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**CREDIT NUMBER 4489-MN  
GRANT NUMBER H411-MN**

# **Financing Agreement**

**(Mining Sector Institutional Strengthening Technical Assistance Project)**

**between**

**MONGOLIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 7, 2008**

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**CREDIT NUMBER 4489-MN  
GRANT NUMBER H411-MN**

## **FINANCING AGREEMENT**

AGREEMENT dated October 7, 2008, 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 grant and a credit (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
  - (a) an amount equivalent to two million five hundred seventy thousand Special Drawing Rights (SDR 2,570,000) (“Grant”); and
  - (b) an amount equivalent to three million one hundred and fifty thousand Special Drawing Rights (SDR 3,150,000) (“Credit”).
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 March 15 and September 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 carry out the Project through MOF 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 Additional Conditions of Effectiveness consist of the following:
  - (a) the Steering Committee has been established pursuant to Section I.A1(a) of Schedule 2 to this Agreement, and a Project Director has been selected and appointed pursuant to Section I.A.2 of Schedule 2 to this Agreement;
  - (b) (A) the Project Implementation Unit has been established pursuant to Section I.A1(b) of Schedule 2 to this Agreement and the Project Manager, a financial officer, and a procurement officer have been appointed with skills, qualifications, experience and terms of reference satisfactory to the Association; and (B) the PIU's financial officer and the procurement officer have received proper training in a manner and substance satisfactory to the Association;
  - (c) a PIM acceptable to the Association has been prepared, approved and adopted in accordance with the provisions of Section I.C(1)(a) of Schedule 2 to this Agreement; and

(d) a FMM, acceptable to the Association has been prepared, approved and adopted in accordance with the provisions of Section I.C(1)(b) of Schedule 2 to this Agreement.

4.02. The Effectiveness Deadline is the date one hundred twenty days (120) days after the date of this Agreement.

4.03. 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 the Minister of Finance.

5.02. The Recipient's Address is:

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

Facsimile:

976-11-262272

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 establish key pieces of the policy, fiscal, legal, regulatory and institutional framework for the mining and extractive sector that meet the needs of the public sector, industry, and civil society, including the operation of Erdenes MGL LLC according to international standards associated with commercial entities.

The Project consists of the following parts:

Part 1: Strengthening the Capacity to Manage Mining and Extractive Sector Revenues and Develop Economic and Sector Policies.

Strengthening the capacity of MOF, MIT, GDNT, MRPAM and Erdenes MGL LLC, as the case may be, in order to enable them to:

- (i) refine the economic and sector policy framework applicable to the mining sector, including, *inter alia*: (A) the development of new policies on exploration licensing, mineral taxation, state equity participations, sectoral sustainable development, mineral revenue sharing, and interagency cooperation; and (B) the establishment of an independent applied research institution (policy *think tank*);
- (ii) provide strategic advice on high level mining policy, investment strategies, mining development financing and optimal processes for engagement of strategic investors in the extractive industries sector;
- (iii) improve financial planning and forecasting, including, *inter alia*: (A) a review of the structure and operation of the existing Development Fund and/or the formulation and implementation of new mechanisms to stabilize and smooth revenue flows from the mining sector, including the development of the relevant legal framework, operational guidelines and administrative arrangements; (B) the development of policies and fiscal instruments to address exchange-rate management challenges and macro economic risks (*Dutch disease*); (C) the improvement of fiscal statistical data collection, reporting and sharing among governmental agencies; and (D) the provision of training in data analysis and forecasting;
- (iv) develop model contracts and investment agreements to foster the development of extractive industries;
- (v) design a dissemination strategy to communicate to the general public and the investment community the policies applicable to extractive industries and the public and private initiatives for the sector;

- (vi) review the existing governmental institutional structure for the mineral sector, and provide recommendations for rationalization and consolidation for the sector management functions;
- (vii) assess/review the tax regimes currently applicable to the extractive industries (including double taxation treaties) in order to: (A) propose amendments to correct identified deficiencies in the fiscal framework for the sector; (B) evaluate their implications with respect to direct and indirect mining sector revenues and cost/benefit estimations; (C) address the challenges of international taxation and/or tax avoidance strategies, (D) provide training to staff on basic principles, practices and techniques for mineral taxation assessment and audit; and (E) carry out tax avoidance risk assessments and company audits; and
- (viii) training and human resources capacity building through formal and on-the-job training programs.

Part 2: Improving Regulatory Capacity to Manage Mining and Extractive Sector Development

Strengthening the regulatory capacity of MIT, MNE and MRPAM, as the case may be, in order to enable them to:

- (i) (A) improve the existing legal framework for the mining sector through the development of best practices related to mineral licensing, environmental protection, social impact management and occupational health and safety; and (B) effectively implement, and improve compliance with, the extractive industries regulations;
- (ii) ensure compliance with environmental requirements for site rehabilitation after mine closure and termination of exploration/mining operations;
- (iii) complete the establishment and operation of a fully computerized mineral licensing system;
- (iv) support MRPAM's Artisanal and Small-scale Mining Division and MNE to: (A) develop guidelines for the management of environmental, social and safety risks associated with artisanal and small-scale mining (ASM) operations; (B) formalize the ASM sectors through licensing and registration miners; and (C) establish a database of ASM miners including their GPS locations;
- (v) support MRPAM's Geology Department and Geological Information Center in: (A) managing mineral deposit reserves and resources data and

converting the categorization thereof into international classifications suitable for reporting to international stock exchanges; (B) establishing a national geological stratigraphic database; (C) establishing an information management and dissemination policy; (D) establishing systems for digitizing geological information and edge-matching geological maps; and (E) preparing a strategic plan for future geological mapping.

Part 3: Developing the Capacity for Management of State Equity in the Mining and Extractive Sectors

Strengthening MOF, MIT, Erdenes MGL LLC and SPC's institutional capacity in order to develop an appropriate institutional framework for the management of the Recipient's participating interests in the mining sector, through: (A) the alignment and development of Erdenes MGL LLC in accordance with the National Development Strategy; (B) the design of the legal structure, financial and fiduciary arrangements for the establishment of a holding company, consistent with the OECD Principles of Corporate Governance; (C) the provision of training to Erdenes MGL LLC's directors (including independent directors) and officers on international best practices in corporate financial management and reporting requirements; (D) the assistance to Erdenes MGL LLC to prepare for listing on the Mongolian Stock Exchange; (E) the provision of advice to Erdenes MGL LLC on investment strategies and project financing; and (F) training of Erdenes MGL LLC's staff on project evaluation, feasibility studies, and financial modeling.

Part 4: Project Management

Strengthening the capacity of the PIU for the effective financial, technical and administrative management of the Project, including management of procurement aspects, audits, monitoring and evaluation, and the Project's reporting requirements.



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

1. The Recipient shall establish, and thereafter maintain throughout the implementation of the Project:
  - (a) an inter-ministerial steering committee, chaired by the State Secretary of Finance or his alternate, and comprised of senior representatives from MOF, MIT, MNE, MRPAM, GDNT, SPC, Erdenes MGL LLC, the Cabinet Secretariat Office and the PIU's Project Manager, 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, and the approval of major procurement activities; and
  - (b) a Project Implementation Unit, within MOF, vested with the responsibility of the daily management and coordination of Project fiduciary obligations, said PIU to be: (i) headed by a qualified and experienced Project Manager, assisted by, *inter alia*, a procurement officer, and a financial officer, all of whom shall be acceptable to the Association and engaged 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, monitoring and reporting activities.
2. The Recipient shall instruct the Project Steering Committee to select one of its members as Project Director and liaison officer with the Association, to be assigned with the responsibility of the overall coordination and implementation of the Project's components, with skills and experience and under terms of reference acceptable to the Association.
3. The Recipient shall ensure that each of MOF, MNE, MIT, MRPAM, GDNT, and Erdenes MGL LLC, designate one (1) or more technical officers, with skills and experience and terms of reference acceptable to the Association, to serve as liaison officers with the Project Director and PIU and in-house champions for the purposes of ensuring the timely and efficient implementation of the respective agencies' components and sub-components, including the supervision of consultants' deliverables and training activities.

**B. Anti-Corruption**

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

**C. Implementation Documents**

1. The Recipient shall apply throughout the implementation of the Project:
  - (a) a project implementation manual (PIM), satisfactory to the Association, which sets out the guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of the Project, including *inter alia*: (i) the planning and budgeting of Project activities; (ii) reporting requirements; (iii) monitoring and evaluation procedures; (iv) financial management and disbursement guidelines and procedures; (v) audit procedures; and (vi) procurement procedures; and
  - (b) a financial management operational procedures manual (FMM), satisfactory to the association, which sets out, *inter alia*: (i) the policies and procedures for fund and asset management, withdrawal applications and settlement of payments; and (ii) a financial management system providing for detailed requirements and protocols for accounting, maintenance of records, reporting, internal control and auditing.
2. The Recipient shall not amend, suspend, waive, cancel or abrogate either the PIM or the FMM, or any provisions thereof, without the prior concurrence of the Association, if in the opinion of the Association such amendment, suspension, waiver, cancellation or abrogation may materially and adversely affect the implementation of the Project.
3. The Recipient undertakes to:
  - (a) prepare, by no later than August 15 each year, commencing on August 15, 2009, and furnish to the Steering Committee and the Association for review and concurrence, a draft Annual Implementation Plan for the following fiscal year, which plan shall identify Project activities by component and sub-component, and their related expenditures and financing sources;
  - (b) thereafter, implement the Project activities during the respective fiscal year pursuant to such plan as so discussed with, and agreed by, the Steering Committee and the Association.

4. In carrying out Part 1(iv) of the Project, the Recipient shall:
  - (a) cause MOF and MRPAM to develop and furnish to the Association for comments, by no later than January 31, 2010, a set of draft model investment contracts for the extractive industries in Mongolia, in form and substance satisfactory to the Association; and
  - (b) thereafter, by no later than March 31, 2010, draw up final drafts of such model investment contracts, taking into consideration the comments provided by the Association.
  
5. In carrying out Part 1(vi) of the Project, the Recipient shall:
  - (a) complete and furnish to the Association for discussion, by no later than June 30, 2010, the mining sector institutional assessment study in form and substance satisfactory to the Association; and
  - (b) thereafter, implement the study recommendations as discussed with 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 the indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished by the Recipient to the Association not later than forty five (45) days after the end of the period covered by such report.
  
2. Notwithstanding the provisions of paragraph (1) above, the Recipient, shall:
  - (a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association by no later than May 15, 2010, a mid-term review report integrating results of the monitoring and evaluation activities performed pursuant to paragraph 1 above, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
  - (b) review with the Association, by July 15, 2010, or such later date as the Association shall request, the mid-term review report referred in subparagraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the

objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

**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 as part of the Project Report 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 under the Project 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. **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**

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:

<b>Procurement Method</b>
(a) National Competitive Bidding <i>(subject to the additional procedures described in the Attachment to this Schedule 2)</i>
(b) Shopping
(c) 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:

<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 estimated to cost the equivalent of USD50,000 or more;
- (b) all contracts for goods procured on the basis of Direct Contracting regardless their value;
- (c) each contract for consultants' services provided by a

firm estimated to cost the equivalent of USD100,000 or more; (d) all contracts for consultants' services awarded on the basis of a single-source selection, regardless of their value; and (e) each contract for consultants' services provided by individual consultants estimated to cost the equivalent of USD50,000 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 Credit and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Consultants' services and Training and Workshops under Parts 1, 2 and 4 of the Project	1,930,000	2,470,000	100%
(2) Consultants' services, and Training and Workshops under Part 3 of the Project	860,000		100%

(3) Goods	270,000		100%
(4) Incremental Operating Costs	90,000	100,000	100%
<b>TOTAL AMOUNT</b>	<u>3,150,000</u>	<u>2,570,000</u>	

3. For purposes of the table in paragraph (2) above, the term “Incremental Operating Costs” means the reasonable costs of the incremental expenses incurred on account of the Project, which expenditures would not have been incurred absent the Project, including, *inter alia*: office rental; vehicle rental, operations and maintenance; in-country travel allowances for PIU staff, banking services and insurance costs, communication and dissemination expenses, utility fees, and stationary, but excluding salaries or salary supplements of the Recipient’s civil servants.

**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 572,000 equivalent may be made for payments made prior to this date but on or after April 1, 2008, for Eligible Expenditures under any of the Categories (1) through (4) above.
2. The Closing Date is December 31, 2012.

**Section V. Other Undertakings**

1. The Recipient shall ensure that, by no later than June 30, 2010, Erdenes MGL LLC will have:
- (a) established/adopted corporate systems, legal framework and structure acceptable to the Association, consistent with those of a commercial entity operating under OECD Principles of Corporate Governance;
  - (b) commenced, and thereafter continue, with the preparation and public disclosure of quarterly activity reports in a manner and substance acceptable to the Association;
  - (c) commenced, and thereafter continue, with preparation and public disclosure of annual reports documenting the company’s activities and financial condition (including audited financial statements), detailing assets, liabilities, sources of income and uses of funds, in a manner and

substance satisfactory to the Association and consistent with the reporting requirements prevailing for stock exchange listed companies in Mongolia; and

(d) completed the preparation of a strategy and implementation plan, in a manner and substance satisfactory to the Association, for the listing of shares of the company on the Mongolian Stock Exchange.

2. For purposes of Section II.B3 above, the Recipient shall, by not later than March 31, 2009, select and engage the services of an external independent auditor for the Project under terms of reference and with experience and qualifications acceptable to the Association.



**Attachment to Schedule 2****National Competitive Bidding Procedures, Mongolia**

The following provisions shall apply in respect of contracts for goods and works financed under the Project and procured according to National Competitive Bidding procedures.

Applicable Procurement Procedure

(i) Bidding shall be conducted in accordance with the Open Bidding Procedure, as defined in Chapter Two of the Public Procurement Law of Mongolia dated December 1, 2005 (as amended through February 6, 2007), and related provisions.

Participation in Bidding and Preferences

(ii) Recipient-owned enterprises in Mongolia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient or the procuring entity.

(iii) Prospective bidders shall be permitted to request bidding documents either in person or by mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee for the bidding documents, and no other conditions shall be imposed on the sale of the bidding documents. The bidding documents shall be delivered, at the prospective bidders' preference, either by hand or by mail or courier, provided that the bidder is willing to pay the mail or courier delivery charges, which should be specified in the Invitation for Bids. Each bidder shall be allowed to purchase only one set of the bidding documents for a given NCB tender. No limitations shall be imposed on any bidder as to the number of NCB tenders in which they may participate during a given period of time.

(iv) Interested foreign bidders from eligible countries shall be allowed to participate without being required to associate or form joint ventures with local bidders. Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders. Mongolian bidders and goods of Mongolian origin shall be given no preference over foreign bidders, either in the bidding process or in the evaluation of bids.

(v) Prior registration shall not be a requirement for any bidder to participate in bidding.

(vi) Pre-qualification of contractors shall not be required, except in the case of large or complex works and with the prior written concurrence of the Association.

Advertising, Time for Bid Preparation

(vii) Invitations to bid shall be advertised in at least one widely circulated national newspaper. Potential bidders shall be allowed to purchase bidding documents up to 24 hours prior to the deadline for the submission of bids.

#### Standard Bidding Documents

(viii) Standard bidding documents, acceptable to Association, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand, by mail or by courier.

#### Qualification Criteria and Evaluation Criteria

(ix) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidders' qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Purchaser/Employer and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated substantially responsive bid shall be assessed first. The evaluation of a bidder's qualifications shall only take into account the bidder's capacity and resources to perform the contract, in particular its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction or manufacturing facilities and financial position. In carrying out the post-qualification assessment, the Employer/Purchaser shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder's qualifications and shall provide a reasonable time period (that is, a minimum of 7 days) to the bidder to provide his response.

(x) Evaluation criteria to be used in the evaluation of bids shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and only the evaluation criteria so specified, shall be taken into account in bid evaluation. Merit points shall not be used in bid evaluation.

#### Bid Opening, Evaluation and Award of Contract

(xi) Bids shall be opened in public, immediately upon the stipulated deadline for submission of bids. Bidders' representatives and the project's beneficiaries from the concerned local community who choose to attend shall be allowed to attend. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded in the Bid Opening Record. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened. Immediately after completion of the bid opening proceedings, a copy of the Bid Opening Record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring

entity and shall be retained at the same location until the award of contract has been notified. A copy of the Bid Opening Record shall be promptly provided to all bidders who submitted bids.

(xii) All bids shall not be rejected or new bids invited without the Association's prior written concurrence.

(xiii) No bid shall be rejected merely on the basis of a comparison with the owner's estimated cost or budget ceiling without the Association's prior written concurrence.

(xiv) A bid containing material deviations from or reservations to the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of non-material, minor deviations or reservations.

(xv) The evaluation of bids shall be done in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid.

(xvi) Bidders shall be requested to extend the validity of their bids only under exceptional circumstances and, in all such cases, the Employer/Purchaser shall communicate such request in writing to all bidders before the date of expiry of their bids. Bidders shall have the right to refuse to grant such an extension of the validity of their bids without forfeiting their bid securities.

(xvii) In the case of contracts of more than 18 months' duration, the bidding documents and the resultant contract shall provide for price adjustment, based on a formula acceptable to the Bank, which shall be disclosed to the bidders in the bidding documents.

(xviii) A bidder which refuses to accept arithmetical corrections made by the Evaluation Committee during the evaluation of its bid shall not be allowed to withdraw its bid without forfeiting its bid security.

(xix) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify its bid as originally submitted.

(xx) There shall be no post-bidding negotiations with the lowest evaluated bidder or any other bidder. No bidder shall be required, as a condition for the award of contract, to change the bid price or otherwise materially alter the bid after it has been submitted.

(xxi) A bidder declared ineligible by the Bank, based on a determination by the Bank that the bidder has engaged in corrupt, fraudulent, collusive or coercive practices in competing for or in executing a Bank-financed contract, shall be ineligible to be awarded a Bank-financed contract during the period of time determined by the Bank.

### Suppliers and Contractors

(xxii) Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers and contractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the contract by the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association.

Complaints by Bidders and Handling of Complaints

(xxiii) The provisions of Chapter Seven of the Public Procurement Law of Mongolia on the settlement of disputes shall apply to all Bank-financed contracts awarded by National Competitive Bidding.

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

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each March 15 and September 15:	
commencing September 15, 2018 to and including March 15, 2028	1%
commencing September 15, 2028 to and including March 15, 2048	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****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. “Development Fund” means the development fund established pursuant to the Recipient’s Law on Development Fund of Mongolia, dated February 6, 2007.
5. “Erdenes MGL LLC” means the Recipient’s (state owned) limited liability company established for the purposes of holding the Recipient’s equity in mining operations and provide advisory service to the Recipient, which company has been established and operates pursuant to the SPC’s Resolution 52, dated February 22, 2007, and the Articles of Agreement of the same date, and registered with the General Department of National Taxation on March 23, 2007 under License No. 9011014002 and Registration No. 5124913.
6. “FMM” means Project financial management manual, satisfactory to the Association, to be adopted and applied by the Recipient throughout the Project in accordance with Section I.C1(b) of Schedule 2 to this Agreement.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
8. “GDNT” means the Recipient’s General Department of National Taxation, established under the Recipient’s Resolution No. 17, dated September 4, 1992, as amended by the Recipient’s Law on Taxation, dated January 31, 1997; and any successor thereto,
9. “MNE” means the Recipient’s Ministry of Nature and Environment and any successor thereto.
10. “MOF” means the Recipient’s Ministry of Finance and any successor thereto.

11. “MIT” means the Recipient’s Ministry of Industry and Trade and any successor thereto.
12. “MRPAM” means the Recipient’s Mineral Resource and Petroleum Authority of Mongolia established by Prime Minister Resolution No. 249, dated December 29, 2004, pursuant to Ikh Hural Resolution No. 14, dated September 2004, for purposes of implementing the Recipient’s Law on Minerals, and any successor thereto.
13. “National Development Strategy” means the Recipient’s long term development strategy approved by Ikh Hural’s Resolution No. 13, dated January 31, 2008.
14. “OECD Principles of Corporate Governance” means the corporate governance principles, dated 2004, issued by the Steering Group on Corporate Governance of the Organization for Economic Co-operation and Development in response to the request from the OECD Council Meeting at Ministerial Level held on April 27/28, 1998.
15. “PIM” means the Project implementation manual, satisfactory to the Association, to be adopted and applied by the Recipient, throughout the Project, in accordance with Section I.C1(a) of Schedule 2 to this Agreement.
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 May 16, 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.
18. “Project Implementation Unit” and the acronym “PIU” mean the Project implementation unit satisfactory to the Association, to be established within the Ministry of Finance, in accordance with Section I.A1(b) of Schedule 2 to this Agreement.
19. “SPC” means the Recipient’s State Property Commission, established pursuant to Resolution No. 177, dated July 31, 1996, pursuant to the Recipient’s Law on State and Local Property, dated May 27, 1996, for purposes of managing the Recipient’s State-owned assets and business units; and any successor thereto.
20. “Steering Committee” means the inter-ministerial committee, satisfactory to the Association, to be established by the Recipient in accordance with Section I.A1(a) of Schedule 2 to this Agreement.

