Strategic Climate Fund
Grant Agreement

(Mongolia Second Energy Sector Project)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as an implementing entity of the Scaling-up Renewable Energy Program
under the Strategic Climate Fund

Dated July 5, 2017
SCF-SREP GRANT NUMBER TF0A4506

STRATEGIC CLIMATE FUND
SCALING-UP RENEWABLE ENERGY PROGRAM

GRANT AGREEMENT

AGREEMENT dated July 5, 2017, entered into between:
MONGOLIA ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION
("World Bank"), acting not in its individual capacity but solely in its capacity as an
implementing entity of the Scaling-up Renewable Energy Program ("SREP") under the
Strategic Climate Fund.

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 World Bank, acting as implementing entity of the Scaling-up Renewable Energy
Program under the Strategic Climate Fund to assist with the financing of the Project;

(B) the Recipient has also requested the World Bank to extend a credit in the
amount equivalent to thirty million seven hundred thousand Special Drawing Rights
(SDR 30,700,000) ("Credit" or "Financing") to assist in the financing of the Project
pursuant to the agreement of the same date between the Recipient and the World Bank
("Financing Agreement").

NOW THEREFORE, The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard 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 Standard Conditions, in this Agreement
or in the Appendix to the Financing Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the Project. To this
end, the Recipient shall carry out the Project through the Ministry of Energy and
cause Part 2 of the Project to be carried out by WES in accordance with the
provisions of Article II of the Standard Conditions.
2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III**
**The Grant**

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount not to exceed twelve million four hundred thousand United States Dollars ($12,400,000) ("Grant") to assist in financing the Project.

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

3.03. The Grant is funded out of the resources made available to the World Bank as an implementing entity of the Strategic Climate Fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it from the Strategic Climate Fund trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

**Article IV**
**Additional Remedies**

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

(a) The Resolution of the Minister of Energy, Geology and Mining No. 90, dated April 26, 1995, pursuant to which WES has been established and is operating, and/or the Energy Law have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of WES to perform any of its obligations under the Subsidiary Agreement.

(b) WES shall have failed to perform any of its obligations under the respective Subsidiary Agreement.

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 World Bank 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 WES.

(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 Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

Article VI
Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:
976-51-264908

6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions 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: Cheijilsuren Batbayar
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as an implementing entity of the Scaling-up
Renewable Energy Program under the Strategic Climate Fund

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 parts described in Schedule 1 to the Financing Agreement.
SCHEDULE 2

Project Execution

Section I.  Project Implementation Generally

Section I (Implementation Arrangements), Section II (Project Monitoring, Reporting and Evaluation) and Section III (Procurement) of Schedule 2 to the Financing Agreement are hereby incorporated by reference and shall apply, mutatis mutandis, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, provided that for the purposes of this Agreement: (1) the references to the “Financing” in said Sections shall be construed as references to the Grant provided for under this Agreement; (2) the references to the “Association” in said Sections shall be construed as references to the World Bank; (3) the reference to Section 4.08 of the General Conditions in Section II.A of Schedule 2 to the Financing Agreement shall be construed as reference to Section 2.06 of the Standard Conditions; and (4) the references to Section 4.09 and 4.09 (b) of the General Conditions in Section II.B of Schedule 2 to the Financing Agreement shall be construed as references to Section 2.07 and 2.07 (b) of the Standard Conditions.

Section II.  Withdrawal of Grant Proceeds

A.  General

1.  The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank 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 Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works, non-consulting services, and consultants' services for Part 2 of the Project</td>
<td>12,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>12,400,000</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 referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2022.
APPENDIX

Definitions

Section I. Definitions

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

2. "Credit" or "Financing" means, a credit in the amount equivalent to thirty million seven hundred thousand Special Drawing Rights (SDR 30,700,000), to be provided by the World Bank to assist in financing the Project.
