

CONFORMED COPY

CREDIT NUMBER 4953-MN

Financing Agreement

(Additional Financing for the Sustainable Livelihoods Project II)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 22, 2011

FINANCING AGREEMENT

AGREEMENT dated August 22, 2011, entered into between MONGOLIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for 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, in the Original Financing Agreement, 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 six million eight hundred thousand Special Drawing Rights (SDR 6,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project, through its Ministry of Finance, in accordance with the provisions of Article IV of the General Conditions.
- 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 4.02. 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 V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance
Government Building 2
United Nations Street 5/3
Ulaanbaatar, 15160

Facsimile:

(976-51) 26-02-47

5.03. 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/ Coralie Gevers

Authorized Representative

SCHEDULE 1

Project Description

The Project consists of the following Parts which: (a) maintain the Original Project's objective to assist the Recipient in enhancing livelihood security and sustainability of communities throughout Mongolia by implementing the second phase of the Sustainable Livelihoods Program; and (b) scale up project impact and development effectiveness by continuing activities related to the Original Project by an additional year:

Part A. Pastoral Risk Management

Developing and carrying out an integrated strategy of risk management for pastoral livestock production in the Project Area, with emphasis on risk preparedness, consisting of:

1. Developing and strengthening local capacity to prepare and plan for actions to be taken in response to risk forecasting.
2. Supporting and institutionalizing the preparation, financing and implementation of annual pasture-land management plans and activities, including land tenure and use and feed production through the financing of PRM Sub-projects.
3. Demonstrating good practice in pastoral livelihood improvement through the facilitation of: (a) information sharing; (b) market linkages; (c) service delivery; and (d) documenting and disseminating lessons learned.
4. Supporting a nationwide development of a multi-level institutional framework for pastoral risk management.

Part B. Community Initiatives

Carrying out a program to improve access to basic infrastructure and social services for the poor in the Project Area, consisting of:

1. Developing and implementing a Community Initiatives Fund, including the financing of CIF Sub-projects.
2. Developing and implementing community empowerment and capacity building, through: (a) information dissemination and advocacy campaigns to Beneficiaries; (b) training and capacity building to communities, SLPC members and authorities at the Ulaanbaatar City, Aimag, Duureg and Soum levels.

Part D. Project Management

Providing technical assistance to support development of the Program, including Project implementation, staff training, information dissemination, monitoring and evaluation, financial management, and audit, of Project accounts.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Project Management

The Project management arrangements described in Section I.A of Schedule 2 to the Original Financing Agreement are hereby incorporated by reference in this Section I.A and shall apply, *mutatis mutandis*, to the Project.

B. Project Implementation

The Project implementation arrangements described in paragraphs 3, 4, 5 and 6 of Section I.B of Schedule 2 to the Original Financing Agreement, including the Attachment to Schedule 2 to the Original Financing Agreement as regards the selection criteria, and terms and conditions for the financing of Sub-projects, are hereby incorporated by reference in this Section I.B and shall apply, *mutatis mutandis*, to the Project.

C. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

The Project monitoring, reporting and evaluation arrangements described in Section II of Schedule 2 to the Original Financing Agreement are hereby incorporated by reference in this Section II and shall apply, *mutatis mutandis*, to the Project, provided, however, that: (i) the performance indicators shall be those set forth in the Annex to this Schedule 2; and (ii) references in said Project monitoring, reporting and evaluation arrangements to the General Conditions shall mean the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.

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.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Methods
(a) National Competitive Bidding (in accordance with the procedures acceptable to the Association)
(b) Shopping
(c) Community Participation in Procurement

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 Methods
(a) Quality-Based Selection
(b) Selection Based on Consultants' Qualifications
(c) Single Source Selection
(d) Least-Cost 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 procured on the basis of International Competitive Bidding; (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (c) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (d) each contract for consultants' services procured under either single source selection or least-cost selection, regardless of their respective values. 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	62,000	100%
(2) PRM Sub-projects under Part A of the Project	2,102,000	100% of sub-loan amount disbursed
(3) CIF Sub-projects under Part B.1 of the Project	3,091,000	100% of CIF grant amount disbursed
(4) CIF Innovation Sub-projects under Part B.3	0	-

of the Project		
(5) Sub-loans made under Part C.1 of the Project	0	-
(6) Consultants' services:		
(a) under Parts A and B of the Project	124,000	100%
(b) Under Part D of the Project	927,000	100%
(7) Training, including capacity building	247,000	100%
(8) Incremental Operating Costs	247,000	100%
TOTAL AMOUNT	6,800,000	

For purposes of this paragraph, the term "Incremental Operating Costs" means expenditures for office consumables and operation of office equipment, vehicle operation and maintenance, transportation costs and field allowances, and costs for information dissemination, incurred by the SLPO and SLPUs in connection with the management, coordination and implementation of the Project, which would not have been incurred absent the Project, but excluding staff salaries.

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.
2. The Closing Date is June 30, 2013.

Section V. Amendments to Original Financing Agreement

1. The performance indicators referred to in paragraph 1 of Section II.A of Schedule 2 to the Original Financing Agreement are amended to read as set forth in the Annex to this Schedule.
2. Paragraph 2 of Section IV.B of Schedule 2 to the Original Financing Agreement is amended to read as follows:

“2. The Closing Date is June 30, 2013.”

ANNEX

Performance Indicators

The performance indicators referred to in Section II of Schedule 2 to this Agreement consist of the following:

- (i) 85% of Beneficiaries taking actions to mitigate pastoral risk.
- (ii) 80% of Beneficiaries satisfied with the mechanisms and outcomes of CIF Sub-projects.
- (iii) 35% increase in number of Sub-borrowers at *soum* level and below measured from the baseline assessment conducted at start of Original Project implementation.
- (iv) 25% increase in annual income of Sub-borrowers at *soum* level and below measured from the baseline assessment conducted at start of Original Project implementation.

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 October 15, 2021 to and including April 15, 2031	5%

* 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

Definitions

1. “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 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
5. “Original Financing Agreement” means the financing agreement for a Sustainable Livelihoods Project II between the Recipient and the Association, dated December 19, 2007 as amended to the date of this Agreement (Credit No. 4330-MOG).
6. “Original Project” means the Project described in the Original Financing Agreement.
7. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 19, 2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.