

LOAN NUMBER ____ - ____

Loan Agreement

(Third Energy Sector 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"). 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 the Appendix hereto).

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of forty-seven million eight hundred and forty thousand Dollars (USD 47,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the 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 objectives of the Project and the MPA Program. To this end, the Borrower shall carry out the Project through its Ministry of Energy ("MOE") 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 MOE, adopted the Project Operational Manual in form and substance satisfactory to the Bank; and
 - (b) the Borrower has, through MOE, established the Project Management Office with a mandate, composition, resources, and terms of reference satisfactory to the Bank.

- 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: _____

Title: _____

Date: _____

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Authorized Representative

Name: _____

Title: _____

Date: _____

SCHEDULE 1

Project Description

The objective of the Project is to increase the capacity and reliability of the transmission grid in the Project Areas for renewable energy integration.

The Project constitutes a phase of the MPA Program, and consists of the following parts:

Part 1. Transmission Line Construction and Associated Substations Expansion

Construction of one 220 kV double-circuit transmission line from Baganuur Substation to Choir Substation and expansion of its associated substations.

Part 2. Capacity Building and Implementation Support

Providing technical and operational assistance for: (a) strengthening the institutional and technical capacity, including in the areas of procurement and environmental and social policy, of MOE and relevant agencies; and (b) implementation support and project management, including financial management and disbursement, procurement, environmental and social risk and impact management, and monitoring, reporting and evaluation.

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 Operational Manual.
2. Without limitation to foregoing, the Borrower shall:
 - (a) by one (1) month after the Effective Date, establish and thereafter, maintain a Project Steering Committee, chaired by MOE and including as members representatives of MOF, MOE, local governments from Project Areas, 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 MOE, 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, disbursement, environmental and social risk and impact management, including the implementation of a grievance redress mechanism; and (iii) monitoring and evaluation of the Project.

B. Project Operational Manual

The Borrower, through MOE, shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operational Manual (provided, however, that in the event of any conflict between the arrangements and procedures set out in the Project Operational 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 Operational Manual unless the Bank has provided its prior no-objection thereof in writing.

C. Annual Work Plans and Budgets

1. The Borrower, through MOE, 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 E 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. Counterpart Funding.

Without limitation to the generality of Section 5.03 (*Provision of Funds and other Resources*) of the General Conditions, the Borrower shall, throughout the period of implementation of the Project:

- (1) provide or cause to be provided, in a timely manner, adequate counterpart funds, in the minimum amount of \$840,000 equivalent, or any other amount as agreed to in writing by the Bank, for the exclusive purpose of providing its own financing for activities under Part 2(b) ("Counterpart Funding");
- (2) at least annually, provide the Bank with a report accompanied by supporting documentation on the status of the Counterpart Funding contributions required to be made under paragraph 1 above; and
- (3) ensure that all the Project activities financed by the Borrower's Counterpart Funding are carried out in compliance with all the requirements applicable to the Project activities under this Agreement, including the provisions of the Project Operational Manual.

E. 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 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.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall furnish to the Bank each Project Report not later than one month 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 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 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 the Project	47,000,000	100% of the IBRD share, per AWPB
TOTAL AMOUNT	47,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$9,400,000 may be made for payments made prior to this date but on or after March 31, 2024, for Eligible Expenditures under Category (1).
2. The Closing Date is December 31, 2029.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The Borrower shall repay the principal amount of the Loan in accordance with the following table, which 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").

Annuity Principal Repayments

Principal Repayment Date	Installment Share
15Mar2030	1.03000
15Sep2030	1.06000
15Mar2031	1.08000
15Sep2031	1.11000
15Mar2032	1.14000
15Sep2032	1.17000
15Mar2033	1.19000
15Sep2033	1.22000
15Mar2034	1.26000
15Sep2034	1.29000
15Mar2035	1.32000
15Sep2035	1.35000
15Mar2036	1.39000
15Sep2036	1.42000
15Mar2037	1.46000
15Sep2037	1.49000
15Mar2038	1.53000
15Sep2038	1.57000
15Mar2039	1.61000
15Sep2039	1.65000
15Mar2040	1.69000
15Sep2040	1.73000
15Mar2041	1.77000
15Sep2041	1.82000
15Mar2042	1.86000
15Sep2042	1.91000
15Mar2043	1.96000
15Sep2043	2.01000
15Mar2044	2.06000
15Sep2044	2.11000
15Mar2045	2.16000
15Sep2045	2.22000
15Mar2046	2.27000
15Sep2046	2.33000
15Mar2047	2.39000
15Sep2047	2.45000
15Mar2048	2.51000
15Sep2048	2.57000
15Mar2049	2.63000
15Sep2049	2.70000
15Mar2050	2.77000
15Sep2050	2.84000
15Mar2051	2.91000
15Sep2051	2.98000
15Mar2052	3.05000
15Sep2052	3.13000
15Mar2053	3.21000
15Sep2053	3.29000
15Mar2054	3.37000
15Sep2054	2.96000

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 2 to this 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 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.
3. "Baganuur Substation" means the substation of the same name, located in the Baganuur district of the Borrower's city of Ulaanbaatar.
4. "Choir Substation" means the substation of the same name, located in the Choir district of the Borrower's province of Dundgovi.
5. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated September 2024, 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.
6. "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 Bank.
7. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018 (Last revised on July 15, 2023).
8. "kV" means kilovolt, or one thousand (1,000) volts, a standard unit of measure of electric voltage.
9. "MOE" means the Borrower's Ministry of Energy, or any successor thereto.
10. "MOF" means the Borrower's Ministry of Finance, or any successor thereto.
11. "MPA Program" means the multiphase programmatic approach program designed to accelerate the implementation of the energy transition by scaling up the use of renewable energy in the power and heating sectors across the East Asia and Pacific region.
12. "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.

13. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated September 2023.
14. "Project Areas" means, collectively, the selected areas in the Borrower's provinces of Tuv, Dundgovi, Govisumber, and city of Ulaanbaatar, where the Banganuur-Choir transmission line passing through, and other areas as may be selected by the Recipient as agreed with the Association during the Project implementation.
15. "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.
16. "Project Operational Manual" means the manual to be adopted by the Borrower, through MOE, and to be updated for the implementation of the Project, containing 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; 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.
17. "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.
18. "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.
19. "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.