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GRANT NUMBER 9218-MON(EF)

GRANT AGREEMENT  
(Externally Financed)

(Strengthening Rapid Epidemic Response Capacity of Health Systems Project)

between

MONGOLIA

and

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ASIAN DEVELOPMENT BANK

DATED 9 July 2021

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MON 55023

**GRANT AGREEMENT  
(Externally Financed)**

GRANT AGREEMENT dated 9 July 2021 between Mongolia  
("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

**WHEREAS**

(A) the Government of Japan, through the Japan Fund for Poverty Reduction ("JFPR"), has agreed to provide, and ADB has agreed to administer, the grant provided for the purposes of the project described in Schedule 1 to this Grant Agreement ("Project") upon the terms and conditions set out in the Arrangement Letter dated 7 October 2009 between ADB and the Government of Japan ("Arrangement Letter"); and

(B) 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 the provisions of ADB's Externally Financed Grant Regulations, dated 1 January 2017 ("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) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Grant;
- (b) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Grant, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (c) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (d) "MOH" means the Recipient's Ministry of Health, or any successor thereto;

- (e) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Grant;
- (f) "PAM" means the project administration manual for the Project dated 3 June 2021 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;
- (g) "Procurement Plan" means the procurement plan for the Project dated 3 June 2021 and agreed between the Recipient and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (h) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (i) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (j) "Project Executing Agency" for the purposes of, and within the meaning of, the Grant Regulations, means MOH or any successor thereto, acceptable to ADB, which is responsible for the carrying out of the Project;
- (k) "Services" means Consulting Services and Nonconsulting Services; and
- (l) "SPS" means ADB's Safeguard Policy Statement (2009).

## **ARTICLE II**

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### **The Grant**

Section 2.01. ADB agrees to make available to the Recipient a grant from JFPR in the amount of five million Dollars (\$5,000,000) ("Grant").

## **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 and Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and 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 and 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 31 December 2024 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 3 to this Grant Agreement.

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**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 Services, 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 (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from JFPR and such proceeds has not been suspended or cancelled in whole or in part by JFPR pursuant to the Arrangement Letter, and (b) 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**

### **Termination**

Section 6.01. The Grant Agreement and all obligations of the parties thereunder shall terminate on a date 15 years after the date of this Agreement.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. 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 7.02. 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  
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.

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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

JAVKHLAN BOLD  
Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By

PAVIT RAMACHANDRAN  
Country Director  
Mongolia Resident Mission

## **SCHEDULE 1**

### **Description of the Project**

1. The objective of the Project is to strengthen COVID-19 detection and containment.
  2. The Project shall comprise:
    - (a) procurement of Goods and Services for COVID-19 testing and immunization; and
    - (b) improvement of capacity for efficient and safe vaccination of COVID-19.
  3. The Project is expected to be completed by 30 June 2024.
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**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"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Grant Account

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

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant 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 Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

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

Condition for Withdrawals from Grant Account

5. Notwithstanding any other provision of this Grant Agreement, no withdrawals shall be made from the Grant Account until MOH engages a financial specialist whose qualifications shall meet requirements described in the PAM to be responsible for (a) accounting and financial management and (b) reporting of the Project.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS*			
Number	Item	Total Amount Allocated for JFPR Financing (\$)	Basis for Withdrawal from the Grant Account
1	Goods, Services and Training	4,380,390	100% of total expenditure claimed**
2	Project Management	293,233	100% of total expenditure claimed
3	Unallocated***	326,377	
	TOTAL	5,000,000	

\* Subject to the condition for withdrawal described in paragraph 5 of Schedule 2.

\*\* Exclusive of value-added taxes and duties imposed on Goods within the territory of the Recipient.

\*\*\* This amount also serves as a reserve for (a) currency fluctuations; and (b) payment of ADB's administration fees and bank charges or other charges pursuant to the Arrangement Letter / the applicable provisions of JFPR.

### SCHEDULE 3

#### Execution of Project; Financial Matters

##### Implementation Arrangements

1. The Recipient shall ensure, or cause MOH to 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.

##### Procurement

2. The Recipient shall ensure, or cause MOH to ensure, that:
- (a) the procurement of Goods and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
  - (b) Goods and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Recipient may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
  - (c) (i) all Goods procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.
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##### Safeguards

3. The Recipient 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 Recipient shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Recipient and with the SPS.

##### Medical Waste Monitoring Reports

4. The Recipient shall, or shall cause MOH to, do the following:
- (a) submit quarterly medical waste monitoring reports to ADB as described in the PAM and disclose relevant information from such reports to the public promptly upon submission;

- (b) if any unanticipated environmental and/or social risks and impacts arise during implementation or operation of the Project that were not considered for the implementation, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the SPS promptly after becoming aware of the breach.

#### Prohibited List of Investments

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

#### Labor Standards, Health and Safety

6. The Recipient shall ensure that the core labor standards and the Recipient's applicable laws and regulations are complied with during Project implementation. The Recipient shall 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 strictly monitor compliance with the requirements set forth in paragraph 6 above and provide ADB with regular reports.

#### Gender and Development

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8. The Recipient shall ensure that the principles of gender equality aimed at increasing Project benefits and impact on women in the Project area are followed during implementation of the Project. These include (a) equal pay to men and women for work of equal value, (b) enabling working conditions for women workers, and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

#### Counterpart Support

9. The Recipient shall, through MOH, ensure that: (a) counterpart funds for Project implementation are made available on time; and (b) sufficient funds are allocated for operation and management of the Project assets. In addition to the foregoing, the Recipient shall ensure that MOH has sufficient funds to satisfy its liabilities arising from any Goods and Services contract.

Governance and Anticorruption

10. The Recipient, MOH, and the implementing agencies 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.

11. The Recipient, MOH, and the implementing agencies 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

12. The Recipient shall ensure that (a) MOH and the implementing agencies comply 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.

13. 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.

Japan Visibility

14. The Recipient shall, and shall cause MOH to, comply with the Visibility and Coordination Guidelines of JFPR. In particular, the Recipient shall cause MOH 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 Note on Japanese Visibility" and "Guidance Note on Coordination with the Embassy of Japan and JICA", both dated 22 April 2019, as agreed between ADB and the Government of Japan and as amended from time to time.

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