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LOAN NUMBER 3937-MON(COL)

LOAN AGREEMENT  
(Ordinary Operations [Concessional])  
(Shock-Responsive Social Protection Project)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED 2 July 2020

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MON 54214

**LOAN AGREEMENT**  
**(Ordinary Operations [Concessional])**

LOAN AGREEMENT dated 2 July 2020 between MONGOLIA  
("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied, as an emergency assistance, to ADB for a loan for the purposes of the project described in Schedule 1 to this Loan Agreement ("Project"); and

(B) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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

- (a) "CMP" means the Borrower's Child Money Program, or any successor program acceptable to ADB;
- (b) "COVID-19" means the Coronavirus disease 2019;
- (c) "FSP" means the Borrower's Food Stamp Program, or any successor program acceptable to ADB;
- (d) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between MOF and ADB;
- (e) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (f) "MLSP" means the Borrower's Ministry of Labour and Social Protection, or any successor thereto;

- (g) "MOF" means the Borrower's Ministry of Finance, or any successor thereto;
- (h) "PAM" means the project administration manual for the Project dated 21 May 2020 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (i) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations, means MOF or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project; and
- (j) "SPS" means ADB's Safeguard Policy Statement (2009).

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of twenty-six million four hundred thousand Dollars (\$26,400,000).

(b) The Loan has a principal repayment period of 30 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

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

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall cause the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 April 2021 or such other date as may from time to time be agreed between the Borrower and ADB.

### **ARTICLE IV**

#### **Particular Covenants**

Section 4.01. In the carrying out of the Project, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. (a) The Borrower 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 Loan 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 Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower'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 Borrower, unless the Borrower shall otherwise agree.

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

Section 4.04. The Borrower shall carry out a special audit focusing on governance, transparency and accountability within 6 months after the completion of the Project.

## **ARTICLE V**

### **Effectiveness**

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

## **ARTICLE VI**

### **Miscellaneous**

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

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

#### For the Borrower

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

Facsimile Number:

(976) 11-320247

For ADB

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

Facsimile Numbers:

(632) 8636-2444  
(632) 8636-2407.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan 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   
KHURELBAATAR CHIMED  
Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By   
PAVIT RAMACHANDARAN  
Country Director  
Mongolia Resident Mission

**SCHEDULE 1****Description of the Project**

1. The objective of the Project is to reduce adverse socioeconomic impacts of the COVID-19 pandemic by supporting basic needs of the poor and vulnerable, especially women and children.
2. The Project shall comprise:
  - (a) Output 1: increase of poverty-targeted food support under the FSP; and
  - (b) Output 2: increase of child-targeted income support under the CMP.
3. The Project is expected to be completed by 30 October 2020.



**SCHEDULE 2****Amortization Schedule**

<b>Date Payment Due</b>	<b>Payment of Principal (expressed in USD)*</b>
15 November 2030	264,000
15 May 2031	264,000
15 November 2031	264,000
15 May 2032	264,000
15 November 2032	264,000
15 May 2033	264,000
15 November 2033	264,000
15 May 2034	264,000
15 November 2034	264,000
15 May 2035	264,000
15 November 2035	264,000
15 May 2036	264,000
15 November 2036	264,000
15 May 2037	264,000
15 November 2037	264,000
15 May 2038	264,000
15 November 2038	264,000
15 May 2039	264,000
15 November 2039	264,000
15 May 2040	264,000
15 November 2040	528,000
15 May 2041	528,000
15 November 2041	528,000
15 May 2042	528,000
15 November 2042	528,000
15 May 2043	528,000
15 November 2043	528,000
15 May 2044	528,000
15 November 2044	528,000
15 May 2045	528,000
15 November 2045	528,000
15 May 2046	528,000
15 November 2046	528,000
15 May 2047	528,000
15 November 2047	528,000
15 May 2048	528,000

<b>Date Payment Due</b>	<b>Payment of Principal (expressed in USD)*</b>
15 November 2048	528,000
15 May 2049	528,000
15 November 2049	528,000
15 May 2050	528,000
15 November 2050	528,000
15 May 2051	528,000
15 November 2051	528,000
15 May 2052	528,000
15 November 2052	528,000
15 May 2053	528,000
15 November 2053	528,000
15 May 2054	528,000
15 November 2054	528,000
15 May 2055	528,000
15 November 2055	528,000
15 May 2056	528,000
15 November 2056	528,000
15 May 2057	528,000
15 November 2057	528,000
15 May 2058	528,000
15 November 2058	528,000
15 May 2059	528,000
15 November 2059	528,000
15 May 2060	528,000
<b>Total</b>	<b>26,400,000</b>

\* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

### **SCHEDULE 3**

#### **Allocation and Withdrawal of Loan 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 Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

##### Basis for Withdrawal from the Loan Account

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

##### Interest Charge

3. The amount allocated to Category "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.

##### Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

##### Disbursement Procedures

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

For Disaster and Emergency Assistance Loans

6. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date in connection with the emergency cash assistance as described in paragraph 2 of Schedule 1 of this Loan Agreement, subject to a maximum amount equivalent to 30% of the Loan amount; provided that the expenditures have been incurred after the emergency has occurred (i.e., 27 March 2020) but not earlier than 12 months before the date of this Loan Agreement.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
1	Emergency Cash Assistance	26,136,000	100% of total expenditure claimed*
2	Interest Charge	264,000	100% of amounts due
	<b>Total</b>	<b>26,400,000</b>	

\* Exclusive of taxes and duties imposed within the territory of the Borrower.

## **SCHEDULE 4**

### **Execution of Project**

#### Implementation Arrangements

1. The Borrower and the Project Executing Agency 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 Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

#### Safeguards

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

#### Prohibited List of Investments

3. The Borrower shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

#### Gender and Development

4. The Borrower shall ensure that (a) the GAP is implemented in accordance with its terms; (b) adequate resources are allocated for implementation of the GAP; and (c) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, is regularly monitored and reported to ADB.

#### Counterpart Support

5. The Borrower shall ensure that counterpart financing necessary for the Project is provided in time.

6. The Borrower shall ensure its undertakings under the FSP and the CMP in accordance with the Borrower's social welfare law and any amendments thereto until 12 months after the Project completion.

7. In addition to the foregoing, the Borrower shall ensure that MOF and MLSP have sufficient funds to satisfy its liabilities arising under the Project.

Governance and Anticorruption

8. The Borrower, MOF and MLSP 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.