Project Agreement

(Additional Financing For the Energy Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ULAANBAATAR ELECTRICITY DISTRIBUTION NETWORK COMPANY

Dated April 16, 2010
AGREEMENT dated April 16, 2010 (the “Project Agreement”), entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”) and the ULAANBAATAR ELECTRICITY DISTRIBUTION NETWORK COMPANY (variously the “Project Implementing Entity” or “UBEDN”), in connection with the Financing Agreement (“Financing Agreement”) of same date between MONGOLIA (the “Recipient”) and the Association. The Association and UBEDN hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. UBEDN declares its commitment to the objectives of the Project. To this end, UBEDN shall carry out Part D of the Project (UBEDN’s “Respective Part of the Project”) in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and UBEDN shall otherwise agree, UBEDN shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is the Executive Director of UBEDN.

4.02. The Association’s Address is:
International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America  

Cable: INDEVAS  
Telex: 248423 (MCI)  
Facsimile: 1-202-477-6391

Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

Ulaanbaatar Electricity Distribution Network Company  
Chinggis Avenue 45  
Ulaanbaatar -17032-36  
Mongolia  

Facsimile: 976-11-343061

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

INTERNATIONAL DEVELOPMENT ASSOCIATION  

By /s/ Arshad Sayed  
Authorized Representative  

ULAANBAATAR ELECTRICITY DISTRIBUTION NETWORK COMPANY  

By /s/ Battulga Dashjams  
Authorized Representative
SCHEDULE

Execution of UBEDN’s Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

UBEDN shall maintain, throughout the period of Project implementation, a project working group with functions and resources acceptable to the Association, under the direction of a qualified and experienced Project Manager, with competent and appropriately qualified staff in adequate numbers, and provided with funds and resources as shall be required for: (i) the day-to-day implementation of its Respective Part of the Project; and (ii) the cooperation with the PIU regarding the PIU’s procurement and financial management responsibilities under UBEDN’s Respective Part of the Project.

B. Anti-Corruption

The UBEDN shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

(1) UBEDN shall implement its Respective Part of the Project in accordance with sound environmental and social principles, practices and standards acceptable to the Association. To this end, UBEDN shall carry out Part D of the Project pursuant to the Environmental Management Plan;

(2) UBEDN shall neither revise, suspend, amend, abrogate or waive, whether in whole or in part, the Environmental Management Plan without the prior written concurrence of the Association; and

(3) Notwithstanding the foregoing, for purposes of Part D(ii) of the Project UBEDN undertakes that no civil works will commence until:

(a) the property and titling of the public land where such substations or switching stations will be built is properly transferred to UBEDN;

(b) UBEDN has prepared the route maps showing property details, type of ownership, land usage, and details of any existing buildings along the proposed 35 kV transmission lines; and
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) UBEDN shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient and the Association not later one (1) month after the end of the semester covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) by the Closing Date, the total system losses of UBEDN’s electricity distribution network shall have been reduced to 18% of the gross power purchased;

(ii) by the Closing Date, the additional consumer sales as result of new developments shall amount to 64GWh per annum; and

(iii) by the Closing Date, UBEDN’s average time of outstanding billing collections of consumer payments currently due has been reduced to not more than forty-five (45) days as of billing.

2. UBEDN shall provide to the Recipient not later than five (5) months after the closing date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. UBEDN shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations
and financial condition of the UBEDN, including the operations, resources and expenditures related to its Respective Part of the Project.

2. Without limitation on the provisions of Part A of this Section, UBEDN shall prepare and furnish to the Recipient and the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for its Respective Parts of the Project covering the quarter, in form and substance satisfactory to the Association.

3. UBEDN shall have its financial statements (referred to above) audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of UBEDN. The audited financial statements for each period shall be furnished to the Recipient and the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for UBEDN’s Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured by the PIU in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.