorporates the loan target area and the corresponding development schedule expected in the ADB project. • KOICA started “The Project for Supporting Sustainable Urbanization in Ulaanbaatar and Balanced National Development in Mongolia” in September 2024. This project includes three achievements: (i) planning for the relocation of national government agencies and public institutions, (ii) support for an integrated policy, plans, and legal system for the development of the historical city, Kharkhorum, (iii) support for the development of a strategy and plan for polycentric urbanization of the capital city of Mongolia. The JICA Project was relevant to (i) and (iii), and the JPT had discussions with the KOICA team. However, KOICA is still discussing the scope of its project with the GOM, so few collaborations have been made.

⁸ MACHIZUKURI is the process of creating a shared place, through the people’s consensus, that supports their lives and enables them to live more conveniently and humanely in a given urban area. This includes not only developing a comfortable physical environment but also fostering livelihoods and nurturing the people who drive these efforts.

(3) Effectiveness

The Project's effectiveness is rated 3 because the project goal was largely achieved as planned, as described in Section II. 2 (see Table III-3).

Table III-3: Detailed Evaluation of Effectiveness

Sub-criteria	Evaluation
The degree of achievement of the target level of expected project effects in the target year	- As shown in Section II. 2, the achievement of all three Objectively Verifiable Indicators is moderate. The achievement of the first objectively verifiable indicator, "Number of counterpart staff with a high level of understanding of the project outputs related to the development of New Zuunmod City or the Free Economic Zone," was 80%. The achievement on the second indicator, "Draft regulations concerning New Zuunmod city development / FEZ establishment are processed in the respective ministries / agencies for circulation to the authorities concerned," was 75%. The third indicator, "Roadmaps and/or other proposed actions during the Project are submitted to the authorities concerned for further elaboration towards their implementation," was 60%. - The formal circulation process has not started yet for all proposed draft regulations and draft amendments to laws. However, some activities for forthcoming circulation are being carried out. The C/Ps expressed their willingness to proceed with the official legal approval process, including the circulation process, through the government WG activities. - All three roadmaps and other proposed outputs, including the coordination mechanism for HC development and FEZ Industrial Development Scenario proposed by the Project, were acknowledged during the last JCC meeting in June 2026 for further elaboration towards their implementation. However, although discussions were held with the C/Ps, further elaboration and coordination on the Mongolian side are required, as engagement at a higher-level authority is necessary.

(4) Efficiency

Efficiency is rated 3, as the Project's inputs were generally efficient in relation to its outputs. Despite changes in external conditions, the project cost was reduced by 12%, although the implementation period extended to 129% from the original plan (see Table III-4). Cabinet reshuffles and personnel changes in both central and local governments delayed project activities and required repeated briefings from the outset. Nevertheless, capacity development efforts were sustained through persistent engagement, and mitigation measures ensured the quality of the project outputs.

Table III-4: Detailed Evaluation of Efficiency

Sub-criteria	Evaluation
Project cost	The planned project cost was approximately JPY 250 million, according to the ex-ante evaluation report, while the actual cost was JPY 221 million (88% of the planned amount).
Project period	The planned project period was 24 months from November 2023 to October 2025, according to the ex-ante evaluation report, whereas the actual project period was 31 months, from December 2023 to June 2026 (129% of the planned period).
Causal linkages	- The reduction in project cost is partially due to the cancellation of the third-country training following the government structure change in the second half of 2025. While this did not directly impact the project outputs, it is regrettable that the C/Ps missed a valuable opportunity to gain knowledge about new city development in a third country. - During the project period, two major government restructurings and the enactment of the new legislation significantly altered the external environment. While the first restructuring was partially anticipated, the second government restructuring in June 2025 further hindered coordination with administrative

Sub-criteria	Evaluation
	authorities. To respond to repeated institutional and situational changes on the Mongolian side and to ensure the quality of the project outputs, an increase in experts' person-months and an extension of the project period were inevitable. Details are as follows: 1) Response to Changes in WG and JCC Membership In response to the political changes, additional efforts were made to provide newly appointed officers with explanations on the project outline, progress, and outputs in order to enhance their understanding. As for the WG members, in the initial WG revision in December 2024, 7 of the 20 members, including the chairperson, were replaced, and 3 new members were added. In the second revision in May 2025, 3 of the 23 members were replaced, 9 new members were added, and 1 member was removed. In the final revision in September 2025, 8 of 32 members, including the chairperson, were replaced, 7 new members were added, and 4 members were removed. Only 9 members remained continuously on the WG throughout these revisions. The JCC was revised twice, though the chairperson changed three times. Less than half, 9 of 21 members, remained continuously on the JCC throughout these revisions. 2) Response to the Cabinet changes Following three Cabinet reshuffles, the ministry's organizational structure was revised, and additional information was collected for Activity 1-3, "Clarification of the Roles and Responsibilities of the Concerned Organizations." 3) Response to enactment of HC Law Due to the enactment of the HC Law in June 2024, substantial revisions were made to the original anticipated scope of Activity 1-4, "To prepare the draft law on the development of the New Zuunmod city," and Activity 1-5, "To propose a mechanism for coordinating and cooperating among the relevant organizations for the development in the New Zuunmod city." Specifically, Activity 1-4 was revised to "To prepare the proposal for enhancing the Law on the Legal Status of New Zuunmod City," and additional work related to the review of the HC Law, including in its draft stage, became necessary. Although the PDM's description was not formally revised, the enactment of the HC Law changed the underlying assumptions for Activity 1-5. HC has been an implementation agency under MUB. Khushig Valley National Development Committee and AKVD were abolished, making it necessary to reconsider the proposed coordination mechanism, led by the national government. 4) Response to newly established organizations The enactment of the HC Law in June 2024 and its minor modification in January 2025 led to unanticipated shifts in the institutional framework. This included the establishment of the HC, the HCDC, and the FEZ Governor's Office, which resulted in the replacement of MUDCH by the HC and the HCDC as the implementing entities. While it was initially expected that the HC and the HCDC would immediately serve as the core implementation organizations, a substantial time lag occurred before they became substantively operational. Consequently, full-scale consultation activities with these newly designated implementing agencies only commenced in September 2025, during the latter half of the Project. To introduce the project outline, progress, and outputs to these new organizations, the JPT conducted a session on 11 September 2025, which not only provided them a clearer understanding of their upcoming tasks but also facilitated the launch of their respective operations. Further capacity development of the new staff became necessary to ensure

Sub-criteria	Evaluation
	that they have a full understanding of the Project's outputs and capability to utilize them for HC and FEZ development. As a result, the project period was extended by seven months beyond the original schedule. - Furthermore, due to the amendment to the HC Law in January 2025, some revision were made to the originally anticipated scope of Activity 2-5 "To examine the organizational set-up for developing / operating the free / special economic zone and draft activity plan for investment promotion, and to formulate the roadmap towards establishing the organization and developing the promotion activity", it became necessary to revise the approach to reflect the establishment of the FEZ Governor's Office in February 2025. - The first JCC meeting, originally scheduled for January 2024, was cancelled due to administrative procedures on the Mongolian side. As a result, the first WG (2024) meeting was held on 5 March 2024, three months after the Project's commencement. - The JPT managed project resources (cost) strategically to mitigate the impact of the 2024 general and local elections. In anticipation of the elections, the JPT planned its travel to preserve resources for intensive implementation with the new C/Ps following the administrative change. Additionally, to maximize engagement after the elections, the JPT also shortened individual trip durations while increasing their frequency, thereby facilitating more consistent dialogue with C/Ps. Moreover, due to the increased need for frequent coordination with the C/Ps, the allocated person-months, particularly for the team leader, were insufficient. Therefore, a reallocation of person-months was arranged among the JPT members to ensure the smooth implementation of the Project.

(5) Impact

Achieving the Overall Goal, "Development of the New Zuunmod in Khushig Valley Area proceeds based on the legal and institutional framework," within three to five years may be challenging (see Table III-5 and details in Section IV. 1).

Table III-5: Detailed Evaluation of Impact

Sub-criteria	Information
Prospects for achieving Overall Goal	Objectively Verifiable Indicator 1: "Amended laws / regulations submitted or approved, or the laws / regulations reviewed or updated for approval" - Two proposed amendments to the laws and the Project Selection Regulation are essential to promote HC and FEZ development; however, they present significant challenges and may take considerable time to secure approval, as many controversial yet important topics are involved in the proposed amendments to laws and the draft regulation. - The Zoning Regulation is expected to be approved by the HC's Council, which is currently managed by the HCDC board, once the required official documents are ready. However, the MUB policy may change due to the replacement of the MUB Mayor and Deputy Mayor in May 2026. Objectively Verifiable Indicator 2: "Activities of related ministries and agencies are being promoted along with the amended laws /regulations formulated" - This indicator is critical. If the draft law amendments and regulations are finalized, related activities are likely to progress. However, without it, they will not be implemented. Objectively Verifiable Indicator 3: "Roadmaps and/or other proposed actions during the Project are being materialized" - Roadmaps and coordination mechanisms have been proposed to guide HC and FEZ development, but implementation faces challenges due to political factors, limited resources, and institutional changes, requiring adaptive updates and strong leadership to ensure continuity.

Sub-criteria	Information
Causal relationship	- There is no discrepancy between the Project Purpose and the Overall Goal. - However, even if the Project Purpose is achieved, it is important to assume that (i) GOM's policies, systems, or structures regarding HC development are not changed; and (ii) the GOM makes necessary decisions to execute activities / actions in plans relating to HC development efficiently. These may be affected by the 2027 presidential election and the 2028 general and local elections, potentially leading to policy and structural changes. In such a case, achieving the Overall Goal would be difficult.
Ripple effect	When the Overall Goal is achieved, this Project is expected to have the following ripple effects: (i) slightly alleviating traffic congestion and improving the living environment in Ulaanbaatar by reducing excessive concentration in the city, and (ii) diversifying Mongolia's industries through FEZ development.

(6) Sustainability

Although there is enthusiasm for HC development, challenges remain in securing funding, establishing coordination mechanisms, and building the capacity of implementing agencies (see Table III-6).

Table III-6: Detailed Evaluation of Sustainability

Sub-criteria	Information
Policy and regulatory framework aspects	- The aspects of sustainability in the policy and regulatory framework are low. - HC development is identified as one of MUB's mega projects, demonstrating MUB's commitment to its development. - There is a risk that MUB policy may change, as the MUB Mayor, who initiated HC development, and the MUB Deputy Mayor, who served as chairperson of the HC's Council, resigned in mid-May 2026, just before the completion of the Project. - In terms of development financing, HC development is competing for budget allocations with other mega projects and Kharkhorum City development, which is the MUDCH's core project. It is difficult to say that sufficient funds for development have been secured, particularly under the tightening budget situation. Since 2025, MUB has provided funding for HC development in accordance with the HC Law. The investment amount allocated in 2026 accounts for 1.4% of MUB's total development budget. In the absence of appropriate budget allocations from MUB, there are concerns that the sustainability of HC development and FEZ development may decline. - Parliament issued Resolution No. 64 of 2024 to relocate certain national government institutions to the satellite city in Khushig Valley (HC). The initial stage of HC development depends on the relocation of administrative functions from the national government. On the other hand, the government has established a WG to discuss the relocation of administrative functions, but the outcome of the discussions has not yet been disclosed. Therefore, it remains unclear whether HC is being considered as a destination for the relocation of administrative functions.
Organizational and structural aspects	- The sustainability in organizational and structural aspects is moderate. - The primary C/Ps for this Project were the MUDCH and the DPMO (which replaced MED following a change in jurisdiction). However, in the latter half of the Project from September 2025, the HC, the HCDC, and the FEZ Governor's Office became the primary implementing agencies for HC and FEZ development and joined as the main C/Ps in addition to the original national-level authorities. They have strong ownership of their respective development. - While the establishment of these specialized bodies is expected to enhance long-term sustainability, the current HC Law remains unclear regarding the roles and responsibilities among these organizations. Consequently, it is essential to clarify these responsibilities through the legal amendment proposed by the Project,

Sub-criteria	Information
	along with the amendment of relevant laws and regulations. • Following the enforcement of the HC Law, the Khushig Valley National Development Committee, formerly responsible for comprehensive management, and the AKVD, which served as the national-level coordinator, were abolished. As a result, the HC government became the primary implementing agency for the satellite city under the MUB. However, to ensure limited resources are utilized efficiently, there is an urgent need for a higher-level authority to oversee individual projects implemented by various organizations across the vast HC territory. Therefore, the establishment of a formal coordination mechanism, as recommended by the Project, is required to maintain strategic alignment. • Considering the frequent change of C/Ps due to the political changes that have occurred during the Project and the upcoming 2027 presidential election and the 2028 general and local elections, there are high risks that the trained C/Ps will be replaced. • The Project proposed developing an ICT/AI cluster as part of the Industry Promotion Scenario under Activity 2-2. This initiative established a connection between the FEZ Office, the HC, and the MDDIC, facilitating collaboration and information exchange. They are open to exploring additional collaborative opportunities. Additionally, there is an opportunity for HC to join an SWG under JICA's ongoing "ICT Industry Development Project." The MDDIC's industrial policy, expected to be developed during the JICA ICT project, can be developed using HC and the FEZ as implementation models.
Financial aspect	• Sustainability in financial aspects is medium. • Although the HC Law stipulates that infrastructure development in the initial stage shall be financed through the national budget, the HC Mayor indicated that funding may be delayed due to the country's economic conditions. In the absence of continued national-level involvement, there are concerns that the sustainability of HC and FEZ development may decline. On the other hand, consideration and implementation of projects that can utilize the project budget by the concerned ministries for the Medical and Logistics Zones associated with the newly established railway are progressing. • The HC is legally dependent on the MUB for its funding. In the initial stages, when it has no tax revenue, the HC government cannot generate its own budget, which is a major concern for sustainability. Furthermore, the HCDC is a self-financing organization; until the HC is developed and generates its own revenue, the organization must be maintained through capital contributions from the MUB and minimal infrastructure management fees. Due to the resignation of the Mayor and Deputy Mayor (chairperson of the HCDC board) of the MUB, who supported HC development, changes in MUB's policy may likely occur, slowing development. • The FEZ Governor's Office is a national organization, so there are currently no concerns regarding its funding sources. However, due to the changes in the Deputy Prime Minister and the FEZ Governor in 2026, it is difficult to rule out the risk that development policies for FEZ may not remain unchanged.
Technical aspect	• The HC, the HCDC, and the FEZ Governor's Office have been established. Although there have been some personnel changes, staffing has progressed steadily. Through the WG, the SWG, and daily discussions, the Project contributed to improving the capacity of personnel and enhancing technical sustainability.

2. Key Factors Affecting Implementation and Outcomes

Government Restructuring: Government restructuring and subsequent changes in C/Ps occurred due to a series of political events: (i) the formation of a new Cabinet following the 2024 general and local elections, (ii) replacements of the DPMO head (JCC Chair) in April 2025, (iii) Cabinet reshuffle following the Prime Minister's resignation in June 2025, (iv) another replacement of the DPMO head and his staff following the Deputy Prime Minister's resignation in October 2025, and (v) another change of the DPMO head and his staff, as well as the FEZ Governor after the Prime Minister's resignation in March 2026. While the other post-2024 election changes on the JCC and the WG were anticipated and factored into the project design, the subsequent restructurings were unforeseen. The following changes resulted from the above-mentioned government restructuring.

- Following the June 2024 elections, responsibilities for the FZ and regional development, originally under the MED, were transferred to the Deputy Prime Minister in charge of regional development and emergency matters. Consequently, the primary C/P responsible for Output 2 shifted from the MED to the DPMO. In the initial WG revision in December 2024, 7 of the 20 members, including the chairperson, were replaced, and 3 new members were added. WG activities resumed in February 2025, ten months after the previous WG meeting in April 2024. As the first JCC meeting was not held until December 2024, no revisions were made in response to the election results.
- Following the resignation of the DPMO head in April 2025, 8 of the 21 JCC members, including the chairperson, were subsequently replaced.
- After the Prime Minister's resignation and replacement of the Minister of the MUDCH in June 2025, the State Secretary (the JCC vice-chairperson) and the Director in charge (the chairperson of the WG) were also replaced. The third JCC meeting, originally scheduled for November 2025, could not be held due to delays in stabilizing the situation. In addition, 8 of the 32 members, including the chairperson, were replaced. Seven new members were added, and four were removed in the final revision of the WG membership in September 2025.
- Following another resignation of the head of the DPMO in October 2025, 7 of the 21 JCC members, including the chairperson, were subsequently replaced.
- After the DPMO head's resignation in April 2026, the JCC chairperson was again replaced.

These organizational shifts led to a temporary slowdown in project activities and necessitated repeated briefings by the JPT to familiarize the newly appointed C/Ps with the Project's scope and progress, resulting in overall implementation delays. Moreover, in response to several shifts within the C/P organizations, the JPT updated the organizational review three times under Activity 1-3 to synchronize the analysis with the updated organizational structures. This process was necessary to understand C/Ps and the JCC and WG members.

Enactment of the Legal Status Law of HC: Output 1 was originally designed to draft the new HC law, and the Project provided technical inputs during its initial stage. However, the subsequent enactment of the HC Law necessitated a strategic realignment of the Project's scope to ensure consistency with the new legal framework. This fundamental change in the project framework created several operational challenges, subsequently impacting the implementation of related activities.

Changes to the Implementation Structure for HC and FEZ Development: In November 2023, just before the Project commenced, members of the Khushig Valley National Development Committee were replaced. The chairperson changed from the MOE to the MUB Mayor. Following this, the legal base for HC development was prepared primarily by MUB and AKVD, under the direction of the Prime Minister.

The HC Law was enacted by Parliament in June 2024, restructuring the implementation framework. The lead implementing agency for HC development shifted from the MUDCH, the primary C/P responsible for development during project formulation, to the newly established HC, currently MUB's satellite city. Furthermore, the AKVD, previously responsible for implementation under the MUDCH, was reorganized and renamed as the 20-Minute City Committee Office. Concurrently, some personnel were reassigned to

the HCDC, the new entity tasked with overseeing HC development under the HC. Moreover, the FEZ Governor's Office was established after the minor modification of the HC Law in January 2025. These organizations became involved as the main C/Ps in the Project after being staffed in September 2025.

At the time of the detailed planning survey for this project, neither a legal framework nor an institutional structure for new city development had been established, and the formulation of the legal framework and implementation system was therefore required. However, following the approval of the HC Law in June 2024 and the subsequent establishment of new implementing agencies, the Project's primary C/Ps shifted from policy-making organizations to implementing organizations. As a result, the Project outputs were required to demonstrate a higher level of practical applicability and to clearly articulate the rationale with due consideration for accountability at the implementation stage. This increased depth of consideration necessitated additional time for discussion.

Challenges for Establishing the Coordination Mechanism for HC Development: The establishment of a coordination mechanism for HC development has encountered significant institutional complexities, primarily due to the transition following the enactment of the new HC Law. Initially, the national-level organization was responsible for the coordination of various ministries involved in the development. However, under the new HC Law, the development responsibility shifted to the local government level with the establishment of HC as a satellite city under the MUB. This structural shift created several unforeseen challenges:

- i) As a newly established entity, the HC government currently relies on the national government and MUB for its operational and project budgets. Without independent revenue sources, its capacity to take a lead role in cross-sectoral coordination is inherently limited.
- ii) While the Law designates the MUB as the oversight body for the HC, it is structurally difficult for a municipal entity to exercise authority over the budgeting and prioritization of various national-level ministerial projects within the current administrative hierarchy.
- iii) Effectively harmonizing diverse ministerial projects requires strategic intervention from the national-level government. However, as these high-level authorities are beyond the immediate scope of the technical-level C/Ps, the process of consensus-building could not proceed in the Project.

In response to these conditions, the JPT presented four coordination mechanism options for the Mongolian side to select the most viable framework through internal high-level consultations. This deliberate approach is necessary to ensure Mongolian ownership. The complexity of the matter delayed the final coordination structure.

Political Influence in Urban Development: Urban development, particularly new city development, is highly susceptible to political influence. HC development was no exception, as the progress of the Project was affected by the leadership and setting of priorities. The situation regarding HC and FEZ development is constantly changing.

While HCMP, FEZMP, and DMPs for each development zone outline the overall development directions, they do not fully specify detailed implementation schedules or financial plans. Therefore, the Project was requested to prepare a roadmap to support the realization of HCMP under Activity 1-2. During the same period, infrastructure development initiatives and studies for Phase 1 development areas were being carried out in parallel. In some cases, these initiatives progressed based on the evolving priorities and considerations of each organization and were not always fully aligned with MPs.

After preparing the roadmap, frequent consultations with the C/Ps were necessary to confirm the status and plans of the individual activities. Furthermore, the limited departmental representation within the WG hindered members from gaining a full picture of their organizations' initiatives, necessitating extra time to map out ongoing and future projects.

In addition, while the roadmap involves a wide range of stakeholders, the JCC and WG members do not necessarily have direct decision-making authority for the implementation of the identified actions. Therefore, some challenges remain in ensuring its effective utilization.

3. Evaluation on the Results of the Project Risk Management

Strategic Resource Management to Reduce Impacts of the Elections: In anticipation of the 2024 general and local elections, the JPT strategically managed its travel and inputs to preserve resources for intensive implementation with the new C/Ps following the administrative change. To maximize engagement after the election, the JPT also shortened individual trip durations while increasing the frequency to facilitate more consistent dialogue with C/Ps.

Ensuring Consistency of the Project Activities after the Elections: To maintain policy consistency, two JCC meetings were originally scheduled - one at the start of the Project and the other prior to the 2024 election - to initiate project activities and confirm achievements to date between the Mongolian and Japanese sides. However, due to circumstances on the C/P-side, the first JCC meeting was not held until December 2024. Moreover, after the elections, responsibilities for FZ and regional development were transferred from the MED to the DPMO, shifting the primary C/P for Output 2 accordingly. Although the first monitoring sheet, prepared prior to the election, was shared with the incoming members to ensure a smooth transition, previous progress was somehow reset by the combined impact of the elections and the enactment of the new HC law. To mitigate these losses, the JPT implemented measures to ensure sustainability through persistent re-explanations and frequent meetings.

Application of Lessons Learned and Challenges: Based on lessons from similar past projects, the Project implemented two key strategies, though their outcomes were affected by external factors:

- i) To enhance the feasibility of the projects proposed in MP, the Project aimed to conduct information collection focusing on the implementation capacities of concerned agencies during the role-allocation phase. However, due to frequent C/P replacement and incomplete organizational restructuring meant the data collection for the current structure was partially missing.
- ii) To mitigate risks from personnel turnover, the Project employed a coaching-based approach and established a multi-agency WG and SWG to retain knowledge within a professional network. While this effectively transferred expertise to core members, repeated turnover weakened the WG's overall cohesion, resulting in limitations in understanding among non-core participants.

4. Lessons Learnt

Reduce Impact of Election on the Project: Although the Project was designed on the assumption that an election would be held in its first year, the eight-month suspension of activities within a limited two-year implementation period had a significant impact. Following the Project's commencement in December 2023, administrative operations were gradually constrained in the lead-up to the general election in June 2024; from April 2024, it became difficult to arrange meetings with the C/Ps. Furthermore, the first JCC meeting was not convened until December 2024 after the post-election administrative structure was established, resulting in a prolonged period of inactivity longer than expected. For future projects in which elections are anticipated, it is essential to allocate a sufficiently long implementation period that accounts for such interruptions or to schedule the Project's commencement to follow the establishment of the new administration.

Adjustment to the Shift from Policy-making to Implementation Frameworks: At the Project's planning stage, the absence of a legal and institutional framework for new city development necessitated their formulation as core project objectives. However, following the enactment of the HC Law in June 2024, the primary C/Ps shifted from ministries to newly established implementing agencies. This shift required the Project's outputs to be more practically applicable and highly accountable for the implementation stage, necessitating deeper analysis and more extensive discussions. For future projects involving a similar shift from policy-making to implementing bodies, it is essential to reassess the expected outputs and required analytical depth of the outputs, considering the availability of resources and schedule, between the Mongolian and Japanese sides.

Risk Management and Decision-Making Frameworks in Response to Fundamental Changes in Project Assumptions: During the project period, two major government restructurings and the enactment of the new legislation significantly altered the external environment. While the first restructuring was partially anticipated, the mid-2025 legal formulation for HC development led to the designation of an unexpected implementing entity. However, a substantial time lag occurred between the legal establishment of these organizations and their substantive operationalization. Subsequently, the second government restructuring in June 2025 further hindered coordination with administrative authorities. By the time the institutional environment finally stabilized at the end of 2025, only approximately three months remained until the Project's scheduled completion.

Once such risks materialize, it is necessary to promptly reconsider and discuss countermeasures, including the possibility of providing additional input or extending the project period. However, a more fundamental lesson is that when the "Important Assumptions" of a project are dismantled, rendering the original design no longer feasible, discussions should be initiated at a much earlier stage. Such discussions must objectively evaluate all strategic options, including not only additional input but also the potential suspension or cancellation of the Project, to ensure the effective use of resources and accountability.

Strengthening Case Study Analysis as a Core Project Component: This Project was initiated in response to the limited knowledge and experience of administrative staff, as new city development was the first undertaking of its kind following the transition to a market economy. In the original project design, case study reviews were positioned merely as sub-components of the literature review under Activities 1-1 and 2-1. However, given the inherent complexity and challenges of large-scale development, it would have been more effective to establish case study reviews as a dedicated project activity rather than as a sub-component.

Allocating a dedicated activity would have ensured sufficient time to systematically draw lessons and insights, thereby enhancing understanding of internationally competitive new city development. Such an approach would have enabled implementing agencies, particularly those newly established, to gain broader perspectives through international best practices, covering areas ranging from phased development processes to the integration of advanced urban technologies. Thus, it would have fostered a deeper understanding of both the strategic significance of new city development and its stringent implementation requirements, ultimately strengthening the capacity of implementing agencies for sustainable project planning and implementation.

Need for Involvement in the Development Master Plan Preparation: Successful urban development requires highly feasible plans supported by a sound financial strategy. Although HCMP has been approved, the accompanying action plan, including a financial plan, has not yet been formulated. Meanwhile, trunk infrastructure development and detailed design for the first-phase development area have already commenced. Ideally, for areas targeted in the initial phase of development, more detailed spatial, infrastructure, and financial planning should be undertaken prior to implementation. In this context, it is desirable for urban development support projects to be involved in preparation for the urban development MPs or DMPs.

5. Performance

In January 2026, JICA Headquarters sent a mission to support the JPT and discuss how to proceed and conclude the Project with the C/Ps, including the newly appointed head of the DPMO, who is the chairperson of the JCC, and the State Secretary of the MUDCH, who is the vice-chairperson of the JCC.

6. Additionality

One of the strengths of the JICA technical cooperation project is its ability to provide close and continuous support. Through the project scheme, experts could respond to the day-to-day challenges faced by C/Ps, offering timely advice and guidance, particularly to newly established organizations, as the project office was located in the HC and the HCDC rooms or in the same building as the FEZ Governor's Office during

the latter half of the project period. This hands-on, responsive engagement enabled the JPT to work closely alongside C/Ps and effectively support their capacity development.

IV. For the Achievement of Overall Goal after the Project Completion

1. Prospects to Achieve Overall Goal

Fully achieving the Overall Goal, “Development of the New Zuunmod in Khushig Valley Area proceeds based on the legal and institutional framework,” within three to five years may be challenging, even though the Project Purpose has been moderately achieved (see Table IV-1).

Table IV-1: Detailed Evaluation of Overall Goal

Objectively Verifiable Indicator	Prospects for achieving Overall Goal
Objectively Verifiable Indicator 1: “Amended laws / regulations submitted or approved, or the laws / regulations reviewed or updated for approval”	- The amendments to the FZ Law and the HC Law are to be approved by Parliament and the Project Selection Regulation by the Cabinet. For the HC Law amendment and the Project Selection Regulation, a government WG will be established for each to prepare the necessary documents for approval, while the DPMO has been preparing to amend the FZ Law. Once internal discussions based on the documents, including the draft laws and regulation, are completed, these documents will be circulated within the government several times to receive comments. Further discussion will be held before submission to the concerned approved bodies. - These proposed law amendments and the Project Selection Regulation are essential to promote HC and FEZ development; however, they present some challenges as follows: HC Law amendment (Activity 1-4): Significant amendments are difficult in the short-term, given the recent enactment of the law. In addition, formulation of additional relevant regulations under the law that were not covered by the Project will be required to achieve the Overall Goal. FZ Law amendments (Activity 2-3): Discussions within the DPMO are progressing but remain highly susceptible to political shifts. Project Selection Regulation (Activity 1-6): Since project selection has rarely been applied in past land allocation, limited familiarity with the regulation and its operation may pose challenges for approval. Zoning Regulation (Activity 1-6): The regulation is expected to be approved smoothly by the HC’s Council (the HCDC board is in charge until the population exceed 15,000), once the required official documents are ready. - The external conditions initially assumed as important assumptions may be affected by the 2027 presidential election and the 2028 general and local elections, potentially leading to changes in policy and government structure.
Objectively Verifiable Indicator 2: “Activities of related ministries and agencies are being promoted along with the amended laws /regulations formulated”	This indicator is of the utmost importance. If the draft amendment laws and draft regulations are formulated, there is a high likelihood that activities of concerned ministries and agencies will progress accordingly. On the other hand, if the first indicator is not achieved, activities based on it will not be carried out.
Objectively Verifiable Indicator 3: “Roadmaps and/or other proposed actions during the Project are being materialized”	- This indicator applies to the “Roadmap for HC Development” under Activity 1-2, the “Coordination Mechanism” under Activity 1-5, the “Industrial Promotion Scenario” under Activity 2-2, the “Roadmap for Establishing an Organizational Structure for the Development and Operation of the FEZ” and the “Roadmap for Deploying Investment Promotion Activities for the FEZ” under Activity 2-5. Roadmap for HC Development (Activity 1-2): Presents a realistic plan

Objectively Verifiable Indicator	Prospects for achieving Overall Goal
	for HC development designed to make effective use of limited resources. However, while the C/Ps are gaining a deeper understanding of the disadvantages of uncoordinated individual projects proceeding across a vast area, it is highly likely that political pressure will make it difficult to focus on infrastructure development for the priority area, which is intended to be the first step in new urban development, as outlined in the roadmap. Furthermore, given that the government has been moving toward fiscal austerity, particularly from the fall of 2025 onward, and that financial resources are limited, it is unlikely that the proposed roadmap will be implemented exactly as presented. On the other hand, even if the situation of the development changes, the JPT believes that by updating the roadmap and investment schedule as appropriate based on the development approach proposed in this Project, the C/Ps can track the overall progress of the development in HC as a whole, including the FEZ and other development zones, in a visible manner. By managing these updates, it can contribute to the achievement of the Overall Goal. • Coordination Mechanism (Activity 1-5): HC development is expected to stagnate without its establishment. However, as its establishment is subject to political factors, it may take time to form the necessary framework. • Industrial Development Scenario (Activity 2-2) and Roadmap for Developing Investment Promotion Activities for the FEZ (Activity 2-5): Specific potential investors have been identified. However, due to the resignation of the FEZ Governor, it has become necessary to restructure the implementation framework in order to realize the industrial development scenario. The DPMO, which has jurisdiction over FEZ, is therefore expected to take the initiative to ensure project continuity and implement the proposed Industrial Development Scenario and the proposed roadmap for investment promotion activities for the FEZ. With such initiative by the DPMO, it would be possible to proceed in a timely manner. • Roadmap for Establishing an Organizational Structure for the Development and Operation of the FEZ (Activity 2-5): The roadmap will materialize, if the roadmap for industrial development activities is implemented as planned.

2. Plan of Operation and Implementation Structure of the Mongolian Side to Achieve Overall Goal

The following actions in Table IV-2 should be taken by each Mongolian C/P to realize the outputs of this Project going forward.

Table IV-2: Actions to be Taken

Activity	Priority Actions to be Taken	Timeline	Leading Organization
1-2 Roadmap formulation	Prepare an implementation plan for HCMP based on the proposed HC development roadmap, incorporating prioritized development projects with phased investment, preparing annual implementation and financial plans, and conducting public hearings on the draft plan.	Short-term	HC under coordination with MUB
	Prepare a revised DMP for the initial phase (286 ha) of the Administrative and Logistic Zones, based on the proposed HC development roadmap, incorporating prioritized development projects with phased investment, preparing annual implementation and financial plans, and conducting public hearings on the draft plan.	Short-term	HC under coordination with MUB
	Prepare a DMP for the initial phase (120 ha) of FEZ to be developed as a smart city, based on the proposed HC development roadmap, incorporating prioritized development projects with phased investment, preparing annual implementation and financial plans, and conducting public hearings on the draft plan.	Short-term	DPMO/ FEZ Governor's Office under coordination with HC
	Re-examine the project schemes in HCMP, FEZMP, and DMPs. Projects that can achieve financial viability should be offered to the private sector. Public infrastructure projects with revenue potential should be considered as PPP projects, while those that are not financially viable should be appropriately financed through public funds or donor support	Short-term	MUDCH/ MUB/ HC/ HCDC/ FEZ Governor's Office
	Secure public investment allocation for the MPs for HC and FEZ development, infrastructure, government-funded facilities, etc., ensuring alignment with the proposed roadmap and updated MPs for smooth and timely project implementation.	Continuous	MOF/ MUDCH/ DPMO/ MRT/ MOE/ MDDIC/ MUB
	Maximize synergy by aligning public and private investments, PPP initiatives, and donor-funded development projects related to HC.	Continuous	All C/Ps
	Incorporate the proposed roadmap into the national development policy / PIP.	Short-term	DPMO/ MUDCH/ MUB
1-3 & 1-5 Coordination mechanism	Establish an effective inter-agency coordination mechanism among all development stakeholders (line ministries and the MUB) based on the Project's proposals ensuring integrated development planning and smooth implementation across the entire government	Short-term	All C/Ps
	Proceed with development based on a table that identifies the responsible agencies in the development process, from planning to land development, infrastructure development and their O&M, for the proposed HC and FEZ development in the Project, from planning to land plot development, infrastructure development.	Continuous	All C/Ps
1-4 Amendment	Establish a WG, prepare necessary supporting documents, and submit the proposed amendment of the Law on the Legal	Short-term	MUDCH/ HC/ MUB

Activity	Priority Actions to be Taken	Timeline	Leading Organization
of the HC law	Status of HC to Parliament for approval to operationalize.		
	Amends the Law on Urban Development to enhance the practicability of MPs.	Short-term	MUDCH
1-6 Zoning regulation	Secure the HC's Council approval for the Zoning Regulation by ensuring public hearings and proper information sharing with the public.	Short-term	HC/ MUB
	Prepare zoning maps by formulating detailed MPs targeted at the initial phase development areas following the Zoning Regulation.	Mid-term	HC/ FEZ Governor's Office
1-6 Project selection regulation	Establish a WG, including the Chamber of Commerce, prepare necessary supporting documents, and submit the proposed Regulation on the Criteria and Procedure of Project Selection, and the Requirements for Selection Participants under the Law on Legal Status of HC for Cabinet approval to operationalize.	Short-term	MUDCH/ HC/ GALAGaC/ MUB/ HCDC
2-1&2-3 Amendment of the FZ Law	Prepare an amendment of the FZ Law based on the draft proposal by the JPT to incorporate the FEZ aspect and submit it to Parliament for approval.	Short-term	DPMO
2-2 & 2-5 Investment promotion roadmap	Translate the Industrial Development Scenario and its roadmap into "programs," addressed in article 8.7.2 of the FZ Law, for FEZ development to approve and ensure implementation.	Short-term	DPMO/ FEZ Governor's Office
	Conduct promotion activities aligned with the Industrial Development Scenario and roadmap, aiming to form an investor consortium (initially domestic and later international) to establish a development entity for phased implementation through public-private partnership.	Short-term	DPMO/ FEZ Governor's Office under coordination with HC/ HCDC
	Prepare a detailed MP for smart city development for the initial phase (120ha) of the FEZ, by integrating the industrial development scenario, consulting with potential private investors, and securing the required budget for materialization.	Short-term	DPMO/ FEZ Governor's Office under coordination with HC
	Develop policies to attract key clusters (e.g., a science park, an IT park, a regulatory sandbox, and a creative culture industry cluster).	Mid-term	DPMO/ MDDIC
2-4 & 2-5 Organizational framework and roadmap for Khushig Valley FEZ development and operation	Implement the framework roadmap for FEZ management to establish an ideal organizational set-up.	Short-term	DPMO/ FEZ Governor's Office
1-7 & 2-6 Capacity development	Continue capacity development on legal implementation, urban planning, investment promotion, and PPP management through training and On-the-Job-Training (OJT).	Continuous	All C/Ps

3. Recommendations for the Mongolian Side

To promote advancing the development of HC and FEZ, the JPT recommends considering the following policy, legal, and planning aspects.

Policy Aspect

- MUB formulates a relocation plan for the freight terminal and logistics facilities based on Government

Resolution No. 86 in 2025, incorporating a fund generation mechanism for HC development, utilizing land sale revenue to resolve the financial shortage.

Legal & Planning Aspect

- The Government strengthens coordination between land and urban planning administrations to materialize the MPs and ensure appropriate land distribution based on the MPs.
- GALAGaC amends the Project Selection Regulation under the Law on Land, reflecting the proposed “Regulation on the Criteria and Procedure of Project Selection, and the Requirements for Selection Participants” since the current regulation does not cover real estate development.

4. Monitoring Plan from the End of the Project to Ex-post Evaluation

The following table lists the items for continuous progress monitoring to achieve the Overall Goal, based on its Objectively Verifiable Indicator.

Table IV-3: Progress Monitoring

Objectively Verifiable Indicator	Means of Verification	Monitoring Items
1. Amended laws / regulations concerning New Zuunmod city development/ free economic zone establishment are submitted to the authorities concerned for approval (parliament, cabinet, minister, etc.)	Amended laws / regulations submitted or approved, or the laws / regulations reviewed or updated for approval	• The status of the approval process of the FZ Law amendment by Parliament. • The status of the approval process of the HC Law amendment by Parliament. • The status of the approval process of the Project Selection Regulation by the Cabinet. • The status of the approval process of the Zoning Regulation by the HC’s Council.
2. Activities of related ministries and agencies are being promoted along with the amended laws / regulations formulated.	Interview to concerned agencies' officials on the progress of the activities / actions by related agencies	Not necessary
3. Roadmaps and/or other proposed actions during the Project are being materialized.	Interview concerned agencies' officials on the status of the related master plans or roadmaps, budgetary report, reports on the activity	• Utilization status and achievement of the proposed Roadmap for HC Development • Utilization status and achievement of the proposed Coordination Mechanism • Utilization status and achievement of the proposed Industrial Development Scenario • Utilization status and achievement of the proposed Roadmap for Establishing an Organizational Structure for the Development and Operation of the FEZ • Utilization status and achievement of the proposed Roadmap for Deploying Investment Promotion Activities for the FEZ

Monitoring the situations of the Important Assumptions is also crucial. The policies supporting HC and FEZ development must remain the same as those in place at the time of the Project, particularly those related to human resources and government funding, since these are frequently changed during the project period.

Table IV-4: Monitoring for Important Assumption

Important Assumptions	Monitoring Items
1. Mongolian government's policies, systems, or structures regarding the development of the New Zuunmod city is not changed drastically.	• Government policy • C/Ps' organizational structure • Core C/Ps' staffing
2. Mongolian government makes timely decisions necessary to execute the activities/actions in the plans related to the development of New Zuunmod city.	• National and MUB budgets for HC and FEZ related projects annually • Resolutions issued by Parliament, government, ministries, etc.

ANNEX 1:

- (1) List of Dispatched Experts
- (2) List of Counterparts
 - 1) JCC Member List
 - 2) WG Member List
- (3) Revised Plan of Operation
 - 1) PO Ver. 0
 - 2) PO Ver. 1 (1st JCC Meeting, December 13, 2024)
 - 3) PO Ver. 1 (2nd JCC Meeting, May 16, 2025)
 - 4) PO Ver. 2 (3rd JCC Meeting, June 3, 2026)

(1) List of Dispatched Experts

Annex 1-1: List of Dispatched Experts

Position	Name
Team Leader / Urban Planning	Rieko Sasaki
Institutional Coordination (1) / Public Finance Analysis (2) / Urban Development System	Taiga Sunazuka
Public Finance Analysis (1)	Rie Tsuchiya
Investment Policy	Masayuki Ishida
Land Management	Sawa Shiroma
Economic Zone Development	Taro Tsubogo

- (2) List of Counterparts
 - 1) JCC Member List
 - 2) WG Member List

1) JCC Member List

1) JCC Member List

No.	1st Composition (Decree 91/100 Nov. 15, 2024)	2nd Composition (Decree 103/140 Jun. 12, 2025)	3rd Composition (Decree 35/22 Feb.10, 2026)	4th Composition (Decree No 97/77 May 7, 2026)
CHAIRPERSON				
1	B.Munkh-Orgil Senior Advisor to the Deputy Prime Minister of Mongolia	B.Batbyamba Senior Advisor to the Deputy Prime Minister of Mongolia and Head of the Deputy Prime Minister's Office	A.Davaajargal Senior Advisor to the Deputy Prime Minister of Mongolia and Head of the Deputy Prime Minister's Office	B.Munkh-Orgil Senior Advisor to the Deputy Prime Minister of Mongolia and Head of the Deputy Prime Minister's Office
VICE-CHAIRPERSON				
2	S.Tumurkhuu Acting State Secretary, MUDCH	S.Tumurkhuu Acting State Secretary, MUDCH	M.Bayaraa Acting State Secretary, MUDCH	M.Bayaraa Acting State Secretary of the Ministry of Urban Development, Construction and Housing (MUDCH)
MEMBERS				
3	M.Batbayar Authorized Representative for Urban Development (New Zuunmod City Governor's functions)	M.Batbayar Authorized Representative for Urban Development (New Zuunmod City Governor's functions)	M.Batbayar Mayor of Hunnu City	M.Batbayar Mayor of Hunnu City
4	Ts.Bayarbat Director General, Dept. of Urban Development Policy and Coordination, MUDCH	Ts.Bayarbat Director General, Dept. of Urban Development Policy and Coordination, MUDCH	O.Odbayar Acting Director General, Dept. of Urban Development, Construction and Housing Policy and Coordination, MUDCH	O.Odbayar Acting Director General, Dept. of Urban Development, Construction and Housing Policy and Coordination, MUDCH
5	J.Delgerjargal Director General, Dept. of Development Finance and Investment, MoF	J.Delgerjargal Director General, Dept. of Development Finance and Investment, MoF	J.Delgerjargal Director General, Dept. of Development Finance and Investment, MoF	J.Delgerjargal Director General, Dept. of Development Finance and Investment, MoF
6	B.Battsetseg Director General, Dept. of Finance and Investment, Ministry of Education	S.Doljinsuren Director General, Dept. of Finance and Investment, Ministry of Education	S.Doljinsuren Director General, Dept. of Finance and Investment, Ministry of Education	S.Doljinsuren Director General, Dept. of Finance and Investment, Ministry of Education
7	S.Tsagaankhuu Director General, Dept. of Communications and Policy Implementation Ministry of Digital Development and Communications	D.Bayasgalan Acting Director General, Dept. of Communications and Policy Implementation Ministry of Digital Development, Innovation and Communications	Ch.Gunsenkhoro Director General, Dept. of Communications, Cybersecurity & Policy Implementation Ministry of Digital Development, Innovation and Communications	Ch.Gunsenkhoro Director General, Dept. of Communications, Cybersecurity & Policy Implementation Ministry of Digital Development, Innovation and Communications
8	B.Artur Director General, Policy and Planning Dept. Ministry of Road and Transport	G.Batbayar Director General, Policy and Planning Dept. Ministry of Road and Transport	L.Bayanzul Director General, Policy and Planning Dept. Ministry of Road and Transport	L.Bayanzul Director General, Policy and Planning Dept. Ministry of Road and Transport
9	B.Battumur Senior Analyst, Strategy and Planning Division Policy and Planning Dept., Ministry of Energy	B.Battumur Senior Analyst, Strategy and Planning Division Policy and Planning Dept., Ministry of Energy	B.Battumur Senior Analyst, Strategy and Planning Division Policy and Planning Dept., Ministry of Energy	B.Battumur Senior Analyst, Strategy and Planning Division Policy and Planning Dept., Ministry of Energy
10	S.Bayartsetseg Senior Analyst, Policy and Planning Dept. Ministry of Environment and Climate Change	S.Bayartsetseg Senior Analyst, Policy and Planning Dept. Ministry of Environment and Climate Change	P.Tsogtsaikhan Senior Analyst, Dept. of Integrated Policy Planning Ministry of Environment and Climate Change	P.Tsogtsaikhan Senior Analyst, Dept. of Integrated Policy Planning Ministry of Environment and Climate Change

No.	1st Composition (Decree 91/100 Nov. 15, 2024)	2nd Composition (Decree 103/140 Jun. 12, 2025)	3rd Composition (Decree 35/22 Feb.10, 2026)	4th Composition (Decree No 97/77 May 7, 2026)
11	Ch.Tugsdelger Chief Architect of Ulaanbaatar City and Director of Urban Planning and City Standards Dept.	Ch.Tugsdelger Chief Architect of Ulaanbaatar City and Director of Urban Planning and City Standards Dept.	Ch.Tugsdelger Chief Architect of Ulaanbaatar City	B. Battsolmon (Replaced Ch. Tugsdelger, who was listed in the original Joint Decree.) Chief Architect of Ulaanbaatar City
12	S.Bayarbaatar Senior Analyst in charge of Policy and Planning Working Group of the Minister of Mongolia, 20-Minute City National Committee	S.Bayarbaatar Senior Analyst in charge of Policy and Planning Working Group of the Minister of Mongolia, 20-Minute City National Committee	—	—
13	Ts.Ikhbayar Division Director, Land Management Division, GALAGaC	Ts.Ikhbayar Division Director, Land Management Division, GALAGaC	Ts.Ikhbayar Division Director, Land Management Division, GALAGaC	Ts.Ikhbayar Division Director, Land Management Division General Authority for Land Administration, Geodesy and Cartography (GALAGaC)
14	B.Enkh-Amgalan Senior Specialist in charge of Planning, Policy Implementation Division, CAAM	B.Enkh-Amgalan Senior Specialist in charge of Planning, Policy Implementation Division, CAAM	B.Enkh-Amgalan Senior Specialist in charge of Planning, Policy Implementation Division, CAAM	B.Enkh-Amgalan Senior Specialist in charge of Planning, Policy Implementation Division Civil Aviation Authority of Mongolia (CAAM)
15	B.Nasanjargal Director, Dept. of Land Management, Construction and Urban Development, Tuv aimag	B.Nasanjargal Director, Dept. of Land Management, Construction and Urban Development, Tuv aimag	B.Nasanjargal Director, Dept. of Land Management, Construction and Urban Development, Tuv aimag	B.Nasanjargal Director, Dept. of Land Management, Construction and Urban Development, Tuv aimag
16	D.Altansukh Director of Construction and Urban Development Division and Chief Architect, Tuv aimag	D.Altansukh Director of Construction and Urban Development Division and Chief Architect, Tuv aimag	D.Altansukh Director of Construction and Urban Development Division and Chief Architect, Tuv aimag	D.Altansukh Director of Construction and Urban Development Division and Chief Architect, Tuv aimag
17		B.Gunbold Board Member, Hunnu City Development Corporation LLC	B.Gunbold CEO, Hunnu City Development Corporation LLC	B.Gunbold CEO, Hunnu City Development Corporation LLC
18	Ya.Sumkhuu Administrative Director in charge of Khushig Valley Development	B.Saranchimeg Acting Governor of Khushig Valley Free Economic Zone	B.Saranchimeg Acting Governor of Khushig Valley Free Economic Zone	(Position vacant at the time of the issuance of the Joint Decree) Acting Governor of Khushig Valley Free Economic Zone
19	Z.Enkh-Orgil General Engineer, Construction Development Center (State-Owned Enterprise)	Z.Enkh-Orgil General Engineer, Construction Development Center (State-Owned Enterprise)	Z.Enkh-Orgil General Engineer, Construction Development Center (State-Owned Enterprise)	Z.Enkh-Orgil General Engineer, Construction Development Center (State-Owned Enterprise)
SECRETARY				
20		B.Ulziibayar Expert, Deputy Prime Minister's Office	B.Ulziibayar Expert, Deputy Prime Minister's Office	B.Ulziibayar Expert, Deputy Prime Minister's Office
21	D.Belegsaikhan Senior Analyst, Dept. of Urban Development Policy and Coordination, MUDCH	E.Ariunnyam Expert, Dept. of Urban Development Policy and Coordination, MUDCH	E.Ariunnyam Expert, Dept. of Urban Development, Construction and Housing Policy and Coordination, MUDCH	E.Ariunnyam Expert, Dept. of Urban Development, Construction and Housing Policy and Coordination, MUDCH

2) WG Member List

2) WG member list

No	2024 (Order A/29 26 Feb 2024)	2024 Amendment (Order No.120 06 Dec 2024)	2025 (Order No.121 22 May 2025)	2025 Revised (Order No.207 04 Sep 2025)	Change Notes
CHAIRPERSON					
1	E.Batbold Director General, Dept. of Development Policy, Planning and Urban Development Ministry of Construction and Urban Development (MCUD)	Ts.Bayarbat Director General, Dept. of Urban Development Policy and Coordination Ministry of Urban Development, Construction and Housing (MUDCH)	Ts.Bayarbat Director General, Dept. of Urban Development Policy and Coordination Ministry of Urban Development, Construction and Housing (MUDCH)	O.Odbayar Acting Director General, Dept. of Urban Development, Construction and Housing Policy and Coordination MUDCH	A/29→No.120: E.Batbold→ Ts.Bayarbat No.121→No.207: Ts.Bayarbat→ O.Odbayar
MEMBERS					
2	J.Delgerjargal Division Director, Budget Investment Division Dept. of Development Finance and Investment, Ministry of Finance (MoF)	J.Delgerjargal Director General, Dept. of Development Finance and Investment Ministry of Finance (MoF)	J.Delgerjargal Director General, Dept. of Development Finance and Investment Ministry of Finance (MoF)	J.Delgerjargal Director General, Dept. of Development Finance and Investment Ministry of Finance (MoF)	Member unchanged; title updated in No.120
3	G.Batkhuuyag Division Director, Cultural Creative Industry and Innovation Division Ministry of Culture	G.IchinkhOrloo Senior Analyst, Dept. for Implementation of Arts and Culture Policy Ministry of Culture, Sports, Tourism and Youth	D.Amarsanaa Senior Specialist, Dept. for Implementation of Arts and Culture Policy Ministry of Culture, Sports, Tourism and Youth	A.Amgalanzaya Acting Division Director, Investment Division Dept. of Finance and Investment, Ministry of Culture, Sports, Tourism and Youth	Culture Ministry representative changed 4 times across orders
4	D.Belegsaikhan Acting Division Director, Urban Development Division Dept. of Development Policy, Planning and Urban Development, MCUD	D.Belegsaikhan Senior Analyst, Dept. of Urban Development Policy and Coordination MUDCH	D.Belegsaikhan Senior Analyst, Dept. of Urban Development Policy and Coordination MUDCH	D.Belegsaikhan Senior Analyst, Dept. of Urban Development, Construction and Housing Policy and Coordination MUDCH	Member unchanged; department name slightly updated
5	M.Altanshagai Acting Division Director, Legal Division General Administrative Management Dept., MCUD	B.Sukhbat Acting Division Director, Legal Division General Administrative Management Dept., MUDCH	B.Sukhbat Acting Division Director, Legal Division General Administrative Management Dept., MUDCH	B.Sukhbat Acting Division Director, Legal Division General Administrative Management Dept., MUDCH	A/29: M.Altanshagai → No.120: B.Sukhbat (unchanged thereafter)
6	O.Amarsanaa Acting Division Director, Environmental Assessment and Audit Division Ministry of Environment and Tourism	Ch.Khandsuren Division Director, Environmental Assessment and Audit Division Ministry of Environment and Climate Change	Ch.Khandsuren Division Director, Environmental Assessment and Audit Division Ministry of Environment and Climate Change	B.Altanzul Division Director, Environmental Assessment and Audit Division Ministry of Environment and Climate Change	A/29: O.Amarsanaa → No.120: Ch.Khandsuren → No.207: B.Altanzul
7	S.Altangerel Senior Analyst, Dept. for Implementation of Communications Policy Ministry of Digital Development and Communications	B.Ninj-Erdene Senior Specialist, Dept. for Implementation of Communications Policy Ministry of Digital Development, Innovation and Communications	B.Ninj-Erdene Senior Specialist, Dept. for Implementation of Communications Policy Ministry of Digital Development, Innovation and Communications	G.Bolorchimeg Senior Analyst, Dept. for Implementation of Communications Policy Ministry of Digital Development, Innovation and Communications	A/29: S.Altangerel → No.120: B.Ninj-Erdene → No.207: G.Bolorchimeg
8	T.Battsend Senior Analyst, Dept. for Implementation of Construction and Building Materials Industry Policy MCUD	T.Battsend Senior Analyst, Dept. of Construction and Building Materials Policy and Coordination MUDCH	B.Gandolgor Analyst, Dept. of Construction and Building Materials Policy and Coordination MUDCH	B.Gandolgor Analyst, Dept. of Construction and Building Materials Policy and Coordination MUDCH	A/29+No.120: T.Battsend → No.121: B.Gandolgor (unchanged thereafter)
9	B.Battumur Senior Analyst, Strategy and Planning Division Policy and Planning Dept., Ministry of Energy	B.Battumur Senior Analyst, Strategy and Planning Division Policy and Planning Dept., Ministry of Energy	B.Battumur Senior Analyst, Strategy and Planning Division Policy and Planning Dept., Ministry of Energy	B.Battumur Senior Analyst, Strategy and Planning Division Policy and Planning Dept., Ministry of Energy	No change

No	2024 (Order A/29 26 Feb 2024)	2024 Amendment (Order No.120 06 Dec 2024)	2025 (Order No.121 22 May 2025)	2025 Revised (Order No.207 04 Sep 2025)	Change Notes
10	Ch.Batbold Senior Analyst, Finance and Investment Division Ministry of Education and Science	Ch.Batbold Senior Analyst, Investment Division Ministry of Education	Ch.Batbold Senior Analyst, Investment Division Ministry of Education	S.Doljinsuren Director General, Dept. of Finance and Investment Ministry of Education	A/29+No.120+No.121: Ch.Batbold → No.207: S.Doljinsuren
11	B.Ulzijargal Senior Specialist, Policy and Planning Dept. Ministry of Road and Transport Development	B.Ulzijargal Senior Specialist, Policy and Planning Dept. Ministry of Road and Transport	B.Ulzijargal Senior Specialist, Policy and Planning Dept. Ministry of Road and Transport	B.Ulzijargal Senior Specialist, Policy and Planning Dept. Ministry of Road and Transport	No change
12	T.Suvd-Erdene Senior Specialist, Dept. for Implementation of Public Utilities and Infrastructure Policy MCUD	D.Ulzii-Utas Senior Specialist, Infrastructure Engineering Division Dept. of Public Utilities Policy and Coordination, MUDCH	— (Removed in No.121)	E.Batbold Division Director, Infrastructure Engineering Division Dept. of Public Utilities Policy and Coordination, MUDCH	A/29: T.Suvd-Erdene → No.120: D.Ulzii-Utas → No.121: removed → No.207: E.Batbold
13	Ts.Ikhubayar Division Director, Land Management Division General Authority for Land Administration, Geodesy, and Cartography (GALAGaC)	Ts.Ikhubayar Division Director, Land Management Division GALAGaC	Ts.Ikhubayar Division Director, Land Management Division GALAGaC	Ts.Ikhubayar Division Director, Land Management Division GALAGaC	No change
14	Kh.Myagmarjav Senior Specialist, Water Utilization Division Water Agency	Kh.Myagmarjav Acting Division Director, Water Utilization Division Water Agency	Kh.Myagmarjav Acting Division Director, Water Utilization Division Water Agency	Kh.Myagmarjav Acting Division Director, Water Utilization Division Water Agency	Member unchanged; title slightly updated in No.120
15	B.Enkh-Amgalan Senior Specialist, Policy Implementation Division Civil Aviation Authority of Mongolia (CAAM)	B.Enkh-Amgalan Senior Specialist, Policy Implementation Division CAAM	B.Enkh-Amgalan Senior Specialist in charge of Planning Policy Implementation Dept., CAAM	B.Enkh-Amgalan Senior Specialist in charge of Planning Policy Implementation Dept., CAAM	Member unchanged; department name updated in No.121
16	O.Odbayar Director, Urban Development and Design Institute Construction Development Center (CDC, SOE)	B.Ganbold Director, Urban Development and Design Institute CDC (SOE)	B.Ganbold Director, Urban Development and Design Institute CDC (SOE)	B.Ganbold Urban Development and Regional Development Manager CDC (SOE)	A/29: O.Odbayar → No.120: B.Ganbold (unchanged); title changed in No.207 as O.Odbayar became Chairman
17	D.Munkhtsog Division Director, Research Division Business Development and Planning Dept., National Aviation Center	D.Munkhtsog Division Director, Research Division Business Development and Planning Dept., National Aviation Center	D.Munkhtsog Division Director, Research Division Business Development and Planning Dept., National Aviation Center	D.Munkhtsog Division Director, Research Division Business Development and Planning Dept., National Aviation Center	No change
18	B.Nasanjargal Director, Dept. of Land Management, Construction and Urban Development Tuv Aimag	B.Nasanjargal Director, Dept. of Land Management, Construction and Urban Development Tuv Aimag	D.Altansukh Division Director, Construction and Urban Development Division and Chief Architect, Tuv Aimag	D.Altansukh Division Director, Construction and Urban Development Division and Chief Architect, Tuv Aimag	A/29+No.120: B.Nasanjargal → No.121: D.Altansukh (unchanged thereafter)
19	—	K.Asylzhan Analyst, Office of the Deputy Prime Minister of Mongolia	K.Asylzhan Analyst, Office of the Deputy Prime Minister	K.Asylzhan Analyst, Office of the Deputy Prime Minister	Newly added in No.120

No	2024 (Order A/29 26 Feb 2024)	2024 Amendment (Order No.120 06 Dec 2024)	2025 (Order No.121 22 May 2025)	2025 Revised (Order No.207 04 Sep 2025)	Change Notes
20	—	A.Battumur Director, Office of the Chief Architect of Ulaanbaatar	A.Battumur Director, Office of the Chief Architect of Ulaanbaatar	A.Battumur Director, Office of the Chief Architect of Ulaanbaatar	Newly added in No.120; unchanged thereafter
21	—	—	G.Oyunbold Analyst, Office of the Deputy Prime Minister	—	Added in No.121; removed in No.207
22	—	—	B.Ulziibayar Analyst, Office of the Deputy Prime Minister	—	Added in No.121; removed in No.207
23	—	—	S.Enkhjargal Specialist in charge of satellite city legal matters Urban Development and City Standards Authority, Ulaanbaatar	—	Added in No.121; removed in No.207
24	—	—	G.Nomindari Specialist, Secretariat of the 20-Minute City National Committee	—	Added in No.121; removed in No.207
25	—	—	A.Chuluunchimeg Director, Regional Research and Information Dept. National Institute of Regional Development	A.Chuluunchimeg Director, Regional Research and Information Dept. National Institute of Regional Development (SOE)	Added in No.121; unchanged thereafter
26	—	—	D.Khan-Uul Chief Architect, Hunnu City	Ts.Bumanbayan Director, Administrator's Office, Hunnu City	No.121: D.Khan-Uul → No.207: Ts.Bumanbayan
27	—	—	B.Otgontsetseg Specialist, Administrator's Office, Hunnu City	U.Tserenbazar Architect, Administrator's Office, Hunnu City	No.121: B.Otgontsetseg → No.207: U.Tserenbazar
28	—	—	B.Gunbold Board Member, Hunnu City Development Corporation LLC	B.Otgontsetseg Land Affairs Specialist, Administrator's Office, Hunnu City	No.121: B.Gunbold → No.207: B.Otgontsetseg
29	—	—	B.Enkhzul Acting Director, Administrator's Office Khushig Valley Free Economic Zone	B.Enkhzul Acting Director, Administrator's Office Khushig Valley Free Economic Zone	Added in No.121; unchanged thereafter

No	2024 (Order A/29 26 Feb 2024)	2024 Amendment (Order No.120 06 Dec 2024)	2025 (Order No.121 22 May 2025)	2025 Revised (Order No.207 04 Sep 2025)	Change Notes
30	—	—	—	J.Bayanmonkh Specialist in charge of Land Exchange Database Land Exchange Division, GALAGaC	Newly added in No.207
31	—	—	—	Ch.Badamkhand Division Director, Sub- center and Satellite City Development Division Urban Development and City Standards Authority	Newly added in No.207
32	—	—	—	B.Erdenebulgan Urban Planning Economist 20-Minute City Development Center	Newly added in No.207
33	—	—	—	A.Altangerel Director, Investment and Cooperation Dept. Hunnu City Development Corporation	Newly added in No.207
34	—	—	—	B.Munkhsaikhan HVAC Engineer, Engineering and Inspection Dept. Hunnu City Development Corporation	Newly added in No.207
35	—	—	—	Kh.Byambajav Investment Specialist, Administrator's Office Khushig Valley Free Economic Zone	Newly added in No.207
36	S.Oyunjargal Analyst, Dept. of Finance and Investment MCUD	—	S.Oyunjargal Senior Analyst, Dept. of Finance and Investment MUDCH	S.Oyunjargal Senior Analyst, Dept. of Finance and Investment MUDCH	Present in A/29; absent in No.120; re-added in No.121
SECRETARY					
37	B.Enkhchimeg Senior Specialist, Urban Development Division Dept. of Development Policy, Planning and Urban Development, MCUD	B.Goyosaikhan Analyst, Urban Redevelopment Division Dept. of Urban Development Policy and Coordination, MUDCH B.Enkhchimeg Senior Specialist, Urban Redevelopment Division Dept. of Urban Development Policy and Coordination, MUDCH	B.Goyosaikhan Analyst, Urban Redevelopment Division Dept. of Urban Development Policy and Coordination, MUDCH B.Enkhchimeg Senior Specialist, Urban Redevelopment Division Dept. of Urban Development Policy and Coordination, MUDCH	B.Goyosaikhan Senior Analyst, Urban Redevelopment Division Dept. of Urban Development, Construction and Housing Policy and Coordination, MUDCH B.Enkhchimeg Senior Specialist, Urban Redevelopment Division Dept. of Urban Development, Construction and Housing Policy and Coordination, MUDCH	A/29: B.Enkhchimeg only → No.120: B.Goyosaikhan added (2 secretaries); unchanged thereafter

3) Revised Plan of Operation

1) PO Version 0

Tentative Plan of Operation

Version ●

Dated ●●,●●,●●

Project Title: Project for Promoting the Development of the New Zuunmod City and Free Economic Zone

Monitoring

Inputs										Year	1st Year				2nd Year				Remarks		Issue	Solution	
											I	II	III	IV	I	II	III	IV					
Expert																							
Experts: 1) Team Leader / Urban Planning 2) Institutional Coordination / Public Finance Analysis 3) Land Management 4) Economic Zone Development 5) Investment Policy										Plan													
										Actual													
Training(s) in Japan and/or third country																							
Training(s) for Counterpart Personnel																							
										Plan													
										Actual													
Activities																							
Sub-Activities																							
Output 1. Law on the development of the New Zuunmod city is prepared.																							
1-1. To review the existing laws / regulations related to urban development and establishment of new cities, the budget status, formulated master plans, and case studies of other countries.																							
										Plan													
1-2. To propose a roadmap including a budget securing scenario based on the results of 1-1 above.																							
										Actual													
1-3. To clarify the roles and responsibilities of each organization concerned based on the current status and issues related to development in the New Zuunmod city.																							
										Plan													
1-4. To prepare the draft law on the development of the New Zuunmod city with listing up major contents to be covered based on results of 1-1. to 1-3. above.																							
										Actual													
1-5. To propose a mechanism for coordinating and cooperating among the relevant organizations for the development in the New Zuunmod city.																							
										Plan													
1-6. To prepare draft regulations based on the draft law prepared in 1-4 above.																							
										Actual													
1-7. To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 1-1. to 1-6. above.																							
										Plan													
										Actual													
Output 2. Establishment of legal, investment and institutional framework for development of free / special economic zone in the New Zuunmod city is promoted.																							
2-1. To review the existing laws / regulations, investment framework, investment promotion measures, institutional set-up (including the roles / scopes of related organizations) and cases by other countries.																							
										Plan													
2-2. To revise the development plan or concept concerning industry promotion in the free / special economic zone, as needed.																							
										Actual													
2-3. To propose the measures for improving legal framework for establishing the free / special economic zone and improving investment climate.																							
										Plan													
2-4. To confirm the roles / scopes of related organizations and issues to be examined, upon establishing institutional framework and promoting investment for the free / special economic zone.																							
										Actual													
2-5. To examine the organizational set-up for developing / operating the free / special economic zone and draft activity plan for investment promotion, and to formulate the roadmap towards establishing the organization and developing the promotion activity.																							
										Plan													
2-6. To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 2-1. to 2-5. above.																							
										Actual													
Duration / Phasing																							
										Plan													
										Actual													
Monitoring Plan																							
Monitoring																							
Joint Coordinating Committee										Plan	●		●		●		●		●		●		
										Actual													
Set-up the Detailed Plan of Operation										Plan	●												
										Actual													
Submission of Monitoring Sheet										Plan		●			●			●					
										Actual													
Post Monitoring										Plan													
										Actual													
Reports/Documents																							
Project Completion Report										Plan											●		
										Actual													

2) PO Version 1 (1st JCC Meeting, December 13, 2024)

Version 1
Dated 12/13/2024

Legend: Plan 0: Ex-Ante Evaluation, Plan 0-1: Work Plan, Plan 0-2: April 2024, Plan 1: 1st JCC in November 2024 : Japanese experts work in Japan

3) PO Ver. 1 (2nd JCC Meeting, May 16, 2025)

Version 1

Monitoring	
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10
11	11
12	12
13	13
14	14
15	15
16	16
17	17
18	18
19	19
20	20
21	21
22	22
23	23
24	24
25	25
26	26
27	27
28	28
29	29
30	30
31	31
32	32
33	33
34	34
35	35
36	36
37	37
38	38
39	39
40	40
41	41
42	42
43	43
44	44
45	45
46	46
47	47
48	48
49	49
50	50
51	51
52	52
53	53
54	54
55	55
56	56
57	57
58	58
59	59
60	60
61	61
62	62
63	63
64	64
65	65
66	66
67	67
68	68
69	69
70	70
71	71
72	72
73	73
74	74
75	75
76	76
77	77
78	78
79	79
80	80
81	81
82	82
83	83
84	84
85	85
86	86
87	87
88	88
89	89
90	90
91	91
92	92
93	93
94	94
95	95
96	96
97	97
98	98
99	99
100	100

Inputs

Legend: Plan 0: Ex-Ante Evaluation, Plan 0-1: Work Plan, Plan 0-2: April 2024, Plan 1: 1st JCC in November 2024 : Japanese experts work in Japan

4) PO Ver. 2 (3rd JCC Meeting, June 3, 2026)

Version 2
Dated 6/3/2026

[illegible]

ANNEX 2:

List of Products Produced by the Project

ANNEX 2: List of Products Produced by the Project

- 1: Literature Review Results (Activity 1-1)**
 - (1) Case Studies for New City Development
 - (2) Literature Review Results
- 2: Budget Analysis Results (Activities 1-1 and 1-2)**
- 3: Roadmap of the Development of the Hunnu City (Activity 1-2)**
 - (1) Roadmap of the Development of the Hunnu City
 - (2) Investment Schedule (C/P Plan)
 - (3) Investment Schedule (JPT Proposal)
- 4: Roles and Responsibilities of the Relevant Agencies involved in the Development of the Hunnu City (Activities 1-3 and 2-4)**
- 5: Role and Responsibility Matrix in Development Activities of Hunnu City and FEZ (Activities 1-3 and 2-4)**
- 6: Proposal on Revision of the Law on Legal Status of Hunnu City (Activity 1-4)**
 - (1) List of Contents to be Covered in the Law
 - (2) Proposal on Revision of the Legal Status of Hunnu City
- 7: Proposed Organizational Structure for Implementation and Coordination of HC Development (Activity 1-5)**
- 8: Draft Zoning Regulation (Activity 1-6)**
 - (1) Proposed Zoning Regulation
 - (2) Draft Guidelines for the Use of Zoning Regulation
- 9: Draft Regulation on Project Selection (Activity 1-6)**
 - (1) Concept Paper of the Regulation on the Criteria and Procedure of Project Selection, and the Requirements for Selection Participants
 - (2a) Proposed Regulation on the Criteria and Procedure of Project Selection, and the Requirements for Selection Participants (proposed by JPT)
 - (2b) Guideline for Evaluation of Application Document Submitted by the Participants in Project Selection for Land-plot Development in Hunnu City

- 10: Literature Review (Activity 2-1)**
- (1) List of Materials Reviewed for the Output-2 Activities
 - (2) Case Study of Service-city Type Free/ Special Economic Zones
- 11: Industrial Promotion Scenario (Activity 2-2)**
- 12: Proposal on Revision of the FZ Law (Activity 2-3)**
- (1) Discussion Material for Establishment of Legal Framework for KV-FEZ Development
 - (2) Proposed Inputs to Draft Concept of the Amendment of the Law on FZs for Accommodating the FEZ
 - (3) Proposed Amendment of the Law on FZs in Mongolia (proposed by JPT)
- 13: Draft activity plan for investment promotion on developing/operating the free/special economic zone (Khushig Valley-Free Economic Zone), and the roadmap for developing the promotion activity (Activity 2-5)**
- 14: Roadmap towards Establishing the Ideal Organizational Set-up for Development/ Management of KV-FEZ (Activity 2-5)**

ANNEX 3: PDM (All Versions of PDM)

- (1) PDM Version 0
- (2) PDM Version 1 (1st JCC Meeting, December 13, 2024)
- (3) PDM Version 2 (3rd JCC Meeting, June 3, 2026)

(1) PDM Version 0

Project Design Matrix

Project Title (*) : Project for Promoting the Development of the New Zuunmod City and Free Economic Zone

Implementing Agency (*) : Ministry of Construction and Urban Development (MCUD) and Ministry of Economy and Development (MED)

Target Group : MCUD, MED and related agencies

Period of Project (*) : 24 months

Project Site : The New Zuunmod city, Tuv Province, Mongolia

Version ●

Dated ●●●,●●●,●●●

Overall Goal (*)		Narrative Summary		Objectively Verifiable Indicators	Means of Verification	Important Assumption	Achievement	Remarks
Development of the New Zuunmod city in Khushig Valley Area is proceeded based on the legal and institutional framework.				1. Draft laws / regulations / rules concerning New Zuunmod city development/ free economic zone establishment are submitted to the authorities concerned for approval (parliament, cabinet, minister, etc.) 2. Activities of the National Committee / related ministries and agencies are being promoted along with on the laws / regulations / rules formulated. 3. Roadmaps and/or other proposed actions during the Project are being materialized.	1. Draft law / regulations / rules submitted or approved, or the law / regulations / rules reviewed or updated for approval 2. Interview to concerned agencies' officials on the progress of the activities / actions by related agencies 3. Interview to concerned agencies' officials on the status of the related master plans or roadmaps, budgetary report, reports on the activity	1. Mongolian government's policies, systems or structures regarding the development of the New Zuunmod city is not changed drastically . 2. Mongolian government makes necessary decision to execute the activities / actions in the plans relating to the development of the New Zuunmod city in a timely manner .		
				1. Number of the counterparts staff with an understanding of the implementation system and roles in the development of the New Zuunmod city or free economic zone 2. Draft laws / regulations / rules concerning New Zuunmod city development / free economic zone establishment are processed in the respective ministries / agencies for circulation to the authorities concerned. 3. Roadmaps and/or other proposed actions during the Project are submitted for acknowledgement by the authorities concerned, and further elaborated towards their implementation.	1. Interview to concerned agencies' staff, training records 2. Draft laws / regulations / rules processed by the respective agencies for circulation to invite comments from the authorities concerned 3. Roadmaps or policy documents submitted for acknowledgement to the authorities concerned	1. Most of the administrative staff who received technical assistance under the project continue to work. 2. The meetings of the National Committee for Khushig Valley Development are not extremely infrequently held.		
Outputs				1. Draft law is prepared 2. Draft regulations are prepared 3. Roadmap is prepared 1. Revised development plan or concept is prepared 2. Proposal of measures is prepared 3. Roadmap is prepared	1. Draft law 2. Draft regulations 3. Roadmap 1. Revised development plan or concept 2. Proposal of measures 3. Roadmap	Mongolian government's policies and systems regarding new city development in the New Zuunmod city is not changed drastically .		
1. Law on the development of the New Zuunmod city is prepared.								
2. Establishment of legal, investment and institutional framework for development of free / special economic zone in the New Zuunmod city is promoted.								

Activities	Inputs		Important Assumption
	The Japanese Side (*)	The Mongolian Side	
(For achieving Output 1: Law on the development of the New Zuunmod city is prepared.) 1-1. To review the existing laws / regulations related to urban development and establishment of new cities, the budget status, formulated master plans, and case studies of other countries. 1-2. To propose a roadmap including a budget securing scenario based on the results of 1-1 above. 1-3. To clarify the roles and responsibilities of each organization concerned based on the current status and issues related to development in the New Zuunmod city. 1-4. To prepare the draft law on the development of the New Zuunmod city with listing up major contents to be covered based on results of 1-1 to 1-3. above. 1-5. To propose a mechanism for coordinating and cooperating among the relevant organizations for the development in the New Zuunmod city. 1-6. To prepare draft regulations based on the draft law prepared in 1-4 above. 1-7. To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 1-1. to 1-6. above. (For achieving Output 2: Establishment of legal, investment and institutional framework for development of free / special economic zone in the New Zuunmod city is promoted.) 2-1. To review the existing laws / regulations, investment framework, investment promotion measures, institutional set-up (including the roles / scopes of related organizations) and cases by other countries. 2-2. To revise the development plan or concept concerning industry promotion in the free / special economic zone, as needed. 2-3. To propose the measures for improving legal framework for establishing the free / special economic zone and improving investment climate. 2-4. To confirm the roles / scopes of related organizations and issues to be examined, upon establishing institutional framework and promoting investment for the free / special economic zone. 2-5. To examine the organizational set-up for developing / operating the free / special economic zone and draft activity plan for investment promotion, and to formulate the roadmap towards establishing the organization and developing the promotion activity. 2-6. To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 2-1. to 2-5. above.	1. Dispatch of the Experts; 1) Team Leader / Urban Planning 2) Institutional Coordination / Public Finance Analysis 3) Land Management 4) Economic Zone Development 5) Investment Policy 2. Training(s): In Japan and/or third country	1. Counterparts - Chairperson / Co-Chairperson for Joint Coordinating Committee - Project Director / Deputy Project Director - Secretariat (Project Manager / Deputy Project Manager) - Staff of MCUD, MED and related agencies 2. Project Office and Necessary Utilities - Office spaces in MCUD and MED - Utilities (furniture, electricity, water, security) for the office space 3. Sharing of existing data (survey results and development plans related to the Khushig Valley, etc.)	1. Mongolian government's policies, systems or structures regarding the development of the New Zuunmod city is not changed drastically. 2. Most of the administrative staff who received technical assistance under the project continue to work. Pre-Conditions 1. Security situation in the Project Site is not deteriorate. 2. The administrative staff who receive the technology transfer in this project share the knowledge and skills among the colleagues to retain within the related agencies.  <Issues and countermeasures>

(*) These items should be amended by Project Description attached to the Record of Discussion

(2) PDM Version 1 (1st JCC Meeting, December 13, 2024)

Project Design Matrix

Project Title (*): Project for Promoting the Development of the New Zuunmod City and Free Economic Zone

Version 1

Implementing Agency (*): Deputy Prime Minister Office (DPMO) and Ministry of Urban Development, Construction and Housing (MUDCH)

Dated 12/13/2024

Target Group: DPMO, MUDCH and related agencies

Period of Project (*): 27 months

Project Site: The New Zuunmod city, Mongolia

Overall Goal (*)	Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumption	Achievement	Remarks
Development of the New Zuunmod city in Khushig Valley Area is proceeded based on the legal and institutional framework.		- Amended laws / regulations / rules concerning New Zuunmod city development/ free economic zone establishment are submitted to the authorities concerned for approval (parliament, cabinet, minister, etc.) - Activities of related ministries and agencies are being promoted along with on the amended laws / regulations formulated. - Roadmaps and/or other proposed actions during the Project are being materialized.	- Amended laws / regulations submitted or approved, or the laws / regulations reviewed or updated for approval - Interview to concerned agencies' officials on the progress of the activities / actions by related agencies - Interview to concerned agencies' officials on the status of the related master plans or roadmaps, budgetary report, reports on the activity	- Mongolian government's policies, systems or structures regarding the development of the New Zuunmod city is not changed drastically. - Mongolian government makes necessary decision to execute the activities / actions in the plans relating to the development of the New Zuunmod city in a timely manner.		
Project Purpose (*)		- Number of the counterparts staff with an understanding of the implementation system and roles in the development of the New Zuunmod city or free economic zone - Draft regulations concerning New Zuunmod city development / free economic zone establishment are processed in the respective ministries / agencies for circulation to the authorities concerned. - Roadmaps and/or other proposed actions during the Project are submitted for acknowledgement by the authorities concerned, and further elaborated towards their implementation.	- Interview to concerned agencies' staff, training records - Draft regulations processed by the respective agencies for circulation to invite comments from the authorities concerned - Roadmaps or policy documents submitted for acknowledgement to the authorities concerned	Most of the administrative staff who received technical assistance under the project continue to work.		
Outputs		- Proposal for enhancement of the Law on the Legal Status of New Zuunmod City is prepared. - Draft regulations on zoning and project requirements, project applicant requirements, and project selection are prepared - Roadmap is prepared - Revised development plan or concept is prepared - Proposal of measures is prepared - Roadmap is prepared	- Proposal for enhancement of the Law on the Legal Status of New Zuunmod City 2-1. Draft regulation on zoning 2-2. Draft regulation on project requirements, project applicant requirements, and project selection 3. Roadmap 1. Revised development plan or concept 2. Proposal of measures 3. Roadmap	Mongolian government's policies and systems regarding new city development in the New Zuunmod city is not changed drastically.		
- Establishment of legal and institutional framework for development of New Zuunmod City is promoted. - Establishment of legal, investment and institutional framework for development of free / special economic zone in the New Zuunmod city is promoted.						

Activities	Inputs		Important Assumption
	The Japanese Side (*)	The Mongolian Side	
(For achieving Output 1: Establishment of legal and institutional framework for development of New Zuunmod City is promoted.) 1-1. To review the existing laws / regulations related to urban development and establishment of new cities, the budget status, formulated master plans, and case studies of other countries. 1-2. To propose a roadmap including a budget securing scenario based on the results of 1-1 above. 1-3. To clarify the roles and responsibilities of each organization concerned based on the current status and issues related to development in the New Zuunmod city. 1-4. To prepare the proposal for enhancing the Law on the Legal Status of New Zuunmod City based on results of 1-1. to 1-3. above. 1-5. To propose a mechanism for coordinating and cooperating among the relevant organizations for the development in the New Zuunmod city. 1-6. To prepare draft regulations based on the Law on the Legal Status of New Zuunmod City. 1-7. To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 1-1. to 1-6. above. (For achieving Output 2: Establishment of legal, investment and institutional framework for development of free / special economic zone in the New Zuunmod city is promoted.) 2-1. To review the existing laws / regulations, investment framework, investment promotion measures, institutional set-up (including the roles / scopes of related organizations) and cases by other countries. 2-2. To revise the development plan or concept concerning industry promotion in the free / special economic zone, as needed. 2-3. To propose the measures for improving legal framework for establishing the free / special economic zone and improving investment climate. 2-4. To confirm the roles / scopes of related organizations and issues to be examined, upon establishing institutional framework and promoting investment for the free / special economic zone. 2-5. To examine the organizational set-up for developing / operating the free / special economic zone and draft activity plan for investment promotion, and to formulate the roadmap towards establishing the organization and developing the promotion activity. 2-6. To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 2-1. to 2-5. above.	1. Dispatch of the Experts; 1) Team Leader / Urban Planning 2) Institutional Coordination / Public Finance Analysis 3) Land Management 4) Economic Zone Development 5) Investment Policy 2. Training(s): In Japan and/or third country	1. Counterparts - Chairperson / Co-Chairperson for Joint Coordinating Committee - Project Director - Secretariat - Staff of DPMO, MUDCH and related agencies 2. Project Office and Necessary Utilities - Office spaces in MUDCH - Utilities (furniture, electricity, water, security) for the office space 3. Sharing of existing data (survey results and development plans related to the Khushig Valley, etc.)	1. Mongolian government's policies, systems or structures regarding the development of the New Zuunmod city is not changed drastically. 2. Most of the administrative staff who received technical assistance under the project continue to work. Pre-Conditions 1. Security situation in the Project Site is not deteriorate. 2. The administrative staff who receive the technology transfer in this project share the knowledge and skills among the colleagues to retain within the related agencies.  <Issues and countermeasures>

(*) These items should be amended by Project Description attached to the Record of Discussion

(3) PDM Version 2 (3rd JCC Meeting, June 3, 2026)

Project Design Matrix

Project Title (*): Project for Promoting the Development of the New Zuunmod City and Free Economic Zone

Version 2

Implementing Agency (*): Deputy Prime Minister Office (DPMO) and Ministry of Urban Development, Construction and Housing (MUDCH)

Dated 6/3/2026

Target Group: DPMO, MUDCH and related agencies

Period of Project (*): 31 months

Project Site: The New Zuunmod city, Mongolia

Narrative Summary		Objectively Verifiable Indicators	Means of Verification	Important Assumption	Achievement	Remarks
Overall Goal (*)						
	Development of the New Zuunmod city in Khushig Valley Area is proceeded based on the legal and institutional framework.	1. Amended laws / regulations concerning New Zuunmod city development/ free economic zone establishment are submitted to the authorities concerned for approval (parliament, cabinet, minister, etc.) 2. Activities of related ministries and agencies are being promoted along with on the amended laws / regulations formulated. 3. Roadmaps and/or other proposed actions during the Project are being materialized.	1. Amended laws / regulations submitted or approved, or the laws / regulations reviewed or updated for approval 2. Interview to concerned agencies' officials on the progress of the activities / actions by related agencies 3. Interview to concerned agencies' officials on the status of the related master plans or roadmaps, budgetary report, reports on the activity	1. Mongolian government's policies, systems or structures regarding the development of the New Zuunmod city is not changed drastically. 2. Mongolian government makes necessary decision to execute the activities / actions in the plans relating to the development of the New Zuunmod city in a timely manner.		
Project Purpose (*)						
	The capacity of Mongolian government agencies for coordination and cooperation in order to promote the development of the New Zuunmod city is enhanced.	1. Number of the counterparts staff with an understanding of the implementation system and roles in the development of the New Zuunmod city or free economic zone 2. Draft regulations concerning New Zuunmod city development / free economic zone establishment are processed in the respective ministries / agencies for circulation to the authorities concerned. 3. Roadmaps and/or other proposed actions during the Project are submitted for acknowledgement by the authorities concerned, and further elaborated towards their implementation.	1. Interview to concerned agencies' staff, training records 2. Draft regulations processed by the respective agencies for circulation to invite comments from the authorities concerned. 3. Roadmaps or policy documents submitted for acknowledgement to the authorities concerned	1. Most of the administrative staff who received technical assistance under the project continue to work.		
Outputs						
	1. Establishment of legal and institutional framework for development of New Zuunmod City is promoted. 2. Establishment of legal, investment and institutional framework for development of free / special economic zone in the New Zuunmod city is promoted.	1. Proposal for enhancement of the Law on the Legal Status of New Zuunmod City is prepared. 2. Draft regulations on zoning and project requirements, project applicant requirements, and project selection are prepared 3. Roadmap is prepared 1. Revised development plan or concept is prepared 2. Proposal of measures is prepared 3. Roadmap is prepared	1. Proposal for enhancement of the Law on the Legal Status of New Zuunmod City 2-1. Draft regulation on zoning 2-2. Draft regulation on project requirements, project applicant requirements, and project selection 3. Roadmap 1. Revised development plan or concept 2. Proposal of measures 3. Roadmap	Mongolian government's policies and systems regarding new city development in the New Zuunmod city is not changed drastically.		

Activities	Inputs		Important Assumption
	The Japanese Side (*)	The Mongolian Side	
(For achieving Output 1: Establishment of legal and institutional framework for development of New Zuunmod City is promoted.) 1-1. To review the existing laws / regulations related to urban development and establishment of new cities, the budget status, formulated master plans, and case studies of other countries. 1-2. To propose a roadmap including a budget securing scenario based on the results of 1-1 above. 1-3. To clarify the roles and responsibilities of each organization concerned based on the current status and issues related to development in the New Zuunmod city. 1-4. To prepare the proposal for enhancing the Law on the Legal Status of New Zuunmod City based on results of 1-1. to 1-3. above. 1-5. To propose a mechanism for coordinating and cooperating among the relevant organizations for the development in the New Zuunmod city. 1-6. To prepare draft regulations based on the Law on the Legal Status of New Zuunmod City. 1-7. To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 1-1. to 1-6. above. (For achieving Output 2: Establishment of legal, investment and institutional framework for development of free / special economic zone in the New Zuunmod city is promoted.) 2-1. To review the existing laws / regulations, investment framework, investment promotion measures, institutional set-up (including the roles / scopes of related organizations) and cases by other countries. 2-2. To revise the development plan or concept concerning industry promotion in the free / special economic zone, as needed. 2-3. To propose the measures for improving legal framework for establishing the free / special economic zone and improving investment climate. 2-4. To confirm the roles / scopes of related organizations and issues to be examined, upon establishing institutional framework and promoting investment for the free / special economic zone. 2-5. To examine the organizational set-up for developing / operating the free / special economic zone and draft activity plan for investment promotion, and to formulate the roadmap towards establishing the organization and developing the promotion activity. 2-6. To conduct training(s) to enhance the capacity and knowledge of the officials of the relevant organizations as deemed necessary in relation to 2-1. to 2-5. above.	1. Dispatch of the Experts; 1) Team Leader / Urban Planning 2) Institutional Coordination / Public Finance Analysis 3) Land Management 4) Economic Zone Development 5) Investment Policy 2. Training(s): In Japan and/or third country	1. Counterparts - Chairperson / Co-Chairperson for Joint Coordinating Committee - Project Director - Secretariat - Staff of DPMO, MUDCH and related agencies 2. Project Office and Necessary Utilities - Office spaces in MUDCH - Utilities (furniture, electricity, water, security) for the office space 3. Sharing of existing data (survey results and development plans related to the Khushig Valley, etc.)	1. Mongolian government's policies, systems or structures regarding the development of the New Zuunmod city is not changed drastically. 2. Most of the administrative staff who received technical assistance under the project continue to work. Pre-Conditions 1. Security situation in the Project Site is not deteriorate. 2. The administrative staff who receive the technology transfer in this project share the knowledge and skills among the colleagues to retain within the related agencies.  <Issues and countermeasures>

(*) These items should be amended by Project Description attached to the Record of Discussion