

LOAN NUMBER L0688A

Loan Agreement

(Weathering Exogenous Shocks Program)

between

MONGOLIA

and

ASIAN INFRASTRUCTURE INVESTMENT BANK

Dated *December 5*, 2022

LOAN AGREEMENT

Agreement dated December 5, 2022 ("Loan Agreement") between MONGOLIA ("Borrower") and ASIAN INFRASTRUCTURE INVESTMENT BANK ("Bank").

WHEREAS:

- (A) the Bank has received a development policy letter dated August 17, 2022 ("Policy Letter") setting forth certain objectives, policies and actions from the Borrower's countercyclical development expenditures program ("CDEP"), which contains measures to address adverse socioeconomic shocks as described in Schedule 1 to this Loan Agreement ("Program");
- (B) the Borrower has requested the Bank to extend a Loan for the purposes of the Program;
- (C) by a separate loan agreement ("Co-financing Agreement") entered into between the Borrower and the Asian Development Bank ("Co-financier"), the Co-financier has agreed to provide to the Borrower a loan in an amount of one hundred million Dollars (US\$100,000,000), to finance part of the Program; and
- (D) the Bank has agreed on the basis, *inter alia*, of the foregoing to extend the Loan to the Borrower upon the terms and conditions set forth in this Loan Agreement.

NOW THEREFORE, the Borrower and the Bank hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Loan Agreement) constitute an integral part of this Loan Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Loan Agreement.

ARTICLE II - LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Loan Agreement, the amount of one hundred million Dollars (\$100,000,000) ("Loan") to assist in financing the program described in Schedule 1 to this Loan Agreement.
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Loan Agreement.

- 2.03. The Front-end Fee payable by the Borrower shall be equal to one-quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The Commitment Fee payable by the Borrower shall be equal to one-quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion.
- 2.06. The Interest Payment Dates are June 15 and December 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Loan Agreement.

ARTICLE III. - PROGRAM

- 3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall carry out the Program through the Ministry of Finance ("MOF"), in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Loan Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Loan Agreement.

ARTICLE IV. - EFFECTIVENESS

- 4.01 The Effectiveness Deadline is the date ninety (90) days after the date of this Loan Agreement.

ARTICLE V. - REPRESENTATIVE; ADDRESSES

- 5.01 The Borrower's representative designated for purposes of Section 10.02 of the General Conditions is the Minister of Finance.
- 5.02 The Borrower's address for purposes of Section 10.01 of the General Conditions is:
Ministry of Finance
Government Building 2
S. Danzan Street 5/1
Ulaanbaatar, 15160, Mongolia

Facsimile: + 976- 11-320-247
- 5.03 The Bank's Address is:

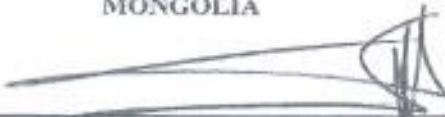
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Asian Infrastructure Investment Bank
AIIB Headquarters, Tower A, Asia Financial Center
No. 1 Tianchen East Road, Chaoyang District
Beijing, 100101, China

Facsimile: +86-10-8358-0002

AGREED as of the day and year first above written.

MONGOLIA

By  _____
Authorized Representative

Name: Larkhlan Bold

Title: Minister of Finance

ASIAN INFRASTRUCTURE INVESTMENT BANK

By  _____
Authorized Representative

Name: Gregory Liu

Title: Acting Director General,
Infrastructure Investment Department Region 2

SCHEDULE 1

Program Description

The principal objective of the Program is to increase the resilience of the population, specifically the poor and vulnerable groups, to adverse socioeconomic shocks. The scope of the Program includes implementation of measures (a) for temporary increase in direct cash transfers to households; (b) to cushion adverse socioeconomic impacts on vulnerable groups, including women and girls; and (c) to counteract inflationary pressures and safeguard food security. The Program is described in more detail in the Policy Letter.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, through MOF, be responsible for the implementation of the Program, including the monitoring and reporting.

B. Policy Dialogue

1. The Borrower shall, through MOF, promptly discuss with the Bank, problems and constraints encountered during the implementation of the Program and adopt appropriate measures to address and mitigate such issues and constraints.
2. The Borrower shall keep the Bank informed of policy discussions with other multilateral and bilateral aid agencies that may have implications on the implementation of the Program and shall provide the Bank with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account the view of the Bank before finalizing and implementing any such proposal.

C. Use of Counterpart Funds

1. The Borrower shall ensure that the Counterpart Funds are used to finance the implementation of programs and activities consistent with the objectives of the Program.

D. Prohibited Practices

1. The Borrower shall ensure that its personnel and other representatives involved in implementing the Program adhere to the highest ethical standards in the implementation of the Program. To this end, the Borrower shall: (a) require that each of these persons not engage in any Prohibited Practice in connection with the Loan; and (b) ensure that the Program is carried out in accordance with the provisions of the Prohibited Practices Policy.

E. Environmental and Social Requirements

1. The Borrower shall ensure that the Program is carried out in accordance with the Co-financier's SPS.
2. Without limitation to the provision of paragraph 1 above, the Borrower understands and agrees that in case a complaint regarding compliance with the Co-financier's SPS is received by the Bank, the Bank shall refer such complaints for investigation

to the Co-financier, which shall investigate through its independent accountability mechanism.

Section II. Program Monitoring Reporting and Evaluation

A. Program Monitoring & Reports

1. The Borrower shall ensure that a structured platform for policy dialogue with key stakeholders and implementation support is in place on the CDEP to (a) engage with such stakeholders in the design and implementation of the CDEP; and (b) respond to implementation bottlenecks, if any.
2. The Borrower shall (a) monitor, evaluate and provide quarterly reports to the Bank in accordance with the monitoring and reporting framework of the Program; and (b) ensure that adequate budgetary and human resources are made available to fully implement the Program's monitoring and reporting framework.

B. Financial Statements; Audits

1. The Borrower shall maintain, or cause to be maintained, separate accounts and records in respect to the Deposit Account in accordance with consistently applied accounting standards acceptable to the Bank, and in a manner to reflect the accounts and records of the Deposit Account.
2. The Borrower shall, upon request by the Bank, have financial statements of the Deposit Account ("Financial Statements") audited by independent auditors, whose qualifications, experience, and terms of reference are acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. The Borrower shall furnish the Financial Statements and the opinion of the auditors to the Bank, in the English language, promptly after their preparation but in any event no later than six (6) months as of the Banks request.

Section III. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower.
2. *Allocation of Loan Amounts.* The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals from the Loan Account. The allocation of the amounts of the Loan to this end is set out in the table below.

Allocations	Amount of the Loan Allocated (expressed in USD)
Single Withdrawal Tranche	100,000,000
TOTAL AMOUNT	100,000,000

B. Withdrawal Conditions; Withdrawal Period

1. *Withdrawal Conditions.* Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account until the Bank has received payment in full of the Front-end Fee and the Co-financing Agreement has entered into effect.
2. *Deposits of Loan Amounts.* Except as the Bank may otherwise agree:
 - (a) all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank ("Deposit Account");
 - (b) the Borrower shall ensure that upon each deposit of an amount of the Loan into the Deposit Account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.
3. *Negative List.* No proceeds of the Loan shall be withdrawn to finance any item specified in Attachment 1 to this Schedule 2.
4. *Withdrawal Period.* The Closing Date is June 30, 2023.

Section IV. Other Undertakings

1. The Borrower shall make available, promptly as needed, the funds, facilities, services, and other resources, which are required, in addition to the proceeds of the Loan, for the carrying out of the Program.

Attachment 1 to Schedule 2Negative List

No withdrawals of proceeds of the Loan will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Table: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations Standard Trade Classification, Revision 3

- (ii) expenditures in the currency of the Borrower or for the goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financial institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the Bank;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is party; and

- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

SCHEDULE 3
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 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 the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each June 15 and December 15 Beginning December 15, 2025 through June 15, 2029	12.5%

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
- (b) Any amount withdrawn 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 the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date.
3. (a) Amounts of the Loan withdrawn within two (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.
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices

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are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

APPENDIX

Section I. Definitions

1. "Borrower" means the Recipient, as said term is defined in the General Conditions.
2. "Counterpart Funds" means the local currency generated from the proceeds of the Loans under the Program.
3. "Co-financier's SPS" means the Co-financier's "*Safeguard Policy Statement*" (2009).
4. "Co-financing" means, for purposes of paragraph 10 of the Appendix to the General Conditions, an aggregate amount of one hundred million Dollars to be provided by the Co-financier to assist in financing the Program.
5. "Co-financing Agreement" means the agreement between the Borrower and the Co-financier providing for the loan in the aggregate amount of the Co-financing from the Co-financier's ordinary capital resources.
6. "Deposit Account" means the deposit account designated by the Borrower, and agreed to by the Bank, into which withdrawals from the Loan Account are deposited, as set forth in Section III.B.3. of Schedule 2.
7. "General Conditions" means the "*Asian Infrastructure Investment Bank General Conditions for Sovereign-backed Loans*", dated October 22, 2021.
8. "Policy Letter" means the development policy letter referred to in Recital (A) of the Loan Agreement.
9. "Prohibited Practice" has the meaning given in the Prohibited Practices Policy.
10. "Prohibited Practices Policy" means, Bank's "*Policy on Prohibited Practices*", dated December 8, 2016, as amended from time to time.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Wherever the term "Project" is used in the General Conditions, the term shall be replaced with the term "Program".
2. Section 5.01 *Project Execution Generally* is modified to read: "Section 5.01. *Program Execution Generally*. The Borrower shall cause the Program to be carried out: (i) with due diligence and efficiency and in conformity with sound administrative, financial, public policy, social, and governance practices; and (ii) in

accordance with the provisions of the Legal Agreements.”

3. Section 5.09 *Financial Management; Financial Statements; Audits* is deleted.