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DOCUMENTS

CREDIT NUMBER 5879-MN

Project Agreement

(Export Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AGRICULTURAL REINSURANCE JOINT STOCK EXPORT INSURANCE
SUBSIDIARY

Dated *26 August*, 2016

PROJECT AGREEMENT

AGREEMENT dated *26 August*, 2016, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and AGRICULTURAL REINSURANCE JOINT STOCK EXPORT INSURANCE SUBSIDIARY (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between Mongolia (“Recipient”) and the Association.

The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall:
 - (i) assist MoF to carry out Part 1.1(a) and (b) of the Project in accordance with the terms of the Subsidiary Agreement;
 - (ii) carry out Part 1.1(c) of the Project; and
 - (iii) cause EIS to carry out Part 1.2 of the Project,all in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out Part 1.1(c) of the Project, assist MoF to carry out Part 1.1(a) and (b) of the Project, and cause EIS to carry out Part 1.2 of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity's Representative is its Chief Executive Officer.

3.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Telex:

Facsimile:

248423(MCI)

1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Agricultural Reinsurance Joint Stock Export Insurance Subsidiary
14210, Sukhbaatar District
UBH Center 14th floor room 1406
Ulaanbaatar
Mongolia

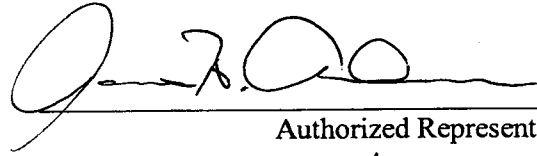
Facsimile:

(976) 701 12006

AGREED at Ulaanbaatar, Mongolia, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: James Anderson

Title: Country Manager

AGRICULTURAL REINSURANCE JOINT STOCK
EXPORT INSURANCE SUBSIDIARY

By



Authorized Representative

Name: Enkhtaivan Ganbold

Title: CEO

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain and cause the Export Insurance Subsidiary to maintain, throughout Project implementation, staff in adequate numbers and with terms of reference and qualifications acceptable to the Association, to be responsible for implementing Parts 1.1(c) and 1.2 of the Project, and assisting MoF to carry out Part 1.1(a) and (b) of the Project.

B. Implementation Arrangements

1. The Project Implementing Entity shall:
 - (i) establish the Export Insurance Subsidiary in a manner satisfactory to the Association (the "Export Insurance Subsidiary"), including with adequate capital, staffing, resources, financial management systems and other fiduciary and safeguards oversight mechanisms acceptable to the Association; and
 - (ii) thereafter, cause the Export Insurance Subsidiary to operate the Facility and carry out Part 1.2 of the Project in accordance with the Financing Agreement, the Project Agreement, the Project Implementation Manual, and environmental and social safeguard standards, mitigation arrangements, and other requirements, all in a manner satisfactory to the Association.
2. The Project Implementing Entity shall: (i) carry out Part 1.1 of the Project (including Part 1.1(a) and (b) in accordance with the Subsidiary Agreement) and cause the Export Insurance Subsidiary to carry out Part 1.2 of the Project in accordance with the Project Implementation Manual; and (ii) not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving such documents or any provision thereof, without the prior written consent of the Association.
3. In the event of any inconsistency between the Project Implementation Manual, on the one hand, and this Agreement or the Financing Agreement, on the other hand, the provisions of this Agreement or the Financing Agreement, as the case may be, shall prevail.

C. Subordinated Agreement

1. For purposes of operating the Facility under Part 1.2 of the Project, the Project Implementing Entity shall, upon the establishment of the Export Insurance Subsidiary and after entering into the Sub-loan Agreement, make the Subsidiary Financing available to the Export Insurance Subsidiary, in tranches and subject to the disbursement conditions set forth in Section IV.B.1 (b) of Schedule 2 to the Financing Agreement, under a subordinated agreement (the “Subordinated Agreement”), under terms and conditions satisfactory to the Association which shall include, *inter alia*:
 - (i) the obligations of the Export Insurance Subsidiary to: (A) carry out Part 1.2 of the Project in accordance with the provisions of this Agreement, the Project Implementation Manual, and the Environmental and Social Management Framework; (B) ensure that proceeds from the Subsidiary Financing transferred to the Export Insurance Subsidiary will be protected against set-off, seizure or attachment in a manner satisfactory to the Association; (C) carry out the Project in accordance with the Anti-Corruption Guidelines; and
 - (ii) the obligation of the Export Insurance Subsidiary to exercise its rights under the Subordinated Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of Part 1.2 of the Project, and, except as the Association shall otherwise agree, not assign, amend, abrogate or waive or fail to enforce any provision of the Subordinated Agreement.
2. The Project Implementing Entity shall exercise its rights under the Subordinated Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing and, except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the relevant Subordinated Agreement or any of its provisions. In the event of any conflict between the provisions of the Subordinated Agreement and those of this Agreement or the Financing Agreement, this Agreement and the Financing Agreement shall prevail.

D. Anti-Corruption

The Project Implementing Entity shall ensure that Part 1.1 of the Project (including Part 1.1(a) and (b) which it shall carry out in accordance with the Subsidiary Agreement), and cause the Export Insurance Subsidiary to ensure that Part 1.2 of the Project, is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Operation of the Export Insurance Facility

1. The Project Implementing Entity shall, and shall cause the Export Insurance Subsidiary to, conduct their respective operations and affairs in accordance with consistently applied appropriate financial standards and practices, adequate to reflect the operation and financial condition and to register separately the operations, resources, and expenditures related to the Project.
2. The Project Implementing Entity shall cause the Export Insurance Subsidiary to use the proceeds of the Subsidiary Financing solely for the purposes of operating the Facility and for the payment of Eligible Claims, in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices (including appropriate protections against attachment, set-off and seizure) acceptable to the Association and in accordance with the provisions of this Agreement and the Financing Agreement, and in particular:
 - (a) to operate the Facility in accordance with the Project Implementation Manual;
 - (b) make appropriate arrangements to verify and confirm that any Export Credit Insurance is issued in accordance with the procedures and requirements of the Project Implementation Manual, including applicable environmental and social safeguards, mitigation arrangements, and other requirements;
 - (c) select Beneficiaries in accordance with eligibility criteria acceptable to the Association and set forth in the Project Implementation Manual;
 - (d) execute with Beneficiaries standard legal and contractual documents and arrangements under terms and conditions acceptable to the Association (the "Insurance Agreements");
 - (f) reasonably inform the Association of any condition which, to the Project Implementing Entity's and/or the Export Insurance Subsidiary's knowledge, interferes or threaten to interfere with or leads to a call or demand for payment under an Export Credit Insurance;
 - (g) exercise its rights under the legal and contractual agreements relating to each Export Credit Insurance in such manner as to accomplish the objectives of the Project and protect the interests of the Recipient and the Association, and, except as the Association shall otherwise agree, not assign, amend, abrogate, or waive any such agreement or any provision thereof;

- (h) take necessary steps and actions, as necessary, to recover amounts from the relevant Beneficiaries;
 - (i) furnish to the Recipient and the Association an annual report of the activities of the Facility, in a form acceptable to the Association, showing, inter alia: (i) statements of outstanding Export Credit Insurance liabilities; (ii) statements of any Export Credit Insurance policy(ies) issued (together with a copy of the relevant Insurance Agreements; claims received, pay-outs made, and any amount(s) recovered by the Export Insurance Subsidiary during the period reported in connection with any ECI issued); (iii) a report on the risk profile of the ECI products supported by the Facility.
5. The Project Implementing Entity shall cause the Export Insurance Subsidiary to ensure that any and all operating costs and fees incurred in connection with the Facility's operation and implementation shall be met entirely out of interest income, fees, other earnings, and capital contributions other than the Subsidiary Financing.

F. Safeguards

1. The Project Implementing Entity shall cause the Export Insurance Subsidiary to ensure that the Project is carried out in accordance with the environmental and social standards, mitigation arrangements, and other requirements set forth in the Project Implementation Manual and the Environmental and Social Management Framework.
2. Prior to the Export Insurance Subsidiary's issuance of any Export Credit Insurance, the Project Implementing Entity shall cause the Export Insurance Subsidiary:
- (a) to undergo an assessment by the Association of EIS's mechanisms for environmental and social screening and assessment of ECI proposals;
 - (b) screen ECI proposals to determine: (i) eligibility against the negative list; (ii) the environment and social risks/issues; (iii) safeguard category; and (iv) any relevant safeguard instruments to be prepared for each ECI proposal;
 - (c) ensure that any environmental management plan, resettlement action plan, and indigenous peoples plan prepared in accordance with the ESMF is carried out in accordance with its respective terms and in accordance with paragraph 3 below; and
 - (d) furnish, following the Association's assessment, if so requested and for the period specified in the Association's request, for the Association's

prior review and approval all Export Credit Insurance proposals that are likely to have potential adverse environmental and social impacts on human populations or environmentally important areas, including any environmental and social assessment and plan, as applicable.

3. Without limitation upon the provisions of the preceding paragraph, whenever an impact assessment(s) or plan(s) shall be required for any proposed Export Credit Insurance activity in accordance with the provisions of the ESMF, the Project Implementing Entity shall cause EIS to ensure that the Beneficiary shall, prior to the commencement of such activity, proceed to have such assessment or plan prepared in accordance with the provisions of the ESMF.
4. No Export Credit Insurance proposal shall be eligible to be financed under the Project if it involves: (a) any activities that would lead to conversion or degradation of Natural Habitats and Critical Natural Habitats or their supporting areas; and (b) any activities related to the mining sector.
5. The Project Implementing Entity shall cause the Export Insurance Subsidiary to take all measures necessary on its part to regularly collect, compile, and submit to the Recipient and the Association, on a semi-annual basis (or such other frequency as may be agreed with the Association), reports on the status of compliance with the ESMF and any plans prepared thereunder, giving details of:
 - (a) measures taken in furtherance of such framework and plans;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such framework and plans; and
 - (c) remedial measures taken or required to be taken to address such conditions.
5. In the event of any conflict between the provisions of any of the Environmental and Social Management Framework, on the one hand, and the provisions of this Agreement and/or the Financing Agreement, on the other hand, the provisions of this Agreement and/or the Financing Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall cause the Export Insurance Subsidiary to monitor and evaluate the progress of Part 1.2 of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set forth in the Project Implementation Manual. Each such

Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later one (1) month after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Mid-Term Review

1. The Project Implementing Entity shall: (a) not later than September 30, 2018 (or such other date as the Association may agree), carry out a mid-term review of the Project and, prepare and furnish to the Recipient and the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section II.A, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objective during the period following such date; and (b) review with the Recipient and the Association such mid-term report, on or about the date one month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objective, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

C. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain, and shall cause the Export Insurance Subsidiary to 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 and financial condition of the Project Implementing Entity and of the Export Insurance Subsidiary, including the operations, resources and expenditures related to Part 1.2 of the Project.
2. The Project Implementing Entity shall have, and shall cause the Export Insurance Subsidiary to have, its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity and of the Export Insurance Subsidiary, respectively. The Project Implementing Entity shall ensure, and shall cause the Export Insurance Subsidiary to ensure, that the audited financial statements for each period shall:

- (a) comprise a separate audit financial statement on the operation of the Facility;
 - (b) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and
 - (c) made publicly available in a timely fashion and in a manner acceptable to the Association.

- 3. After the Closing Date, the Project Implementing Entity shall cause the Export Insurance Subsidiary to: (i) make the annual audited financial statements publically available and furnish to the Association, upon its request, copies of such audited financial statements, as the Association may require; and (ii) perform a special performance audit upon the Association's request, and make the reports and findings of such special performance audit available to the Association.