

CONFORMED COPY

CREDIT NUMBER 4673-MN

Financing Agreement

(Additional Financing For the Energy Project)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 16, 2010



FINANCING AGREEMENT

AGREEMENT dated April 16, 2010 , entered into between MONGOLIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for the Additional Activities related to the Original Project (as defined in the Appendix to this Agreement). 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a credit in the amount equivalent to seven million six hundred thousand Special Drawing Rights (SDR 7,600,000) (variously, “Credit” and “Financing”) to assist in financing the Project’s Additional Activities described in Schedule 1 to this Agreement.
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is United States Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall, through MMRE, carry out Parts E and F of the Project, and cause UBEDN to carry out Part D of the Project in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Additional Activities under the Project are carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UBEDN to perform any of its obligations under the Project Agreement.
 - (b) The UBEDN shall have failed to perform any of its obligations under the Subsidiary Agreement.
 - (c) The Energy Law shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UBEDN to perform any of its obligations under the Subsidiary Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely: any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Subsidiary Agreement has been executed on behalf of the Recipient and UBEDN; and
 - (b) The Project Steering Committee has been established pursuant to the provisions of Section I.A.(a) of Schedule 2 to this Agreement.
- 5.02. The Additional Legal Matter consists of the following, namely: that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and UBEDN; and is legally binding upon the Recipient and UBEDN in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05(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 years (20) after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Finance.
- 6.02. The Recipient's Address is:

Ministry of Finance
Government Building 2
United Nations' Street 5/1
Ulaanbaatar, 210646
Mongolia

Facsimile:

976-11-262272

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Ulaanbaatar, Mongolia, as of the day and year first above written.

MONGOLIA

By /s/ S. Bayartsogt

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Arshad Sayed

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to: (i) reduce electricity system losses and improve service reliability in electricity distribution in Ulaanbaatar and selected Aimag centers; (ii) improve revenue collections in the electricity distribution system; and (iii) build up institutional capacity to move toward a more commercial and market-based energy sector.

The Project consists of the Original Project and the following Additional Activities:

Part D: UBEDN Investments

“Carrying out critical investments in UBEDN’s distribution network, including, *inter alia*: (i) replacing circuit breakers; (ii) constructing new substations and switching stations; (iii) expanding load capacity of existing substations; (iv) installing new cables and switchgears; and (v) acquiring equipment necessary for the monitoring of 35 kV cable faults.”

Part E: Development of Distribution Network Planning

Developing the planning and design capabilities of UBEDN and CRETC in order to prepare more efficient and structured investment plans for the distribution and transmission networks in Ulaanbaatar and the Central Region.

Part F: Capacity Building for UBEDN and Project Management

1. Strengthening the institutional capacity of UBEDN in the use of software tools for system planning and distribution and transmission network designing.
2. Strengthening the institutional capacity of the MMRE to carry out the Project.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

The Recipient shall:

- a) establish, and thereafter maintain throughout the period of Project implementation, a Project Steering Committee, chaired by a State Secretary of the MMRE, including representatives from the UBEDN and CRETC, which committee shall be assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for: (i) providing direction to, and oversight of, the PIU with respect to implementation of Parts E and F of the Project; (ii) serving as liaison between MMRE, UBEDN and CRETC for purposes of coordinating the implementation said components (i.e Parts E and F of the Project); and (iii) coordinating with UBEDN, and advising it on, the implementation of Part D of the Project; and
- b) maintain throughout the period of Project implementation, a Project Implementation Unit (PIU) within MMRE with functions and resources acceptable to the Association, under the direction of a qualified staff in adequate numbers and experienced manager, and with competent and appropriately qualified staff in adequate numbers and provided with funds and resources as shall be required to coordinate the overall implementation of the Project, including the procurement processes for all Additional Activities.

B. Subsidiary Agreement

1. To facilitate the carrying out of UBEDN's Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing available to UBEDN under a subsidiary agreement between the Recipient and UBEDN, under terms and conditions approved by the Association (the "Subsidiary Agreement"), which shall include the following:
 - (a) the principal amounts so on-lent shall be denominated in United States Dollars;
 - (b) UBEDN shall pay to the Recipient interest charges on the principal amounts withdrawn and outstanding from time to time under the Subsidiary Agreement, at two percent (2%) interest rate per annum;

- (c) the interest charges incurred until December 31, 2012 pursuant to subparagraph (b) above shall be capitalized under the subsidiary loan and repaid with the principal pursuant to subparagraph (d) below;
 - (d) the tenure of the subsidiary loan shall be at least twenty (20) years, inclusive of a grace period of not less than eight (8) years and, thereafter, there shall be semi-annual amortization for a minimum of twelve (12) years;
 - (e) the Recipient and UBEDN shall detail their respective undertakings and arrangements for the flow of funds (including the assignment of Project financial management responsibilities to the PIU—including those for UBEDN's Respective Part of the Project, as well as the disbursement protocols, and the necessary supporting evidence and reporting requirements therefor) in a manner satisfactory to the Association;
 - (f) the Recipient and UBEDN shall agreed that all procurement activities under UBEDN's Respective Part of the Project will be carried out by the PIU, regardless of UBEDN's ownership of any such contracts and its subsequent responsibilities of monitoring/supervising contract execution, effecting any payments therefor, and fulfilling any undertakings thereunder;
 - (g) UBEDN shall undertake to operate with diligence and efficiency and in conformity with internationally acceptable administrative, technical, financial and economic managerial practices and standards, including a proper and transparent accounting system and regular financial audits in accordance with consistently applied accounting and auditing standards; and
 - (h) the Recipient shall have the right to suspend or terminate the Subsidiary Agreement, and/or accelerate the recovery of any outstanding amounts withdrawn thereunder, upon: (A) UBEDN's failure to perform any of its obligations under the Subsidiary Agreement and/or the Project Agreement; and (B) the Association's exercising any of the remedies under Article VI of the General Conditions.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

1. In carrying out the Additional Activities, the Recipient shall ensure, or shall cause UBEDN to ensure, that the Additional Activities are implemented in accordance with sound environmental and social principles, practices and standards, acceptable to the Association. In the event that the Additional Activities would require social and/or environmental mitigation measures, the Recipient shall implement, or cause UBEDN to implement, any such Additional Activities in accordance with the provisions of the Environmental Management Plan.
2. Except as the Association shall otherwise agree, the Recipient shall not, and shall cause UBEDN not to revise, suspend, abrogate, waive or amend the Environmental Management Plan, whether in whole or in part.
3. Notwithstanding the foregoing, for purposes of Part D(ii) of the Project the Recipient undertakes to cause UBEDN not to commence any civil works until:
 - (a) the property and titling of the public land where such substations or switching stations will be built is properly transferred to UBEDN;
 - (b) UBEDN has prepared the route maps showing property details, type of ownership, land usage, and details of any existing buildings along the proposed 35 kV transmission lines; and
 - (c) UBEDN has implemented, adopted and/or set in place any social and environmental mitigation measures required pursuant to the Environmental Management Plan.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

- (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the calendar semester covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

- (i) by Closing Date, the total system losses of UBEDN's electricity distribution network shall have been reduced to 18% of the gross power purchased;
- (ii) by Closing Date, the additional consumer sales as a result of new developments shall amount to 64GWh per annum; and
- (iii) by Closing Date, UBEDN's average time of outstanding billing collections of consumer payments currently due shall have been reduced to not more than forty-five (45) days as of billing.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain, and cause UBEDN to maintain, a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
- 3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

- 1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
- 2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

- 3. Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
- B. Particular Methods of Procurement of Goods and Works**
- 1. International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding. To this end, the Recipient further undertakes to:
- (a) advertise all invitation for International Competitive Bidding procurement in:
 - (i) the dgMarket website (www.procurement.dgmarket.com) and the Recipient's public procurement website (www.e-procurement.mn);
 - (ii) in a daily local newspaper in written Mongolian; and
 - (iii) in a weekly local newspaper written in English;
 - (b) prepare the bidding documents in terms satisfactory to the Association, using the Association's model forms;
 - (c) prepare detailed bid evaluation reports providing adequate information and supporting evidence, satisfactory to the Association, in order to determine the responsiveness or rejection of submitted bids;
 - (d) publish contract awards in United Nations Development Business and the dgMarket website within two (2) weeks as of receipt of the Association's non-objection letter to the recommendation of the respective contract award; and
 - (e) provide for contract payments for supplied goods to be made through letters of credit or direct payments as agreed among the contracting parties.
- 2. Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Shopping <i>(subject to the standardized procedures set forth in the Attachment to this Schedule)</i>
(b) Direct Contracting

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality Based Selection
(b) Selection Based on Consultants’ Qualifications
(c) Single Source Selection
(d) Individual Consultants

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods and works estimated to cost the equivalent of US\$100,000 or more; (b) each contract for goods procured on the basis of Direct Contracting regardless of its value; (c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of US\$100,000 or more; (d) each contract for consultants’ services provided by a firm estimated and awarded on the basis of Single Source Selection, regardless of its value; and (e) each contract for consultants’ services provide by individual consultants estimated to costs the equivalent of US\$50,000 or more. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods and works under Part D of the Project	6,780,000	100%
(2) Consultants’ services (including software development) under Parts E and F of the Project	566,000	100%
(3) Training and Workshops under Parts E and F of the Project and Incremental Operating Costs	254,000	100%
TOTAL AMOUNT	7,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 314,000 equivalent

may be made for payments made prior to this date but on or after December 1, 2009, for Eligible Expenditures under Category 1.

2. The Closing Date is September 30, 2013.

ATTACHMENT TO SCHEDULE 2**Standardized Procedures for Shopping****A. Application of Shopping**

1. Shopping may be used to procure small amounts of off-the-shelf goods or standard specification commodities for which more competitive methods are not justified on the basis of cost or efficiency.
2. To avoid any abuses, Recipient shall only use Shopping in those cases justified beyond contention. The Recipient shall not resort to Shopping on the basis of its expediency, nor shall it fraction large procurement packages in order to use this method.
3. Shopping shall not be used in those cases requiring complex contract specifications or elaborate, detailed evaluation systems (e.g. consideration of efficiencies, delivery times, etc.). In all these cases, the Recipient shall employ formal bidding processes.

B. Threshold for Shopping

4. Shopping procedures may be used for the procurement of goods costing less than US\$100,000 equivalent, and pursuant to the Procurement Plan, as approved by the Association.

C. Number and Origin of Quotations to be Compared

5. The Recipient must obtain and compare at least three valid quotations in order to establish the reasonable price. If there were more than one provider of the desired goods, at competitive prices, the Recipient will be entitled to use national Shopping and obtain at least three quotations, otherwise the Recipient shall use international Shopping procedures and request quotations from suppliers from at least two different countries. Quotation of foreign-manufactured goods located in Mongolia and offered by a firm located in Mongolia shall be considered as quoted from abroad for purposes of satisfying the “different-countries” origin rule.

D. Firms to be Invited

6. The Recipient shall exercise its due diligence to satisfy itself that the firms invited to quote are reputable, well established, and are regular suppliers of the goods or services being purchased. In the event that the Recipient receives an unsolicited quotation, such quotation will only be accepted after the Recipient

has carried out the aforementioned due diligence to verify the nature and reputation of the firm furnishing said quotation.

E. Form of Requests

7. The Recipient shall request quotations by correspondence, fax, telex, electronic messaging, etc., (with proof of receipt and record keeping). The requests shall include the description and quantity of the goods to be procured, as well as the required delivery time and place for such goods or services, including any installation requirements, as appropriate. The request shall also indicate the date by which the quotations shall be made (normally, at least two weeks as of the date of the request).

F. Prices and Currencies

8. Prices for goods supplied from within the territory of the Recipient (including previously imported items) shall be requested to be quoted EXW (ex works, ex factory, ex warehouse ex show room or off-the-shelf, as applicable), including all custom duties and sale and other taxes already paid or payable on the raw materials and components. For goods offered from abroad (i.e., not previously imported), prices shall be requested CIF or CIP. Prices can be quoted in any currency stated in, and acceptable pursuant to, the Recipient's request.

G. Submission of Quotations

9. The Recipient shall request that suppliers submit their quotations in writing (i.e., by fax, telex, letter, or electronic messaging). Copies of such quotations shall be kept for the records. No bid or performance securities shall be required.

H. Comparison of Quotations

10. The Recipient shall compare the submitted quotations adding to the quoted price for goods, the estimated cost of inland transportation and insurance, if any, to the final destination. For purposes of this comparison, prices shall be converted into local currency at the exchange rate on the day of invitation of the quotes or the day of comparison. The purchase contract shall be awarded to the supplier quoting the lowest price.

I. Record of Award

11. The Recipient shall document the award decision and its rationale and keep those records for post-review and audit by the Association. The record shall contain the list of firms invited and the list and value of the quotations received.

J. Currency of Payment

12. Purchase orders shall specify the currency of payment which shall be the same as the currency of the quote.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
commencing April 15, 2020 to and including October 15, 2029	1%
commencing April 15, 2030 to and including October 15, 2049	2%

* 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 3.03(b) of the General Conditions.

APPENDIX**Section I. Definitions**

1. “Additional Activities” means the Project activities described in Schedule 1 to this Agreement (i.e. Parts D, E and F of the Project).
2. “Aimag” means a province of the Recipient.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants,” dated October 15, 2006.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Central Region” means the Aimags served by CRETC.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “CRETC” means the Central Region Electricity Transmission Company, a company established and operating under Mongolia’s law, pursuant to its charter dated August 12, 2002, and the Government Resolution No. 164, dated July 9, 2001, responsible for the transmission of electricity in the Aimags of Tuv, Ovorkhangai, Arkhangai, Bayankhongor, Darkhan-Uul, Govi-Sumber, Orkhon, Selenge, Bulgan, Dundgovi, Dornogovi, Khuvsgul, Dornod, and Khentii, and any successor thereto.
8. “Energy Law” means the law on electricity and heat supply and distribution, approved by the Recipient’s Parliament on February 1, 2001, as amended to the date of this Agreement.
9. “Environmental Management Plan” means the management plan adopted by UBEDN, dated October 1, 2009, providing for appropriate evaluation, monitoring, consultation, mitigation and grievance redressal mechanism and their budgets, as well as the institutional responsibilities and procedures, required to offset or eliminate any potentially adverse environmental impact of the Additional Activities (including the potential impact caused by the removal of equipment containing polychlorinated byphenil).
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended

through October 15, 2006), with the modifications set forth in Section II of this Appendix.

11. “Incremental Operating Costs” means the reasonable costs of the incremental expenditures incurred by the PIU in relation to the Additional Activities, which expenditure would not have been incurred absent the Additional Activities, including, *inter alia*: office rental; vehicles rental, operations and maintenance; in-country travel allowances; storage costs; shipping and handling charges; banking services and insurance costs; communication and dissemination expenses; translation and printing costs; and utilities fees and security costs; but excluding salaries or salary supplements of the Recipient’s civil servants.
12. “MMRE” means the Recipient’s Ministry of Mineral Resources and Energy, and any successor thereto.
13. “Original Financing Agreement” means the Development Credit Agreement for an Energy Project between the Recipient and the Association, dated August 2, 2001, as amended to the date of this Agreement (Credit No 3503-MOG).
14. “Original Project” means the project described in the Original Financing Agreement (i.e. Parts A, B and C of the Project).
15. “Project” means, jointly, the Original Project (i.e. Parts A, B and C) and the Additional Activities (i.e. Parts D, E and F).
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 1, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
18. “Project Implementing Entity” means UBEDN.
19. “Project Implementing Entity’s Legislation” means the Government Resolution No. 203, dated July 9, 2001.
20. “Project Implementing Unit” and the acronym “PIU” mean the unit established in 2000 and reassigned to MMRE through MMRE Ministerial Order 32, dated November 29, 2004 as amended, in order to provide technical capacity for the implementation of the Original Project and to be maintained pursuant to Section I.A. sub-paragraph (b) of Schedule 2 to this Agreement for purposes of the implementation of the Additional Activities.

21. “Project Steering Committee” means the committee to be established pursuant to Section I.A. sub-paragraph (a) of Schedule 2 to this Agreement, for purposes of carrying out the oversight to Project implementation.
22. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to UBEDN.
23. “Training and Workshops” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient or overseas (subject to the prior no-objection of the Association), including the purchase and publication of materials, rental of facilities, course fees, and travel and substance of trainees.
24. “Ulaanbaatar” means the capital city of the Recipient.
25. “UBEDN” means the Ulaanbaatar Electricity Distribution Network Company, a company established and operating under Mongolia’s law, pursuant to its charter dated September 12, 2001 and the Government Resolution No. 203, dated July 9, 2001, responsible for the distribution of electricity throughout the city of Ulaanbaatar, and any successor thereto.

Section II. Modifications to the General Conditions

Paragraph (1) of Section 6.02 of the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) is hereby modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”