Financing Agreement

(Mongolia Second Energy Sector Project)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 5, 2017
FINANCING AGREEMENT

AGREEMENT dated July 5, 2017, entered into between MONGOLIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

WHEREAS: (A) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to this Agreement ("Project"), has requested the Association to extend a credit to assist the financing of the Project;

(B) the Recipient has also requested the Association, acting as implementing entity of the Scaling Up Renewable Energy Program under the Strategic Climate Fund, to provide additional assistance in the financing of the Project, and the Association intends to make available to the Recipient a grant for such purpose in an amount of twelve million four hundred thousand Dollars ($12,400,000) ("Co-financing") pursuant to the agreement to be entered into between the Recipient and the Association ("Co-financing 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) 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 thirty million seven hundred thousand Special Drawing Rights (SDR 30,700,000) (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 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 April 1 and October 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 Part 3 of the Project through the Ministry of Energy and cause: (a) Part 1(a) of the Project to be carried out by BSEDN; (b) Part 1(b) of the Project to be carried out by EBEDN; (c) Part 1(c) of the Project to be carried out by NPTG; and (d) Part 2 of the Project to be carried out by WES in accordance with the provisions of Article IV of the General Conditions.

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 Legislation of BSEDN, EBEDN, NPTG and/or WES has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of BSEDN, EBEDN, NPTG and/or WES to perform any of their obligations under their respective Subsidiary Agreements.
(b) BSEDN, EBEDN, NPTG and/or WES shall have failed to perform any of their obligations under their respective Subsidiary Agreements.

4.02. The Additional Event of Acceleration consists of the following, namely: any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Subsidiary Agreements have been executed on behalf of the Recipient and each of BSEDN, EBEDN, NPTG and WES and all conditions precedent to their effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under the Co-financing Agreement (other than the effectiveness of this Agreement) have been fulfilled.

5.02. The Additional Legal Matter consists of the following, namely: that the Subsidiary Agreements have been duly authorized by the Recipient and each of BSEDN, EBEDN, NPTG and WES, and are legally binding upon the Recipient and each of BSEDN, EBEDN, NPTG and WES in accordance with their terms.

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

5.04. For purposes of Section 8.05 (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 date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister at the time responsible for Finance.

6.02. The Recipient’s Address is:

Ministry of Finance
Government Building 2
S. Danzan Street 5/1
Ulaanbaatar 15160
Mongolia

Facsimile:
976-51-264908

6.03. The Association’s Address is:

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

Facsimile:
1-202-477-6391
AGREED at Ulaanbaatar, Mongolia, as of the day and year first above written.

MONGOLIA

By

Authorized Representative

Name: Cheikhlauren Battogtokh
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: James H. Anderson
Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to improve reliability and sustainability of electricity services in Mongolia.

The Project consists of the following parts:

**Part 1. Rehabilitation of Distribution Networks**

(a) Rehabilitation of the distribution grid in BSEDN to reduce system losses and improve reliability of and access to electricity services in selected areas of BSEDN.

(b) Rehabilitation of the distribution grid in EBEDN to reduce system losses and improve reliability of and access to electricity services in selected areas of EBEDN.

(c) Provision of support to NPTG for the carrying out of investments in switchgears in the transmission network related to Parts 1(a) and (b), and introduction and installation of planning and management software.

**Part 2. Solar Power**

Construction of grid-connected solar PV power generation capacity outside of the central energy system, including the detailed design, supply, construction, commissioning and operation and maintenance of a 10 megawatt solar PV power plant in WES.

**Part 3. Capacity Building**

Provision of technical and operational assistance to strengthen the institutional, organizational and technical capacity of the Ministry of Energy and the Project Implementing Units under BSEDN, EBEDN and WES, to support day-to-day Project implementation and management, including provision of training and carrying out of studies.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall:

   (a) maintain until the completion of the Project, a Project Steering Committee, to be responsible for providing overall strategic and policy guidance and facilitating coordination among different agencies on Project implementation, with a mandate, composition and terms of reference acceptable to the Association;

   (b) maintain, until the completion of the Project, a Project Management Office, to be responsible for Project coordination and supervision of technical and safeguards related aspects of Parts 1 and 2 of the Project, with a mandate, composition and terms of reference acceptable to the Association; and

   (c) cause to be maintained, until the completion of the Project, three Project Implementing Units, each under BSEDN, EBEDN and WES, to be responsible for day-to-day management, implementation, monitoring and reporting of the Project, with a mandate, composition and terms of reference acceptable to the Association.

2. The Recipient shall ensure that each of the Project Steering Committee, the Project Management Office and Project Implementing Unit is provided at all times with adequate funds and other resources and staffed by qualified personnel in adequate numbers as shall be necessary to accomplish the objective of the Project.

B. Subsidiary Agreements

1. To facilitate the carrying out of BSEDN, EBEDN, NPTG and WES’s Respective Parts of the Project, the Recipient shall make parts of the proceeds of the Financing allocated from time to time to the table set forth in Section IV.A.2 of this Schedule available to each of BSEDN, EBEDN, NPTG and WES under a subsidiary agreement, under terms and conditions acceptable to the Association (“Subsidiary Agreement”), which shall include the following:

   (a) The principal amount of the Financing made available under the Subsidiary Agreement (“Sub-financing”) shall be denominated and repayable in United States Dollars.
(b) The interest charged on the principal amount withdrawn and outstanding from time to time shall not exceed the rate of 5.5%.

(c) The Sub-financing shall be repayable over a period not exceeding 40 years from the date of the Subsidiary Agreement, inclusive of a grace period not exceeding 10 years.

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

(i) suspend or terminate the right of BSEDN, EBEDN, NPTG and/or WES to use the proceeds of the Sub-financing, or obtain a refund of all or any part of the amount of the Sub-financing then withdrawn, upon BSEDN, EBEDN, NPTG and/or WES's failure to perform any of its obligations under the Subsidiary Agreement; and

(ii) require each of BSEDN, EBEDN, NPTG and WES to:

(A) carry out its respective part of the Project with due diligence and efficiency and in accordance with sound 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 recipients of loan proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for the purpose of carrying out its respective part of the Project;

(C) ensure that goods, works and services to be financed out of the Sub-financing are procured in accordance with the provisions of this Agreement;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of its respective part of the Project and the achievement of its objectives;

(E) have their financial statements audited by independent auditors 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 not later than six (6) months after the end of their fiscal year;

(F) enable the Recipient and the Association to inspect respective part of the Project, its operation and any relevant records and documents; 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.

2. The Recipient shall exercise its rights under any Subsidiary 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 Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall:

   (a) take, or cause to be taken, all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out of the Project or any part thereof;

   (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which would result in such acquisition or displacement, make available to such people compensation and, as applicable, relocate and rehabilitate the Displaced Persons in accordance with a Resettlement Plan to be developed under the terms of the Resettlement Policy Framework, and in a manner satisfactory to the Association; and

   (c) whenever required in terms of the Resettlement Policy Framework, proceed to have an additional Resettlement Plan or Resettlement Plans: (i) prepared in form and substance satisfactory to the Association; (ii) except as otherwise agreed with the Association, submitted to the Association for
review and no-objection; (iii) adopted and publicly disclosed in a manner satisfactory to the Association; and (iv) thereafter, implemented in accordance with their terms and in a manner satisfactory to the Association.

2. The Recipient shall carry out Project or cause the Project to be carried out, in accordance with the Safeguard Instruments in a manner and substance satisfactory to the Association. Without limitation on the foregoing, the Recipient shall ensure that each contract for works under the Project includes the obligations of the work contractors and any sub-contractor to comply with the relevant provisions of the Environmental Management Plan or the Environmental Codes of Practice, as the case may be.

3. In the event of a conflict between the provisions of the Safeguard Instruments and those of this Agreement, the latter shall govern.

4. Except as the Association shall otherwise agree, the Recipient shall not, and shall cause BSEDN, EBEDN, NPTG and WES not to revise, suspend, abrogate, waive or amend the Safeguard Instruments, whether in whole or in part.

5. The Recipient shall ensure that the terms of reference for any consultancies related to studies, technical assistance and/or capacity building under this Agreement shall be satisfactory to the Association and, to that end, such terms of reference shall, inter alia, duly incorporate the requirements of the World Bank’s Safeguards Policies then in force, as applied to the advice conveyed through such studies, technical assistance and/or capacity building activities.

6. The Recipient shall maintain, and caused to be maintained, policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Safeguard Instruments.

7. Without limitation upon its other reporting obligations under Section II.A of this Schedule 2, the Recipient shall take all measures necessary to regularly collect and compile, and submit to the Association, as part of the Project Reports, and promptly in a separate report whenever the circumstances warrant, information on the status of compliance with the Safeguards Instruments, providing details of:

(a) the measures taken in furtherance of the Safeguards Instruments;
(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and
(c) remedial measures taken or required to be taken to address such conditions.
Section II.  Project Monitoring, Reporting and Evaluation

A.  Project Reports

1.  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 out in the Results Framework. Each Project Report shall cover the period of one 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.

2.  For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than January 31, 2023.

B.  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.  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 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, Works and Non-consulting Services. All goods, works 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, Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions specified in the Annex to this Schedule; (b) Shopping; and (c) Direct Contracting.

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) Quality-based Selection; (b) Selection based on Consultants’ Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) 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 “Disbursement Guidelines for Investment Project Financing” dated February 2017, 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, works, non-consulting services, consultants’ services,</td>
<td>21,930,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Incremental Operating Costs for Parts 1 and 3 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services and consultants’ services for Part 2 of the Project</td>
<td>8,770,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>30,700,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is September 30, 2022.
Annex to Schedule 2

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**

Invitation 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 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 contracts 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.
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 April 1 and October 1:</td>
<td></td>
</tr>
<tr>
<td>Commencing October 1, 2022 to and including April 1, 2032</td>
<td>1.65%</td>
</tr>
<tr>
<td>Commencing October 1, 2032 to and including April 1, 2042</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


2. "BSEDN" means the Baganuur and Southeastern Region Electricity Distribution Network, a State-owned joint-stock company incorporated and established pursuant to the resolution of Mongolia's Council of Ministers No. 328 dated November 26, 1984, or any successor thereto.

3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. "Co-financing" means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of twelve million four hundred thousand Dollars ($12,400,000), to be provided by the Co-financier to assist in financing the Project.


8. "Director General of the Energy Policy and Planning Department" means the Ministry of Energy's director general responsible for energy policy and planning department, or any successor thereto.

9. "Displaced Person" means a person who, on account of the Project implementation, has experienced or would experience a 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 person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihood of such person, and "Displaced Persons" means, collectively, all such Displaced Persons.
10. "EBEDN" means Erdenet and Bulgan Electricity Distribution Network, a State-owned joint-stock company incorporated and established pursuant to the resolution of Mongolia's Council of Ministers No. 377 dated December 5, 1980, or any successor thereto.

11. "Energy Law" means the law on electricity and heat supply and distribution, approved by the Recipient's Parliament on February 1, 2001, as amended to the date of this Agreement.

12. "Environmental and Social Impact Assessment" means the Recipient's environmental and social impact assessment dated January 1, 2017 and disclosed on the Association's infoshop on February 1, 2017, acceptable to the Association, setting out, *inter alia*, the principles, standards, processes and tools to be applied to assess potential adverse social and environmental impacts associated with Project activities identified in the Environmental and Social Impact Assessment and the ways to avoid, minimize, mitigate and/or compensate them, with related public consultation, disclosure, reporting and grievance redress procedures, such framework incorporating the Environmental Management Plan.

13. "Environmental and Social Management Framework" means the environmental and social safeguards management framework dated January 1, 2017 and disclosed on the Association's infoshop on February 1, 2017, acceptable to the Association, setting out, *inter alia*, the principles, standards, processes and tools to be applied to assess potential adverse social and environmental impacts associated with Project activities and the ways to avoid, minimize, mitigate and/or compensate them, with related public consultation, disclosure, reporting and grievance redress procedures, as such framework may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such framework such framework incorporating, the Resettlement Policy Framework, and a series of Environmental Codes of Practice.

14. "Environmental Codes of Practice" means the Recipient's environmental codes of practice dated December 9, 2016 and any environmental codes of practice to be adopted by the Recipient, acceptable to the Association and consistent with the Environmental and Social Management Framework, giving details of the agreed actions and policies designed to maximize the benefits of Part 1 of the Project, eliminate or offset any adverse environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions and policies.

15. "Environmental Management Plan" means the environmental management plan dated January 1, 2017 and disclosed on the Association's infoshop on February 1, 2017, acceptable to the Association and included in the Environmental and Social Impact Assessment, giving details of the agreed actions and policies designed to maximize the benefits of Part 2 of the Project, eliminate or offset any adverse
environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions and policies.

16. "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.

17. "Incremental Operating Costs" means the reasonable incremental operating costs under the Project incurred by the Recipient for purposes of Project management, implementation, and monitoring and evaluation, including office supplies and consumables, utilities, bank charges, communications, information and communication campaigns, mass media and printing services, vehicle rental, operation, maintenance, and insurance, office space rental, building and equipment maintenance, travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salary and salary supplements of staff of the Recipient's civil service.

18. "Legislation of BSEDN, EBEDN, NPTG and/or WES" means the Energy Law (BSEDN, EBEDN, NPTG and WES), the resolutions of Mongolia's Council of Ministers numbers 328 dated November 26, 1984 (BSEDN), 377 dated December 5, 1980 (EBEDN), and 164 dated July 9, 2001 (NPTG) and Mongolia's Minister of Energy, Geology and Mining number 90 dated April 26, 1995 (WES).

19. "Ministry of Energy" means the Recipient's ministry responsible for energy, or any successor thereto.

20. "Ministry of Environment" means the Recipient's ministry responsible for the environment, or any successor thereto.


22. "NPTG" means National Power Transmission Grid, a State-owned joint-stock company incorporated and established pursuant to the resolution of Mongolia's Council of Ministers no. 164 dated July 9, 2001, or any successor thereto.


24. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 12, 2017 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.
25. "Project Implementing Unit" means a unit to be established in accordance with Section I.A.1(c) of Schedule 2 to this Agreement, and "Project Implementing Units" means, collectively, all such units.

26. "Project Management Office" means the management office established by the Recipient pursuant to the Decrees No. 129 and 130 dated May 8, 2017, headed by the Director General of the Energy Policy and Planning Department and consisting of two technical units, in accordance with Section I.A.1(b) of Schedule 2 to this Agreement.

27. "Project Steering Committee" means the steering committee established by the Recipient pursuant to the Decree No. 61 dated April 28, 2017, chaired by the Minister of Energy or his/her designate, and consisting of, inter alia, representatives of the Ministry of Energy, Ministry of Finance, Ministry of Environment and local governments, in accordance with Section I.A.1(a) of Schedule 2 to this Agreement.

28. "PV" means photovoltaic cells that converts sunlight into electricity.

29. "Resettlement Plan" means each resettlement plan to be adopted by the Recipient, acceptable to the Association and consistent with the Resettlement Policy Framework, and giving details of agreed provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons under the Project, along with procedural and institutional measures needed to implement such agreed provisions, and "Resettlement Plans" means, collectively, all such Resettlement Plans.

30. "Resettlement Policy Framework" means the Recipient’s resettlement policy framework, dated January 1, 2017 and disclosed on the Association’s infoshop on February 1, 2017, acceptable to the Association and included in the Environmental and Social Management Framework, giving details of agreed measures to compensate, rehabilitate and provide resettlement assistance to Displaced Persons under the Project.

31. "Results Framework" means the Recipient’s framework, dated April 21, 2017, and agreed with the Association, setting forth the indicators and targets for purposes of monitoring and evaluation of the progress of the Project, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes, appendices, or schedules to such framework.

32. "Safeguards Instruments" means, collectively, the Environmental and Social Impact Assessment, the Environmental and Social Management Framework, and any Environmental Code of Practice, Environmental Management Plan(s) and/or Resettlement Plan(s) prepared under the Project.
33. "Sub-financing" means the proceeds of the Financing to be made available under a Subsidiary Agreement to BSEDN, EBEDN, NPTG and/or WES for the purpose of carrying out their respective parts of the Project.

34. "Subsidiary Agreement" means the agreement to be entered into by the Recipient, as represented by the Ministry of Energy, and each of BSEDN, EBEDN, NPTG and WES (including with respect to the Co-financing), under the terms and conditions acceptable to the Association, and referred to in Section I.B of Schedule 2 to this Agreement, and “Subsidiary Agreement” means, collectively, all such agreements.

35. "Training" means the reasonable costs of expenditure incurred by the Recipient in facilitating and conducting training and workshop activities for the purpose of the Project, including costs of training or workshop materials; honoraria; interpretation and translation; equipment and venue rental; lunches; per diem; accommodation; and transportation for those attending the training or workshop; but excluding salary and salary supplements of the Recipient's civil servants.

36. "WES" means Western Energy System, a State-owned joint-stock company incorporated and established pursuant to the resolution of Mongolia’s Minister of Energy, Geology and Mining no. 90 dated April 26, 1995, or any successor thereto.


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 Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).