
GRANT NUMBER 9187-MON (EF)

GRANT AGREEMENT
(Externally Financed)

(Strengthening Community Resilience to *Dzud* and Forest and Steppe Fires Project)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED 28 OCTOBER 2016

MON 48236

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 28 October 2016 between MONGOLIA ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to Japan Fund for Poverty Reduction ("JFPR") for a grant, to be administered by ADB, for the purposes of the Project described in Schedule 1 to this Grant Agreement;

(B) on 1 July 2016, the Government of Japan approved that JFPR would provide, and ADB has agreed to administer, the grant provided for herein upon the terms and conditions set out in the JFPR 2016 Guidelines; and

(C) ADB has agreed to make the proceeds of the grant from JFPR available to the Recipient upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Grant Agreement have the following meanings:

(a) "Aimag" means the Recipient's administrative unit below its central government level equivalent to a province;

(b) "Bagh" means the Recipient's second level administrative subdivision equivalent to a sub-district;

(c) "CBDRM" means community-based disaster risk management;

(d) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(e) "Consulting Services" means the services to be financed out of the proceeds of the Grant, as described in Schedule 3 to this Grant Agreement;

(f) "CSO" means civil society organization;

(g) "DRM" means disaster risk management;

(h) "Dzud" means the Recipient's term used for a severe winter in which large number of livestock die with starvation due to unable to graze or directly from the cold;

(i) "EA" or "Project Executing Agency" means NEMA or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(j) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Recipient and ADB;

(k) "Goods" means equipment and materials to be financed out of the proceeds of the Grant, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(l) "LEMA" means Local Emergency Management Agency under NEMA or any successor thereto;

(m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(n) "MOF" means the Recipient's Ministry of Finance or any successor thereto;

(o) "NEMA" means the Recipient's National Emergency Management Agency or any successor thereto;

(p) "NGs" means neighborhood groups to be formed under the Project at a Bagh level including households from Project Soum centers;

(q) "Outputs" means outputs 1 to 3 as listed in paragraph 2 of Schedule 1 to this Grant Agreement;

(r) "PAM" means the project administration manual for the Project dated 18 August 2016 and agreed between the Recipient and ADB, as updated from time to time in accordance with the respective administrative procedures of the Recipient and ADB;

(s) "PIU" means the Project implementation unit established within NEMA or any successor thereto acceptable to ADB, which is responsible for implementing the Project on behalf of NEMA;

(t) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(u) "Procurement Plan" means the procurement plan for the Project dated 18 August 2016 and agreed between the Recipient and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(v) "Project Aimags" means Gobi Altai, Dornod, Sukhbaatar, and Khuvsgul Aimags where the Project will be implemented;

(w) "Project facilities" means any facilities to be constructed, provided, rehabilitated, operated and/or maintained under the Project;

(x) "Project Souns" means Darvi, Sharga, Altai, Bulgan, Khulunbuir, Matad, Tsagaan-Ovoo, Tumentsogt, Sukhbaatar, Munkhkhaan, Ulaan-Uul, and Tsagaan-Uur Souns within the Project Aimags;

(y) "Soum" means the Recipient's administrative unit immediately below Aimag;

(z) "SPS" or "Safeguard Policy Statement" means ADB's Safeguard Policy Statement (2009); and

(aa) "Works" means construction or civil works to be financed out of the proceeds of the Grant, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from JFPR in the amount of three million Dollars (\$3,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from, and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 April 2020 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Grant proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for JFPR. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds of the Grant from JFPR, and (ii) that ADB does not assume any obligations or responsibilities of JFPR in respect of the Project or the Grant other than those set out in this Grant Agreement.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
Government Building 2
S. Danzan Street 5/1
Ulaanbaatar 15160

Fax: (976) 51 267468.

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2534.

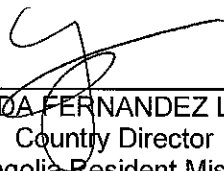
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

MONGOLIA

By 

CHOIJILSUREN BATTOGTOKH
Minister of Finance

ASIAN DEVELOPMENT BANK

By 

YOLANDA FERNANDEZ LOMMEN
Country Director
Mongolia Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to strengthen capacity of local Bagh residents and national and local DRM administration units to manage risks from Dzud and forest and steppe fires.

2. The Project shall be implemented in the Project Aimags and comprise:

Output 1: Preparation of NGs' CBDRM action plans. Output 1 will support: (a) conducting gender inclusive training and awareness activities for CBDRM for poor and vulnerable groups; (b) establishing around 100 NGs across the Project Soums; (c) conducting Bagh-level disaster risk assessments, based on (i) community consultations with NGs and local Soum governments to understand local disaster risk perceptions, coping mechanisms and approaches; and (ii) existing secondary disaster and climate-risk information; and (d) developing CBDRM action plans for NGs in the Project Soums to include: (i) identification of localized infrastructure and equipment needs, communication protocols, training needs and emergency actions; and (ii) prioritization of actions for implementation under the Project.

Output 2: Small-scale infrastructure, equipment and technology for disaster resilience piloted. Output 2 will support: (a) building small-scale disaster and climate resilient structures, such as improved fodder storage warehouses and livestock shelters and firebreaks; (b) rehabilitation or construction of wells for use by NGs in areas with high risk of drought and Dzud; (c) demonstrations for building small-scale structures, emphasizing concepts of collective community ownership and sustainable operation and maintenance; (d) providing packages of firefighting tools, like handheld blowers, water tanks and personal protective gear to NGs; (e) rehabilitation of low-capacity community irrigation systems for vegetable growing and haymaking in a Gobi-Altai Soum demonstrating the link between sustainable alternative livelihood options and increased disaster resilience; and (f) designing and piloting a forest fire early warning system in 2 Khuvsgul Soums, for effective response to fire outbreak and reducing loss of life and assets.

Output 3: Strengthening CBDRM capacity of NEMA, LEMAs and Project Soum administrations. Output 3 will support: (a) designing and delivery of trainings to: (i) Project Soums administration, LEMA and NEMA staff on the role of NGs in disaster resilience; and (ii) NEMA and LEMA trainers on concepts of disaster resilience and CBDRM; (b) building NEMA geographic information system (GIS) capabilities through: (i) upgrading of the current disaster database, including communications capacity among NEMA, LEMAs and Project Soums; and (ii) training NEMA and LEMA staff on system use and application of remote sensing; (c) provision of risk reduction and emergency response equipment for improved communication, search and rescue, unblocking road access in remote areas; and (d) dissemination of the Project lessons by: (i) developing and implementing the Project communication outreach strategy, including site visits; (ii) hosting the Project

symposium; and (iii) developing knowledge products.

3. The Project is expected to be completed by 31 October 2019.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Grant and the allocation of the Grant proceeds to each such Category ("Table").

Basis for Withdrawal from the Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Disbursement Procedures

3. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Strengthening Community Resilience to <i>Dzud</i> and Forest and Steppe Fires Project)			
Number	Item	Total Amount Allocated for JFPR Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Works, Goods, Training, Consulting Services and Project Management	3,000,000	100% of total expenditure claimed
	Total	3,000,000	

SCHEDULE 3

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
3. All terms used in this Schedule and not otherwise defined in this Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

4. Goods and Works shall be procured on the basis of the procurement methods set forth below:
 - (a) National Competitive Bidding; and
 - (b) Shopping.

National Competitive Bidding

5. The Recipient and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Recipient's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Recipient and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Recipient and ADB.

Community Participation in Procurement

6. The Recipient may use community participation in procurement for Works contracts for cut fire breaks and irrigation in accordance with the agreed procedures set out in the Procurement Plan.

Consulting Services

7. The Recipient shall apply the following selection methods for the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

- (a) Least-Cost Selection for financial and audit services;
- (b) Consultants' Qualifications Selection for improvement of NEMA disaster database; and
- (c) Single Source Selection for training of NEMA staff on GIS database use.

8. The Recipient shall recruit the individual consultants for Project management, implementation and technical support in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

9. (a) The Recipient shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Recipient shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

10. The Recipient shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

11. First contracts procured under national competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

1. The Recipient and the EA shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Recipient and ADB. In the event of any discrepancy between the PAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.

Project Operational Covenants

2. The Recipient shall cause the EA to ensure that CBDRM action plans to be developed for NGs under the Project are sustainable and the said CBDRM action plans are: (a) linked to Project Soums' level DRM planning and integrated into other development plans; and (b) revised and updated by the Project completion and renewed for at least 2 years after the completion of the Project.

3. The Recipient shall cause the EA to ensure that (a) the vehicle provided under the Project is used by the PIU staff for Project activities; (b) upon Project completion, the Project vehicle is handed over to a particular LEMA or a firefighting unit in any of the Project Aimags which is proposed and justified by NEMA and approved by ADB; (c) the motorbikes provided under the Project are used by the Project Soum coordinators for Project activities; and (d) upon Project completion the Project motorbikes are handed over to LEMAs in the Project Aimags or firefighting units in the Project Soums as approved by ADB.

4. The Recipient shall, and shall cause the EA to, ensure that for activities under Output 2 and Output 3 (b) (i) and Output 3 (c), no withdrawal applications are submitted to ADB and no Works or Goods Contracts are awarded unless all Project activities under Output 1 shall have been completed to the satisfaction of ADB.

Safeguards

5. The Recipient shall cause the EA to ensure that the Project does not have any environmental, indigenous peoples or involuntary resettlement impacts, all within the meaning of SPS. In the event that the Project does have any such impact, the Recipient shall cause the EA to take all steps required to ensure that the Project complies with the applicable laws and regulations of the Recipient and with SPS.

Labor Standards, Health and Safety

6. The Recipient shall cause the EA to ensure that the core labor standards and the Recipient's applicable laws and regulations are complied with during Project implementation. The Recipient shall cause the EA to include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Recipient's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do

not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

7. The Recipient shall cause the EA to strictly monitor compliance with the requirements set forth in paragraph 6 above and provide ADB with regular reports.

Gender and Development

8. The Recipient shall cause the EA to ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to: (i) at least 45% of local community consulted for CBDRM risk assessment and project orientation is female; (ii) at least 35% of participants in all awareness sessions and trainings for Project Soums are women; (iii) at least 80% of female-headed households engaged in the project participate in project trainings; and (iv) at least 35% of participants at the project completion symposium are women.

Governance and Anticorruption

9. The Recipient and the EA shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

10. The Recipient and the EA shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

11. The Recipient shall ensure that (a) the EA complies with applicable laws and regulations of the Recipient on combating money laundering and financing of terrorism; and (b) Grant proceeds are not used, directly or indirectly, in money laundering or financing of terrorism, including payment to persons and entities that are subject to financial sanctions of United Nations Security Council resolutions on combating the financing of terrorism.

12. ADB shall inform JFPR in a timely manner if, during the implementation of this Agreement, ADB becomes aware that the Grant proceeds are being used for money laundering or financing of terrorism, including any payment to persons or entities that is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Grant Refund

13. If ADB determines that an amount of the Grant has been used in a manner inconsistent with the provisions of this Grant Agreement, the Recipient shall, upon notice by ADB to the Recipient, promptly refund such amount to ADB. Except as ADB may otherwise determine, ADB shall cancel all amounts refunded pursuant to this provision.

Donor Specific Covenant

14. The Recipient shall, and shall cause the EA to, comply with the Visibility and Coordination Guidelines of JFPR. In particular, the Recipient shall cause the Project Executing Agency to include the JFPR and Japan Official Development Assistance logos in all relevant Project publications and on any equipment or facility funded by JFPR. For the purposes of this provision, Visibility and Coordination Guidelines of JFPR refers to the "Guidance Notes on Visibility of Japan and Coordination with Embassy of Japan and JICA" dated 10 April 2015, as agreed between ADB and the Government of Japan and as amended from time to time.