

April 26, 2022

CREDIT NUMBER 7090-MN

Financing Agreement

(Smart Government II Project)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between MONGOLIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of twenty-nine million five hundred thousand Special Drawing Rights (SDR 29,500,000) (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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.
- 2.06. The Payment Dates are March 15 and September 15 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 the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness is that the Recipient has adopted the Project Operations Manual in form and substance satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the Signature Date.
- 4.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its Minister at the time responsible for finance.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

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

(b) the Recipient's Electronic Address is:

Facsimile: 976-11-320247

5.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

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

(b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

MONGOLIA

By

Authorized Representative

Name: _____

Title: _____

Date: _____

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: _____

Title: _____

Date: _____

SCHEDULE 1

Project Description

The objectives of the Project are to improve the usability and efficiency of online public services to citizens and businesses, and to increase digital skills and digital-enabled jobs.

The Project consists of the following parts:

Part 1. Enabling Environment for Digital Transformation

- 1.1. *Strengthen Policies and Regulations for Digital Transformation*: Carrying out gap analysis on, and providing technical assistance to strengthen digital-related legal, regulatory, policy and institutional frameworks.
- 1.2. *Change and Stakeholder Management for the Project's Digital Government Investments*: (a) Carrying out a change management assessment and developing an action plan to mitigate the identified challenges in adopting and using digital government investments; and (b) providing capacity building support to relevant government officials and stakeholders on leading and communicating change.
- 1.3. *Promote Online Engagement/Participation of Citizens*: Implementing and using an online platform and tools to engage with communities and social groups.

Part 2. Transforming Digital Government

- 2.1. *Improve Usability and Efficiency of Digital Public Services and Provide Strategic Services*:
 - (a) digitizing selected public services on the E-Mongolia Portal and developing a digital service standard for the public services; and
 - (b) implementing strategic integrated digital services through: (i) expanding the functionalities of the existing electronic procurement system, (ii) developing a single window for online business licensing and permits, (iii) implementing the second phase of the system for conflict of interest, income and asset declaration, (iv) developing an electronic codification database, electronic decision making, archiving, performance management and digital cabinet system, (v) upgrading and sustaining the national tourism integrated platform, (vi) developing an online system for registration of forestation, afforestation and reforestation, and (vii) developing an online system to provide citizens with access to digitalized laws and regulations and recordings of parliament meetings.
- 2.2. *Upgrade the National and Disaster Recovery Data Centers*: Carrying out a program of activities to enhance the existing National Data Center and Disaster Recovery Center including: (a) upgrading the hardware capacity of the centers and transforming them into a national cloud computing platform; (b) adding common service enablers for shared use by relevant government agencies; (c) assessing the possibility of using commercial cloud computing services and adopting an edge computing model with decentralized infrastructure; and (d) improving energy efficiency of the cooling and power systems of the data centers.
- 2.3. *Strengthen the Cybersecurity Incidence Response Team and Security of State Registration Data*: (a) Supporting the establishment and operation of a national-level cybersecurity emergency response team; and (b) strengthening the security of the recovery center system of General

Authority for State Registration by providing hardware, and database- and security- related licenses.

Part 3. Growing the Digital Economy

- 3.1. *Digital Skills Training for Civil Servants and Citizens:* (a) Providing training on practical digital skills to civil servants and public administration officials; (b) developing a strategy on public sector digital skill training and enhancing the government's online training portal; (c) providing capacity building support to improve digital capacity of relevant government agencies; (d) implementing a catalytic digital literacy program to provide basic and needed digital skills for targeted groups of citizens; and (e) developing a citizen digital literacy platform to document training curriculum and content, trainee assessments, training statistics, and e-certificate issuance.
- 3.2. *Digital-enabled Jobs for 3,000 Youths:* Implementing a job creation program for the youths through: (a) developing a curriculum for training on fundamental digital skills and supporting its integration in training programs of educational institutions; (b) providing trainings to targeted information communication technology (ICT) students on digital skills required for ICT professionals and basic cognitive and socioemotional skills; and (c) providing training support to selected local information technology companies.
- 3.3. *Support Small and Medium Enterprises to Adopt Digital Solutions:* (a) Developing a digital transformation road map for small and medium enterprises (SMEs) with business continuity considerations; (b) providing technical assistance to SMEs interested in digitalization; (c) carrying out job-matching activities for SMEs' hiring of youths for digital-enabled jobs; and (d) curating common/horizontal enterprise applications available in the market for use by SMEs.

Part 4. Project Management Support

Providing technical and operational support for project management and coordination, including financial management and disbursement, procurement, environmental and social risk and impact management, grievance redress mechanisms, and monitoring, reporting and evaluation.

Part 5. Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall maintain, throughout the period of implementation of the Project, Project implementation structures at the national and sub-national levels, all with composition, functions, staffing and resources satisfactory to the Association and set out in the Project Operations Manual.
2. Without limitation to foregoing, the Recipient shall:
 - (a) maintain a Project Steering Committee which shall be responsible, *inter alia*, for overseeing and facilitating coordination of the Project implementation; and
 - (b) maintain a Project Implementation Unit which shall be responsible, *inter alia*, for the overall day-to-day implementation of the Project, including (i) preparing annual work plans and budgets, (ii) processing procurement, financial management, environmental and social impact and risk management, and (iii) monitoring and evaluation of the Project.

B. Project Operations Manual

1. The Recipient shall prepare and adopt a Project Operations Manual and thereafter ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operations Manual (provided, however, that in the event of any conflict between the arrangements and procedures set out in the Project Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall not amend, abrogate or waive any provision of the Project Operations Manual unless the Association has provided its prior no-objection thereof in writing.

C. Annual Work Plans and Budgets

1. The Recipient shall prepare and furnish to the Association for its no-objection not later than December 31 of each fiscal year during the implementation of the Project (or such later date as the Association may agree), a consolidated Annual Work Plan and Budget ("AWPB") containing all Project activities and expenditures proposed to be included in the Project in the following fiscal year, including a specification of the sources of financing for all expenditures, and environmental and social impact management measures taken or planned to be taken in accordance with the provisions of Part D of this Schedule.
2. The Recipient shall ensure that the Project is implemented in accordance with the AWPB accepted by the Association for the respective fiscal year; provided, however, that in the event of any conflict between the AWPB and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. The Recipient shall not make or allow to be made any change to the AWPB without prior no-objection in writing by the Association.

D. Environmental and Social Standards.

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
6. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors, and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual

exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

E. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project (“Contingent Emergency Response Part”), the Recipient shall ensure that:
 - (a) a manual (“CERC Manual”) is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;
 - (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;
 - (c) the Contingent Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
 - (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.
2. The Recipient shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall ensure that:
 - (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and
 - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.
4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

B. Mid-term Review

The Recipient shall: (a) on or about the date thirty (36) months after the Effective Date, prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to Part A of this Section, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objectives during the period following such date; and (b) review with the Association such mid-term report, on or about the date forty-five (45) days after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Bank's views on the matter.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consulting services, Operating Costs, and Training for the Project	29,500,000	100%
(2) Emergency Expenditures	0	
TOTAL AMOUNT	29,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 5,900,000 may be made for payments made prior to this date but on or after March 31, 2022, for Eligible Expenditures under Category (1); or
 - (b) for Emergency Expenditures under Category (2), unless and until all of the following conditions have been met in respect of said expenditures:

- (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (2); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
 - (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.
2. The Closing Date is July 30, 2027.

Section IV. Other Undertakings

- A. For the purpose of implementation of Part 2.1 of the Project, the Recipient shall, not later than twelve (12) months after the Effective Date, develop, and thereafter adopt, a digital service standard for public services provided on the E-Mongolia Portal in form and substance, and in a manner acceptable to the Association.
- B. The Recipient shall not later than eight-teen (18) months after Effective Date (or such later date agreed with the Association in writing): (a) prepare and furnish to the Association a transition plan acceptable to the Association setting out the measures and actions aimed at ensuring the continued efficient carrying out of the Project in the event that the Recipient decides to transfer the implementation responsibility for the Project (or parts thereof) from the Cabinet Secretariat to MDDC (or such other government agency agreed with the Association); and (b) thereafter, incorporate said plan as accepted by the Association in the Project Operation Manual, and implement the said plan, in a manner acceptable to the Association.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2027 to and including March 15, 2047	1.65%
commencing September 15, 2047 to and including March 15, 2052	3.40%

* 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 3.05 (b) of the General Conditions.

APPENDIX

Definitions

1. “Annual Work Plan and Budget” and the acronym “AWPB” each means the plan and budget referred to in Section I.C of Schedule to the Project Agreement; as said plan may be modified from time to time with the prior written no-objection of the Bank.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. “Cabinet Secretariat” means the Recipient’s Office of the Government of Mongolia, or any successor thereto.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “Contingent Emergency Response Part” means any activity or activities to be carried out under Part 5 of the Project to respond to an Eligible Crisis or Emergency.
6. “CERC Manual” means the manual referred to in Section I.E of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Association and which is an integral part of the Project Operations Manual.
7. “Disaster Recovery Center” means the Recipient’s center, established in 2021 for the purposes of housing the Recipient’s computerized data for business continuity and disaster recovery for government institutions.
8. “E-Mongolia Portal” means the portal for digital services available at the webpage of <https://e-mon@olia.mn/> (or such webpage developed by the Recipient for this purpose).
9. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
10. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Manual in accordance with the provisions of Section I.E of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.
11. “Emergency Action Plan” means the plan referred to in Section I.E detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.
12. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated April 26, 2022, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

13. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
14. “General Authority for State Registration” means the Recipient’s General Authority for State Registration, or any successor thereto.
15. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
16. “MDDC” means the Recipient’s Ministry of Digital Development and Communications, or any successor thereto.
17. “National Data Center” means the Recipient’s data center, established in 2009 for the purposes of housing the national computerized data.
18. “Operating Costs” means the reasonable costs required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), transportation, translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, contractual support staff and other administrative costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.
19. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
20. “Project Implementation Unit” means an office established and to be maintained by the Cabinet Secretariat (or such other government agency agreed with the Association); as referred to in Section I.A.2(b) of Schedule 2 to the Financing Agreement, or any successor thereto.
21. “Project Operations Manual” means the manual to be adopted by the Project Implementing Entity, and to be updated for the implementation of the Project, containing: (A) detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) disbursement and financial management; (c) procurement; (d) environmental and social impact management measures; (e) monitoring and evaluation, reporting and communication; (f) an integrity action plan; (g) transition arrangements for any change in the governmental authority, as applicable; and (h) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; and (B) CERC Manual; as said manual may be

modified from time to time with the prior written no-objection of the Bank, and such term includes any schedules to such manual.

22. "Project Steering Committee" means the committee established and to be maintained by the Cabinet Secretariat (or such other government agency agreed with the Association); as referred to in Section I.A.2(a) of Schedule 2 to the Financing Agreement, or any successor thereto.
23. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
24. "Training" means the reasonable costs of goods and services required for the participation of personnel involved in training activities, workshops and study tours under the Project, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation, but excluding consultants' fees and salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient's civil service.