
GRANT NUMBER 0137-MON(SF)

GRANT AGREEMENT
(Special Operations)
(Food and Nutrition Social Welfare Project)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED 17 DECEMBER 2008

GAS:MON 42322

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 17 December 2008 between MONGOLIA (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement;

(B) by an agreement of even date herewith between the Recipient and ADB (hereinafter called the "Program Grant Agreement"), ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources in the amount of nine million dollars (\$9,000,000) for the purposes of the Food and Nutrition Social Welfare Program (the "Program"); and

(C) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Grant Regulations and in Section 1.02 of the Program Grant Agreement are applicable to this Grant Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers dated February 2007, as amended from time to time;

(b) "Goods" means equipment, vehicle, and materials to be financed out of the proceeds of the Grant; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(c) "PIU" means the Project Implementation Unit as described in paragraph 2 of Schedule 4 to this Grant Agreement;

(d) "Procurement Guidelines" means ADB's Procurement Guidelines dated February 2007, as amended from time to time;

(e) "Procurement Plan" means the procurement plan for the Project dated 14 November 2008 and agreed between the Recipient and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB; and

(f) "Project Executing Agency" means, for the purposes of, and within the meaning of, the Grant Regulations means MOF or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Agreement an amount of three million Dollars (\$3,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient 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.

Section 3.02. The Goods, consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such Goods, consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods and consulting services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods and consulting services shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from 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 and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2012 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. 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 4 to this Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the 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 account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents.

ARTICLE V

Suspension and Cancellation

Section 5.01. The following is specified as an additional event for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations or cancellation of the Grant pursuant to Section 8.02 of the Grant Regulations: the Recipient shall have failed to perform any of its obligations under the Program Grant Agreement.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Program Grant Agreement shall have been duly executed and delivered, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement) shall have been fulfilled.

Section 6.02. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
Government Building – 2
Negdsen Undestnii gudamj – 5/1
Ulaanbaatar – 210646
Mongolia

Facsimile Number:

(976-11) 262-272

For ADB

Asian Development Bank
P.O. Box 789
0980 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 Grant Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

MONGOLIA

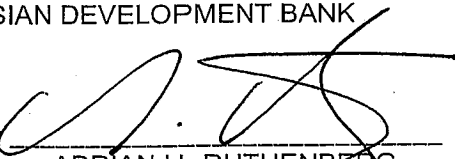
By



BAYARTSOGT SANGAJAV
Authorized Representative

ASIAN DEVELOPMENT BANK

By



ADRIAN H. RUTHENBERG
Country Director
Mongolia Resident Mission

SCHEDULE 1

Description of the Project

1. The impact of the Project is reduced vulnerability to food insecurity through increased supply of and improved access to food by vulnerable and poor households. The outcome of the Project is improved access to food by vulnerable and poor households through a targeted FSP and strengthened social welfare systems.

2. The Project is comprised of the following components:
 - a. Capacity Development and Communication Strategy:
 - (i) Capacity development for the pilot testing of FSP, and capacity development for delivering the expanded FSP and other social welfare services through training in identifying beneficiaries and delivering food stamps and in final design and mechanisms of the FSP for expanding coverage. Capacity development will also include impact studies/baseline and impact methodologies; targeting; monitoring and evaluation; costing of social welfare reforms and programs, civil registration and early warning, mitigation and response mechanisms; and
 - (ii) Development and implementation of the communication strategy.
 - b. Strengthening Social Welfare Strategies and Systems
 - (i) Effective Food Crisis Response: Assistance through technical analysis of capacity development needs, including provision of about 40 small community grants to support and develop best practices in community-based approaches to ensuring household food security;
 - (ii) Reform of Social Welfare Strategies: Assistance focusing on social welfare benefits impact analysis, effective monitoring and evaluation of social welfare programs, social welfare expenditure fiduciary and fiscal sustainability analysis, facilitating the civil registration system through incentives, and development of knowledge products on social welfare institutional reforms and capacity development; and
 - (iii) Early Warning and Response System to Social Shocks: Technical analysis and support for establishing and improving systems and mechanisms for early detection and mitigation of food and nutrition-related emergencies and for undertaking rapid response on the effects and social shocks of food crises and similar emergencies.

3. The Project is expected to be completed by 31 December 2011.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

Reallocation

3. 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 then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds for financing Goods, consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Recipient 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 ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The currency of the imprest account shall be Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Grant amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Food and Nutrition Social Welfare Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated [\$]		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Equipment and Vehicle	79,000		100 percent of total expenditure*
2	Materials	217,000		100 percent of total expenditure*
3	Consulting Services	1,275,000		100 percent of total expenditure*
4	Community Grants	150,000		100 percent of total expenditure*
5	Staff Development and Workshops	600,000		69 percent of total expenditure*
6	Surveys and Studies	260,000		100 percent of total expenditure*
7	Monitoring and Evaluation System	50,000		100 percent of total expenditure*
8	PIU Costs	272,000		100 percent of total expenditure*
9	Unallocated	97,000		
	Total	3,000,000		

* Exclusive of taxes and duties imposed within the territory of the Recipient.

SCHEDULE 3

Procurement of Goods and Consulting Services

A. General

1. All Goods and consulting services to be financed out of the proceeds of the Grant shall be subject to and governed by the Procurement Guidelines and the Consulting Guidelines, respectively.

2. All terms used and not otherwise defined in this Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods

3. Except as ADB may otherwise agree, Goods shall only be procured on the basis of the method of procurement set forth below:

Shopping

The method of procurement is subject to, among other things, the detailed arrangements and threshold value set forth in the Procurement Plan. The Recipient may only modify the method of procurement or threshold value with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. National Competitive Bidding. The Recipient and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Recipient's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Recipient and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Recipient and ADB.

C. Selection of Consulting Services

5. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Recipient shall apply quality- and cost-based selection for selecting and engaging consulting services.

6. The Recipient shall apply the following methods 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 communication strategy, external monitoring and evaluation, community-based household food security
Single Source Selection for national statistics

7. The Recipient shall recruit the individual consultants for the PIU in accordance with procedures acceptable to ADB for recruiting individual consultants.

D. Industrial or Intellectual Property Rights

8. (a) The Recipient 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 Recipient 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.

9. The Recipient 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.

E. ADB's Review of Procurement Decisions

10. All 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 Recipient and ADB and set forth in the Procurement Plan.

SCHEDULE 4

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Recipient shall ensure that the MOF is the Project Executing Agency (EA) with overall responsibility for the implementation and coordination of activities with other partners. A multi-sectoral Steering Committee composed of senior level officials of (i) MOF, (ii) MSWL, with such official serving as the vice chair, (iii) the Ministry of Health, (iv) Ministry of Food and Agriculture, (v) National Statistics Office, (vi) Mongolian Employers Federation, (vii) Association of Elderly Persons, (viii) the agencies responsible for the distribution of food stamps, (ix) UNICEF, (x) a non-governmental organization engaged in food security programs, and (xi) ADB as observer, shall be established and shall meet quarterly to provide policy and strategic guidance to the Project. The Steering Committee shall be chaired by the head of the subprogram to the Food II Plan of the Recipient. An English language version of the minutes of Steering Committee meetings shall be forwarded to ADB on a quarterly basis.

2. MSWL shall be the Project implementing agency and shall be the primary responsible agency for delivering the expected results of the Project. A PIU with contracted staff shall be established within MSWL to facilitate administrative, financial, and procurement matters, and serve as the secretariat to the Steering Committee. The PIU shall closely consult with relevant ministries, agencies, and international partners. The PIU shall be headed by a qualified manager selected on a competitive basis. The PIU shall also include an administration and finance officer, secretary, and driver for the entire implementation period of the Project. MSWL shall organize a local structure to ensure effective food stamp implementation locally.

3. The PIU shall submit consolidated quarterly progress reports to ADB and to the Steering Committee and MSWL on all aspects of Project implementation. The reports shall include details on overall implementation progress, including summary financial information (receipts and disbursements), problems encountered during the reporting period, measures taken or proposed to be taken to remedy these problems, and the proposed program of activities for the following quarter. The reports shall also include an assessment of the implementation of FSP, following monitoring indicators included in the operational guidelines for FSP. A pilot testing completion report shall be submitted to ADB within one (1) month of completion of Approach 2 and Approach 3. Within three (3) months of completion of the Project and the Program, PIU shall prepare and submit to ADB, in a format acceptable to ADB, a completion report on the Project and the Program, including (i) the utilization and impact of the Project and Program grants, including a statement of expenditures; (ii) performance of the Program and the Project; (iii) economic and social benefits generated; and (iv) details about implementation, costs, and other information requested by ADB.

Counterpart Resources

4. The Recipient shall take steps and actions, including provision of staff resources, to ensure satisfactory completion in a timely manner of all Project outputs. The Recipient shall also implement the Project and monitor and evaluate its performance in line with the Project administration memorandum as agreed with ADB.

Allocation of Responsibilities

5. The Recipient shall ensure that the roles, responsibilities and accountabilities of all the concerned Government ministries and their attached agencies, *aimag*/district and *soum/khoroo* government units, and local livelihood support councils are clarified through operational guidelines to be issued through a joint order of MOF and MSWL to ensure clear distinctions in the mandates related to the Project and the Program.

Public Impropriety

6. The Recipient shall ensure cooperation with any investigation of any alleged public impropriety in the carrying out of the Project, and extend all necessary assistance, including access to relevant books, files and records.

Macroeconomic and Fiscal Sustainability Analysis of the Social Welfare System

7. Within 12 months of the Effective Date, the Recipient shall carry out a macroeconomic and fiscal sustainability analysis of the social welfare system. The Recipient shall ensure that the findings of such analysis are applied in the future budgetary allocation to the social welfare system.

FSP Implementation

8. The Recipient shall ensure that within 18 months of the Effective Date, based on the results of the pilot testing, a nationwide, targeted FSP is further developed, including application of the outreach targeting methodology to determine eligibility to receive benefits.

Gender Action Plan

9. The Recipient shall ensure that the PIU and MSWL will carry out the activities relating to the design and implementation of FSP, capacity development and communication strategy, and strengthening of social welfare strategies and systems that are set forth in the Gender Action Plan agreed between the Recipient and ADB and dated 14 November 2008, with sufficient human and financial resources and in a timely manner.

Targeting

10. The Recipient shall ensure that prior to the Effective Date, MSWL will have identified the list of sites for the pilot-testing of targeting approaches, and taken the necessary measures to ensure that the targeting approaches are implemented so that beneficiaries are not duplicated.

Food Stamp Operational Guidelines

11. The Recipient shall ensure that prior to the Effective Date, MOF and MSWL will finalize FSP operational guidelines acceptable to ADB.

Review

12. The Recipient shall ensure that reviews are carried out at least twice a year to identify issues and constraints, determine necessary remedial actions and adjustments, and advise on actions required to keep Project implementation in order. The Recipient and ADB shall also undertake a midterm review of the Project within eighteen (18) months of commencement of Project implementation. Such midterm review shall focus on (i) Project impacts, (ii) implementation progress, (iii) and the need for any adjustments in Project targeting approaches and implementation arrangements to ensure full achievement of the expected Project outcome and outputs.