



Jukov Aldarjavkhlán

Mongolia's 40,000 housing project-urban planning mechanism



Although Mongolia is known for its fierce warriors and nomadic tribesmen roaming in wide open steppes, it is fast becoming an urbanized society in need of housing, especially for its low-income citizens.

The most recent census indicates that more than 55 per cent of its people now live in urban centers such as Ulaanbaatar where almost 67 per cent of its citizens are less than 35 years old.¹

Jukov Aldarjavkhlán, the Mongolian Housing Finance Corporation's CEO recently told attendees at the Asia Pacific Union for Housing Finance conference in Ulaanbaatar that his country of 2.5 million people has just completed 40,000 new homes during a multi-year project to upgrade housing and basic infrastructure in his country.

"The 40,000 houses program was undertaken with several overall objectives," he said.

¹ Country Report on Housing Finance System, Mongolia, June 30, 2009

Chart I : 40,000 house program

Indicators	2004	2005	2006	2007	2008	Total
Total construction completed	5274	5173	8596	6932	5575	31550
Apartments	2048	2912	3740	3747	3295	15742
Houses	3226	2261	4856	3185	2280	15808

Source: National Statistical Office, 2008

Overall goals

An initial goal was establishing new townships all around the sparsely populated country for new housing units. Secondly, the project was designed to improve the density of housing units in Ulaanbaatar and other urban centers and settlements. “To improve efficient use of its current infrastructure, we built 10,000 apartments within Ulaanbaatar.

With than one million people, Ulaanbaatar, Mongolia’s capital has more than 38 per cent of the country’s total population. “We constructed apartment buildings in un-built parts of the city and improved the existing infrastructure,” he said.

Although about one third of Mongolia’s population lives in Ulaanbaatar, another third lives in other urban centers and the remaining one-third are rural-area nomadic herders. Providing modern services to a sparsely located population, generating

sustainable employment and developing modern living conditions has become more difficult with adverse effects on both the population and the environment.²

In Mongolia, only about 55 per cent of urban households living in conventional housing has access to centralized heating – a clear indicator of acceptable housing conditions in Mongolia’s harsh winter climate.³

Jump - starting Ulaanbaatar Master Plan 2020

A study in 2000 showed that only 46.7 per cent of all housing had complete utilities. The Ulaanbaatar City Master Plan 2020 expects to increase the amount to 82 per cent. To jump-start this target, the 40,000 housing unit project was formulated as an urban planning mechanism, especially for the housing sector

² ibid

³ ibid

The program's key strategies were to i) establish new housing areas, ii) improve housing density iii) upgrade ger areas vi) facilitate housing and real estate market development and supporting construction material production and capacity building.

The program's 40,000 houses target included 28,000 in Ulaanbaatar, 8,000 in its satellite towns and 4,000 in aimags. Of these units 20,000 were to be built in new towns and residential projects.

In Ulaanbaatar, old buildings were demolished and new buildings were constructed subject to resident's initiatives. "We also improved the housing conditions for many residents by connecting them to utilities and other services," he said.

New towns were also created on the outskirts of Ulaanbaatar initially by putting in the necessary infrastructure. "Many new housing units were built in the Ulaanbaatar area during this project phase," he said.

Another critical goal of the 40,000 houses initiative was improving and upgrading ger district housing environments, a large number of which were not previously connected to utilities and services. "Wherever possible we wanted improve the ger regions primarily by connecting them to modern basic infrastructure."

As a result of being connected to modern utilities and services, Aldarjvkhlan said the ger districts would eventually develop into modern-detached housing areas with community planning and designed based on community participation and initiatives.

Subsidies

To make the 40,000 units project affordable to low-and-medium income households, the Mongolian government introduced a number of supply-side subsidies including below-market land costs and below-market mortgage interest rates on government funded loans. Other subsidies were also used to attract investors including below-market rental rates for government-owned apartments, VAT and income tax exemptions.

To reduce construction costs, imported construction materials and equipment were exempted from custom duties.



Chart II : Government bond financing (40,000 housing program)

No.	Indicator	Amount (billion MNT)
1	Total budget	57.1
2	Bonds placed in banks	28.3
3	Construction loans	16.4
4	Housing loans	4.6
5	Budget balance	36.1
6	Bond outstanding balance	7.3
7	Required additional financing	28.8

Source: Housing Finance Corporation, 2008

Chart III : Housing loans to citizens (40,000 housing program)

Banks	Mortgage loan borrowers			Total (mIn MNT)
	Gov. officials	Citizens	Total	
Golomt	40	17	57	954,337.1
Ulaanbaatar	43	14	57	759,671.0
Anod	24	19	43	872,425.0
Capital	57	51	108	2,071,654.0
Mongol Post	5	8	19	20,000.0
Total	169	109	278	4,678,087.6

Source: Country report on housing finance system, Mongolia, June 30, 2009

