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LOAN NUMBER 2963-MON (SF)

LOAN AGREEMENT  
(Special Operations)  
(Fifth Health Sector Development Project)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED 7 FEBRUARY 2013

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MON 45009

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 7 February 2013 between MONGOLIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Borrower also applied to the World Health Organization ("WHO") for, and the WHO approved, the in-kind grant equivalent to four hundred eighty thousand Dollars (\$480,000) to facilitate implementation of the Project;

(C) the Borrower also applied to the German Federal Ministry of Health ("GFMH") for, and the GFMH approved, the in-kind grant equivalent to one hundred eighty six thousand Dollars (\$186,000) to facilitate implementation of the Project; and

(D) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein.

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Aimag" means a province;

(b) "CMWMF" means the Borrower's central medical waste management facility in Ulaanbaatar city for managing medical waste;

(c) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(d) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(e) “EA” or “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MOH, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(f) “ECLLC” means the Element Company, a limited liability company in Ulaanbaatar which is presently operating the CMWMF;

(g) “EMP” or “Environmental Management Plan” means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

(h) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(i) “GAP” means the gender action plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(j) “GASI” means the Borrower’s General Agency for Specialized Inspection or any successor thereto;

(k) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(l) “HIV/AIDS” means human immunodeficiency virus/acquired immune deficiency syndrome;

(m) “IAs” or “Implementing Agencies” means (i) the NTC for the implementation of Output 1 and closely associated with the implementation of Output 2; (ii) MOH for the implementation of Outputs 2 and 4; (iii) the Borrower’s Ulaanbaatar City Mayor’s Office for the implementation of Output 3 and closely associated with the implementation of Project activities related to the district hospitals of Ulaanbaatar; and (iv) the Borrower’s National Center for Communicable Diseases for the implementation of Outputs 5, 6, 7, 8 and 9 or any successors thereto acceptable to ADB;

(n) “IEE” or “Initial Environmental Examination” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(o) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(p) “MOH” means the Borrower’s Ministry of Health or any successor thereto;

(q) “NTC” means the Borrower’s new National Transfusiology Center to be established under the Project or any successor thereto;

- (r) "O&M" means operations and maintenance;
- (s) "Outputs" means 9 outputs to be implemented under 3 components of the Project, as provided in paragraph 2 of Schedule 1 to this Loan Agreement;
- (t) "PAM" means the Project administration manual for the Project dated 2 October 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (u) "PIU" mean the Project implementation unit within MOH responsible for the day to day management of the Project;
- (v) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);
- (w) "Procurement Plan" means the procurement plan for the Project dated 2 October 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;
- (x) "Project facilities" means equipment to be provided and the facilities to be constructed, upgraded, or rehabilitated under the Project;
- (y) "Project Hospitals" means (i) 4 tertiary hospitals in Ulaanbaatar; (ii) 1 tertiary hospital in Erdenet city; (iii) 16 secondary hospitals including Darkhan city; (iv) 7 Aimag centers (Bulgan, Khentii, Uvs, Umnugovi, Selenge, Dornogovi, and Khovd); and (v) 8 district hospitals in Ulaanbaatar where Outputs relating to strengthening medical waste and hygiene and infection prevention and control will be implemented;
- (z) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP including any corrective and preventative actions;
- (aa) "Soum" means an administrative sub-division of an Aimag;
- (bb) "SPS" or "Safeguard Policy Statement" means ADB's Safeguard Policy Statement (2009);
- (cc) "Ulaanbaatar" means the Borrower's Ulaanbaatar city; and
- (dd) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and Project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to nineteen million four hundred eighty-three thousand Special Drawing Rights (SDR19,483,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 March and 15 September in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

## **ARTICLE III**

### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. 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 this Loan Agreement.

Section 3.04. 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.

Section 3.05. Withdrawals from the Loan Account in respect of Goods, Works, and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works, and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2018 or such other date as may from time to time be agreed between the Borrower and ADB.

## **ARTICLE IV**

### **Particular Covenants**

Section 4.01. 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 this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain or caused to be maintained separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards 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 the imprest account 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.

(b) ADB shall disclose on its website, 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.

(c) 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 in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VI**

### **Miscellaneous**

Section 6.01. The Minister for Economic Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

#### For the Borrower

Ministry of Economic Development  
Government Building-2  
United Nations Street 5/2  
Ulaanbaatar - 15160  
Mongolia

Facsimile Number:

(976) 11-327914.

For ADB

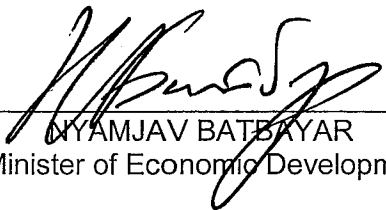
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636-2407.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

MONGOLIA

By   
NYAMJAV BATBAYAR  
Minister of Economic Development

ASIAN DEVELOPMENT BANK

By   
ROBERT SCHOELLHAMMER  
Country Director  
Mongolia Resident Mission



## SCHEDULE 1

### Description of the Project

1. The objective of the Project is improved patients and health workers safety in hospitals in Mongolia.
2. The Project shall comprise the following Outputs under 3 components:

**Component 1: Safe Blood Transfusion, including:**

Output 1: Establishing the NTC in Ulaanbaatar by (a) provision of equipment, improved management systems and capacity building measures; (b) development of a model maintenance unit in the NTC to serve as a basis for strengthening maintenance systems and capacities in hospitals covered by the Project; and (c) facilitation in obtaining international accreditation of the NTC; and

Output 2: Improving blood safety nationwide by (a) provision of equipment and training to concerned personnel; and (b) organization of blood donor management systems, including public awareness raising.

**Component 2: Medical Waste Management, including:**

Output 3: Upgrading and expanding the CMWMMF in Ulaanbaatar to meet internationally accepted standards by provision of Works, equipment, improved management systems, and capacity building for personnel; and

Output 4: Strengthening national medical waste system in the Project Hospitals by (a) improving monitoring and inspection capacity of MOH and GASl; and (b) provision of basic equipment, awareness raising and training of personnel in hospitals to meet national standards.

**Component 3: Hospital Hygiene and Infection Prevention and Control, including:**

Output 5: Improving capacity of microbiology laboratories in the Project Hospitals to meet national requirements by provision of equipment and review and upgrading of existing policies and guidelines;

Output 6: Developing basic infrastructure and providing equipment for ensuring infection prevention and control in the Project Hospitals;

- Output 7: Developing an effective surveillance system for hospital-acquired infections in the Project Hospitals by improvement of policies and guidelines, assignment of responsibilities, development of incentives for proper reporting, and piloting of the system;
- Output 8: Improving awareness, knowledge, and capacity of health authorities, health care workers, and administrative staff on infection prevention and control; and
- Output 9: Strengthening quality management system in the Project Hospitals to ensure infection prevention and control and providing an improved inspection module for infection prevention and control to be used by GASI.

3. The Project includes consulting services to support the Project Executing Agency in Project implementation and capacity development under all Outputs.
4. The Project is expected to be completed by 30 June 2018.

**SCHEDULE 2****Amortization Schedule****(Fifth Health Sector Development Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 March 2021	405,896
15 September 2021	405,896
15 March 2022	405,896
15 September 2022	405,896
15 March 2023	405,896
15 September 2023	405,896
15 March 2024	405,896
15 September 2024	405,896
15 March 2025	405,896
15 September 2025	405,896
15 March 2026	405,896
15 September 2026	405,896
15 March 2027	405,896
15 September 2027	405,896
15 March 2028	405,896
15 September 2028	405,896
15 March 2029	405,896
15 September 2029	405,896
15 March 2030	405,896
15 September 2030	405,896
15 March 2031	405,896
15 September 2031	405,896
15 March 2032	405,896
15 September 2032	405,896
15 March 2033	405,896
15 September 2033	405,896
15 March 2034	405,896
15 September 2034	405,896

Schedule 2

15 March 2035	405,896
15 September 2035	405,896
15 March 2036	405,896
15 September 2036	405,896
15 March 2037	405,896
15 September 2037	405,896
15 March 2038	405,896
15 September 2038	405,896
15 March 2039	405,896
15 September 2039	405,896
15 March 2040	405,896
15 September 2040	405,896
15 March 2041	405,896
15 September 2041	405,896
15 March 2042	405,896
15 September 2042	405,896
15 March 2043	405,896
15 September 2043	405,896
15 March 2044	405,896
15 September 2044	405,888
<b>Total</b>	<b>19,483,000</b>

\* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

### SCHEDULE 3

#### Allocation and Withdrawal of Loan Proceeds

##### General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

##### Basis for Withdrawal from the Loan Account

2. 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.

##### Reallocation

3. 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 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.

##### Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

##### Condition for Withdrawals from Loan Account

5. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for the procurement of equipment for the NTC under Output 1 until ADB is satisfied that MOH's budget allocation in 2013 and 2014, respectively, shall have included the required cost of construction of the NTC.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Fifth Health Sector Development Project)</b>				
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (SDR)</b>		<b>Basis for Withdrawal from the Loan Account</b>
		<b>Category</b>	<b>Subcategory</b>	
1	Works	611,000		17.4% of total expenditure claimed
2	Consulting Services	1,078,000		100% of total expenditure claimed
3	Workshop/Training	254,000		100% of total expenditure claimed
4	Equipment	16,257,000		
4A	Equipment (NTC)*		3,216,000	100% of total expenditure claimed
4B	Equipment (Others)		13,041,000	100% of total expenditure claimed
5	Other Investment support	589,000		100% of total expenditure claimed
6	Project Implementation Unit (Total)	513,000		
6A	Project Implementation Unit		373,000	100% of total expenditure claimed
6B	Project Implementation Unit (O&M)		140,000	100% of total expenditure claimed
7	Contingency	181,000		
	<b>Total</b>	<b>19,483,000</b>		

\* Withdrawal of this amount is subject to the condition provided in paragraph 5 of Schedule 3.

## SCHEDULE 4

### Procurement of Goods, Works and Consulting Services

#### General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
  - (a) International Competitive Bidding;
  - (b) National Competitive Bidding; and
  - (c) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

#### Domestic Preference

5. 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.

#### National Competitive Bidding

6. 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 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.

#### Conditions for Award of Contract

7. The Borrower shall, and shall cause MOH to ensure that Works contracts which involves environmental impacts are not awarded until:
  - (a) the Ministry of Environment and Green Development has granted all required approvals; and

- (b) the Borrower, through MOH has incorporated the relevant provisions from the EMP into the Works contract.

#### Consulting Services

8. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

9. The Borrower shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Consultants' Qualifications Selection for facilitating international accreditation of the NTC, architectural support for Project facilities and environmental assessment of the CMWMF.

10. The Borrower shall recruit the individual consultants for providing safeguards, social, technical, legal and monitoring support to the Project in accordance with procedures acceptable to ADB for recruiting individual consultants.

#### Industrial or Intellectual Property Rights

11. (a) 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.

(b) 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.

12. 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.

#### ADB's Review of Procurement Decisions

13. Contracts procured under international competitive bidding procedures, first contracts procured under national 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.



## SCHEDULE 5

### Execution of Project and Financial Matters

#### Implementation Arrangements

1. The Borrower and the Project Executing Agency shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

#### Counterpart Support

2. The Borrower shall ensure that counterpart financing necessary for the Project is provided in time, and that the Project Executing Agency and the IAs make available all funds and resources necessary for international accreditations, construction, administration, management, and O&M of the Project facilities financed under the Project on a timely basis. The Borrower shall further ensure that additional counterpart funding is available to cover any funding shortfalls that may occur during Project implementation.

#### The NTC

3. The Borrower through MOH shall ensure that (a) in line with cost estimate already prepared during the Project preparation and submitted to MOH, funding is allocated in the 2013 and 2014 budget of the MOH to cover the construction cost of the NTC; (b) the NTC will be fully constructed by 31 December 2014; (c) adequate space, staff, and resources for the maintenance department within the NTC are provided; (d) adequate resources and staff for the NTC are provided by transferring qualified personnel from the current national center to the NTC and by recruiting new qualified staff to meet the personnel requirement of the NTC; (e) design qualification approval is obtained prior to tendering for the construction of the NTC; and (f) international accreditation for the NTC is arranged by the Project completion.

#### The CMWMF

4. The Borrower through MOH shall ensure that (a) by 1 January 2014, a contract between Ulaanbaatar City Government and MOH is executed to transfer the site usage rights for 20 years from Ulaanbaatar City Government to MOH for the use of the land on which the CMWMF is situated to manage medical waste; and (b) the said contract includes the right of MOH to pass on the right to use the land to any organization/company/institution which might be selected in the future for managing medical waste.

5. The Borrower through MOH shall ensure that the CMWMF (a) enlarges its premises to accommodate: (i) increased autoclave capacity system to treat bio-hazardous waste collected from hospitals in Ulaanbaatar; (ii) recycling plant and interim storage space for chemical waste; and (iii) plastic recycling and sharp boxes reusing activities planned under the Project; and (b) ceases incineration activities latest by 31 December 2014 or as

soon as the autoclave capacity of the CMWMF is sufficient to treat all waste collected from hospitals in Ulaanbaatar.

6. The Borrower through MOH shall ensure that (a) within 12 months of the Effective Date, a contract is executed with ECLLC for providing compensation for its investment made for the infrastructure of the CMWMF and for ensuring that no new investments will be made by ECLLC after receipt of the compensation; and (b) from January 2015 a competitive procurement process is initiated in accordance with the procurement and concession laws of the Borrower to select an organization/company/institution on a competitive basis to manage the CMWMF.

7. Within 24 months of the Effective Date, the Borrower through the Ulaanbaatar City Mayor's Office shall ensure that medical waste treated in the CMWMF and pathogenic waste will be disposed off securely in the Naran Enger landfill of Songinohairkhan (or its successor) in line with the Borrower's national standards which will be developed as part of the Project.

8. The Borrower through MOH shall ensure that by 31 December 2016, public hospitals are required to purchase products recycled in the CMWMF, provided that these products are deemed safe by the Borrower to be used for medical purposes.

#### Safe Blood, Medical Waste and Infection Prevention and Control Management Activities

9. Within 18 months of the Effective Date, the Borrower through MOH shall ensure that adequate space is allocated in all 27 of the Borrower's blood banks nationwide and central sterilization service departments and the microbiology laboratories of all hospitals covered under the Project, including the 4 model blood banks (located in Darkhan-Uul, Orkhon, Uvurkhangai, and Khuvsgul) for proper handling of the blood collection, transfusion and other related activities in line with the Borrower's National Guidelines for Safe Blood Transfusion and Infection Prevention and Control.

#### Health Care Staff and Workers

10. By 31 December 2013, the Borrower through the MOH shall ensure that (a) regulations/guidelines are approved for health care staff and workers on vaccination to protect against hepatitis B and appropriate handling of carriers of hepatitis B and C viruses to ensure that all health staff and workers in the public and private health sector are protected and treated appropriately; (b) the said regulations/guidelines are enforced, on a pilot basis with adequate financing, to the satisfaction of ADB in all public health facilities situated in the areas where Project will be implemented; (c) the status of implementation of such regulations/guidelines is reported to ADB as part of the Project progress reports; and (d) by 30 June 2018 these regulations/guidelines are implemented nationwide, including funding through regular budget allocation under the MOH budget.

#### Environment

11. The Borrower through MOH shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to

environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Land Acquisition and Resettlement

12. The Borrower through MOH shall ensure that (a) the Project shall not have any involuntary resettlement impacts within the meaning of the SPS; (b) no involuntary land acquisition or resettlement shall be involved in the Project; (c) all Works shall be undertaken at existing locations of Project facilities on land owned by the Borrower; and (d) the land is free of encumbrances. In the event that any resettlement impacts are unavoidable for any Project activities, the Borrower shall inform ADB, prepare a resettlement plan for such activities in accordance with the SPS, and carry out any such land acquisition and resettlement activities in accordance with the SPS and such resettlement plan.

#### Indigenous Peoples

13. The Borrower through MOH shall ensure that the Project shall not have any adverse impacts on indigenous peoples, if any, within the meaning of the SPS, and all Outputs shall be implemented in a culturally appropriate and participatory manner to meet the needs of various peoples in the Project area. If any impact is anticipated, the Borrower through MOH shall ensure that an indigenous peoples plan is prepared in accordance with the SPS and take all steps required to ensure that the Project complies with and is carried out in accordance with the applicable laws and regulations of the Borrower, the SPS and such indigenous peoples plan.

#### Human and Financial Resources to Implement Safeguards Requirements

14. The Borrower through MOH shall make available necessary budgetary and human resources to fully implement the EMP.

#### Safeguards – Related Provisions in Bidding Documents and Works Contracts

15. The Borrower through MOH shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE and the EMP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures; and
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that may arise during construction, implementation or operation of the Project that were not considered in the IEE and the EMP; and

- (d) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-Project condition upon the completion of construction.

#### Safeguards Monitoring and Reporting

16. The Borrower shall through MOH do the following:
- (a) submit annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
  - (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 Project, the IEE and the EMP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
  - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP promptly after becoming aware of the breach.

#### Prohibited List of Investments

17. The Borrower shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

#### Gender and Development

18. The Borrower shall cause MOH to ensure that the GAP is fully implemented and adequately resourced, supervised and monitored in accordance with the principles of ADB's Policy on Gender and Development (1998) including, but not limited to ensuring that (a) sex disaggregated data is used to improve targeting in training, performance monitoring, and planning decisions during the Project implementation; (b) participation in training events, working groups, study tours, etc., is in line with MOH's Human Resources Development Plan to ensure career development opportunities for all health care workers; and (c) training of 100% of health workers in maternity and trauma units on blood safety according to national standards.

#### Governance and Anticorruption

19. The Borrower shall, and shall cause MOH and the IAs to, (a) 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 (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

20. The Borrower shall, and shall cause MOH and the IAs to, 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.

21. The Borrower shall, and shall cause MOH and the IAs to, ensure that (a) periodic inspection of Project contractors is undertaken to ensure that fund withdrawal and settlement procedures are followed; and (b) a Project website is established within 12 months of the Effective Date, accessible by the general public, to disclose information about various matters concerning the Project, including general Project information, procurement, Project progress, and contact details in the English and Mongolian languages. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of Goods, Works and Consulting Services procured.

#### Grievance Redress Mechanism

22. The Borrower shall cause MOH to ensure that within 3 months of the Effective Date, complaint and problem management mechanisms acceptable to ADB are 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 the number of complaints received and resolved, and final outcomes of the grievances and chosen actions and make these reports available to ADB as part of the quarterly progress reports. 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 and other irregularities, and grievances due to any safeguard or social issues.

#### Health and Labor Standards

23. The Borrower shall, and shall cause MOH and the IAs to ensure that Works contracts and bidding documents under the Project include specific provisions requiring contractors to comply with all core labor standards and the applicable labor laws and regulations including stipulations related to employment on: (a) prohibition of child labor; (b) equal pay for equal work of equal value regardless of gender, ethnicity or caste; (c) timely payment of wages; (d) elimination of forced labor; (e) use local unskilled labor, as applicable; and (f) the requirement to disseminate information on sexually transmitted diseases including HIV/AIDS to employees and local communities surrounding the Project sites. The Borrower shall, and shall cause MOH and the IAs to ensure that records of labor employment are properly maintained and tracked in the Project performance management system.