
GRANT NUMBER 0380-MON(EF)

GRANT AGREEMENT
(Urban Environmental Infrastructure Fund)

(Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Project 1)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED 30 JUNE 2014

MON 45007

GRANT AGREEMENT (Externally Financed)

GRANT AGREEMENT dated 30 June 2014 between MONGOLIA (“Recipient”) and ASIAN DEVELOPMENT BANK (“ADB”).

WHEREAS

(A) by a framework financing agreement dated 9 December 2013 between the Recipient and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for the purpose of financing projects under the Ulaanbaatar Urban Services and Ger Areas Development Investment Program;

(B) by loan agreements of even date herewith between the Recipient and ADB (“Special Operations Loan Agreement”, “Ordinary Operations Loan Agreement” and both collectively “ADB Loan Agreements”), ADB has agreed to make loans to the Recipient from ADB’s Special Funds resources and ordinary capital resources in the amount of SDR14,542,000 and \$27,500,000, respectively, for the purposes of the Project described in Schedule 1 to the Special Operations Loan Agreement;

(C) the Recipient has also applied to the European Investment Bank (“EIB”), who agreed to provide a loan in the amount up to EUR21,300,000 (“EIB Loan”) for purposes of parallel cofinancing certain parts of the Project as described in paragraphs 2(i) and 2(ii)(b) of Schedule 1 to the Special Operations Loan Agreement;

(D) the Recipient has applied to the Urban Environmental Infrastructure Fund (“UEIF”) for a grant, to be administered by ADB pursuant to applicable cofinancing arrangements with UEIF, for the purposes of cofinancing expenditures under the Project; and

(E) ADB has agreed to make the proceeds of the grant from UEIF 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, and ADB Loan Agreements have the respective meanings therein set forth unless modified herein or the context otherwise requires.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from the UEIF in the amount of three million seven hundred thousand Dollars (\$3,700,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. (a) The Recipient shall make the proceeds of the Grant available to MUB upon terms and conditions satisfactory to ADB and 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, the ADB Loan Agreements, and the Project Agreement.

(b) The Recipient agrees that the proceeds of the Grant may be used to pay ADB's administration fees and bank and other charges pursuant to the applicable cofinancing arrangements with UEIF. ADB shall be entitled to withdraw from the Grant Account and pay to itself, on behalf of the Recipient, the amounts required to meet payments, when due, of such administration fees, bank and other charges.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 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 4 to the Special Operations Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Recipient shall cause all items of expenditure financed out of the proceeds of the Grant to be used exclusively in the carrying out of the Project.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2018 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 5 to the Special Operations Loan 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 accounting principles 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 international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest fund and statement of expenditures) 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 30 days of the date of their receipt 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 UEIF. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from UEIF; and (ii) that ADB does not assume any obligations or responsibilities of UEIF in respect of the Project or the Grant other than those set out in this Grant Agreement.

ARTICLE V

Effectiveness; Termination

Section 5.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the ADB Loan Agreements shall have been duly executed and delivered on behalf of the Recipient and shall have become legally binding upon the Recipient in accordance with their terms.

Section 5.02. 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.

Section 5.03. (a) This Grant Agreement and all obligations of the parties hereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Special Operations Loan Agreement shall terminate in accordance with its terms; or
- (ii) a date 10 years after the date of this Grant Agreement.

(b) If the Special Operations Loan Agreement terminates in accordance with its terms before the date specified in subsection (a)(ii) hereinabove, ADB shall promptly notify the Recipient of this event.

ARTICLE VI

Delegation of Authority

Section 6.01. The Recipient hereby designates MUB as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02 and 3.03 of this Grant Agreement and under Sections 5.01, 5.02, and 5.03 of the Grant Regulations.

Section 6.02. Any action taken or any agreement entered into by MUB pursuant to the authority conferred under Section 6.01 of this Grant Agreement shall be fully binding on the Recipient and shall have the same force and effect as if taken by the Recipient.

Section 6.03. The authority conferred on MUB under Section 6.01 of this Grant Agreement may be revoked or modified by agreement between the Recipient and ADB.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Economic Development 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 Economic Development
Government Building-2
United Nations Street 5/2
Ulaanbaatar – 15160
Mongolia

Facsimile Number:

(976) 11-327914.

For ADB

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

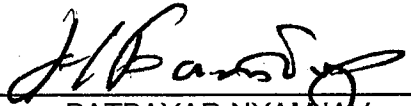
Facsimile Numbers:

(632) 636-2444


(632) 636-2407.

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 
BATBAYAR NYAMSAV
Minister of Economic Development

ASIAN DEVELOPMENT BANK

By 
ROBERT M. SCHOELLHAMMER
Country Director
Mongolia Resident Mission

SCHEDULE 1

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 disbursed on the basis of the withdrawal percentage for each item of expenditure 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.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
(Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Project 1)			
Number	Item	Total Amount Allocated for UEIF Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Works	3,700,000	100% of total expenditure claimed*
	Total	3,700,000	

* Exclusive of taxes and duties imposed within the territory of the Recipient.