

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H373-MN

Financing Agreement

(Additional Financing For the Rural Education and Development Project)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 7, 2008

FINANCING AGREEMENT

Agreement dated October 7, 2008, 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 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 grant in the amount equivalent to six hundred twenty thousand Special Drawing Rights, (SDR 620,000) (“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 Payment Dates are January 15 and July 15 in each year.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Part D of the Project through its Ministry of Education, Culture and Science 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 Part D of 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 ninety days (90) 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:

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

Facsimile:

976-11-322253

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/ Arshad Sayed

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in enhancing the quality of education in rural primary schools, grade 1-5, by improving students' access to, and use of quality learning materials and improving teachers' skills through promoting professional networks.

The Project consists of the Original Project and the following additional part:

Part D: Provision of XO Laptop Computers to Children for Educational Purposes

1. Provision of XO Laptop Computers and servers, including hardware maintenance and peripherals, to grade 2-5 students in selected rural schools.
2. Customization of ICDL Software for XO Laptop Computers with Mongolia-specific educational contents.
3. Provision of training to primary school teachers and school heads on the use of the XO Laptop Computers and ICDL Software for integration across subjects, including operation and maintenance and troubleshooting.
4. Development of a monitoring and impact evaluation system to assess the Project implementation in pilot rural schools and if necessary, to adjust the Project's implementation modalities.

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

1. The provisions of Section I and II.B of Schedule 2 to the Original Financing Agreement are incorporated by reference in this Agreement and apply, *mutatis mutandi*, to this Agreement as if they had been reproduced in full.
2. The Recipient undertakes not to distribute any XO Laptop Computer to students, teacher and/or heads of schools until it has designed and adopted a plan for the deployment and distribution of such computers in terms satisfactory to the Association, which plan shall include mechanisms for accountability and oversight.

B. 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**Project Reports**

1. The Recipient shall monitor and evaluate the progress of Part D 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 the indicators set forth below in paragraph 2 of this subsection A. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
2. The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (a) two thousand (2000) students in grades 2-5 in selected rural schools, along with teachers and heads of schools, have received XO Laptop Computers connected to servers with customized ICDL Software installed by Closing Date;
 - (b) two hundred (200) teachers in selected rural primary schools have received integrated training in effective use of the XO Laptop Computers

and IDCL Software, including basic hardware and software troubleshooting, by Closing Date;

- (c) five (5) hours of usage per week of the XO Laptop Computers by students for classroom-related activities and exploration by Closing Date; and
- (d) five (5) hours of usage per week of the XO Laptop Computers by teachers for classroom-related activities by Closing Date.

Section III. Procurement

A. General

- 1. **Goods.** All goods required for Part D of 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 Part D of 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 and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Direct Contracting
(b) Shopping

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) Single-Source Selection
(b) Selection Based on Consultants' Qualifications
(c) 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) the first three (3) contracts for goods regardless of their individual estimated cost and, thereafter, each contract for goods estimated to cost the equivalent of USD80,000 or more; (b) all contracts for learning materials regardless of their individual estimated cost; (c) all contracts under direct contracting; (d) the first two (2) contracts for consultants' services provided by a firm regardless of their individual estimated cost and, thereafter, each contract for consultants' services provided by a firm estimated to cost the equivalent of USD50,000 or more; and (e) the first contract for consultants' services provided by an individual regardless of its estimates costs and, thereafter, each contract for consultants' services provided by an individual estimated to cost the equivalent of USD20,000 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 under Part D of the Project 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	310,000	100%
(2) Consultancy Services	210,000	100%
(3) Training	80,000	100%
(4) Incremental Operating Costs	20,000	100%
TOTAL AMOUNT	<u>620,000</u>	

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 February 28, 2013.

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.
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 by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
5. “ICDL Software” means the computer program in source code and executable format that controls the configuration, administration, and execution of the International Children’s Digital Library hosted at <http://www.childrenslibrary.org> and operated by the International Children’s Library Foundation.
6. “Incremental Operating Costs” means reasonable costs of incremental expenditures incurred by the Recipient, including offices rental, vehicles operations and maintenance, in-country travel allowances of the Project management unit’s staff, banking services, office consumables (except office equipment), customs clearance and communication and printing expenses, incurred by the Project management unit in connection with the management and coordination of Part D of the Project, which expenditures would not have been incurred absent Part D of the Project, but excluding salaries and salary supplements of civil servants.
7. “Original Financing Agreement” means the financing agreement for a Rural Education and Development Project between the Recipient and the Association, dated June 23, 2006 (Grant No H221-MOG).
8. “Original Project” means the project described in the Original Financing Agreement.
9. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.

10. “Procurement Plan” means the Recipient’s procurement plan for Part D of the Project, dated March 11, 2008 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.
11. “XO Laptop Computers” means the laptop developed and commercialized by the One Laptop Per Child Foundation, a tax-exempt (501c3) social-benefit organization chartered in the State of Delaware, USA, and domiciled in Cambridge, Commonwealth of Massachusetts, USA.