

STATUS OF COMPLIANCE WITH FRAMEWORK FINANCING AGREEMENT UNDERTAKINGS AND LOAN COVENANTS FOR TRANCHES 1 AND 2

1. Compliance by the Government of Mongolia (GOM) with the Ulaanbaatar Urban Services and Ger Areas Development Investment Program framework financing agreement (FFA) undertakings and loan covenants has been satisfactory. Details of compliance are provided below.

A. Compliance with Framework Financing Agreement Undertakings

2. The government confirms that the understandings set out in the FFA have been adhered and remain true to date.

Undertakings	Compliance Status/Remarks
1. The GOM and MUB shall ensure (i) timely implementation of the program, including executing the implementation arrangements set out in Schedule 3 to this FFA and monitoring and evaluating implementation based on the design and monitoring framework attached to this FFA as Schedule 2; (ii) that all projects financed under this facility are selected and approved in accordance with the criteria and procedures set out in Schedule 4 to this FFA; and (iii) that all projects financed under this Facility are developed, implemented, and maintained in accordance with the safeguard and social requirements set out in Schedule 5 to this FFA.	All are being complied with, except for the timely implementation. Tranche 1 was extended twice (the first extension was until 31 December 2019, and the second extension was until 30 June 2021). The delay was mainly because of the (i) lengthy process of MFF ratification, loan and grant agreements signing, and consulting services firms' selection and mobilization; (ii) necessary adjustment of the infrastructure detailed design according to the detailed local plan of the targeted areas; (iii) lengthy process of detailed design approvals; and (iv) land acquisition and resettlement issues.
2. The GOM shall keep ADB informed of policies and programs related to the urban sector and economic development that will materially affect the economic viability of each project financed under the Facility. In the event of any change in the road map, policy framework, program or financing plan, the GOM and ADB shall assess the potential impact on the program and evaluate any change in outcome of the program.	There have been no policies and programs that will materially affect the economic viability of Tranches 1 and 2.
3. The GOM shall cause the MUB to implement the Urban Services Sector Road Map referred to in Schedule 1 to this FFA.	The road map strategic objectives are still relevant to the program and are fully in line with Tranches 1 and 2 outputs and components. Activities and policy framework linked to the road maps are complied with, being complied with, or to be complied with. No significant deviation from the road map and policy framework is recorded.
4. The GOM shall cause the MUB to establish and make operational an agency and transparent mechanism, acceptable to ADB, that will ensure community-led <i>ger</i> subcenter redevelopment, monitor relevant CDCs' conducting adequate community consultation, catalyze private sector participation, and ensure equitable land redevelopment, land pooling practices, and fair compensation to affected persons.	Being complied with. Local plans and land use plans have been completed; block redevelopment strategy is under implementation; ^a subcenters' development plan and business plan are under preparation; ^b affordable housing and urban renewal mechanisms are being designed; ^c community development councils/business development councils have been established and are registered or under registration as nongovernment organization to play an active role in the redevelopment process; criteria to benefit from individual connections will be developed consequently with the development and business plan approval as well as the institutional setting to oversee the redevelopment process. However, the establishment of a consolidated set of transparent mechanisms and tools, such as an integrated redevelopment platform, as well as an agency to ensure the sustainable, green, efficient and inclusive subcenter redevelopment is still not fully in place and should be expedited. Current subcenter development initiative and community activities should be consolidated

Undertakings	Compliance Status/Remarks
	and developed into an operational framework and submitted to ADB for approval by 31 December 2020.
5. The GOM shall cause the MUB to ensure sufficient resources for and the construction of 40 apartment units in each targeted subcenter in Tranche 1, dedicated for the resettlement of the affected people and the residents under Tranche 1 and for the residents involved in the land readjustment process by end of 2014. The resettlement units shall be acceptable to the affected people and residents in terms of quality, safety, number of rooms, affordability, habitability, and accessibility.	Complied with. Construction of <i>khoroos</i> buildings and temporary house with 50 units each at Selbe and Bayankhoshuu subcenters were completed, for a total cost of MNT9.7 billion. A green social housing facility to be used for transition house for affected households will be developed under Tranche 2. This will offer an apartment or transition option to the affected people displaced.
6. The GOM shall ensure availability of all counterpart funds required for timely and effective implementation of the program and provide additional financing for any cost over-runs in excess of the contingencies of the program and the projects.	The GOM has assured ADB of the availability of counterpart funds for timely and effective implementation of the program, including timely payment of compensation and resettlement assistance to the affected persons, and additional financing, if necessary.

ADB = Asian Development Bank, CDC = community development council, FFA = framework financing agreement, GOM = Government of Mongolia, MFF = multitranchise financing facility, MUB = Municipality of Ulaanbaatar

- ^a Subcenter redevelopment is being undertaken on a block-by-block basis, where major blocks are identified and defined by the spatial distribution of trunk infrastructure and social facilities. These blocks are subdivided into smaller, sub-blocks according to the patterns of local roads and the current distribution of plots. Block or sub-block development is undertaken through community participation. Community groups were established, and leaders selected. Options are chosen for the approach to development, whether upgrading, readjustment, or more comprehensive redevelopment involving swapping land for a housing unit or consolidating plots and redeveloping them according to a community-based, participatory block development process. The latter involves a three-stage process of community engagement that ends with a block development plan. The bridge between the community, private developers, and banking institutions, and assistance with plan preparation is provided by the capacity building consultants hired under Tranche 1. The aim is to make these priority schemes the models for the redevelopment of other sub-blocks. It is likely that once development is underway or completed, they will become catalysts for the redevelopment of nearby areas, thus stimulating the comprehensive redevelopment of each subcenter.
- ^b These will then undergo extensive consultations. The plans establish the framework, strategies, policies, and actions required to achieve the collective vision of subcenter redevelopment. They set target population and household figures based on the design levels and land use zone criteria adopted in updated and more flexible land use/zoning plans. The business development plans also provide information that can be given to potential investors, indicating what the subcenter has to offer, and potential areas and sectors for private investments.

- ^c ADB. 2015. *Technical Assistance to Mongolia for Ulaanbaatar Affordable Housing and Urban Renewal Project*. Manila. Financed by the Japan Fund for Poverty Reduction.

Source: ADB.

B. Compliance with Safeguards and Due Diligence

3. **Environment.** The Asian Development Bank (ADB) reviewed and approved all initial environment examination (IEE) and environmental management plan (EMP) for Tranches 1 and 2. These were included in bid documents and contracts. The IEE with EMP were disclosed on the ADB and the Municipality of Ulaanbaatar (MUB) websites and relevant information was shared with concerned stakeholders. Relevant information such as anticipated impacts, mitigation measures, and grievance redress mechanism (GRM) was shared with concerned stakeholders including the affected people and local *khoroos* administrations. Environment-related complaints received on the previous tranches were addressed appropriately by the program management office (PMO)/MUB and the results were incorporated in the annual environmental monitoring reports that were submitted to ADB for disclosure. The same procedures will be applied to Tranche 3. Lessons learned and recommendations for immediate attention are (i) ensure safety of the public and workers (as discussed in the EMPs of Tranches 1 and 2) during construction through important public safety measures, e.g., the use of protective pedestrian barriers and signage at all sites; (ii) update the EMP and GRM of Tranche 1 and harmonize them with the EMP and GRM of Tranche 2; and (iii) simplify the GRM of Tranches 1 and 2 so that a single GRM will be applied to both.

4. **Land acquisition and resettlement.** Implementation of land acquisition and resettlement in Tranche 1 is being carried out in accordance with the resettlement framework. ADB approved the land acquisition and resettlement plans (LARPs) and resettlement due diligence reports for individual subprojects under Tranche 1. The LARPs for Tranche 2 subprojects are under preparation and will be approved by ADB prior to award of civil works contracts for subprojects with resettlement impacts, and no displacement or involuntary resettlement impacts have taken place yet for Tranche 2 subprojects. During the implementation of Tranche 1, there were two complaints from affected persons and nongovernment organizations related to the implementation of resettlement provisions, which were determined as eligible complaints by ADB's Office of Special Project Facilitator. The implementation of the corrective measures to resolve the complaints was agreed through a joint Memorandum of Understanding (MOU) signed between the various parties on 2 July 2018 and the implementation is ongoing. In addition to the two complaints, ADB's due diligence identified issues related to resettlement such as, commencement of construction prior to compensation payments, valuation of assets and structures impacted, delayed compensation payments, livelihood restoration for affected households, timely provision of entitlements for replacement plots and social housing, and delays in registration documents and ownership certificates to affected persons. ADB is monitoring the implementation of the actions by MUB and PMO on the complaints and other issues in resettlement implementation to ensure that these issues are avoided in Tranches 2 and 3. During Tranche 1 implementation, ADB provided technical assistance support for the implementation of livelihood support measures to the affected persons. Capacity building support in the form of training of MUB and PMO staff engaged in land acquisition and resettlement activities were undertaken during Tranche 1 implementation and will be continued for Tranches 2 and 3. While ADB is working closely with MUB and PMO in incorporating the key lessons learned from Tranche 1 implementation,¹ a critical issue for immediate attention is to reduce the timelines for payment of compensation after the signing of the Mayor's decree recommending the compensation assessed by the PMO and the Land Management Agency based on replacement cost principles, due to internal approval requirements within MUB. ADB will continue to work closely with MUB to improve the existing processes of the Land Management Agency to avoid delays in payments of compensation.

5. **Social.** In order to mitigate the social risks of the project and maximize the benefits for socially vulnerable people, including the poor and women, a gender action plan (GAP) and social development action plan (SDAP) were developed and agreed with the PMO and MUB. In addition to those action plans, a community action plan (CAP) was developed to strengthen the communities' participation and engagement in the project design and implementation processes. Regarding Tranche 1, the majority of the GAP and SAP targets have been achieved in the previous reporting periods; however, small- and medium-sized enterprise (SME) capacity building and technical support, detail design and LARP, community-led construction monitoring actions are ongoing due to continuation of construction work and extension of the project duration.

6. Both human and financial resources are available, and there are no major obstacles for their implementation. Some of the actions envisaged by the plans have already been conducted and others are in progress. Meaningful consultations and community participations have been the key feature of the project. Several consultations and public meetings were conducted with project beneficiaries on the project preliminary design, where female beneficiaries played an active role.

¹ Some key issues which led to delays and complaints from affected persons include timely payment of compensation, engagement of affected persons at an early stage and continuous consultations during implementation, fair valuation of the land, structures and assets impacted, support and assistance towards restoration of livelihoods impacted due to the project, and timely addressal of stakeholder grievances.

The views and concerns of the beneficiaries collected during those meetings, especially the vulnerable groups, will be taken into account during the detailed design of infrastructure components.

7. In order to facilitate and support the subcenters' redevelopment, community development councils and SME development councils have been established with significant representation of women. The information, education, and communication campaign for (i) basic hygiene practices, (ii) water conservation, (iii) community involvement on the *ger* redevelopment, and (iv) SME development program have been launched and are in line with the project progress. Relevant education materials were also published.

8. Successful implementation of CAP, GAP, and SDAP highly depends on the project's overall smooth implementation progress. However, the following recommendations need to be taken into account to enhance the implementation, monitoring, and reporting of the action plans: (i) update the CAP, GAP, and SDAP in accordance with project implementation status and needs; (ii) improve monitoring of the CAP, GAP, and SDAP implementation and ensure a semiannual reporting; (iii) prioritize identification of the missing baseline data where relevant; and (iv) continue timely collection of sex-disaggregated data for the project activities.

C. Compliance with Tranches 1 and 2 Loan Agreements

9. As of Tranche 3 fact-finding mission in November 2019, all loan covenants (financial, safeguards, social, procurement, others) for Tranches 1 and 2 are being complied with, or to be complied with, and some are not yet due.

**MFF 0078-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program
(Tranches 1 and 2)**

STATUS OF COMPLIANCE WITH LOAN COVENANTS
(as of Tranche 3 Fact-Finding Mission, November 2019)

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
1	Financial	The Borrower shall relend the proceeds of the Loan to MUB upon terms and conditions satisfactory to ADB.	LA Art III, Section 3.01 (a)	Dec 2014	Being complied with. Subsidiary loan agreement signed on 11 Dec 2014. However, it has to be extended following two loan extensions (the first loan extension was until 31 Dec 2019 and the second loan extension was until 30 Jun 2021).	LA Art III, Section 3.01 (a)	Jun 2018	Complied with. Subsidiary loan agreement was signed on 21 May 2019.
2	Financial	Conditions for Withdrawals from Loan Account. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower (or its authorized government entity) and the MUB, and is legally binding upon the parties thereto in accordance with its terms.	LA Sch 2 (OCR), para. 7; LA Sch 3 (COL), para. 8	Dec 2014	Being complied with. Subsidiary loan agreement signed on 11 Dec 2014. However, it has to be extended following two loan extensions (the first loan extension was until 31 Dec 2019 and the second loan extension was until 30 Jun 2021).	LA Sch 2 (OCR); para. 6; LA Sch 3 (COL), para. 6	Jun 2018	Complied with. Subsidiary loan agreement was signed on 21 May 2019. Advance accounts for T2 have been opened and received the initial advances of the loan.
3	Financial	(a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan. (b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.	LA Art IV, Section 4.09	Throughout implementation period	Being complied with.	LA Art IV, Section 4.04	Throughout implementation period	Being complied with.
4	Financial	Except as ADB may otherwise agree, MUB shall duly perform all of its obligations under the Subsidiary Loan Agreements, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating, or waiving any rights or obligations of the parties under the Subsidiary Loan Agreements.				PA Art II, Section 2.14	Throughout implementation period	Being complied with.
5	Financial	Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be	LA Sch 2 (OCR),	December 2014	Complied with. EIB Loan Agreement has been signed on			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		made from the Loan Account for Works that relate to the EIB-cofinanced components of a Subproject until the Borrower has certified to ADB in writing that the execution and delivery of the EIB Loan agreement on behalf of the Borrower and EIB shall have been duly authorized or ratified by all necessary corporate and governmental action.	para. 8		30 Jun 2014 for EUR50 million equivalent in two tranches. PMO is working with MUB/MOF to extend the expiry date and include Tranche 3. Both Mongolian Government and EIB side agreed to extend the loan closing date to 30 June 2021. MOF approval for the Amendment Deed is now in process.			
6	Financial	The Borrower shall cause MUB to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of the Ordinary Operations Loan Agreement (OCR), Special Operations Loan Agreement (COL), and the Project Agreement.	LA Art III, Section 3.01 (b); PA Art II, Section 2.13	Throughout implementation period	Being complied with.	LA Art III, Section 3.01 (b); PA Art II, Section 2.13	Throughout implementation period	Being complied with.
7	Financial	The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 (OCR) and Schedule 3 (COL), as such Schedule may be amended from time to time by agreement between the Borrower and ADB.	LA Art III, Section 3.02	Throughout implementation period	Being complied with.	LA Art III, Section 3.02	Throughout implementation period	Being complied with.
8	Financial	Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the Special Operations Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.	LA Art III, Section 3.03	Throughout implementation period	Being complied with. Procurement procedures of ADB being strictly followed in accordance with approved Procurement Plan.	LA Art III, Section 3.03	Throughout implementation period	Being complied with. Procurement procedures of ADB being strictly followed in accordance with approved Procurement Plan.
9	Financial	Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.	LA Art III, Section 3.04	Throughout implementation period	Being complied with.			
10	Financial	The Borrower shall make available, or cause to be made available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities,	LA Art IV, Section 4.02 and PA Art II,	Throughout implementation period	Being complied with.	PA Art II, Section 2.02	Throughout implementation period	Being complied with.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.	Section 2.02					
11	Financial	Basis for Withdrawal from the Loan Account. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.	LA Sch 2 (OCR), para. 2 LA Sch 3 (COL), para. 2	Throughout implementation period	Being complied with. ADB provided no-objection to 2 requests from MOF/MUB: (i) reallocation of loan proceeds for both loan projects and change in disbursement percentage for L3098-MON (OCR), on 16 Oct 2017; and (ii) reallocation of loan proceeds for both loan projects, on 12 Dec 2019.	LA Sch 2 (OCR), para. 2 LA Sch 3 (COL), para. 2	Throughout implementation period	Being complied with.
12	Financial	The amount allocated to Category "Interest and Commitment Charges" is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.	LA Sch 2 (OCR), para. 3	Throughout implementation period	Being complied with.	LA Sch 2 (OCR), para. 3	Throughout implementation period	Being complied with.
13	Financial	The amount allocated to Category "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.	LA Sch 3 (COL), para. 3	Throughout implementation period	Being complied with.	LA Sch 3 (COL), para. 3	Throughout implementation period	Being complied with.
14	Financial	Reallocation. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table, (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other	LA Sch 2 (OCR) LA Sch 3 (COL), para. 4	Throughout implementation period	Being complied with. ADB provided no-objection to 2 requests from MOF/MUB: (i) reallocation of loan proceeds for both loan projects and change in disbursement percentage for L3098-MON (OCR), on 16 Oct 2017; and (ii) reallocation of loan proceeds for both loan projects, on 12 Dec 2019.	LA Sch 2 (OCR) LA Sch 3 (COL), para. 4	Throughout implementation period	Being complied with.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.						
15	Financial	Disbursement Procedures. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.	LA Sch 2 (OCR), para. 5 LA Sch 3 (COL), para. 5	Throughout implementation period	Being complied with.	LA Sch 2 (OCR), para. 5 LA Sch 3 (COL), para. 5	Throughout implementation period	Being complied with.
16	Financial	Retroactive Financing. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with the Consulting Services and Project management support, subject to a maximum amount equivalent to 20% of the Loan amount.	LA Sch 2 (OCR), para. 6 LA Sch 3 (COL), para. 6	Before loan effectiveness	Retroactive financing was provided but not utilized for Tranche 1.			
17	Financial	Imprest Account. Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The imprest account shall only be used for the purposes of the Project. The currency of the imprest account shall be the Dollar. The maximum ceiling for the imprest account shall not exceed the equivalent of 10% of the Loan amount,	LA Sch 3 (COL), para. 7	Throughout implementation period	Being complied. Two imprest accounts and one imprest Grant account were opened in the State Bank of Mongolia on 12 Nov 2014. A sub-account was also opened and maintained in the same bank for PMO salaries.			Two imprest accounts were opened in the State Bank of Mongolia on 26 Jun 2019. Sub-accounts were also opened and maintained in the State Treasury Bank at MOF.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		unless otherwise agreed between the Borrower and ADB.						
18	Financial	Prohibited List of Investments. The Borrower shall cause MUB to ensure that no Loan proceeds are used to finance any prohibited activity included in the list provided in Appendix 5 of the SPS.	LA Sch 5 (COL), para. 11	Throughout implementation period	Being complied with.	LA Sch 5 (COL), para. 18	Throughout implementation period	Being complied with.
19	Financial	Counterpart Support. The Borrower shall cause MUB to ensure that the counterpart funding required for successful Project implementation is timely allocated and provided. The Borrower shall cause MUB to adequately staff and equip a Project implementation unit in a manner acceptable to ADB.	LA Sch 5 (COL), para. 16	Throughout implementation period	Being complied with. In compliance with the FFA undertakings, the government has constructed 50 apartment units in Bayankhoshuu and Selbe project areas. Counterpart funding is timely allocated and provided, including compensation payment to affected persons amounting to US\$15.51 million as of 30 Sep 2019.	LA Sch 5 (COL), para. 22	Throughout implementation period	Being complied with. In Mar 2019, MOF approved the increase in number of PMO staff by four.
20	Financial	In addition to the foregoing, the Borrower shall ensure that MUB has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Consulting Services contract.				LA Sch 5 (COL), para. 23	Throughout implementation period	Being complied with.
21	Financial	The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were	LA Art IV, Section 4.06 (a); and PA Art II, Section 2.09 (a)	Throughout implementation period	Being complied with. The PMO maintain separate books of accounts for the project and prepare annual financial statements. Audited financial statements are being submitted to ADB, as required.	PA Art II, Section 2.09 (a)	Throughout implementation period	Being complied with. The PMO maintain separate books of accounts for the project and prepare annual financial statements. ADB approved in Dec 2018 the deferment of submission of audited financial statements for FY 2018. The FY2019 APFS covering 14 Mar 2018–31 Dec 2019 will be submitted in Jun 2020.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.						
22	Financial	ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.	LA Art IV, Section 4.06 (b); and PA Art II, Section 2.09 (b)	Throughout implementation period	Being complied with. Audited financial statements are being disclosed on the ADB website, as required.	PA Art II, Section 2.09 (b)	Throughout implementation period	To be complied with, upon submission of the first audit report covering FY 2018 and FY 2019.
23	Financial	In addition to annual audited financial statements referred to in subsection (a) hereinabove, MUB shall (i) provide its annual financial statements prepared in accordance with national accrual-based financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; and (iii) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements in the English language and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.	PA Art II, Section 2.09 (c)	Throughout implementation period	Being complied with. Audited financial statements are being submitted to ADB, as required.			
24	Financial	The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a) (iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only	LA Art IV, Section 4.06 (c); and PA Art II, Section 2.09 (d)	Throughout implementation period	To be complied with, if such request from ADB will be received.	PA Art II, Section 2.09 (c)	Throughout implementation period	To be complied with, if such request from ADB will be received.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.						
25	Financial	MUB shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loans, Grant and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of MUB; and (v) any other matters relating to the purposes of the Loans and Grant.	PA Art II, Section 2.08 (a)	Throughout implementation period	To be complied with, if such request from ADB will be received.	PA Art II, Section 2.08 (a)	Throughout implementation period	To be complied with, if such request from ADB will be received.
26	Financial	MUB shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loans and Grant, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.	PA Art II, Section 2.06	Throughout implementation period	Being complied with.	PA Art II, Section 2.06	Throughout implementation period	Being complied with.
27	Financial	The Borrower shall ensure that within 7 months of the Effective Date, MUB shall develop a financial management action plan, in a form and substance satisfactory to ADB, and implement such plan throughout the Project implementation period.				LA Sch 5 (COL), para. 26	15 Oct 2018	Being complied with. The plan is being developed and will be submitted for approval to ADB by Q2 2020.
28	Financial	The Borrower shall cause the USUG to consolidate and improve its operational sustainability by ensuring that commencing no later than 2016 fiscal year, USUG will achieve and maintain for each subsequent fiscal year, a full cost recovery operating ratio of at least 1.0 or below , where: (a) "full cost recovery operating ratio" means that ratio of full expenditure over revenues net of subsidies; (b) "full expenditure" means the sum of all expenses related to operations including administration, maintenance, current taxes and payments in lieu of taxes, and a return on equity computed at 12% of the average	LA Sch 5 (COL), para. 24	Throughout implementation period	Being complied with. The contract for improved operations and management of service providers, and institutional and regulatory reform (CSOI consulting package) was signed in Dec 2019.			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		of the opening and closing balance of equity; (c) "debt" means any indebtedness of USUG maturing by its terms more than 1 year after the date on which it was originally incurred; (d) "equity" means the sum of total unimpaired paid-up capital, retained earnings and reserves of USUG not allocated to cover specific liabilities; and (e) "debt servicing" means the aggregate amount of all repayments (including sinking fund payments, lease payments under financial leases if any), whether or not actually paid, and interest and other charges on debt. Interest charges which are incurred in financing capital expenditure during development are excluded if they are capitalized.						
29	Financial	<p>The Borrower and MUB shall ensure that:</p> <p>(a) USUG tariffs are reviewed at least once a year and set and periodically adjusted as appropriate by at least 5% every 5 years, starting no later than (2017 fiscal year for Tranche 1; 2019 fiscal year for Tranche 2), to ensure the financial viability of the project investments;</p> <p>(b) commencing no later than 2016 fiscal year, USUG achieves an aggregate tariff collection rate from all customers of 80%;</p> <p>(c) commencing no later than 2018 fiscal year, USUG achieves an aggregate tariff collection rate from all customers of 85%; and</p> <p>(d) commencing no later than 2022 fiscal year, USUG achieves and aggregate tariff collection rate from all customers of 90%.</p> <p>Furthermore, the Borrower and MUB shall ensure that appropriate public awareness programs are conducted to educate the public on the need for a rational water supply and sewerage tariffs scheme and the importance of water conservation.</p>	LA Sch 5 (COL), para. 25	Throughout implementation period	Being complied with. USUG tariff has been reviewed annually and increased every year since 2015. The average tariff increase in 2018 is 25%. USUG has been taking actions to improve revenue collection system.	LA Sch 5 (COL), para. 27	Throughout implementation period	Being complied with. USUG tariff has been reviewed annually and increased every year since 2015. The average tariff increase in 2018 is 25%. USUG has been taking actions to improve revenue collection system.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
30	Financial	In order to facilitate and improve its operational and financial sustainability, MUB shall ensure that USUG prepares, in accordance with prudent business practice, annual business plans for the MUB's approval commencing no later than 2015 fiscal year.	LA Sch 5 (COL), para. 26	From 2015	Being complied with. The contract for improved operations and management of service providers, and institutional and regulatory reform (CSOI consulting package) was signed in Dec 2019.	LA Sch 5 (COL), para. 28	From 2018	Being complied with; initiated under Tranche 1
31	Financial	The Borrower and MUB shall also ensure that (a) heating tariffs are reviewed at least once a year and set and periodically adjusted as appropriate by at least 10% every 5 years, starting from no later than (2017 fiscal year for Tranche 1, and 2019 fiscal year for Tranche 2), to ensure the financial viability of the project investments; (b) commencing no later than (2016 fiscal year for Tranche 1, and 2017 fiscal year for Tranche 2), heating service providers involved in the project achieve an aggregate tariff collection rate from all customers at 85%; (c) commencing no later than 2018 fiscal year, an aggregate tariff collection rate for heating from all customers of 90% is achieved; and (d) commencing no later than 2022, an aggregate tariff collection rate for heating from all customers of 95% is achieved. The Borrower and MUB shall also ensure that appropriate public awareness programs are conducted to educate the public on the need for a rational tariffs scheme on heating services and heating conservation.	LA Sch 5 (COL), para. 27	No later than 2017 fiscal year No later than 2016 fiscal year No later than 2018 fiscal year No later than 2022	To be complied with.	LA Sch 5 (COL), para. 29	No later than 2019 fiscal year No later than 2017 fiscal year No later than 2018 fiscal year No later than 2022	To be complied with.
32	Safeguards	Conditions for Award of Contract. The Borrower shall not award any Works contract for a Subproject, or any component financed under the Project, which involves environmental impacts until MUB has (a) obtained the final approval of the DEIA (as applicable) from the Mongolia's Ministry of Environment and Green Development; and (b) incorporated	LA Sch 4 (COL), para. 6	Throughout implementation period	Being complied with. DEIA for Tranche 1 subcenters were conducted by a professional firm in 2013 and were amended in 2017 following development of the detailed designs for Tranche 1 subcomponents.	LA Sch 4 (COL), para. 8	Throughout implementation period	Being complied with. DEIA for T2 subcenters were conducted by a professional firm in 2017 and is planned to be amended following development of the detailed designs for T2 subcomponents before commencement of

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		the relevant provisions from the EMP into the Works contract.						construction in 2020.
33	Safeguards	Environment. The Borrower shall ensure, or cause MUB to ensure, that the preparation, design, construction, implementation, operation of the Project, comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) SPS; (d) the EARF; and (e) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report or (ii) subsequently agreed with ADB.	LA Sch 5 (COL), para. 2	Throughout implementation period	Being complied with. Developed environmental specifications, which is incorporated in the bidding documents. Annual EMR was issued in 2016, 2017, 2018, and 2019. The AEEMR was prepared and reviewed by ADB in 2017 and 2018. AEEMR for 2019 is expected to be submitted in Feb 2020 for review by ADB.	LA Sch 5 (COL), para. 2	Throughout implementation period	To be complied with.
34	Safeguards	The Borrower shall cause MUB to ensure that throughout the Project implementation, (a) any changes to the project design are reviewed that may potentially cause negative environmental impacts; (b) in consultation with ADB, environmental monitoring and mitigation measures are revised as necessary to assure full environmental compliance; and (c) provide ADB within 60 days justification for any proposed changes to the mitigation measures required during design, construction and operation.				LA Sch 5 (COL), para. 3	Throughout implementation period	To be complied with, if there are changes to the project design.
35	Safeguards	The Borrower shall cause MUB to validate with data that the feasibility design stack emission specifications of the three heating facilities of the Project meet national and international emission standards, and report as such to ADB.				LA Sch 5 (COL), para. 4	Throughout implementation period	To be complied with. Originally T2 had planned three heating facilities. The heating facility planned in Bayankhoshuu subcenter was canceled due to MUB's decision. The subcenter was planned to be connected to the central heating network. The construction of the two remaining heating facilities has not yet started.
36	Safeguards	The Borrower shall ensure that MUB causes the Works contractors to (a) get permission from environmental department of MUB on selecting sites for quarries, borrow pits and	LA Sch 5 (COL), para. 21	Throughout implementation period	Being complied with and incorporated into bidding documents.	LA Sch 5 (COL), para. 5	Throughout implementation period	To be complied with.

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		spoil disposals, (b) select quarries, borrow pits, and spoil disposal sites appropriate to the scale of the required borrow soil and the spoil generated before construction commences; (c) endorse such sites as being consistent with the selection criteria set out in the EMP; and (d) manage the sites in accordance with the provisions under the EMP.			Based on the Mayor's decision, MUB stopped giving new quarry licenses since 2016. All the construction companies in Ulaanbaatar buy supplies from three to four licensed quarries. The costs of quarry from these include rehabilitation costs. The licensed quarries have their approved EMP and EMR for operation. The requirements for contractors incorporated in the bidding documents.			
37	Safeguards	The Borrower shall cause MUB to ensure that the heat facilities comply with the relevant standard (e.g., MNS 6298:2011), and laws and regulations of the Borrower and regular ambient air quality and stack emission monitoring is conducted and reported to ADB.	LA Sch 5 (COL), para. 22	Throughout implementation period	Being complied with. National specifications and construction EMP are being incorporated into the bidding documents.	LA Sch 5 (COL), para. 6	Throughout implementation period	To be complied with. Construction of heating facilities has not yet started.
38	Safeguards	The Borrower shall ensure that extra care is taken to place physical barriers between the excavation and Works activities of the western end of the Ring Road and the cemetery wall. In particular, the Borrower shall ensure that (a) no heavy equipment or trucks are parked at or near the cemetery wall and no access to cemetery grounds are allowed in accordance with the EMP; and (b) the north and east property boundaries of Monastery receives extra protection from dust, physical disturbance, and noise from the new roads and utility services to be constructed in the area, and access to and from the Monastery and normal activity within the Monastery are not disrupted.				LA Sch 5 (COL), para. 7	Throughout implementation period	To be complied with. T2 construction work in Denjiin and Dambadarjaa subcenters have not started yet. The EMP and IEE have been updated in Mar 2020 and awaiting government clearance prior to posting on the ADB website.
39	Safeguards	The Borrower shall develop a separate impact mitigation sub-plan in the EMP is developed for the heating facilities which will highlight facilities specific construction activities and scheduling for heating facilities to be constructed under the Project.				LA Sch 5 (COL), para. 8	Throughout implementation period	To be complied with. EMP for heating facilities are developed and approved by MET.
40	Safeguards	The Borrower shall not award any Works contract for a Subproject, which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to	LA Sch 4 (COL), para. 7	Throughout implementation period	Being complied with. Following award of civil works without any satisfactory LARPs, due diligence reports were	LA Sch 4 (COL), para. 9	Throughout implementation period	To be complied with. LARPs for T2 subprojects are being updated based on the final designs. ADB

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		ADB the final RP for such Subproject based on the detailed design, and obtained ADB's clearance of such RP.			prepared and disclosed on the ADB websites (a) DDR for Selbe water reservoir and supply pipes disclosed on 8 Sep 2017; (b) DDR for Bayankhoshuu electricity substation, kindergarten, business incubator and training center disclosed on 25 Oct 2018; and (c) DDR for Selbe heating plant, kindergarten, business incubator and training center disclosed on 24 Jan 2019. Corrective actions in the DDRs are being addressed.			clearance of the updated LARPs is a precondition for award of works contract for subprojects involving involuntary resettlement impacts.
41	Safeguards	Land Acquisition and Resettlement. The Borrower shall ensure, or cause MUB to ensure, that all land and all rights-of-way required for the Project, are made available to the Works contractor in accordance with the schedule agreed under the related final RP and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report or (ii) subsequently agreed with ADB.	LA Sch 5 (COL), para. 3	Throughout implementation period	Being complied with. Resettlement implementation is ongoing. Corrective actions in the DDRs are being addressed. The implementation of corrective actions agreed in the memorandum of understanding signed on 2 July 2018 by MUB, PMO, ADB project team, NGO representatives, and complainants is underway and expected to be completed by Q2 2020.	LA Sch 5 (COL), para. 10	Throughout implementation period	To be complied with. Resettlement implementation for T2 subprojects has not commenced, as the LARPs are being prepared by the Borrower.
42	Safeguards	The Borrower shall cause MUB to ensure sufficient resources (a) for the resettlement of the affected people and the residents under the Project, and (b) for the residents involved in the land readjustment activity. The Borrower shall cause MUB to further ensure that the resettlement units shall be acceptable to the affected people and residents in terms of quality, safety, number of rooms, affordability, habitability and accessibility.				LA Sch 5 (COL), para. 11	Throughout implementation period	To be complied with. The Borrower has committed to work closely with MUB to ensure adequate resources are allocated to ensure timely payment of compensation and assistance to affected persons for T2 subprojects.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
43	Safeguards	Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall ensure, or cause MUB to ensure, that no physical or economic displacement takes place in connection with the Project until (a) compensation and other entitlements have been provided to affected people in accordance with the respective RP; and (b) a comprehensive income and livelihood restoration program has been established in accordance with the respective RP.	LA Sch 5 (COL), para. 4	Throughout implementation period	Being complied with. Resettlement implementation is ongoing. Corrective actions in the LARPs and DDRs are being undertaken. Implementation of corrective measures identified in the memorandum of understanding for problem solving of complaints received on resettlement issues is underway and is being monitored by ADB.	LA Sch 5 (COL), para. 12	Throughout implementation period	To be complied with. No displacement or land acquisition impacts have taken place yet for T2 subprojects.
44	Safeguards	Bidding documents and work contracts. The Borrower shall ensure, or cause MUB to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, the EMP, and the relevant RPs (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report or subsequently agreed with ADB; (b) make available a budget for all such environmental and social measures; (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, or the relevant RPs; and (d) fully reinstate pathways, other local infrastructure, and public facilities to at least their pre-project condition as early as possible and no later than completion of construction.	LA Sch 5 (COL), paras. 6 and 8	Throughout implementation period	Being complied with.	LA Sch 5 (COL), para. 16	Throughout implementation period	To be complied with.
45	Safeguards	Human and Financial Resources to Implement Safeguards Requirements. The Borrower shall cause MUB to make available necessary budgetary and human resources to fully implement the EMP and the relevant RPs.	LA Sch 5 (COL), para. 7	Throughout implementation period	Being complied with. External monitors for environment engaged in Dec 2017. The PMO engaged 2 liaison officers and 1 administrative assistant to assist the safeguard team as short-term PMO staff until 1 Oct	LA Sch 5 (COL), para. 14	Throughout implementation period	Being complied with. The PMO environment and resettlement staff positions have been filled and will implement the EMP and resettlement plans for T2 subprojects.

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46	Safeguards	The Borrower shall cause MUB to ensure that (a) the Project implementation consultants are engaged in a timely manner, including safeguards specialists; (b) a licensed environmental monitoring institute is contracted to conduct periodic environmental impact monitoring in accordance with the approved monitoring plan; and (c) the capacity-building program described in the EMP and the RPs is implemented as planned from the date of engagement of the consultants until Project completion.	LA Sch 5 (COL), para. 9	Throughout implementation period	2019. Being complied with. (a) Project implementation consultants engaged in Sep 2015; (b) Licensed environmental monitoring institute was contracted in Dec 2017; and (c) Capacity building training was held for contractors' environmental specialist on 23 Apr 2019. According to Safeguard Policy, public consultation meetings were held after approval of detailed designs.	LA Sch 5 (COL), paras. 9 and 15	Throughout implementation period	To be complied with. (a) Project implementation consultants engaged in Jan 2019. (b) To be complied with. (c) To be complied with. According to Safeguard Policy, public consultation meetings will be organized after approval of detailed designs.
47	Safeguards	The Borrower shall cause MUB to ensure that the Works contractors take necessary actions to avoid interruptions to water supply, heating and other utility services during the construction under the Project.	LA Sch 5 (COL), para. 23	Throughout implementation period	Being complied. National specifications and utility provisions are being incorporated into bidding documents.	LA Sch 5 (COL), para. 24	Throughout implementation period	Being complied with.
48	Safeguards	Grievance Redress Mechanism. The Borrower shall cause MUB to ensure that separate safeguards grievance redress mechanisms acceptable to ADB are established in accordance with the provisions of the EMP and RPs at the PMO, within the timeframes specified in the relevant EMP and RPs, to consider safeguards complaints.	LA Sch 5 (COL), para. 28	Throughout implementation period	Complied with. Land Acquisition and Resettlement Plan Implementation Committee and working group established by City Mayor Order on 22 Feb 2016. GRM has been established to consider safeguards complaints and is functional.	LA Sch 5 (COL), para. 19	Throughout implementation period	Complied with. GRM for T2 has been established and will consider safeguard complaints during T2 implementation.
49	Safeguards	The Borrower shall cause MUB to ensure that within 12 months following the effective date, a grievance redress mechanism, acceptable to ADB, is established and a task force is functioning effectively to (a) review and document eligible complaints of Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen mechanism/action; and (d) prepare periodic reports to summarize (i) the number of complaints received and resolved; (ii) chosen actions; and (iii) final outcomes of the grievances and	LA Sch 5 (COL), para. 29	September 2015	Being complied with. Citizens send the complaints through http://cityhall.gov.mn/cp/index.php/homepage/smartcity-mn web or call to Hotline 1111, or fill the complaint form directly at PMO.			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		make these reports available to ADB upon request. Eligible complaints include those related to the Project, any of the service providers, any person responsible for carrying out the Project, complaints on misuse of funds, unfair land pooling practices and other irregularities, as well as gender issues.						
50	Safeguards, Social	Safeguards Monitoring and Reporting. The Borrower shall cause MUB to do the following: (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission; (b) review any changes to the Project design that may potentially cause negative environmental or social impacts, and in consultation with ADB, revise environmental or social monitoring and mitigation measures as necessary to assure full safeguard compliance. MUB will provide to ADB within 60 days, justification for any proposed changes to the mitigation measures required during design, construction, and operations, if any changes to the IEE or RPs must be implemented for safety or emergency reasons; and (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, or the relevant RPs promptly after becoming aware of the breach.	LA Sch 5 (COL), para. 10	Throughout implementation period	Being complied with. Delayed submission of external resettlement monitoring reports and gaps in reporting occurred during Tranche 1 implementation due to contractual issues with the external monitor. These have been resolved and the Borrower has committed timely deployment of the external monitor to ensure regular submissions of the monitoring reports. 1st EMR 2015–Apr 2016 disclosed in May 2016; 2nd EMR Jun 2016–May 2017 disclosed in Nov 2017; 3rd EMR Jun 2017–Apr 2018 disclosed in Jun 2019 4th EMR May 2018–May 2019 (being finalized and not yet disclosed) 1st SMR Jan–June 2018 disclosed in Nov 2018; 2nd SMR in Jan–June 2019 disclosed in Feb 2020; 3rd SMR Jul–Dec 2019 (being finalized and not yet disclosed)			
51	Safeguards, Social	Safeguards Monitoring and Reporting. The Borrower shall cause MUB to do the following: (a) submit safeguards monitoring reports to ADB (i) in respect of implementation of and compliance with Environmental				LA Sch 5 (COL), para. 17	Throughout implementation period	To be complied with.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		<p>Safeguards and the EMP, annually during construction and the implementation of the Project and the EMP until the issuance of ADB's project completion report unless a longer period is agreed in the EMP; and</p> <p>(ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards, and of the RPs, semi-annually during the implementation of the Project until the issuance of ADB's project completion report unless a longer period is agreed in the RPs and EMDP and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards and the Involuntary Resettlement Safeguards promptly upon submission.</p> <p>(b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the RPs, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;</p> <p>(c) engage qualified and experienced external social safeguards experts under a selection process and terms of reference acceptable to ADB, to verify information produced through the social safeguards monitoring process, and facilitate the carrying out of any verification activities by such external experts; and</p> <p>(d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.</p>						
52	Safeguards, Social	The Borrower shall cause MUB assisted by Project consultants to develop a transparent mechanism, acceptable to ADB, for voluntary community-led Ger	LA Sch 5 (COL), para. 19	December 2014	Being complied with. Local development plan, pilot block plans, and schemes for possible private sector			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		areas' subcenters redevelopment. Such mechanism, among other matters, shall proscribe terms and conditions on private sector participation, adequate community consultation on redevelopment proposals, fair and equitable land pooling, and compensation procedures for volunteering landowners, and shall be established and made operational by December 2014.			participation finalized in July 2018.			
53	Safeguards, Social	The Borrower shall ensure that necessary implementing legislation and/or regulation governing the procedure of voluntary land pooling for purposes of redevelopment is developed and adequate public consultation, with participation of ADB, on such draft legislation/regulation is conducted by December 2014; and that such legislation/regulation is adopted by June 2015. Prior to adoption of such legislation/regulation, the Borrower shall cause MUB assisted by Project consultants to conduct public awareness campaign in the Project area, with CDC and SDC participation, to educate interested landowners on land pooling mechanism in order to facilitate fair dealing and to avert coercion and other unfair practices.	LA Sch 5 (COL), para. 20	June 2015	Complied with. Block planning manual and development of pilot sub-block plans, with suggested legal documentation needed, finalized in July 2018.			
54	Social	Indigenous Peoples. The Borrower shall cause MUB to ensure that the preparation, design, construction, implementation and operation of the Project and Project facilities does not have any adverse impacts on the indigenous peoples, within the meaning of SPS. In the event that the Project does have such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with ADB's SPS.	LA Sch 5 (COL), para. 5	No action required	The project under Tranche 1 is classified as Category C as there are no ethnic minority communities in the area.	LA Sch 5 (COL), para. 13	No action required	The project under T2 is classified as Category C as there are no ethnic minority communities in the area.
55	Social	Health and Labor Standards. The Borrower shall cause MUB to ensure that works contractors engaged under the Project (i) comply with all applicable labor	LA Sch 5 (COL), para. 12	Throughout implementation period	Being complied with. Relevant clauses are included in the contracts. Implementation of Health and Safety regulations			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		laws and core labor standards; (ii) use their best efforts to employ women and local people, including disadvantaged people; (iii) provide equal pay to men and women for work of equal type; (iv) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities for male and female workers at the Project site; (v) maximize female training and employment; (vi) conduct an information and education campaign on sexually transmitted diseases and HIV/AIDS for construction workers as part of the health and safety program during Project implementation; and (vii) abstain from child labor. Relevant contracts financed under the Project must include specific clauses on these undertakings.			needs to be improved in the construction activities			
56	Social	Labor Standards, Health, and Safety. The Borrower shall cause MUB to ensure that the core labor standards and the applicable laws and regulations of the Borrower are complied with during Project implementation. The Borrower shall cause MUB to include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that contractors, among other things (a) comply with the applicable labor law and regulations of the Borrower and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) do not restrict the workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the project and to members of the local communities surrounding the				LA Sch 5 (COL), para. 20	Throughout implementation period	Being complied with. Implementation of Health and Safety regulations needs to be improved in the construction activities.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		project area, particularly women. The Borrower shall cause MUB to strictly monitor compliance with the requirements set forth in this paragraph and provide ADB with semiannual reports.						
57	Social	Gender and Development. The Borrower shall cause MUB to ensure that the SAP and gender action plan (GAP) in form and substance agreed with ADB are implemented in a timely manner over the Project period and, to the extent necessary, incorporated into the bidding documents, and that adequate resources are allocated for these purposes. Specific social- and gender-related measures and activities undertaken during Project implementation shall be reported in the Project Performance Monitoring Report.	LA Sch 5 (COL), para. 13	Throughout implementation period	Being complied with. SDAP and GAP implementation are reported on quarterly basis through the quarterly progress reports and updated SDAP and GAP monitoring matrix.			
58	Social	Gender and Development. The Borrower shall cause MUB to ensure that the gender action plan and the social development action plan, both agreed with ADB, are implemented in a timely manner over the Project period, and that adequate resources are allocated for this purpose. Specific social and gender-related activities undertaken during Project implementation shall be reported to ADB in semiannual Project progress reports.				LA Sch 5 (COL), para. 20	Throughout implementation period	To be complied with. PMO and two consulting firms are well aware of the GAP. As the consultants have been mobilized in Jan 2019, it is still early to assess the progress. No semiannual report has been prepared yet.
59	Social	The Borrower shall cause MUB to ensure that the agreed SAP includes measures to (i) facilitate and support each Subprojects' community development council (CDC) and SME development council (SDC); (ii) identify and prioritize CDC and SDC needs and sustain awareness and support to the project by the different stakeholders; (iii) mobilize and organize community members as well as the business owners affected by a Subproject into relevant CDC and/or SDC to support the development of the land use plan, local development plan, and investment plan of the Project; (iv) facilitate public awareness concerning overall strategy of urban functions development; (v)	LA Sch 5 (COL), para. 14	Throughout implementation period	Being complied with. 600 micro businesses were trained and linked with the SME support centers and introduced to the low interest loan facilities under the national SME support program; 1,451 members of resident and local business communities were trained; 56 residents were employed by construction companies with either permanent or temporary jobs.			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		facilitate the skills mapping of the community members and matching with the demand of the SMEs as well as linking the community groups with training institutions providing vocational/technical skills training; and (vi) facilitate proper monitoring and evaluation of the different aspects of these components.						
60	Social	The Borrower shall cause MUB to ensure that the agreed GAP: (i) integrates gender inclusive design measures into road infrastructure to ensure safety, security, mobility and access; (ii) serves at least 1,000 beneficiaries of which at least 50% are women for the vocational training; (iii) assesses affordability and potential for creating subsidies on the tariff reform; (iv) ensures that the CDCs and SDCs are fully functional with at least 40% female participation; and (v) requires sex disaggregated data be reported in the Project Performance Monitoring Report.	LA Sch 5 (COL), para. 15	Throughout implementation period	Being complied with partially: action items 1 and 4 are on track, 2 partially on track, and 3 is yet to be implemented.			
61	Others	The Loan Closing Date for the purposes of Section 9.02 (OCR) and Section 8.02 (COL) shall be (30 Jun 2018 for T1 and 28 Feb 2022 for T2) or such other date as may from time to time be agreed between the Borrower and ADB.	LA Art III, Section 3.05	30 Jun 2018 (first extension until 31 Dec 2019; second extension until 30 Jun 2021)	ADB approved 2 loan extensions: (first extension until 31 Dec 2019; second extension until 30 Jun 2021) or a cumulative extension of 3 years.	LA Art III, Section 3.04	28 Feb 2022	Being complied with. The loan closing date remains the same.
62	Others	(a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices	LA Art IV, Section 4.01(a); PA Art II, Section 2.01(b)	Throughout implementation period	Being complied with.	PA Art II, Section 2.01(a)	Throughout implementation period	Being complied with.
63	Others	(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the Special Operations Loan Agreement and in the Project Agreement.	LA Art IV, Section 4.01(b); PA Art II, Section 2.01(b)	Throughout implementation period	Being complied with.	LA Art IV, Section 4.01; PA Art II Section 2.01(b)	Throughout implementation period	Being complied with.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
64	Others	The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, and operational and maintenance practices.	LA Art IV, Section 4.07; and PA Art II, Section 2.11 (c)	Throughout implementation period	Being complied with.	PA Art II, Section 2.11 (c)	Throughout implementation period	To be complied with.
65	Others	MUB shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, and operational and maintenance practices.	PA Art II, Section 2.11 (c)	Throughout implementation period	Being complied with.	PA Art II, Section 2.11 (c)	Throughout implementation period	Being complied with.
66	Others	Maintenance of the Project Facilities. The Borrower shall ensure and cause MUB to ensure that the Project facilities have enough resources and human capacity to be properly operated and maintained by relevant departments and agencies.				LA Sch 5 (COL), para. 25	Throughout implementation period	To be complied with.
67	Others	MUB shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.	PA Art II, Section 2.11 (b)	Throughout implementation period	Being complied with.	PA Art II, Section 2.11 (b)	Throughout implementation period	Being complied with.
68	Others	Whenever applicable, in the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.	LA Art IV, Section 4.03 (a); PA Art II, Section 2.03	Throughout implementation period	Being complied with. Procurement procedures of ADB being strictly followed in accordance with approved Procurement Plan.	PA Art II, Section 2.03 (a)	Throughout implementation period	Being complied with. Procurement procedures of ADB being strictly followed in accordance with approved Procurement Plan.
69	Others	The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.	LA Art IV, Section 4.03 (b); and PA Art II, Section 2.04	Throughout implementation period	Being complied with. Detailed design consultant prepared plans, design standards, specifications, work schedules, and construction methods to required standards, which were reviewed by MUB and ADB.	PA Art II, Section 2.04	Throughout implementation period	Being complied with.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
70	Others	The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.	LA Art IV, Section 4.04	Throughout implementation period	Being complied with.			
71	Others	The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	LA Art IV, Section 4.05; and PA Art II, Section 2.10	Throughout implementation period	To be complied with, if such request from ADB will be received.	LA Art IV, Section 4.02; and PA Art II, Section 2.10	Throughout implementation period	To be complied with, if such request from ADB will be received.
72	Others	The Borrower shall take all actions which shall be necessary on its part to enable MUB to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.	LA Art IV, Section 4.08	Throughout implementation period	Being complied with.	LA Art IV, Section 4.03	Throughout implementation period	Being complied with.
73	Others	The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.	LA Sch 4 (COL), para. 1	Throughout implementation period	Being complied with.	LA Sch 4 (COL), para. 1	Throughout implementation period	Being complied with.
74	Others	Goods and Works. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the method of procurement set forth below: International Competitive Bidding. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.	LA Sch 4 (COL), paras. 3-4	Throughout implementation period	Being complied with. Revisions to the procurement plan have prior approval from ADB. Latest revision of the procurement plan (version 7) was approved 29 Oct 2019 and disclosed on the ADB website.	LA Sch 4 (COL), paras. 2 and 4	Throughout implementation period	Being complied with. Plant package no. BHF06B was procured using ICB. Revisions to the procurement plan have prior approval from ADB. Latest revision of PP (version 3) was approved 23 Aug 2019 and disclosed on the ADB website.
75	Others	National Competitive Bidding. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such	LA Sch 4 (COL), para. 5	Throughout implementation period	Being complied with. Revisions to the procurement plan have prior approval from ADB. Latest revision of the procurement plan (version 7) was approved 29 Oct 2019 and disclosed on the ADB website.	LA Sch 4 (COL), paras. 2, 4, and 6	Throughout implementation period	To be complied with. Latest revision of the procurement plan (version 3) was approved 23 Aug 2019 and disclosed on the ADB website.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.						
76	Others	Consulting Services. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall cause MUB to apply quality- and cost-based selection for selecting and engaging Consulting Services.	LA Sch 4 (COL), para. 8	Throughout implementation period	Being complied with. QCBS was used for 3 consulting services packages. However, 2 packages used QBS due to inclusion of UN agency and NGOs in the shortlist. CQS and SSS were also used with approval from ADB.	LA Sch 4 (COL), paras. 2, 4, and 10	Throughout implementation period	Being complied with. QCBS was used for two consulting services packages. PMO to seek ADB's approval for any change to the procurement plan.
77	Others	The Borrower may recruit the individual consultants for improving operation and maintenance of utility service providers and incremental administrative tasks in accordance with procedures acceptable to ADB for recruiting individual consultants.	LA Sch 4 (COL), para. 9	Throughout implementation period	Being complied with. A consulting firm was engaged for the CSOI package for improved operations and management of service providers, and institutional and regulatory reform. The contract was signed in Dec 2019.			
78	Others	Domestic Preference. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.				LA Sch 4 (COL), para. 5	Throughout implementation period	To be complied with.
79	Others	Community Participation in Procurement. The Borrower, through MUB, may use community participation in procurement for Works contracts for activities set forth in the Procurement Plan in accordance with the agreed procedures set out in the Procurement Plan.				LA Sch 4 (COL), para. 7	Throughout implementation period	To be complied with.
80	Others	Industrial or Intellectual Property Rights. The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.	LA Sch 4 (COL), para. 10 (a)	Throughout implementation period	Being complied with.	LA Sch 4 (COL), para. 11 (a)	Throughout implementation period	Being complied with.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
81	Others	The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.	LA Sch 4 (COL), para. 10 (b)	Throughout implementation period	Being complied with.	LA Sch 4 (COL), para. 11 (b)	Throughout implementation period	Being complied with.
82	Others	The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.	LA Sch 4 (COL), para. 11	Throughout implementation period	Being complied with.	LA Sch 4 (COL), para. 12	Throughout implementation period	Being complied with.
83	Others	ADB's Review of Procurement Decisions. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.	LA Sch 4 (COL), para. 12	Throughout implementation period	Being complied with.	LA Sch 4 (COL), para. 13	Throughout implementation period	Being complied with.
84	Others	Implementation Arrangements. The Borrower and MUB shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.	LA Sch 5 (COL), para. 1	Throughout implementation period	Being complied with.	LA Sch 5 (COL), para. 1	Throughout implementation period	Being complied with.
85	Others	Good Governance. The Borrower and MUB shall (i) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project and Facility; and (ii) cooperate with any such investigation and extend all necessary assistance for	LA Sch 5 (COL), para. 17	Throughout implementation period	Being complied with. Anticorruption training/ seminar held for executing and implementing agencies in Ulaanbaatar in Oct 2015.	LA Sch 5 (COL), para. 30	Throughout implementation period	Being complied with.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		satisfactory completion of such investigation.						
86	Others	The Borrower and MUB shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.	LA Sch 5 (COL), para. 18	Throughout implementation period	Being complied with. Anticorruption provisions are being incorporated in bidding documents.	LA Sch 5 (COL), para. 31	Throughout implementation period	Being complied with.
87	Others	(a) MUB shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice; and (b) without limiting the generality of the foregoing, MUB undertakes to insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.	PA Art II, Section 2.05	Throughout implementation period	Being complied with. Each contractor submits insurance documents against such risks as an integral part of the contract.	PA Art II, Section 2.05	Throughout implementation period	Being complied with. Each contractor submits insurance documents against such risks as an integral part of the contract.
88	Others	(a) ADB and MUB shall cooperate fully to ensure that the purposes of the Loans and Grant will be accomplished; (b) MUB shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement, or the accomplishment of the purposes of the Loans and Grant; and (c) ADB and MUB shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, MUB, the Loans and Grant.	PA Art II, Section 2.07	Throughout implementation period	To be complied with. MUB shall promptly inform ADB if such situation occurs.	PA Art II, Section 2.07	Throughout implementation period	To be complied with. MUB shall promptly inform ADB if such situation occurs.
89	Others	Without limiting the generality of the foregoing, MUB shall furnish to ADB periodic reports on the execution of the Project and on the operation and	PA Art II, Section 2.08 (b)	Throughout implementation period	Being complied with, through submission of quarterly and annual reports to ADB.	PA Art II, Section 2.08 (b)	Throughout implementation period	Being complied with, through submission of quarterly and annual reports to ADB.

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.						
90	Others	Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, MUB shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by MUB of its obligations under this Project Agreement and the accomplishment of the purposes of the Loans and Grant.	PA Art II, Section 2.08 (c)	After project completion	Not yet due.	PA Art II, Section 2.08 (c)	After project completion	Not yet due.
91	Others	MUB shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its operations.	PA Art II, Section 2.11 (a)	Throughout implementa tion period	Being complied with.	PA Art II, Section 2.11 (a)	Throughout implementat ion period	Being complied with.
92	Others	Except as ADB may otherwise agree, MUB shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.	PA Art II, Section 2.12	Throughout implementa tion period	Being complied with.	PA Art II, Section 2.12	Throughout implementat ion period	Being complied with.
93	Others	MUB shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, could adversely affect the carrying out of the	PA Art II, Section 2.14	Throughout implementa tion period	To be complied with, if such situation occurs.			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		Project or the operation of the Project facilities. MUB shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.						
94	Financial	The Recipient shall make the proceeds of the Grant available to MUB upon terms and conditions satisfactory to ADB and shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement, the ADB Loan Agreements, and the Project Agreement.	GA Art III, Section 3.01 (a)	Throughout implementation period	Complied with. Grant was financially closed on 21 Nov 2019.			
95	Financial	The Recipient agrees that the proceeds of the Grant may be used to pay ADB's administration fees and bank and other charges pursuant to the applicable cofinancing arrangements with UEIF. ADB shall be entitled to withdraw from the Grant Account and pay to itself, on behalf of the Recipient, the amounts required to meet payments, when due, of such administration fees, bank, and other charges.	GA Art III, Section 3.01 (b)	Throughout implementation period	Complied with.			
96	Financial	Except as ADB may otherwise agree, the Recipient shall cause all items of expenditure financed out of the proceeds of the Grant to be used exclusively in the carrying out of the Project.	GA Art III, Section 3.04	Throughout implementation period	Complied with. Grant proceeds were used to finance one plant contract (WWOI: Design, Engineering, Supply, and Installation of Pump Equipment, SCADA System, Construction and Commissioning of Pumping Stations and Water Treatment Plant)			
97	Financial	The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for UEIF. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from UEIF; and (ii) that ADB does not assume any obligations or responsibilities of UEIF in respect of the Project or the Grant other than those set out in this Grant Agreement.	GA Art IV, Section 4.04	Throughout implementation period	Complied with.			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
98	Financial	The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 to the Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.	GA Art III, Section 3.02	Throughout implementation period	Complied with. No reallocation was done for the grant.			
99	Financial	Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 4 to the Special Operations Loan Agreement.	GA Art III, Section 3.03	Throughout implementation period	Complied with.			
100	Financial	Basis for Withdrawal from the Grant Account. Except as ADB may otherwise agree, the proceeds of the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.	GA Sch 1, para. 2	Throughout implementation period	Complied with. No reallocation was done for the grant.			
101	Financial	Reallocation. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table, (a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and (b) if the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient,	GA Sch 1, para. 3	Throughout implementation period	Complied with. No reallocation was done for the grant.			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		reallocate such excess amount to any other Category.						
102	Financial	Disbursement Procedures. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.	GA Sch 1, para. 4	Throughout implementation period	Complied with.			
103	Financial	The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest fund and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.	GA Art IV, Section 4.02 (a)	Throughout implementation period	Complied with. Separate accounts and records were maintained and audited financial statements were submitted to ADB for the grant.			
104	Financial	ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.	GA Art IV, Section 4.02 (b)	Throughout implementation period	Complied with. Audited financial statements for the grant were disclosed on the ADB website.			
105	Financial	The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the	GA Art IV, Section 4.02 (c)	Throughout implementation period	Complied with.			

No.	Type	Description	Article/ Schedule (T1)	Schedule/ Due Date (T1)	Status/Remarks (T1)	Article/ Schedule (T2)	Schedule/ Due Date (T2)	Status/Remarks (T2)
		Recipient's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a) (iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.						
106	Others	The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 Jun 2018 or such other date as may from time to time be agreed between the Recipient and ADB.	GA Art III, Section 3.05	30 Jun 2018 (extended to 31 Dec 2019)	Complied with. On 16 Oct 2017, ADB provided no-objection to the request from MOF/MUB for extension of grant closing date under Tranche 1 by 1.5 years until 31 Dec 2019. The grant was financially closed earlier, i.e., on 21 Nov 2019.			
107	Others	In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the Special Operations Loan Agreement.	GA Art IV, Section 4.01	Throughout implementation period	Complied with.			
108	Others	The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	GA Art IV, Section 4.03	Throughout implementation period	Complied with.			

ADB = Asian Development Bank, AEEMR = annual external environmental monitoring report, APFS = audited project financial statement, Art = article, CDC = community development council, COL = concessional, CQS = consultants qualifications selection, DDR = due diligence report, DEIA = detailed environmental impact assessment, EARF = environmental assessment review framework, EIB = European Investment Bank, EMDP = ethnic minority development plan, EMP = environmental management plan, EMR = environmental monitoring report, EUR = euro currency, FFA = framework financing agreement, FY = fiscal year, GA = grant agreement, GAP = gender action plan, GOM = Government of Mongolia, GRM = grievance redress mechanism, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, ICB = international competitive bidding, IEE = initial environmental examination, LA = legal agreement, LARP = land acquisition resettlement plan, MET = Ministry of Environment and Tourism, MFF = multitranchise financing facility, MNS = Mongolian National Standard, MOF = Ministry of Finance, MUB = Municipality of Ulaanbaatar, NGO = nongovernment organization, OCR = ordinary capital resources, PA = project agreement, PMO = program management office, Q = quarter, RF = resettlement framework, RP = resettlement plan, SAP = social action plan, SCADA = supervisory control and data acquisition, Sch = schedule, SDAP = social development action plan, SDC = SME development council, SME = small- and medium-sized enterprise, SMR = social monitoring report, SPS = ADB Safeguards Policy Statement, SSS = single source selection, T2 = tranche 2, UEIF = Urban Environmental Infrastructure Fund, UN = United Nations, US\$ = United States dollar, USUG = Ulaanbaatar Water Supply and Sewerage Authority.

Source: ADB.