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LOAN NUMBER 4052-MON

LOAN AGREEMENT  
(Ordinary Operations)  
(Second Shock-Responsive Social Protection Project)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED 28 May 2021

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MON 54214

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 28 May 2021 between MONGOLIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Borrower has also applied to ADB for a concessional loan in an amount of twenty-six million six hundred thousand Dollars (\$26,600,000) from ADB's ordinary capital resources ("COL Loan") for the purposes of the Project, upon the terms and conditions set forth in a loan agreement of even date between the Borrower and ADB ("COL Loan Agreement"); and

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

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of ADB's Ordinary Operations 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, subject, however, to the following modifications:

(a) Section 2.01 (Definitions) subsection (xx) shall be deleted and replaced in its entirety as follows:

(xx) "Reference Rate" means, (i) except as ADB has otherwise made a determination in accordance with Section 3.02(c), in respect of any Loan Currency other than Euro, LIBOR, and in respect of Euro, Euribor; and (ii) if a determination is made in accordance with Section 3.02(c), such other reference rate and any spread for the Loan Currency as ADB shall reasonably determine and promptly notify the Borrower and the Guarantor.

(b) A new subsection 3.02(c) shall be inserted after subsection 3.02(b) as follows:

Section 3.02(c). If interest on any amount of the Loan is calculated based on LIBOR or Euribor, and ADB determines that (i) such Reference Rate has permanently ceased to be quoted for the relevant Loan Currency

or a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate announcing such Reference Rate is no longer representative has been made or (ii) ADB is no longer able, or it is no longer commercially acceptable for ADB, to continue to use such Reference Rate for purposes of its asset and liability management, ADB shall apply such other Reference Rate for the relevant Loan Currency, including any applicable spread, as it may reasonably determine. ADB shall promptly notify the Borrower and the Guarantor of such other reference rate and any spread, and of related amendments to the provisions of the Loan Agreement necessary to give effect to its application, which shall become effective as of the date of such notice.

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 Child Money Program established by the Borrower, or any successor program acceptable to ADB;
- (b) "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 Loan;
- (c) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between MLSP and ADB;
- (d) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as media production, market assessments, commissioning and training;
- (e) "Loan Agreements" mean collectively, this Loan Agreement and the COL Loan Agreement;
- (f) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (g) "MLSP" means the Borrower's Ministry of Labour and Social Protection, or any successor thereto;
- (h) "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 Loan;
- (i) "PAM" means the project administration manual for the Project dated 17 February 2021 and agreed between MLSP and ADB, as updated from time to time in accordance with the respective administrative procedures of MLSP and ADB;

- (j) "Procurement Plan" means the procurement plan for the Project dated 17 February 2021 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (k) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (l) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (m) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations, means MLSP or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project; and
- (n) "Services" means Consulting Services and Nonconsulting Services.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of forty-six million four hundred thousand Dollars (\$46,400,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 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 interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 February and 15 August in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **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 procure and finance, or cause to be procured and financed, 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 9.02 of the Loan Regulations shall be 31 December 2023 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 and operation of the Project facilities, the Borrower shall perform, or cause to be performed through the Project Executing Agency, 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, through the Project Executing Agency, shall enable ADB's representatives to inspect the Project, the Goods and Services, and any relevant records and documents.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(m) of the Loan Regulations: the COL Loan shall have become liable for suspension or cancellation.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the COL Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and all conditions required for its effectiveness other than the condition requiring effectiveness of this Loan Agreement, shall have been fulfilled.

Section 6.02. 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 10.04 of the Loan Regulations.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 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) 320-247

For ADB

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

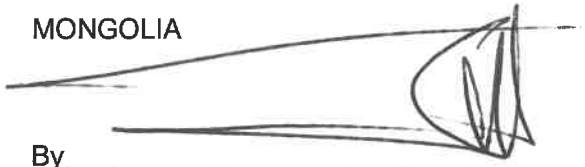
Facsimile Numbers:

(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 \_\_\_\_\_  
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 strengthening the social welfare programs and systems to support the poor and vulnerable, especially women and children.
2. The Project shall comprise:
  - (a) financing a share of the extended shock-responsive increase in the monthly child grant benefits under CMP for a period of 6 months comprising January 2021 to June 2021; and
  - (b) (i) updating the poverty targeting system and the integrated household database of the Borrower, (ii) supporting the digitization of social welfare programs into the “e-welfare” system, and (iii) piloting and evaluating the graduation approach to social protection by building on cash transfers with a holistic set of livelihood and coaching interventions.
3. The Project is expected to be completed by 30 June 2023.

## SCHEDULE 2

### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Date Payment Due</u>	<u>Installment Share</u> <u>(Expressed as a %)</u>
15 August 2026	2.500000
15 February 2027	2.500000
15 August 2027	2.500000
15 February 2028	2.500000
15 August 2028	2.500000
15 February 2029	2.500000
15 August 2029	2.500000
15 February 2030	2.500000
15 August 2030	2.500000
15 February 2031	2.500000
15 August 2031	2.500000
15 February 2032	2.500000
15 August 2032	2.500000
15 February 2033	2.500000
15 August 2033	2.500000
15 February 2034	2.500000
15 August 2034	2.500000
15 February 2035	2.500000
15 August 2035	2.500000
15 February 2036	2.500000
15 August 2036	2.500000
15 February 2037	2.500000
15 August 2037	2.500000
15 February 2038	2.500000
15 August 2038	2.500000
15 February 2039	2.500000
15 August 2039	2.500000
15 February 2040	2.500000
15 August 2040	2.500000

15 February 2041	2.500000
15 August 2041	2.500000
15 February 2042	2.500000
15 August 2042	2.500000
15 February 2043	2.500000
15 August 2043	2.500000
15 February 2044	2.500000
15 August 2044	2.500000
15 February 2045	2.500000
15 August 2045	2.500000
15 February 2046	2.500000
<b>Total</b>	<b>100.000000</b>

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

### 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 and Commitment Charges

3. The amount allocated to Category "Interest and Commitment Charges" is for financing interest and commitment charges 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 and commitment charges.

##### 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.

Retroactive Financing

6. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 1 January 2021 in connection with the cash assistance described in paragraph 2(a) of Schedule 1 of this Loan Agreement, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Items	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	CMP cash assistance	41,770,000	100% of total expenditure claimed
2	Goods and services	3,160,000	100% of total expenditure claimed*
3	Consulting Services and project management support	660,000	100% of total expenditure claimed*
4	Interest and Commitment Charges	510,000	100% of total amounts due
5	Unallocated	300,000	
	<b>TOTAL</b>	<b>46,400,000</b>	

\* Exclusive of value added taxes and duties on goods imposed within the territory of the Borrower.



**SCHEDULE 4****Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower, through 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 MLSP and ADB. In the event of any discrepancy between the PAM and the Loan Agreements, the provisions of the Loan Agreements shall prevail.

Procurement

2. The Borrower, through the Project Executing Agency, shall 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 Borrower 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, Works 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.

Safeguards

3. The Borrower, through the Project Executing Agency, shall 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 Borrower, through the Project Executing Agency, 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

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

Gender and Development

5. The Borrower, through the Project Executing Agency, shall ensure that (a) the GAP is implemented in accordance with its terms; (b) adequate resources are allocated for implementation of the GAP; (c) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (d) key gender outcome and output targets include: (i) maintaining women's control over the increased child grants under CMP to meet their families' needs, and (ii) ensuring that 50% of beneficiaries under the graduation approach pursuant to paragraph 2(b)(iii) of Schedule 1 are women.

Counterpart Support

6. The Borrower shall ensure that counterpart financing necessary for the Project is provided in time. Without limiting the foregoing, the Project Executing Agency shall include in the yearly budgets submitted for the Borrower's Ministry of Finance for endorsement and parliamentary approval, sufficient recurrent funds required to fulfill its undertakings under the CMP.

7. The Borrower shall ensure that the Project Executing Agency has sufficient funds to satisfy its liabilities arising under the Project including the recurrent costs associated with operation and maintenance of the information technology databases and systems to be supported by the Project.

Operational Covenants

8. The Borrower shall cause the Project Executing Agency to ensure close coordination with the Information Technology Center of Customs, Taxation and Finance of the Borrower in digitizing social welfare programs through the "e-welfare" system under the Project.

9. The Borrower shall cause the Project Executing Agency to ensure that both the Project Executing Agency and its General Office of Labour and Welfare Services, the implementing agency, have sufficient staff resources trained in information technology to run the proxy means test survey, and support digitization of social welfare programs under the Project.

10. The Borrower shall cause the Project Executing Agency to ensure that the scope of work of the social workers selected for participation in the graduation pilot pursuant to paragraph 2(b)(iii) of Schedule 1 to this Loan Agreement, is appropriately adjusted for such social workers to participate in the pilot as coaches for program beneficiaries, requiring home visits, case management, and participation in a series of training activities.

Governance and Anticorruption

11. The Borrower, the Project Executing Agency, and the implementing agency 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.

12. The Borrower, the Project Executing Agency and the implementing agency 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.