OFFICIAL DOCUMENTS

CREDIT NUMBER 5879-MN

Financing Agreement

(Export Development Project)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 26 August, 2016
FINANCING AGREEMENT

AGREEMENT dated 26 August, 2016, entered into between MONGOLIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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) 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fourteen million three hundred thousand Special Drawing Rights (SDR 14,300,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are February 15 and August 15 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: (i) shall carry out Parts 1.1 (a) and (b), 2 and 3 of the Project through MoF with the assistance of the Project Implementing Entity in accordance with the terms of the Subsidiary Agreement; and (ii) cause the Project Implementing Entity to carry out Parts 1.1 (c) and 1.2 of the Project, all in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Subsidiary Agreement and/or the Sub-loan Agreement;

(b) The Export Insurance Subsidiary’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Export Insurance Subsidiary to perform any of its obligations under the Subordinated Agreement.

4.02. The Additional Events of Acceleration consist of the following, namely that the events specified in Section 4.01 of this Agreement occur.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Recipient has adopted the Project Implementation Manual in form and substance satisfactory to the Association; and
5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Finance.

6.02. The Recipient’s Address is:

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

Facsimile:

976-11-327914

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at Ulaanbaatar, Mongolia, as of the day and year first above written.

MONGOLIA
By

[Signature]
Authorized Representative
Name: B. Choijileuren
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION
By

[Signature]
Authorized Representative
Name: James Anderson
Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to support Mongolian small and medium size firms (SMEs) in the non-mining sectors to strengthen their export capabilities and expand access to export markets.

The Project consists of the following parts:

**Part 1. Development of a new line of export finance products**

1.1. Knowledge transfer and capacity building for the Agricultural Reinsurance Joint Stock Export Insurance Subsidiary (AgRe)

(a) Building the capacity of AgRe on export credit insurance and other trade finance products and setting up a dedicated export insurance department within AgRe, including through: (i) conducting fact-finding and study visits and on-site learning; (ii) conducting an assessment of existing export insurance rules and regulations and survey of market demands in the areas of export finance; and (iii) carrying out a comprehensive risk analysis and management framework of key inhibitors to export market;

(b) Developing a range of export credit insurance products for Mongolian SMEs engaged in export activities, including: (i) underwriting guidelines for products developed; (ii) pricing methodology; and (iii) claims payment process; and

(c) Establishing the Export Insurance Subsidiary for purposes of operating the Export Insurance Facility.

1.2. Equity injections to AgRe’s Export Insurance Subsidiary


**Part 2: Export competitiveness enhancement**

2.1. Training and research on foreign trade

Development and implementation of training and research programs for Mongolian exporters on foreign trade to enhance their capacity to engage in export activities.
2.2. **Matching grants to promote export competitiveness**

Provision of Matching Grants to Beneficiaries to partially finance the cost of implementing Export Development Plans and enhancing competitiveness.

**Part 3: Project Implementation Support**

Provision of support to the Project Implementation Unit, including strengthening its capacity to carry out and monitor and evaluate the Project through the provision of technical assistance, training and logistical support.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain throughout the implementation of the Project a Project Implementation Unit within MOF with a mandate, resources composition, and staffing satisfactory to the Association, headed by a Project coordinator, and including a financial management specialist, a procurement specialist, and a monitoring and evaluation specialist, all with terms of reference satisfactory to the Association as further described in the Project Implementation Manual, as said unit shall be responsible for Project implementation, including: (i) overall Project management, financial management, monitoring and evaluation; (ii) overall work plan and annual work plan preparation; (iii) facilitating coordination among agencies; (iv) submitting requests for the Association’s no-objection; and (v) Project reporting.

2. The Recipient shall establish by no later than one (1) month after the Effective Date, and thereafter maintain for the duration of the Project, a Project steering committee with a mandate, composition, staffing and resources satisfactory to the Association, to be responsible, among others, for: (i) providing overall policy guidance; (ii) reviewing Project reports; and (iii) ensuring synergies among the Project and other public and private sector initiatives on export development, and headed by a representative of MoF appointed in accordance with the laws and regulations of the Recipient and with terms of reference satisfactory to the Association, responsible for, among others: (i) overseeing the work of the Project Implementation Unit in accordance with the strategic direction for the Project provided by the Project steering committee; and (ii) calling actual or virtual meetings of the Project steering committee.

3. The Recipient shall, as and when needed, establish one or more technical working groups with compositions and terms of reference acceptable to the Association, to be responsible, among others, for: (a) developing terms of reference under the Project; and (b) eliciting and verifying user requirements related to the development of export training and research modules.

B. Project Implementation Manual

1. The Recipient shall carry out the Project in accordance with the Project Implementation Manual and shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving such document or any provision thereof, without the prior written consent of the Association.
2. In the event of any inconsistency between the Project Implementation Manual and this Agreement or the Project Agreement, the provisions of this Agreement, or the Project Agreement as the case may be, shall prevail.

C. **Subsidiary Agreement, Sub-loan Agreement, and Subordinated Agreement**

1. In order to facilitate the carrying out of Part 1 of the Project, the Recipient shall:

   (a) enter into a subsidiary agreement between the Recipient and the Project Implementing Entity ("Subsidiary Agreement"), under terms and conditions satisfactory to the Association, including the obligation of the Project Implementing Entity to assist in the implementation of Parts 1.1(a) and (b) of the Project;

   (b) upon the establishment of the Export Insurance Subsidiary, make the proceeds of the Financing allocated to Category (2) ("Subsidiary Financing") available to the Project Implementing Entity under a sub-loan agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association ("Sub-loan Agreement"), which shall include the following: namely that the Subsidiary Financing is provided in tranches and subject to the disbursement conditions set forth in Section IV.B.1 (b) of Schedule 2 and for the purpose of financing the Project Implementing Entity's equity investment in EIS ("Capital Contribution"); and

   (c) cause the Project Implementing Entity to use the said proceeds of the Financing referred to in paragraph 1(b) above to provide the Capital Contribution under a subordinated agreement between the Project Implementing Entity and the Export Insurance Subsidiary (the "Subordinated Agreement"), under terms and conditions satisfactory to the Association and in accordance with the Project Agreement.

2. The Recipient shall exercise its rights under the Subsidiary Agreement and Sub-loan Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement, the Sub-loan Agreement or any of their provisions in a manner that, in the opinion of the Association, materially and adversely affect the ability of the Recipient or of the Project Implementing Entity to perform any of its obligations arising under or entered into pursuant to these agreements or to achieve the objectives of the Project.
D. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. **Matching Grants under Part 2.2 of the Project**

1. For purposes of carrying out the activities under Part 2.2 of the Project, the Recipient shall: (a) screen the Export Development Plans submitted by Beneficiaries; and (b) select for financing through Matching Grants those Export Development Plans, as well as the Beneficiaries responsible for the implementation thereof, that meet the eligibility criteria set forth in the Matching Grants Implementation Manual, including compliance with the required Environmental and Social Management Framework.

2. Upon the selection of an Export Development Plan, the Recipient shall enter into a Matching Grant Agreement with the respective Beneficiary for the provision of a Matching Grant, on terms and conditions approved by the Association, which shall include the following:

(a) The Matching Grant shall:

(i) be made on a grant basis; and

(ii) shall not exceed the lesser of: (A) the total estimated cost of the Export Development Plan minus the amount of the Beneficiary’s contribution as stated in the Matching Grants Implementation Manual for the relevant type of plan; and (B) the maximum amount of the Matching Grant as stated in the Matching Grants Implementation Manual for the relevant plan.

(b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the following:

(i) The Recipient shall have the right to suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the respective Matching Grant Agreement; and

(ii) Each Beneficiary shall be required to: (A) carry out the respective Export Development Plan with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices
acceptable to the Association, including in accordance with the provisions of the Environmental and Social Management Framework and the Anti-Corruption Guidelines; (B) provide, promptly as needed, the counterpart resources required for the purpose of implementing the Export Development Plan; (C) procure the goods, works and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement and the Matching Grants Implementation Manual; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators agreed with the Association, the progress of the Export Development Plan and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards agreed with the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Export Development Plan; and (2) at the Recipient’s and/or the Association’s request, have such financial statements audited by independent auditors agreed with the Association, in accordance with consistently applied auditing standards agreed with the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Recipient and the Association to inspect the sites of the Export Development Plan, its operation and any relevant records and documents thereof; and (G) 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) The Recipient shall exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Matching Grant Agreement or any of its provisions.

F. Safeguards

1. The Recipient shall carry out the Project in accordance with the environmental and social standards, mitigation arrangements, assessments, plans, and other requirements set forth in the Environmental and Social Management Framework. Except as the Association shall otherwise agree in writing, the Recipient shall not amend, vary or waive any provision of the Environmental and Social Management Framework.
2. Without limitation to the provisions of the preceding paragraph, the Recipient shall to:

(a) ensure that all Export Development Plans are implemented in accordance with the terms and conditions of this Agreement, including the Project Implementation Manual, and the ESMF;

(b) 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

(c) 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 Development Plans 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 Development Plan in accordance with the provisions of the ESMF, the Recipient shall 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. The Recipient shall take all measures necessary on its part to regularly collect, compile, and submit to the Association, on a semesterly 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. No Export Development Plan 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.
6. 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 Project Agreement, on the other hand, the provisions of this Agreement and/or the Project Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports 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 Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Mid-Term Review

1. The Recipient 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 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 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 Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; (c) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; and (d) National Competitive Bidding, subject to the following additional provisions:
Additional Procedures for National Competitive Bidding

(a) Applicable Procurement Procedure

Bidding shall be conducted in accordance with the Open Bidding Procedure, as defined in Chapter Two of the Public Procurement Law of Mongolia enacted on December 1, 2005 (as amended through February 5, 2016) and related provisions, subject to the following:

(b) Participation in Bidding and Preferences

(i) Government-owned enterprises in Mongolia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.

(ii) A bidder declared ineligible by the Association, based on a determination by the Association that the bidder has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing a contract financed by the Association, shall be ineligible to be awarded a contract financed by the Association during the period of time determined by the Association.

(iii) A firm which has been engaged by the Recipient to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods or works resulting from or directly related to the firm’s consulting services for such preparation or implementation. This provision does not apply to the various firms which together are performing the contractor’s obligations under a turnkey or design and build contract.

(iv) Prospective bidders shall be permitted to request bidding documents either in person or by mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee for the bidding documents which shall not exceed the cost of reproduction and delivery of such documents.

(v) Interested foreign bidders from eligible countries shall be allowed to participate without being required to associate or form joint ventures with local bidders. Foreign bidders shall be eligible to participate in bidding under the same conditions as
local bidders. Mongolian bidders and goods of Mongolian origin shall be given no preference over foreign bidders, either in the bidding process or in the evaluation of bids.

| (vi) | Prior registration shall not be a requirement for any bidder to participate in bidding. |
| (vii) | Pre-qualification of contractors shall not be required, except in the case of large or complex works and with the prior written concurrence of the Association. |

(c) Advertising, Time for Bid Preparation

Invitations to bid shall be advertised in at least one widely circulated national newspaper, allowing sufficient time, normally a minimum of 30 days, for the preparation and submission of bids. Bidding documents may be distributed electronically provided that the Association is satisfied with the adequacy of such electronic system.

(d) Standard Bidding Documents

Standard bidding documents, acceptable to the Association, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand, by mail or by courier.

(e) Assessment of Bidder’s Qualification

Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder’s qualifications shall be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidder’s qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Recipient and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated substantially responsive bid shall be assessed first. The evaluation of a bidder’s qualifications shall only take into account the bidder’s capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction or manufacturing facilities and financial capacity. In carrying out the post-qualification assessment, the Recipient shall exercise reasonable judgment in requesting, in writing, from a bidder
only missing factual or historical supporting information related to the bidder’s qualifications and shall provide a reasonable time period (that is, a minimum of seven days) to the bidder to provide his response.

(f) Evaluation Criteria

Evaluation criteria to be used in the evaluation of bids shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used in bid evaluation. The evaluation of bids shall be done in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid.

(g) Bid Opening and Bid Evaluation

(i) Bids shall be opened in public, immediately upon the stipulated deadline for submission of bids. Bidder’s representatives and the project’s beneficiaries from the concerned local community who choose to attend shall be allowed to attend. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded in the Bid Opening Record. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened. Immediately after completion of the bid opening proceedings, a copy of the Bid Opening Record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the Bid Opening Record shall be promptly provided to all bidders who submitted bids. With respect to all contracts which are subject to the Association’s prior review, the Recipient shall provide the Association a copy of the Bid Opening Record.

(ii) All bids shall not be rejected or new bids invited without the Association’s prior written concurrence.

(iii) No bid shall be rejected merely on the basis of a comparison with the owner’s estimated cost or budget ceiling without the Association’s prior written concurrence.

(iv) A bid containing material deviations from or reservations to the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or
reservations once bids have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of non-material, minor deviations or reservations.

(v) Bidders shall be requested to extend the validity of their bids only under exceptional circumstances and, in all such cases, the Recipient shall communicate such request in writing to all bidders before the date of expiry of their bids. In such a case, bidders shall not be requested nor permitted to amend the price or any other condition of their bid. Bidders shall have the right to refuse to grant such an extension of the validity of their bids without forfeiting their bid securities, but bidders granting such extension shall be required to provide a corresponding extension of their bid security.

(vi) In the case of contracts of more than eighteen (18) months’ duration, the bidding documents and the resultant contract shall provide for price adjustment, based on a formula acceptable to the Association, which shall be disclosed to the bidders in the bidding documents.

(vii) The bid of a bidder which refuses to accept arithmetical corrections made by the Evaluation Committee during the evaluation of its bid shall be rejected.

(viii) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify its bid as originally submitted.

(ix) There shall be no post-bidding negotiations with the lowest evaluated bidder or any other bidder. No bidder shall be required, as a condition for the award of contract, to change his bid price or otherwise materially alter his bid after it has been submitted.

(h) Suppliers, Contractors and Subcontractors

(i) The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association.
(ii) Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers, contractors and subcontractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the contract by the suppliers, contractors and/or subcontractors as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association. The deliberate and material violation by the suppliers, contractors or subcontractors of such provision may amount to obstructive practice which is subject to sanctions under the Guidelines.

(i) Publication of Award of Contract

The Recipient shall publish the following information on contract award on an accessible website when it becomes operational or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, price it offered as well as the duration and summary scope of the contract award. This publication shall be updated quarterly.

(j) Complaints by Bidders and Handling of Complaints

The provisions of Chapter Seven of the Public Procurement Law of Mongolia on the settlement of disputes shall apply to all contracts financed by the Association and awarded under national competitive bidding procedures.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants’ Qualifications; (c) Single-source Selection of consulting firms; (d) Well-established Private Sector Procurement Methods or Commercial Practices which
have been found acceptable to the Association; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, and consultants’ services for the Project under Part 1.1(a) and (b) of the Project</td>
<td>715,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Capital Contribution for the operation of the Facility under Part 1.2 of the Project</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement; or

(b) under Category (2)(a), unless and until:

(i) the Project Implementing Entity shall have established and operationalized the EIS, including the adoption of the EIS charter, all in a manner acceptable to the Association;

(ii) the Recipient shall have entered into the Sub-loan Agreement with the Project Implementing Entity in a form and manner acceptable to the Association;

(iii) the Project Implementing Entity shall have entered into the Subordinated Agreement with the Export Insurance Subsidiary in a form and manner acceptable to the Association;

| (a) First tranche       | 2,145,000 | 100% |
| (b) Second tranche     | 2,145,000 | 100% |
| (c) Third tranche      | 2,145,000 | 100% |
| (3) Goods, non-consulting services, consultants’ services and Training under Part 2.1 of the Project | 1,787,500 | 100% |
| (4) Matching Grants under Part 2.2 of the Project | 4,290,000 | 100% of amounts disbursed |
| (5) Goods, non-consulting services, consultants’ services, Training and Incremental Operating Costs under Part 3 of the Project | 1,072,500 | 100% |
| **TOTAL AMOUNT**       | **14,300,000** |   |
the Recipient, the Project Implementing Entity, and the Export Insurance Subsidiary shall have adopted an updated Project Implementation Manual including, \textit{inter alia}, the detailed implementation and fiduciary arrangements for the operation of the Facility in form and substance acceptable to the Association, following the Association’s satisfactory assessment of the capacity of the Project Implementing Entity and Export Insurance Subsidiary to undertake their respective implementation responsibilities under Part 1.2 of the Project;

(c) under Category 2(b), unless and until an aggregate amount of SDR 1,430,000 out of the SDR 2,145,000 disbursed under Category 2(a) shall have been committed by the Export Insurance Subsidiary to back up outstanding Export Credit Insurance issued as at the date of the relevant withdrawal application;

(d) under Category 2(c), unless and until an aggregate amount of SDR 3,575,000 out of the SDR 4,290,000 disbursed under Categories 2 (a) and (b) shall have been committed by the Export Insurance Subsidiary to back up outstanding Export Credit Insurance issued as at the date of the relevant withdrawal application; or

(e) under Category (4), unless and until the Recipient has adopted the Matching Grants Implementation Manual in form and substance satisfactory to the Association.

2. The Closing Date is June 30, 2021.

C. \textbf{Use of Credit Proceeds for Facility Operations}

1. The Recipient shall cause the Project Implementing Entity, through EIS, to use the Capital Contribution only for purposes of issuing Export Credit Insurance in accordance with the provisions of this Agreement and the Project Agreement. The Recipient shall refund to the Association any amount of the Financing used for any other purpose or in violation of the provisions of, or referred to, in this Agreement or in the Project Agreement.

2. In the event that any balance of the proceeds of the Financing made available under Category (2) remains in EIS as of the Closing Date, then the Recipient and the Association shall begin consultations by no later than the date which is four (4) months prior to the Closing Date with a view of reaching agreement in writing on the terms and conditions for the use of such remaining balance, which use shall include the following terms and conditions:
(a) subject to such provisions and oversight arrangements as agreed in writing between the Recipient and the Association, either:

(i) be retained by EIS for the duration of the existence of EIS; or

(ii) be transferred back to the Recipient to be used for the export development purposes as agreed to between the Recipient and the Association, promptly after the Closing Date or promptly after the expiration or termination by its terms of any Export Credit Insurance for which a portion of the remaining balance has been committed, as the case may be; and

(b) in the event that the Recipient and the Association are unable to reach agreement in writing before the Closing Date, then the balance (both committed and uncommitted) remaining as of the Closing Date shall be refunded by the Recipient to the Association.

3. In the event that the proceeds of the Financing made available under Category (2) are insufficient to pay in full any Eligible Claim, the Recipient shall remain solely responsible for the payment of the difference between the amount of such Export Credit Insurance and the amount of Financing proceeds so available.

4. If the Association shall have determined at any time that any use of the proceeds of the Financing made available under Category (2) was other than for backing up an Export Credit Insurance in accordance with this Agreement, the Project Agreement, and/or the Project Implementation Manual, then the Recipient shall, promptly upon notice from the Association: (a) cause EIS to provide such additional documentation as the Association may request; and/or (b) refund to the Association the portion of the proceeds thereof not so eligible or justified.
### SCHEDULE 3
Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2021 to and including February 15, 2031</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing August 15, 2031 to and including February 15, 2041</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* 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 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Affected Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impact on the livelihoods of such persons.

2. “AgRe” means the Agriculture Reinsurance Joint Stock Export Insurance Subsidiary, a state-owned enterprise established and operating pursuant to its Charter of February 2015, and to business license No. 220/02 dated January 21, 2015, issued by the Financial Regulatory Commission, or any successor thereto acceptable to the Association.


4. “Beneficiary” means a small and medium size enterprise operating in the non-mining sector and established and operating under the laws of the Recipient, which is eligible to receive, as the case may be: (i) a Matching Grant in accordance with criteria set forth in the Matching Grants Implementation Manual; or (ii) Export Credit Insurance under the Facility in accordance with criteria set forth in the Project Implementation Manual.

5. “Capital Contribution” means the equity investment to be made by the Project Implementing Entity in the Export Insurance Subsidiary pursuant to the Subordinated Agreement and for the purposes of operating the Facility.

6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


8. “Critical Natural Habitats” means: (i) existing protected areas and areas officially proposed by the Recipient as protected areas, areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined...
by the environmental assessment process); or (ii) sites identified on supplementary lists prepared by the Association or by an authoritative source determined by the Association, such as areas recognized by traditional local communities, areas with known high suitability for bio-diversity conservation, and sites that are critical for rare, vulnerable, migratory, or endangered species.

9. "ECI Policy Form" means the standard form of Export Credit Insurance policy to be issued by EIS, under terms and conditions acceptable to the Association, to provide ECI coverage to Beneficiaries in accordance with Section I.E of the Schedule to the Project Agreement.

10. "Eligible Claims" means claims in respect of losses arising from risks of commercial and political nature related to export transactions made by, or on behalf of, Beneficiaries to the Export Insurance Subsidiary in accordance with the terms and conditions of the Insurance Agreement.

11. "Environmental and Social Management Framework" means the Recipient’s framework, acceptable to the Association, disclosed at MoF’s website on May 31, 2016, which includes the EDMF and the RPF, describing a framework and screening criteria applicable to activities proposed to be supported under the Project (including a list of items excluded from financing under the Project), designed to maximize the social and environmental benefits accruing under the Project and avoid or mitigate any adverse impacts, and such term includes all schedules and agreements supplemental thereunder, including any environmental management plans, resettlement plans, and indigenous peoples plans prepared thereunder; as may be amended from time to time with the prior written agreement of the Association.

12. "EDMF" means the recipient’s ethnic minority development framework, satisfactory to the Association and incorporated into, and publically disclosed with, the ESMF, setting out the mitigation, enhancement, monitoring, and institutional measures to ensure meaningful consultation with, and the informed participation of, Indigenous Peoples within the Project area who are affected by the Project, and guidelines and procedures for the preparation of indigenous peoples plans, as such framework may be modified from time to time with the prior written agreement of the Association.

13. "Export Credit Insurance" or "ECI" means the insurance product governed by the provisions of the ECI Policy Form, and commercialized and serviced by EIS to Beneficiaries in accordance with the Insurance Agreements and the provisions of Part I.E of the Schedule to the Project Agreement.

14. "Export Development Plans" means the development plans for the implementation of export related activities, such as quality testing and certification, product adaptation, export fairs, national and international marketing tours, business
strategy and planning, and production management, prepared by Beneficiaries to be implemented under Part 2.2 of the Project in accordance with the guidelines set forth in the Matching Grants Implementation Manual.

15. "Export Insurance Department" means the department to be established within AgRe under Part 1.1(a) of the Project.

16. "Export Insurance Facility" or "Facility" means the facility established on behalf of Mongolia and operated by EIS under Part 1.2 of the Project in accordance with procedures and requirements set out in the Project Implementation Manual for the purpose of servicing any contingent payments in respect of any payouts due on Eligible Claims under the Export Credit Insurance scheme, as provided for in the Insurance Agreements, pursuant to Part I.E of the Schedule to the Project Agreement.

17. "Export Insurance Subsidiary" or the acronym "EIS" means the subsidiary company of the Project Implementing Entity to be incorporated and established under the laws of the Recipient for the purposes of establishing and operating the Facility.

18. "Export Insurance Subsidiary's Legislation" means, collectively: (i) EIS’s charter; (ii) the business license issued by the Financial Regulatory Commission pursuant to which EIS shall be licensed to carry out Part 1.2 of the Project; and (iii) the relevant provisions of the Recipient’s legal and regulatory framework, including the civil code, company law, and applicable insurance laws.

19. "Financial Regulatory Commission" means the governmental regulatory agency established by the Recipient in 2006, responsible for regulation and supervision of all financial institutions operating in the Recipient’s territory with the exception of the banking sector, or any successor thereto.

20. "General Conditions" means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

21. "Incremental Operating Costs" means reasonable expenditures for rental of office space, vehicles’ operation and maintenance, in-country travel allowances for PIU staff, banking services and costs for information dissemination, incurred by the PIU in connection with the management and coordination of the Project, as well as travel allowances and per diem for members of the Project steering committee, which expenditures would not have been incurred absent the Project, but excluding salaries of the Recipient’s civil servants.

22. "Indigenous Peoples" means those social groups in the Recipient’s territory that have a distinct, vulnerable, social and cultural identity, and that possess the
following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language.

23. “Insurance Agreements” means the agreements to be entered into between the Export Insurance Subsidiary and Beneficiaries pursuant to Part I.E of the Schedule to the Project Agreement; and “Insurance Agreement” means any such agreement.

24. “Matching Grant Agreement” means the written agreement to be entered into by the PIU and the Beneficiary for the provision of a Matching Grant for the financing of Export Development Plans pursuant to Section I.E of Schedule 2 to this Agreement and the Matching Grants Implementation Manual.

25. “Matching Grants” means, collectively, the grants to be made out of the proceeds of the Credit to Beneficiaries for partially financing the cost of implementing Export Development Plans and enhancing competitiveness; all in accordance with the terms and conditions, selection criteria and procedures set forth in the Matching Grants Implementation Manual.

26. “Matching Grants Implementation Manual” means the manual for Part 2.2 of the Project to be adopted by the Recipient, describing the detailed, eligibility criteria, procedures and terms and conditions for the selection of beneficiaries under Part 2.2 of the Project and the provision and monitoring of Matching Grants, including a list of activities excluded from financing under said Part 2.2 of Project, as such manual may be amended from time to time by written agreement of the Association.

27. “MoF” means the Recipient’s Ministry of Finance, or any successor thereto.

28. “Natural Habitats” means land and water areas where: (i) the ecosystems’ biological communities are formed largely by native plant and animal species; and (ii) human activity has not essentially modified the area’s primary ecological functions.

29. “Project Implementation Manual” means the manual to be adopted by the Recipient in a manner satisfactory to the Association and containing a detailed set of policies, rules, procedures, and protocols necessary for carrying out the Project; as the same may be amended from time to time with the prior written agreement of the Association.

“Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 2, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

“Project Implementing Unit” means the unit established by the Recipient to manage the Project, and referred to in Section I.A.1 of Schedule 2 to this Agreement.

“Project Implementing Entity” means AgRe.

“Project Implementing Entity’s Legislation” means, collectively: (i) AgRe’s charter of February 2015 adopted by resolution of the Recipient’s Minister of Finance; (ii) the business license No. 220/02 dated January 21, 2015, issued by the Financial Regulatory Commission; and (iii) the relevant provisions of the Recipient’s legal and regulatory framework, including the civil code, company law, applicable insurance laws, and index-based livestock insurance law.

“RPF” means the Recipient’s resettlement policy framework, satisfactory to the Association and incorporated into, and publically disclosed with, the ESMF, for compensation, resettlement, and rehabilitation of Affected Persons and setting forth the guidelines, principles and procedures for mitigating any adverse impact that may arise from resettlement under the Project, as such framework may be modified from time to time with the prior written agreement of the Association.

“Sub-loan Agreement” means the agreement between the Recipient and the Project Implementing Entity for the on-lending of the proceeds of the Credit, on terms and conditions satisfactory to the Association, referred to in Section I.C.1(b) of Schedule 2 to this Agreement.

“Subordinated Agreement” means the agreement to be entered into between the Project Implementing Entity and EIS to extend the Subsidiary Financing to the Export Insurance Subsidiary in the form of an equity investment, on terms and conditions satisfactory to the Association, referred to in Section I.C.1(c) of Schedule 2 to this Agreement and Section I.C of the Schedule to the Project Agreement.

“Subsidiary Agreement” means the agreement referred to in Section I.C.1(a) of Schedule 2 to this Agreement to facilitate the carrying out of Part 1 of the Project.
39. "Training" means the reasonable cost of trainings, seminars, workshops, conferences and study tours, conducted in the territory of the Recipient and/or abroad, including: (a) the fees of training institutions and courses; (b) domestic and international travel costs, lodging costs, and subsistence/per diem allowances both for trainers and trainees; (c) the rental of training facilities; (d) preparation, purchase or reproduction of training materials; and (e) other training costs directly associated with the Project, but excluding those provided through consulting services.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service
Chargé”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).