
CREDIT NUMBER 6588-MN

**OFFICIAL
DOCUMENTS**

Financing Agreement

(Additional Financing for Third Sustainable Livelihoods Project)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6588-MN

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between MONGOLIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) under an agreement, dated January 30, 2015, between the Recipient and the Association, as amended on September 24, 2017 ("Original Financing Agreement"), the Association agreed to extend to the Recipient a credit in an amount equivalent to sixteen million and one hundred thousand Special Drawing Rights (SDR 16,100,000) ("Original Credit") to assist in financing the project described in Schedule 1 to the Original Financing Agreement ("Original Project"); and

(B) the Recipient has requested the Association to provide additional financial assistance in support of additional activities related to the Original Project, and the Association has agreed, on the basis, *inter alia*, of the foregoing to extend such additional financial assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions, the Original Financing Agreement, or in this Agreement (including the Preamble and Appendix hereto).

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to eight million eight hundred thousand Special Drawing Rights (SDR 8,800,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.
- 2.06. The Payment Dates are March 1 and September 1 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project, through the Ministry of Finance in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension is that the Recipient has taken, or allowed to be taken, any action to dissolve, disenfranchise, or suspend the operations of, the Local Development Fund.
- 4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — TERMINATION

- 5.01. The Effectiveness Deadline is the date one hundred eighty (180) days after the Signature Date.

- 5.02. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister at the time responsible for finance.

- 6.02. For purposes of Section 11.01 of the General Conditions:

- (a) the Recipient's address is:

Ministry of Finance
Government Building II
S. Danzan Street 5/1 D
Ulaanbaatar 15160
Mongolia; and

- (b) the Recipient's Electronic Address is:

Facsimile:

976-11-320247

- 6.03. For purposes of Section 11.01 of the General Conditions:

- (a) The Association's address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

- (b) the Association's Electronic Address is:

Telex:

Facsimile:

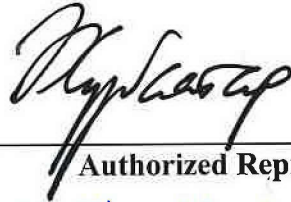
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AGREED as of the Signature Date.

MONGOLIA

By



Authorized Representative

Name: Ch. Khurelbaatar

Title: Minister for Finance

Date: April 27, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Andrei Mikhnev

Title: Country Manager for Mongolia

Date: April 27, 2020

SCHEDULE 1

Project Description

The objective of the Project is to improve governance and community participation for the planning and delivery of priority investments in rural areas of Mongolia.

The Project consists of the following parts:

Part 1: Capacity Building for Local Governance and Livelihoods

- (a) Provision, to local authorities and communities, of training and technical assistance related to the implementation of the Local Development Fund, in the areas of medium-term planning, community participation, budget preparation and adoption, budget execution including procurement and supervision, reporting, monitoring and evaluation and pastureland planning and management.
- (b) Provision of technical assistance to the central public administration organizations in charge of economic and finance issues related to the development and implementation of the Local Development Fund.

Part 2: Good Governance Performance-Based Support Program

- (a) Provision of Good Governance Performance-Based Financing to eligible Soums for the financing of eligible activities under the Local Development Fund.
- (b) Carrying out of annual performance assessments of Soums for the purposes of determining the allocation of Good Governance Performance-Based Financing.
- (c) Provision of trainings to Good Governance Performance Assessment Teams.
- (d) Provision of technical and operational support to the Local Development Fund.

Part 3: Project Management and Monitoring and Evaluation

Provision of technical and operational assistance and capacity building for implementation of the Project, including: (a) technical and operational support for implementation of the Sustainable Livelihoods Program through: staff training, information dissemination, monitoring and evaluation, financial management, and audit of the Project; (b) carrying out thematic studies on selected operational aspects of the Local Development Fund; and

(c) development, and rolling-out the application, of a management information system for the Local Development Fund.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Implementation Provisions

1. Sections I.A (Institutional Arrangements) and I.B (Project Implementation) of Schedule 2 to the Original Financing Agreement are hereby incorporated by reference in this Part A, and shall apply, *mutatis mutandis*, to this Agreement, and the Recipient, hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, except that:
 - (a) the phrase "by no later than August 1, 2015" in paragraph 1 of Section I.B of Schedule 2 to the Original Financing Agreement shall be deleted; and
 - (b) the phrase "Section III of this Schedule 2" in paragraph 2.(a).(iii) of Section I.B of Schedule 2 to the Original Financing Agreement shall be read as "the Procurement Regulations".
2. For greater clarity and the avoidance of doubt, in view of the above incorporation of Sections I.A and I.B of Schedule 2 to the Original Financing Agreement in this Agreement, if the Original Financing Agreement terminates prior to the termination of this Agreement, such termination shall have no effect for purposes of this Agreement, and the provisions of the Original Financing Agreement incorporated in this Agreement pursuant to Section I. A. 1 above shall continue in full force and effect between the Recipient and the Association for purposes of this Agreement following and notwithstanding such termination of the Original Financing Agreement.

B. Good Governance Performance-Based Financing

1. The Recipient shall ensure that all Good Governance Performance-based Financing financed out of the proceeds of the Financing are made and administered in accordance with the guidelines, procedures and criteria set forth in the Project Implementation Manual and the additional terms and conditions set forth in this Section I.B.
2. The Recipient shall make appropriate legal and other arrangements, all satisfactory to the Association, whereby the Recipient, through MOF, shall provide each Good Governance Performance-based Financing to the respective Soum on terms and conditions acceptable to the Association which shall include the following provisions in this paragraph 2.

- (a) The Recipient, through the Ministry of Finance, shall obtain rights adequate to protect its interests and the interests of the Recipient and the Association, including the right to suspend or terminate the right of the Soum to use the proceeds of the Good Governance Performance-based Financing and obtain a refund of all or any part of the amount of the Good Governance Performance-based Financing then withdrawn, upon the Soum's failure to perform any of its obligations under the agreement;
- (b) the Recipient, through the Ministry of Finance, shall require each Soum to: (i) carry out activities under Local Development Fund with due diligence and efficiency and in accordance with sound health, technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to the recipients of the proceeds of the Financing other than the Recipient and the Safeguards Instruments; (ii) provide, promptly as needed, the resources required for the purpose of the activities referred to in the preceding subsection 2.(b).(i); (iii) procure the goods and services to be financed out of the Good Governance Performance-based Financing in accordance with the provisions of this Agreement; and (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the supported activities and the achievement of its objectives; and
- (c) the Recipient, through the Ministry of Finance, shall require each Soum to: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the supported activities; (ii) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (iii) enable the Recipient and the Association to inspect the supported activities, its operation and any relevant records and documents; and (iv) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

C. - Safeguards.

1. The Recipient shall ensure that the Project is carried out with due regard to appropriate health, safety, social, and environmental standards and practices, and in accordance with the Safeguards Instruments.

2. Except as the Association shall otherwise agree in writing, the Recipient shall ensure that none of the provisions of the Safeguard Instruments be abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. Without limitation upon the foregoing, the Recipient shall ensure that, to the extent possible no person, group or community shall, on account of any activity supported by the Local Development Fund or the Good Governance Performance-Based Financing, be involuntarily displaced or lose their right, title, interest or use of any house, land (including communal pasturelands) or other natural resources. In the event that any activity would lead to such involuntary displacement or loss, the Recipient shall ensure that: (a) the activity shall be not be approved before a plan, satisfactory to the Association, has been prepared and adopted for the resettlement or other compensation of such person, group or community; and (b) the activity shall be carried out in accordance with such plan.
4. The Recipient shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Safeguards Policies and EHS Guidelines.
5. The Recipient shall maintain, throughout Project implementation, and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.
6. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall:
 - (a) take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Reports, and promptly in a separate report whenever the Association may require, information on the status of compliance with the Safeguards Instruments, all such reports in form and substance acceptable to the Association, setting out, inter alia:
 - (i) the status of implementation of the Safeguards Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguards Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions;

- (b) promptly notify the Association of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers.

Section II. Project Monitoring, Reporting and Evaluation

1. The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Training, and Incremental Operating Costs	3,200,000	100%
(2) Good Governance Performance-Based Financing	5,600,000	100% of the amount disbursed
TOTAL AMOUNT	8,800,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 1,760,000 may be made for payments made

prior to the Signature Date but on or after November 1, 2019 for Eligible Expenditures.

2. The Closing Date is October 31, 2022.

Section IV. Other Undertakings

If the legal framework for the Local Development Fund has been proposed to be changed in a manner that may materially and adversely affect the operation of the Local Development Fund, the Recipient shall promptly inform the Association, and the Recipient and the Association shall exchange views on such proposal and on the Project, the Financing and the performance of their respective obligations under this Agreement, in accordance with Section 5.10 of the General Conditions.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 1 and September 1:	
commencing September 1, 2025 to and including March 1, 2045	1.65%
commencing September 1, 2045 to and including March 1, 2050	3.40%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

APPENDIX

Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. "EHS Guidelines" means the World Bank Group Environmental, Health and Safety Guidelines published on www.ifc.org/ehsguidelines, as said guidelines are updated from time to time.
4. "Environmental and Social Management Plan" or "ESMP" means the Recipient's plan dated December 2012, acceptable to the Association, and publicly disclosed on March 28, 2013, as amended and re-disclosed on March 2, 2020, which details (a) the measures to be taken during the implementation of the Project to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; [(b) the measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse]; c) the procedural, budget and institutional arrangements and actions needed to implement these measures, including any schedules to such plan, and as such plan may be amended by the Recipient from time to time, with the prior written approval of the Association.
5. "Indigenous Peoples Plan" means the Recipient's plan, dated December 2012 acceptable to the Association, and publicly disclosed on March 28, 2013, as amended and re-disclosed on March 2, 2020 which provides guidance and direction for the participation of indigenous peoples in the Project, in order to ensure full consultation with, and informed participation of, indigenous peoples impacted, or likely to be impacted, by the Project, and to ensure that Project activities adequately address the needs, cultural practices and preferences of such peoples, as said plan may be amended from time to time with the prior agreement of the Association.
6. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018.

7. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
8. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
9. "Safeguard Instruments" means collectively, the Environmental and Social Management Plan and the Indigenous People's Plan, and "Safeguard Instrument" means any of such Safeguards Instruments.
10. "Safeguards Policies" means, the Operational Policies (OPs) and Bank Procedures (BPs) of the Association, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams); they can be found at <https://policies.worldbank.org>.