
LOAN NUMBER _____-MON

LOAN AGREEMENT
(Ordinary Operations)

(Climate-Resilient and Sustainable Livestock Development Project)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED _____

MON 53038

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated _____ between
MONGOLIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Borrower has also applied to ADB for a concessional loan from ADB's ordinary capital resources ("COL Loan") in an amount of seven million Dollars (\$7,000,000), for the purposes of the Project, upon the terms and conditions set forth in a loan agreement of even date herewith between the Borrower and ADB ("COL Loan Agreement"); and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01 (xx) is deleted and the following is substituted therefor:

"Reference Rate" means, (i) except as ADB has otherwise made a determination in accordance with Section 3.02(c), in respect of any Loan Currency other than Euro, LIBOR, and in respect of Euro, Euribor; and (ii) if a determination is made in accordance with Section 3.02(c), such other reference rate and any spread for the Loan Currency as ADB shall reasonably determine and promptly notify the Borrower and the Guarantor.

(b) A new subsection 3.02 (c) shall be inserted after subsection 3.02(b) as follows:

If interest on any amount of the Loan is calculated based on LIBOR or Euribor, and ADB determines that (i) such Reference Rate has permanently ceased to be quoted for the relevant Loan Currency or a

public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate announcing such Reference Rate is no longer representative has been made or (ii) ADB is no longer able, or it is no longer commercially acceptable for ADB, to continue to use such Reference Rate for purposes of its asset and liability management, ADB shall apply such other Reference Rate for the relevant Loan Currency, including any applicable spread, as it may reasonably determine. ADB shall promptly notify the Borrower and the Guarantor of such other reference rate and any spread, and of related amendments to the provisions of the Loan Agreement necessary to give effect to its application, which shall become effective as of the date of such notice.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

- (a) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan and the COL Loan;
- (b) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (c) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (d) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;
- (e) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan and the COL Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (f) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (g) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (h) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (i) "MOFALI" means the Ministry of Food, Agriculture, and Light Industry of the Borrower or any successor thereto;

- (j) "MET" means the Ministry of Environment and Tourism of the Borrower or any successor thereto;
- (k) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan and the COL Loan;
- (l) "PAM" means the project administration manual for the Project dated 8 April 2021 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (m) "Procurement Plan" means the procurement plan for the Project dated 8 April 2021 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (n) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (o) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (p) "Project Executing Agency", for the purpose of, and within the meaning of, ADB's Ordinary Operations Loan Regulations, dated 1 January 2017 means MOFALI or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (q) "Project Implementing Agency" means the Livestock Policy Implementation Coordination Department of MOFALI or any successor thereto acceptable to ADB, which is responsible for implementing the Project;
- (r) "Project facilities" means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;
- (s) "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (t) "Safeguards Monitoring Report" means each report prepared and submitted by the Project Executing Agency to ADB that describes progress with implementation of and compliance with the EMP and the RF (as applicable), including any corrective and preventative actions;
- (u) "SDAP" means the social development action plan prepared for the Project, including any update thereto, and agreed to between the Project Executing Agency and ADB;

- (v) "Services" means Consulting Services and Nonconsulting Services;
- (w) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (x) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of twenty-three million Dollars (\$23,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 19 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10 as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 February and 15 August in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of Goods, Works, and Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works, and Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2027 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement and the COL Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, and any relevant records and documents.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(m) of the Loan Regulations: the Borrower shall have failed to perform one or more of its obligations under the COL Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the COL Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, shall have become legally binding upon the Borrower in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

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

Facsimile Number:

(976-11) 320247

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(63-2) 8636-2444.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

MONGOLIA

By

[Name and Designation]

ASIAN DEVELOPMENT BANK

By

[Name and Designation]

SCHEDULE 1

Description of the Project

1. The objective of the Project is to increase the efficiency and sustainability of climate-resilient livestock production.
2. The Project shall comprise the following outputs:
 - (a) **Output 1: Climate resilience of livestock, pasture, and water management improved.** This output shall build climate-resilience of herders against increased frequency of severe weather events by achieving compliance with the pasture's livestock carrying capacity limits through (i) improving grazing management and stocking rate reductions through (A) establishing approximately 466 herder groups; and (B) entering into approximately 466 rangeland use agreements covering approximately 11,660 herders; (ii) improving approximately 14,000 livestock shelters for herders; (iii) improving livestock drinking water access by (A) constructing or rehabilitating approximately 382 wells; and (B) entering into approximately 466 water use agreements; (iv) improving livestock feeding by establishing (A) approximately 14,000 hayfields; and (B) hay storage for approximately 466 herder groups; and (v) establishing approximately 20 *soum* pasture reserve areas.
 - (b) **Output 2: Livestock value chains strengthened.** This output shall improve the quality and health standard of livestock herds and products through better integration and coordination of the respective livestock value chain participants through (i) improving livestock marketing by (A) establishing linkages between approximately 2,915 herder households and processors to meet processor and market standards of health and carcass quality; and (B) providing feedback to herders; (ii) improving livestock feeding for approximately 466 herder groups through support to hay production and fodder storage; (iii) improving animal health for approximately 11,660 herders by supporting approximately 54 private veterinary units; (iv) improving animal breeding by establishing approximately 20 nucleus flocks for sheep and goats; (v) improving livestock turnoff through lamb fattening in approximately 20 small scale lamb fattening farms; and (vi) improving cashmere marketing by establishing approximately 20 *soum*-level cashmere sorting facilities.
 - (c) **Output 3: Livestock sector regulatory framework and capacity enhanced.** This output shall strengthen the livestock regulatory framework and institutional capacity through (i) developing implementing regulations, and awareness raising and promotion activities for improved pasture management; (ii) establishing (A) a geographic information system based Livestock Management Information System; and (B) the Rangeland and Fodder Division within MOFALI; (iii) developing systems for carcass traceability and feedback in order to reach market standards; (iv) expanding Mongolian Animal

Health Information System in approximately 20 soums; (v) improving extension and training capacity within the Research Development Center of MOFALI; and (vi) developing three inter-aimag pasture reserve areas.

3. The Project is expected to be completed by 30 June 2027.

SCHEDULE 2**Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 August 2027	2.631579
15 February 2028	2.631579
15 August 2028	2.631579
15 February 2029	2.631579
15 August 2029	2.631579
15 February 2030	2.631579
15 August 2030	2.631579
15 February 2031	2.631579
15 August 2031	2.631579
15 February 2032	2.631579
15 August 2032	2.631579
15 February 2033	2.631579
15 August 2033	2.631579
15 February 2034	2.631579
15 August 2034	2.631579
15 February 2035	2.631579
15 August 2035	2.631579
15 February 2036	2.631579
15 August 2036	2.631579
15 February 2037	2.631579
15 August 2037	2.631579
15 February 2038	2.631579
15 August 2038	2.631579
15 February 2039	2.631579
15 August 2039	2.631579
15 February 2040	2.631579
15 August 2040	2.631579
15 February 2041	2.631579
15 August 2041	2.631579
15 February 2042	2.631579
15 August 2042	2.631579
15 February 2043	2.631579
15 August 2043	2.631579

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 February 2044	2.631579
15 August 2044	2.631579
15 February 2045	2.631579
15 August 2045	2.631579
15 February 2046	2.631577
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall

apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category [or Subcategory] of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category "Interest and Commitment Charges" is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing \$	Basis for Withdrawal from the Loan Account
		Category	
1	Goods and Works ^a	13,344,599	100% of total expenditures claimed ^b
2	Services ^a	2,394,948	100% of total expenditure claimed
3	Recurrent Costs ^a	4,095,734	100% of total expenditure claimed
4	Interest and Commitment Charges	913,036	100% of amounts due
5	Unallocated	2,251,683	
	TOTAL	23,000,000	

^a Proceeds of the COL Loan shall be fully utilized prior to the disbursement of this Loan for the corresponding category.

^b Exclusive of value-added taxes and duties imposed within the territory of the Borrower.

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower, through the Project Executing Agency, shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy among the PAM, this Loan Agreement and the COL Loan Agreement, the provisions of this Loan Agreement and the COL Loan Agreement shall prevail.

Procurement

2. The Borrower, through the Project Executing Agency, shall ensure that:
- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
 - (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may, through the Project Executing Agency, modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
 - (c) (i) all Goods and Works procured and Services obtained (including all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

Conditions for Award of the Contracts

3. The Borrower, through the Project Executing Agency, shall not award any Works contract for any Project components which involves environmental impacts until:
- (a) the Project Implementing Agency has incorporated the relevant provisions from the EMP into the Works contract;
 - (b) domestic requirements for environmental assessments have been completed by the relevant domestic agencies; and

- (c) such environmental assessments have been approved by the relevant domestic agencies and cleared by ADB.

Counterpart Support

4. The Borrower shall ensure that the Project Executing Agency and the Project Implementing Agency have all counterpart funds required for the smooth and effective implementation of the Project, including any shortfall of funds or cost overruns incurred during the implementation of the Project, and that all such funds are released in a timely manner. The Borrower shall also ensure that the Project Executing Agency timely allocates and promptly provides adequate budgetary and other resources necessary for the operation and maintenance of the Project facilities.

5. In addition to the foregoing, the Borrower shall ensure that the Project Executing Agency and the Project Implementing Agency have sufficient funds to satisfy their liabilities arising from any Works, Goods and/or Services contract.

Safeguards

Environment

6. The Borrower, through the Project Executing Agency, shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report; or (ii) which are subsequently agreed between ADB and the Borrower.

7. The Borrower, through the Project Executing Agency, shall ensure that the findings of the domestic environmental baseline assessments and detailed designs of the relevant Project components which shall be conducted during the implementation of the Project shall, in a timely manner, be reported to ADB, including specific confirmations that such Project components shall not result in (a) adverse impacts to ecological or heritage value, especially protected areas; (b) unsustainable groundwater extraction; and (c) adverse impacts from management of sewage and/or solid waste for human and livestock facilities.

8. The Borrower, through the Project Executing Agency, shall ensure that any environmental safeguard conditions identified during the (i) domestic environmental impact assessments; or (ii) domestic approval process which are not already covered under the EMP shall be integrated into the EMP. The Borrower, through the Project Executing Agency, shall expressly include these conditions in the relevant construction tenders and bidding documents.

9. The Borrower, through the Project Executing Agency, shall ensure that after completion of the domestic environmental impact assessments and domestic approval process and before the commencement of any Works, the summary findings of the domestic environmental baseline assessments and environmental approvals (translated to English language) shall be provided, in a timely manner, to ADB. Any findings or conclusions that represent new safeguard risks and/or mitigation tasks or costs which are not already included in the EMP shall be agreed to among the Project Executing Agency, MET and ADB.

10. The Borrower shall cause the Project Executing Agency and the Project Implementing Agency not to use “R134a” as a coolant for any Project facilities or activities implemented under the Project. The Borrower shall cause the Project Executing Agency to (i) expressly include this specific requirement in the relevant construction tenders; and (ii) explicitly assess whether this requirement has been complied with in the bids received.

11. The Borrower shall cause the Project Executing Agency and the Project Implementing Agency to ensure that no chemicals are used in the implementation of the Project which are listed as hazardous under Classes I or II by the World Health Organization or the use of which is strictly controlled or prohibited under the laws and regulations of the Borrower.

12. The Borrower, through the Project Executing Agency, shall ensure that for all water wells constructed or upgraded under the Project (a) the sustainability of groundwater use shall be assessed based on the best available data, including assessment of aquifer size and recharge rate, existing extraction demand, and cumulative demand including the Project requirements; (b) cost-effective water meters shall be installed at each water well pump; (c) groundwater extraction volumes and water table depths shall be monitored, at least on a quarterly basis, by the local (soun) governments or authorities; and (d) monitoring results shall be included in the Safeguards Monitoring Reports. In the event that groundwater availability appears to be decreasing, the Borrower shall cause the Project Executing Agency to inform and discuss this situation with ADB, in a timely manner. Subsequently, the Borrower, through the Project Executing Agency, shall prepare and submit for ADB’s approval the necessary corrective or preventative time-bound actions.

13. The Borrower, through the Project Executing Agency, shall ensure that for the livestock facilities, regular monitoring of solid and liquid waste management shall be undertaken by the operators of such livestock facilities. The Borrower, through the Project Executing Agency, shall further ensure that the requirements for monitoring of surface water and groundwater stipulated in the EMP shall be undertaken, as needed, for each relevant Project component to ensure water resources are not contaminated due to waste from the livestock facilities.

Selection criteria for locations of Project facilities

14. To achieve design sustainability and for environmental safeguards, the Borrower, through the Project Executing Agency, shall ensure that the locations of the Project facilities satisfy the following criteria:

- (a) All activities shall be strictly limited to modified lands already used for livestock grazing and rural use. The Project shall not involve any land conversion or the establishment of new pasture lands;
- (b) No Project facilities, including new wells, shall be located in any national or local protected areas or other sites of designated environmental or cultural significance, including Important Bird and Biodiversity Areas, Ramsar Wetlands, and UNESCO Biosphere Reserves, even if these sites are not officially designated by the Borrower;
- (c) No clearance or damage of natural habitats;

- (d) New wells shall be located in areas where the groundwater supply has been demonstrated by the follow-up aquifer assessments which shall be conducted during Project implementation to be sustainable. No sites for wells or aquifers shall be used in which the hydrological surveys indicate a risk of unsustainability, especially when cumulative use (existing demand) and projected declines in aquifer recharge due to climate change are considered;
- (e) Siting of the office buildings, livestock holding facilities, cashmere sorting facilities, and new wells shall not be located upslope of physical cultural resources and sacred sites, including the documented sites listed in the IEE, to minimize direct or indirect disturbance and to avoid potential cultural disrespect. Exceptions to this criterion shall only be accepted if based on clear documentation of public consultations agreeing to such exception, accompanied by the Borrower endorsement; and
- (f) Livestock holding facilities shall only be located at least 500 meters and downwind from the nearest residences to minimize odor-related disturbance to residents.

Land Acquisition and Involuntary Resettlement

15. The Borrower, through the Project Executing Agency, shall ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in a manner and within timeframes compliant with the RF and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RF, and any corrective or preventative actions (i) set forth in the Safeguards Monitoring Report; or (ii) subsequently agreed between ADB and the Borrower.

16. Without limiting the application of the Involuntary Resettlement Safeguards or the RF, the Borrower, through the Project Executing Agency shall ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to the displaced persons under the Involuntary Resettlement Safeguards as described in and in accordance with the RF; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RF.

Ethnic Minorities

17. The Borrower, through the Project Executing Agency, shall ensure that the Project does not have any negative indigenous peoples impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower, through the Project Executing Agency, shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with SPS.

Human and Financial Resources to Implement Safeguards Requirements

18. The Borrower, through the Project Executing Agency, shall make available necessary budgetary and human resources to fully implement, as applicable, the EMP, the RF, the SDAP and the GAP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

19. The Borrower, through the Project Executing Agency, shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, and the RF (to the extent they concern impacts on the respective affected people under the Environmental Safeguards and the Involuntary Resettlement Safeguards during construction), and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report; or (ii) subsequently agreed between ADB and the Borrower;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Project Executing Agency with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the RF;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

20. The Borrower, through the Project Executing Agency, shall do the following:

- (a) submit Safeguards Monitoring Reports to ADB
 - (i) in respect of implementation of and compliance with Environmental Safeguards and the EMP, semiannually during construction and the implementation of the Project and the EMP, and thereafter annually during operation, until the issuance of ADB's Project completion report unless a longer period is agreed in the EMP; and
 - (ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards and of the RF, semiannually during the implementation of the Project and the RF until the issuance of ADB's Project completion report unless a longer period is

agreed in the RF and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards and the Involuntary Resettlement Safeguards promptly upon submission;

- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the RF, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RF promptly after becoming aware of the breach.

Labor Standards, Health and Safety

21. The Borrower, through the Project Executing Agency, shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower, through the Project Executing Agency, shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) do not restrict workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

22. The Borrower, through the Project Executing Agency, shall strictly monitor compliance with the requirements set forth in paragraph 21 above and provide ADB with regular reports.

Gender and Development

23. The Borrower, through the Project Executing Agency, shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

24. Borrower, through the Project Executing Agency, shall ensure that the SDAP is implemented in accordance with its terms and adequate resources are allocated for the implementation of the SDAP.

Grievance Redress Mechanisms

25. The Borrower, through the Project Executing Agency, shall ensure that two separate safeguards grievance redress mechanisms for environmental and social safeguards, respectively, acceptable to ADB are established in accordance with the provisions of the EMP and the RF at the project management unit, within the timeframes specified in the EMP and the RF, to consider safeguards complaints.

26. These grievance redress mechanisms shall function to (a) review and document eligible complaints of Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen mechanism and/or action; and (d) prepare and make available to ADB upon request periodic reports to summarize (i) the number of complaints received and resolved; (ii) chosen actions; and (iii) final outcomes of the grievances and make these reports available to ADB upon request.

Prohibited List of Investments

27. The Borrower shall ensure that no proceeds of the Loan or the COL Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Governance and Anticorruption

28. The Borrower, the Project Executing Agency and the Project Implementing Agency shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

29. The Borrower, the Project Executing Agency and the Project Implementing Agency shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

LOAN NUMBER _____-MON (COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(Climate-Resilient and Sustainable Livestock Development Project)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED _____

MON 53038

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated _____ between
MONGOLIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Borrower and ADB ("OCR Loan Agreement"), ADB has agreed to make a regular loan ("OCR Loan") to the Borrower from ADB's ordinary capital resources in an amount of twenty-three million Dollars (\$23,000,000) for the purposes of the Project described in Schedule 1 to the OCR Loan Agreement;

(B) the Borrower has also applied to ADB for a concessional loan for the purposes of the Project described in Schedule 1 to the OCR Loan Agreement; and

(C) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations and the OCR Loan Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of seven million of seven million Dollars (\$7,000,000).

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 February and 15 August in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the OCR Loan Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of Goods, Works, and Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works, and Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2027 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in this Loan Agreement and the OCR Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, and any relevant records and documents.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower shall have failed to perform one or more of its obligations under the OCR Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the OCR Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, shall have become legally binding upon the Borrower in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

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

Facsimile Number:

(976-11) 320247

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(63-2) 8636-2444.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

MONGOLIA

By _____
[Name and Designation]

ASIAN DEVELOPMENT BANK

By _____
[Name and Designation]

SCHEDULE 1
Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)
15 August 2026	175,000
15 February 2027	175,000
15 August 2027	175,000
15 February 2028	175,000
15 August 2028	175,000
15 February 2029	175,000
15 August 2029	175,000
15 February 2030	175,000
15 August 2030	175,000
15 February 2031	175,000
15 August 2031	175,000
15 February 2032	175,000
15 August 2032	175,000
15 February 2033	175,000
15 August 2033	175,000
15 February 2034	175,000
15 August 2034	175,000
15 February 2035	175,000
15 August 2035	175,000
15 February 2036	175,000
15 August 2036	175,000
15 February 2037	175,000
15 August 2037	175,000
15 February 2038	175,000
15 August 2038	175,000
15 February 2039	175,000
15 August 2039	175,000
15 February 2040	175,000
15 August 2040	175,000
15 February 2041	175,000
15 August 2041	175,000
15 February 2042	175,000
15 August 2042	175,000
15 February 2043	175,000
15 August 2043	175,000
15 February 2044	175,000
15 August 2044	175,000
15 February 2045	175,000
15 August 2045	175,000
15 February 2046	175,000
Total	7,000,000

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 2

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest Charge

3. The amount allocated to Category "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing \$	Basis for Withdrawal from the Loan Account
		Category	
1	Goods and Works ^a	4,041,643	100% of total expenditure claimed ^b
2	Services ^a	725,352	100% of total expenditure claimed
3	Recurrent Costs ^a	1,240,464	100% of total expenditure claimed
4	Interest Charge	310,560	100% of amounts due
5	Unallocated	681,981	
	TOTAL	7,000,000	

^a Proceeds of this Loan shall be fully utilized prior to the disbursement of the OCR Loan for the corresponding category.

^b Exclusive of value-added taxes and duties imposed within the territory of the Borrower.