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**CREDIT NUMBER 4777-MN**

# **Financing Agreement**

**(Multi-Sectoral Technical Assistance Project)**

**between**

**MONGOLIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated August 4, 2010**

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**CREDIT NUMBER 4777-MN**

**FINANCING AGREEMENT**

AGREEMENT dated August 4, 2010, entered into between MONGOLIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 an amount equivalent to eight million Special Drawing Rights (SDR 8,000,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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: (i) carry out Parts A and D of the Project through MOF; (ii) carry out Part B of the Project through MoSWL; and (iii) cause Part C of the Project to be carried out by the Project Implementing Entity. The Recipient shall implement, or cause to implement the Project in accordance with the provisions of Article IV of the General Conditions and, for purposes of Part C of the Project, also 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 Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following: namely, the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, the 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 the Project Implementing Entity.
  - (b) the Project Steering Committee has been established pursuant to Section I.A.1(a) of Schedule 2 to this Agreement;

- (c) the Technical Working Groups in MOF, MoSWL and the Project Implementing Entity have been established pursuant to Section I.A.1(c) of Schedule 2 to this Agreement and Section I.A.1(b) of the Schedule to the Project Agreement, as the case may be; and
  - (d) the Project Implementation Manual and Financial Management Manual have been prepared and adopted by the Recipient on terms and conditions satisfactory to the Association.
- 5.02. The Additional Legal Matter consists of the following, namely, the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date one hundred and twenty (120) 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 (20) years 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, 15160

Facsimile:

976-51-262272

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/ Bayartsogt

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Arshad M. Sayed

Authorized Representative

## SCHEDULE 1

### Project Description

The objectives of the Project are to support the Recipient's efforts to enhance its capacity for policy making, regulation and implementation of the fiscal, social and financial sectors.

The Project consists of the following parts:

#### Part A: Enhancing Capacity for Fiscal Management

1. Improving budget preparation by: (i) strengthening the institutional capacity and organizational arrangements of MOF and NDIC for strategic planning and policy analysis, in order to ensure the Recipient's fiscal sustainability and compliance with the Fiscal Stability Law; (ii) aligning the budgeting process to national, sectoral and local priorities, through the adoption of greater decentralization policies, and enhancing transparency and predictability in the apportionment, transfer and management of revenues and expenditures; (iii) improving inter-sectoral coordination; and (iv) improving investment planning.
2. Improving the public financial management by: (i) revising and strengthening the existing legal framework for accounting and auditing; (ii) strengthening MOF's and the Financial Regulatory Committee's institutional capacity to ensure compliance with international financial reporting standards and international standards on auditing; (iii) strengthening MOF's internal controls by improving its internal auditing capacity; and (iv) improving accounting and auditing professional education and training.

#### Part B: Supporting Government Efforts to Better Protect the Poor

1. Designing and piloting the implementation of a social benefit program for the provision of cash transfers to the poor households, including the determination of the amount of the benefits, frequency of transfers and/or any conditions attached thereto, and eventually devising the final structure of a permanent program.
2. Supporting the piloting and national roll-out of the Proxy Means Test targeting system for determining the eligibility of beneficiaries of the social benefit program, including, *inter alia*: (i) strengthening MoSWL's and LSWSO's capacity to develop and manage a social program beneficiaries database; (ii) developing and implementing a grievance redressal and appeals mechanism for social welfare programs, and a related information and communication campaign; (iii) strengthening the institutional and governance structures of MoSWL, LSWSO, MoECS, and MOH in order to improve their efficiency in the provision of welfare services; and (iv) developing and implementing an

information, education and communication strategy regarding social welfare entitlements.

3. Monitoring and evaluating the cash transfer program performance by setting up a system of program audits and social accountability aimed at enhancing the program's transparency in the allocation and payment of benefits, and assessing the impact of the reformed welfare system on the Recipient's poverty rates and human development outcomes.
4. Providing training to MoSWL's and LSWSO's staff for the implementation of the social welfare reform system, including the development and distribution of printed material/reference guides therefor, in order to ensure that social benefits are successfully delivered to the poor and vulnerable population.

Part C: Enhancing Capacity for Maintaining the Stability of the Financial Sector

1. Strengthening the institutional capacity of BOM in order to: (i) finalize the liquidation of assets of the failed banks under the BOM's receivership; (ii) finalize, adopt and implement a bank restructuring strategy, including the effective operation and privatization of the State Bank of Mongolia; (iii) develop and implement a corporate debt restructuring in the mining and construction sectors; (iv) carry out targeted forensic audits of financial institutions; and (v) provide on-the-job training to BOM's staff in the above areas.
2. Supporting the implementation of the amended Central Bank Law and the new Banking Law by: (i) developing and adopting new financial reporting regimes for commercial banks; (ii) revising and streamlining existing bank regulations; (iii) strengthening BOM's off-site supervision capabilities; and (iv) transitioning from a blanket deposit guarantee to a limited deposit insurance regime.
3. Strengthening BOM's human capital through: (i) developing regular training curricula for financial sector supervisors; and (ii) carrying out study tours and attending and/or hosting conferences and workshops.

Part D: Project Management

Strengthening MOF's capacity for Project implementation, monitoring and evaluation, including, inter alia, audit arrangements, reporting requirements, procurement, disbursement and financial management activities.



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

## 1. The Recipient shall:

- (a) establish, and thereafter maintain throughout the implementation of the Project, an inter-ministerial Project Steering Committee, chaired by the Deputy Minister of MOF, and comprised of the General Director of Fiscal Policy Department of MOF, State Secretary of MoSWL, and the First Deputy Governor of BOM, and assigned with such functions, powers, resources and competencies, satisfactory to the Association, as shall be required for the overall policy guidance and general oversight of Project implementation, including inter-ministerial coordination, Project monitoring and evaluation, and the liaison with the Association. The Project Steering Committee shall meet at least once every calendar quarter;
- (b) maintain, throughout the implementation of the Project, the Project Management Unit, vested with the responsibility of the overall management and coordination of Project fiduciary obligations, said PMU to be: (i) headed by the State Secretary of MOF as Project Director, assisted by a qualified and experienced Project Manager and a procurement officer and a financial officer, all of which supporting staff shall have experience and qualifications acceptable to the Association and contracted under terms of reference satisfactory to the Association; and (ii) assigned with such functions, powers, resources and competencies, satisfactory to the Association, as shall be required to achieve its purposes, including the fiduciary responsibilities for procurement, financial management, record keeping, disbursement, and compliance with monitoring and reporting requirements;
- (c) establish (and/or cause the Project Implementation Entity to establish) and thereafter maintain throughout the implementation of the Project, Technical Working Groups in each of MOF, MoSWL and BOM for purposes of handling the day-to-day technical aspects of Project activities (other than the fiduciary responsibilities assigned to the PMU) in each of the MOF, MoSWL and BOM's Respective Parts of the Project; which teams shall be comprised of experienced and qualified technical staff, in sufficient numbers and under terms of reference satisfactory to the Association, and granted with necessary powers,

functions and resources required for providing technical guidance for: (i) carrying out the planning and strategic sequencing of Project activities, and developing terms of reference and technical specifications therefor; (ii) managing contract and monitoring performance thereof; (iii) monitoring and supervising Project activities under their respective parts of the Project; and (iv) preparing Project Reports for submission to the Project Management Unit, the PSC and the Association.

**B. Subsidiary Agreement**

1. To facilitate the carrying out of Part C of the Project, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Agreement”), which shall include the following:
  - (a) the Recipient shall grant to the Project Implementing Entity out of the proceeds of the Credit, an amount not to exceed in the aggregate six million two hundred thousand United States dollars (US\$ 6,200,000), or such other amount as shall be agreed from time to time in writing with the Association;
  - (b) the grant provided by the Recipient to the Project Implementing Entity shall be in kind, and the responsibility for procurement activities in accordance with the requirement of Section III of Schedule 2 of this Agreement under Part C of the Project shall be vested in the PMU; and
  - (c) the Recipient shall have right to suspend or terminate the Subsidiary Agreement, upon: (i) the Project Implementing Entity’s failure to perform any of its obligations under the Subsidiary Agreement; or (ii) the Association’s exercising any 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 in writing, the Recipient shall not assign, amend, abrogate, suspend or waive the Subsidiary Agreement, whether in whole or in part.

**C. Anti-Corruption**

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

**D. Implementation Documents**

1. The Recipient shall carry out Parts A, B and C of Project, and cause BOM to carry out Part C of the Project, as the case may be, pursuant to the Project Implementation Manual and the Financial Management Manual.
2. The Recipient shall not amend, suspend, waive, cancel or abrogate the Project Implementation Manual and the Financial Management Manual and/or any provisions thereof, nor allow the Project Implementing Entity to do so, without the prior written concurrence of the Association.
3. The Recipient undertakes to cause the MOF, MoSWL and the Project Implementing Entity to:
  - (a) prepare, by no later than September 15 of each year, commencing on September 15, 2010, and furnish to the PSC and the Association for review and concurrence, a draft Annual Implementation Plan for the following Fiscal Year, which plan shall identify the Project activities under their Respective Parts of the Project by sub-component, detailing their related expenditures and financing sources; and
  - (b) thereafter, implement the Project activities during the respective Fiscal Year pursuant to such plan as so discussed with, and agreed by, the Project Steering Committee and the Association.

**E. Safeguards**

1. In carrying out Part B of the Project, the Recipient shall:
  - (a) apply the Indigenous Peoples Planning Framework, satisfactory to the Association, setting out, inter alia:
    - (i) a description of Project activities likely to have positive or adverse effects on Indigenous Peoples;
    - (ii) the principles and procedures for carrying out a social assessment of such activities, including a framework for ensuring free, prior, and informed consultations with the affected Indigenous Peoples;
    - (iii) the institutional arrangements for screening Project-supported activities, evaluating their effects on Indigenous Peoples, preparing an Indigenous Peoples Plan, and addressing any grievances; and

- (iv) monitoring, reporting and disclosure arrangements;
- (b) prior to commencing any activities, screen those activities in accordance with the Indigenous Peoples Planning Framework in order to avoid, to the extent possible, any socially and culturally incompatible effects on Indigenous Peoples and their communities. In the event that such effects were inevitable:
  - (i) prior to commencing said activities, prepare and adopt an Indigenous Peoples Plan, satisfactory to the Association, in accordance with the procedures of the Indigenous Peoples Planning Framework; and
  - (ii) thereafter carry out said Project activities in conformity with the Indigenous Peoples Plan.
- (c) Not amend, suspend, waive, cancel or abrogate the Indigenous Peoples Planning Framework, any Indigenous Peoples Plan, and/or any provisions thereof, without the prior written concurrence of the Association.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. 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 period covered by such report.
  - (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
    - (i) by the Closing Date, the Recipient shall have established a national committee for accounting and auditing standards vested with the responsibility of ensuring that Mongolia's accounting and auditing standards are substantially compliant with international financial reporting standards and international standards of auditing;
    - (ii) by the Closing Date, MoSWL has prepared a poor households database, on the basis of the Proxy Means Test survey; and

- (iii) by the Closing Date, BOM has: (A) successfully caused the completion of the restructuring of those systemic banks which have failed to meet the adjusted risk-based capital adequacy ratio as of the date to be determined by the BOM for the purpose of implementing the comprehensive bank restructuring strategy to be submitted to the Parliament; and (B) prepared, adopted and implemented new improved prudential regulations.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained 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 semester, interim unaudited financial reports for the Project covering the expenditures incurred under the Project up to (including) the respective calendar semester, 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.** All goods 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. **Technical Assistance Services.** All technical assistance 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**

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 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:

<b>Procurement Method</b>
(a) Shopping
(b) Direct Contracting

**C. Particular Methods of Procurement of Technical Assistance Services**

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

<b>Procurement Method</b>
(a) Quality-Based Selection
(b) Selection based on Consultants' Qualifications
(c) Least Cost Selection
(d) Single Source Selection
(e) 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 estimate 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 technical assistance services provided by a firm estimated to cost the equivalent of US\$100,000 or more; and (d) each contract for technical assistance services awarded on a Single Source Selection basis, regardless of its value. 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:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods	150,000	100%
(2) Technical assistance services for BoM, MoSWL and MoF	5,040,000	100%
(3) Training and Workshops	2,660,000	100%
(4) Incremental Operating Costs	150,000	100%
<b>TOTAL AMOUNT</b>	<b>8,000,000</b>	





**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 US\$500,000 equivalent may be made for payments made prior to this date but on or after March 1, 2010, for Eligible Expenditures under Category (2).
2. The Closing Date is December 31, 2014.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15	
commencing October 15, 2020 to and including April 15, 2030	1%
commencing October 15, 2030 to and including April 15, 2050	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. “Annual Implementation Plan” means the plans to be prepared by the MOF’s, MoSWL’s and BOM’s Technical Working Groups pursuant to Section I.D.3 of Schedule 2 to this Agreement, and Section I.A.3 of the Schedule to the Project Agreement.
2. “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.
3. “Bank of Mongolia” and the acronym “BOM” mean the Recipient’s central bank, established and operating pursuant to the Central Bank Law, as amended to the date of this Agreement.
4. “Banking Law” means the Recipient’s law, on banks licensing, organization, management and regulation, dated January 28, 2010, as amended to the date of this Agreement.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Central Bank Law” means the Recipient’s law, on central bank regulation, dated September 3, 1996, as amended to the date of this Agreement.
7. “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.
8. “Financial Management Manual” and the acronym “FMM” means the manual to be prepared and adopted by the Project Management Unit, pursuant to Section 5.01(d) of this Agreement, setting forth detailed guidance on segregation of duties, internal control protocols, accounting and record keeping procedures, funds flow arrangements, withdrawal application procedures, asset management, reporting and auditing arrangements applicable to the Project.
9. “Financial Regulatory Committee” means the committee established as a governmental organization pursuant to the Law on Legal Status of Financial Regulatory Committee, dated November 17, 2005.
10. “Fiscal Stability Law” means the draft law on fiscal stability, currently under consideration by the Recipient’s Ikh Khural (Parliament).

11. “Fiscal Year” means the Recipient financial year which commences in January 1<sup>st</sup> and closes on December 31 of the same calendar year.
12. “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.
13. “Incremental Operating Costs” means the expenditures for office rentals, office consumables, in-country travels costs, lodging and per-diems for Project staff, salaries of contractual staff (other than consultants), advertising expenses and banking charges incurred in connection with the management and coordination of Project activities, which expenditures would not have been incurred absent the Project, but excluding salaries of civil servants.
14. “Indigenous Peoples” means distinct, vulnerable, social and cultural groups, collectively attached to geographically distinct habitats, ancestral territories and/or the natural resources thereof, with customary cultural, economic, social or political institutions that are distinguishable from those preponderant in the country, including, in some cases, an indigenous language often different from the official language of the country/region.
15. “Indigenous Peoples Plan” means the plan to be prepared by the Recipient pursuant to Section I.E.1.(b)(i) of Schedule 2 to this Agreement, in order to ensure that: (i) Indigenous Peoples affected by Project activities benefit from the Project in a culturally and socially compatible manner; and (ii) any adverse impacts are adequately mitigated or offset during implementation.
16. “Indigenous Peoples Planning Framework” means the framework document, adopted by the Recipient, for purposes of Part B of the Project, disclosed by the MoSWL in its website ([www.mswl.gov.mn](http://www.mswl.gov.mn)) on April 21, 2010, and referred to in Section I.E.1(a) of Schedule 2 to this Agreement.
17. “LSWSO” means the Recipient’s Labor and Social Welfare Service Office, an implementing agency established within the MoSWL, pursuant to Ikh Khural (Parliament) Resolution #43 of December 19, 2008 and Government Resolution #64, of December 24, 2008, and/or any successor thereto.
18. “MoECS” means the Recipient’s Ministry of Education, Culture and Science and any successor thereto.
19. “MOF” means the Recipient’s Ministry of Finance and any successor thereto.
20. “MOH” means the Recipient’s Ministry of Health and/ any successor thereto.

21. “MoSWL” means the Recipient’s Ministry of Social Welfare and Labor and any successor thereto.
22. “National Statistical Office” means the statistical offices of the Recipient established pursuant to the Recipient’s law on National Statistics, dated March 17, 1994, as amended.
23. “NDIC” means the Recipient’s National Development and Innovation Committee, established pursuant to Ikh Khural’s Resolution #43 of December 19, 2008 and the Prime Minister’s Resolution #8 of January 26, 2009, and/or any successor thereto.
24. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published in May 2004 and revised in October 2006.
25. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 7, 2010 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.
26. “Project Implementing Entity” means the Bank of Mongolia.
27. “Project Implementing Entity’s Legislation” means the Central Bank Law and any ancillary regulation, as amended to the date of this Agreement.
28. “Project Implementation Manual” means the manual to be prepared and adopted by the Recipient pursuant to Section 5.01(d) of this Agreement, setting forth the guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of the Project, including inter alia: (i) allocation of responsibilities, lines of supervision and limits of authority of Project staff and agencies involved; (ii) planning and budgeting procedures for Project activities; (iii) reporting requirements; and (iv) monitoring and evaluation procedures.
29. “Project Management Unit” and the acronym “PMU” means the unit established by Order No. 105 of the Recipient’s State Secretary (Finance), dated April 19, 2006, and maintained by the Recipient, and referred to in Section I.A.1(b) of Schedule 2 to this Agreement.
30. “Project Steering Committee” and the acronym “PSC” mean the committee to be established pursuant to Section 5.01(b) and Section I.A.1(a) of Schedule 2 to this Agreement.
31. “Proxy Means Test” means the score card methodology and formula set out in the Joint Order No 58/36 of the Chairman of the National Statistical Office and

the Minister of Social Welfare and Labor, dated April 5, 2010, to be utilized by the MoSWL to determine the eligibility of beneficiaries of the proposed poverty-targeted welfare program of the Recipient.

32. “State Bank of Mongolia” means the financial institution established and operating under Mongolian laws, pursuant to its charter approved by MOF’s Resolution #259 dated November 23, 2009.
33. “Subsidiary Agreement” means the agreement referred to in Section 5.01(a) and Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.
34. “Technical Working Groups” means the technical units to be established by MOF, MoSWL and BOM pursuant to Section 5.01(c) and Section I.A.1(c) of Schedule 2 to this Agreement.
35. “Training and Workshops” means the reasonable costs of trainings, workshops and conferences conducted in the territory of the Recipient or, subject to the prior no-objection of the Association, attended overseas by MOF’s, BOM’s and/or MoSWL’s staff, including the purchase and publications of material, rental of facilities, course fees and travel and subsistence allowances for trainees.

## **Section II. Modification to the General Conditions**

The modification to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) is as follows, namely, that paragraph (i) of Section 6.02 is amended to read:

“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: (i) 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; and/or a declaration by another financier that the Borrower or the Project Implementing Entity is ineligible to receive proceeds of any financing made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or 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 such financier.”

**ANNEX****Cross-Debarment Provisions**

1. A firm or an individual or a Project Implementing Entity that has been found by an International Financial Institution to have engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of financing provided by such IFI, may be declared ineligible by the Association on the terms set by the IFI to:
  - (i) be awarded a contract financed by the Association;
  - (ii) be a nominated sub-contractor, consultant, manufacturer or supplier, or service provider of an otherwise eligible firm being awarded a contract financed by the Association;
  - (iii) benefit from a contract financed by the Association, financially or otherwise; and
  - (iv) otherwise participate in the preparation or implementation of the Project or any other project financed, in whole or in part, by the Association.
  
2. For purposes of this aforementioned Annex, the term “International Financial Institution” or “IFI” means the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank Group and any other institution that joins the Agreement for the Mutual Enforcement of Debarment Decisions that was entered into on April 9, 2010, in accordance with its terms.