
LOAN NUMBER 9336-MN

Loan Agreement

(Mongolia Transport Connectivity and Logistics Improvement Project)

between

MONGOLIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between MONGOLIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS the Borrower has requested the Association to provide assistance towards the financing of the project described in Schedule 1 to this Agreement ("Project") and the Association has agreed to provide a credit in an amount of seven million three hundred thousand Special Drawing Rights (SDR 7,300,000) pursuant to a financing agreement of even date herewith between the Borrower and the Association ("Financing 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 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, the Financing Agreement or in this Agreement (including the Preamble and Appendix hereto).

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of one hundred million Dollars (USD100,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing Project.
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project, through the MRTD, 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 Conditions of Effectiveness consist of the following:
- (a) the Borrower has, through the MRTD, adopted the Project Operations Manual in form and substance satisfactory to the Bank;
 - (b) the Borrower has, through the MRTD, established the Project Management Office with a mandate, composition, resources, and terms of reference satisfactory to the Bank; and
 - (c) the Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the Signature Date.
- 4.03. For purposes of Section 9.05(b) of the General Conditions, the date on which the obligations of the Borrower 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 Borrower's Representative is its Minister at the time responsible for finance.
- 5.02. For purposes of Section 10.01 of the General Conditions:

- (a) the Borrower's address is:

Ministry of Finance
Government Building II
S. Danzan Street 5/1 D
Ulaanbaatar 15160
Mongolia; and
- (b) the Borrower's Electronic Address is:

Facsimile:

976-11-3202472

5.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED as of the Signature Date.

MONGOLIA

By

Authorized Representative

Name: Javkhlan Bold

Title: Minister of Finance of Mongolia

Date: 28-Aug-2023

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Tae Hyun Lee

Authorized Representative

Name: Tae Hyun Lee

Title: Country Manager for Mongolia

Date: 25-Aug-2023

SCHEDULE 1

Project Description

The objective of the Project is to improve climate-resilient transport connectivity and logistics efficiency for the meat value chain in Mongolia.

The Project consists of the following parts:

Part 1. Infrastructure Investments

- 1.1. Major Repairs and Results-based Maintenance of Key Sections of the Strategic Road Network. Carrying out civil works for the periodic repairing and rehabilitation of approximately 361km of selected sections of the national roads network in Selected Aimags.
- 1.2. Last-mile Connectivity for Local Herders. Carrying out civil works for the upgrading of approximately 51 km of selected sections of local roads in Selected Aimags.
- 1.3. Road-asset Management. Providing technical support for: (i) the development of an asset-management plan and decision-support system for road infrastructure; and (ii) updating technical standards and specifications for climate change resilience.

Part 2. Logistics Services

- 2.1. Feasibility Studies for Logistic Hubs. Providing technical assistance and capacity building support for feasibility studies for logistic hubs and a masterplan for logistics hub.
- 2.2. Logistics and Supply Chain Platform. Providing technical and operational support for the development of a digital supply chain platform, including: (i) carrying out studies and a gap analysis on problems faced by stakeholders in the meat and logistics supply chains for the determination of data and services to be provided in the platform; (ii) developing a governance framework for the operation of the platform; and (iii) supporting logistics firms and herders, including women-led herders, with digital tools, skills and knowledge for participation in the platform.
- 2.3. Pilot Projects for Innovations in the Supply Chain. Piloting selected applications for digital integration in logistical processes and transport routes.
- 2.4. Regulations and Standards for Contracted Logistics Services. Providing technical support for reviewing and updating regulations pertaining to contracted logistics services.

Part 3. Technical Assistance and Capacity Building

- 3.1. Strategic Studies for Handling Meat Destined for Export. Carrying out strategic studies on rail and air freight logistics for export logistics, including, *among others*, technical designs for terminal handling, intermodal operations, and business development for export logistics.

- 3.2. *Project Management, Technical Studies and Capacity Building.* Providing technical and operational support for: (a) project management and coordination, including technical designs for selected roads and bridges, construction supervision, financial management and disbursement, procurement, environmental and social risk and impact management, public consultation and engagement, and monitoring, reporting and evaluation; and (b) building capacity to manage road assets, regulate contracted logistics services, and oversee public private partnerships.

Part 4. 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 Borrower 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 Bank and set out in the Project Operations Manual.
2. Without limitation to foregoing, the Borrower shall:
 - (a) not later than one (1) month after the Effective Date, establish and thereafter, maintain a Project Steering Committee, chaired by the MRTD and including as members representatives of the MRTD, MOFALI, MED, RTDC, local governments from Selected Aimags, and the MOF, which shall be responsible, *inter alia*, for overseeing the Project implementation and facilitating coordination among relevant agencies; and
 - (b) maintain a Project Management Office within the MRTD, which shall be responsible, *inter alia*, for the overall day-to-day implementation of the Project, including: (i) preparing AWPBs and periodical reports, (ii) processing procurement, financial management, environmental and social impact management, including the implementation of a grievance redress mechanism; and (iii) monitoring and evaluation of the Project.

B. Project Operations Manual

The Borrower, through the MRTD, shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operations Manual ("POM") (provided, however, that in the event of any conflict between the arrangements and procedures set out in the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall not amend, abrogate or waive any provision of the POM unless the Bank has provided its prior no-objection thereof in writing.

C. Annual Work Plans and Budgets

1. The Borrower, through the MRTD, shall prepare and furnish to the Bank for its no-objection not later than December 10 of each fiscal year during the implementation of the Project (or such later date as the Bank 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 safeguard measures taken or planned to be taken in accordance with the provisions of Part D of this Schedule.

2. The Borrower shall ensure that the Project is implemented in accordance with the AWPB accepted by the Bank 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 Borrower shall not make or allow to be made any change to the AWPB without prior no-objection in writing by the Bank.

D. Environmental and Social Standards.

1. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower 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 Bank 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 Borrower shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, 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 Bank, 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 Bank 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 Borrower 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 Bank.
6. The Borrower 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 the 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 4 of the Project ("Contingent Emergency Response Part"), the Borrower shall ensure that:
 - (a) a manual ("CERC Manual") is prepared and adopted in form and substance acceptable to the Bank, 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 Loan 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 Bank;
 - (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 Bank.

2. The Borrower 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 Bank.
3. The Borrower 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 Bank; and
 - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Bank.
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 Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

B. Mid-term Review

The Borrower shall: (a) on or about the date twenty-four (24) months after the Effective Date, prepare and furnish to the Bank a mid-term report, in such detail as the Bank 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 this Part A, 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 Bank 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 Loan Proceeds

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 Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the

amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs, and Training for Part I of the Project	99,750,000	100%
(2) Emergency Expenditure	0	100%
(3) Front-end Fee	250,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	100,000,000	

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 those withdrawals up to an aggregate amount not to exceed twenty million Dollars (\$20,000,000) may be made for payments made prior to this date but on or after July 1, 2021, 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 Borrower has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Bank a request to withdraw Loan amounts under Category (2); and (B) the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and
 - (ii) the Borrower has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Bank.
2. The Closing Date is May 1, 2028.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

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").

Level Principal Repayments

Principal Payment Date	Installment Share
On each March 15 and September 15 Beginning September 15, 2027, through March 15, 2052	2%

APPENDIX

Definitions

1. "Aimag" means a province in the Borrower's territory; and "Aimags" means more than one (1) Aimag.
2. "Annual Work Plan and Budget" and the acronym "AWPB" each means the plan and budget referred to in Section I.C of Schedule 2 to this Agreement; as said plan may be modified from time to time with the prior written no-objection of the Bank.
3. "Anti-Corruption Guidelines" means, for purposes of paragraph 6 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.
4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. "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 Bank and which is an integral part of the Project Operations Manual.
6. "Contingent Emergency Response Part" means any activity or activities to be carried out under Part 4 of the Project to respond to an Eligible Crisis or Emergency.
7. "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 Borrower, associated with a natural or man-made crisis or disaster.
8. "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.
9. "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.
10. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated June 2023, 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 Borrower 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.
11. "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 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 Bank.

12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
13. “MED” means the Borrower’s Ministry of Economy and Development, or any successor thereto.
14. “MOF” means the Borrower’s Ministry of Finance, or any successor thereto.
15. “MOFALI” means the Borrower’s Ministry of Food, Agriculture and Light Industry, or any successor thereto.
16. “MRTD” means the Borrower’s Ministry of Road and Transport Development, or any successor thereto.
17. “Operating Costs” means the reasonable costs of goods and non-consulting services 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 Borrower’s civil service.
18. “Procurement Regulations” means, for purposes of paragraph 84 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
19. “Project Management Office” means an office to be established and maintained by the Borrower; as referred to in Section I.A.2.(b) of the Schedule 2 to this Agreement, or any successor thereto.

20. "Project Steering Committee" means the committee to be established and maintained by the Borrower; as referred to in Section I.A.2.(a) of the Schedule 2 to this Agreement, or any successor thereto.
21. "Project Operations Manual" means the manual to be adopted by the Borrower, through the MRTD, 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) personal data collection and processing in accordance with good international practice, roles and responsibilities for Project implementation; 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. "RTDC" means Road and Transport Development Center, a state-owned enterprise established and operating in accordance with the laws of the Borrower; or any successor thereto.
23. "Selected Aimags" means, collectively, the Aimags of Arkhangai, Bulgan, Khentii, Khuvsgul, Sukhbaatar, Tuv, Uvs, and Uvurkhangai located in the Borrower's territory.
24. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
25. "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, based on training plans approved by the Bank, 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 Borrower's civil service.