
LOAN NUMBER 3947-MON(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 3)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED 30 December 2020

MON 45007

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 30 December 2020 between MONGOLIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 9 December 2013 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for the purpose of financing projects under the Ulaanbaatar Urban Services and Ger Areas Development Investment Program;

(B) by a periodic financing request dated 15 April 2020, the Borrower has applied to ADB for loans for the purposes of the Project described in Schedule 1 to the Loan Agreement;

(C) ADB had agreed to make loans to the Borrower from ADB's ordinary capital resources in an amount of twenty-seven million five hundred thousand Dollars (\$27,500,000) and from ADB's Special Funds resources in various currencies equivalent to fourteen million five hundred forty-two thousand Special Drawing Rights (SDR14,542,000) to finance a part of the Investment Project ("Project 1") upon terms and conditions set forth in the respective loan agreements between the Borrower and ADB;

(D) ADB had also agreed to make loans to the Borrower from ADB's ordinary capital resources in an amount of thirty-seven million one hundred ten thousand Dollars (\$37,110,000) and from ordinary capital resources (concessional) in various currencies equivalent to twenty-one million five hundred eighty-nine thousand Special Drawing Rights (SDR21,589,000) to finance a part of the Investment Project ("Project 2") upon terms and conditions set forth in the respective loan agreements between the Borrower and ADB;

(E) by a separate agreement of even date herewith between the Borrower and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to lend to the Borrower from its ordinary capital resources in an amount of twenty-five million fifty thousand Dollars (\$25,050,000) ("OCR Loan") upon terms and conditions set forth therein;

(F) as a part of its financing package of fifty million Euros (EUR50,000,000), the European Investment Bank ("EIB") will provide the amount equivalent to eighteen million six hundred fifty thousand Dollars (\$18,650,000) ("EIB Loan") for purposes of parallel cofinancing on certain parts of the Project;

(G) the Project will be carried out by the Municipality of Ulaanbaatar ("MUB"), and for this purpose the Borrower will make available to MUB the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(H) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein, in the Ordinary Operations Loan Agreement, and in the Project Agreement of even date herewith between ADB and MUB;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("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) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (b) "Consulting Services" means the services to be financed out of the proceeds of the Loan to support activities as described in Schedule 1 to this Loan Agreement;
- (c) "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;
- (d) "EMP" means each environmental management plan for a Subproject, including any update thereto, incorporated in the IEE;
- (e) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (f) "Facility" means multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;
- (g) "FAM" means the Facility Administration Manual dated 1 November 2013 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;
- (h) "FFA" means the framework financing agreement dated 9 December 2013 between ADB and the Borrower with respect to the Facility, as amended on 24 April 2020;

- (i) "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;
- (j) "HIV/AIDS" means human immunodeficiency virus/acquired immune deficiency syndrome;
- (k) "IEE" means an initial environmental examination for the Project or Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;
- (l) "Investment Program" means the Ulaanbaatar Urban Services and Ger Areas Development Investment Program;
- (m) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (n) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (o) "MOF" means the Borrower's Ministry of Finance, or any successor thereto;
- (p) "MUB" means the Municipality of Ulaanbaatar or any successor thereto that is acceptable to ADB;
- (q) "PFR" means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan agreement under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 15 April 2020;
- (r) "PMO" means the project management office established for the Facility that will be responsible for day-to-day implementation of the Project and Subprojects;
- (s) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (t) "Procurement Plan" means the procurement plan for the Project dated 14 May 2020 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;
- (u) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MUB, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

- (v) "Project facilities" means facilities developed, constructed, updated and/or maintained under the Project;
- (w) "RF" means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;
- (x) "RP" means a resettlement plan for the Project or Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;
- (y) "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, and the RP, including any corrective and preventative actions;
- (z) "SPS" means ADB's Safeguard Policy Statement (2009);
- (aa) "Subproject" means a Project component to be financed by the Loan, which is a part of the Project as further detailed in Schedule 1 hereto;
- (bb) "Subsidiary Loan Agreement" means the agreement or agreements entered into between the Borrower and MUB for the purposes of relending the proceeds of (i) this Loan as specified in Section 3.01 of this Loan Agreement, and (ii) the OCR Loan as specified in Section 3.01 of the Ordinary Operations Loan Agreement;
- (cc) "USUG" means the Water Supply and Sewerage Authority of Ulaanbaatar City or any of successor thereto that is acceptable to ADB; 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. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of thirteen million six hundred thirty-nine thousand Special Drawing Rights (SDR13,639,000).

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) 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 2.02. The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December 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. (a) The Borrower shall relend the proceeds of the Loan together with the proceeds of OCR Loan to MUB under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB.

(b) The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project 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. 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 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 11 December 2023 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 the Project and operation of the Project facilities, the Borrower shall perform, or cause MUB to perform, all obligations set forth in Schedule 4 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall cause MUB to enable ADB's representatives to inspect the Project, the Goods, Works and Consulting Services, and any relevant records and documents.

Section 4.03. The Borrower shall cause MUB to 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.

Section 4.04. (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, or waived without the prior concurrence of ADB.

ARTICLE V

Effectiveness

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

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of MOF 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 Finance
S.Danzan Street 5/1
Government Building II
Ulaanbaatar-15160
Mongolia

Facsimile Number:

(976-51) 267468

For ADB

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

Facsimile Numbers:

(632) 8636-2444
(632) 8636-2407.

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


KHURELBAATAR CHIMED
Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By


PAVIT RAMACHANDRAN
Country Director
Mongolia Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Investment Program is expected to be the improved living conditions in Ulaanbaatar. As part of the Investment Program, the outcome of the Project is a network of livable, competitive, and inclusive subcenters in Ulaanbaatar's *ger* areas. The Project is the third project of the Investment Program.

2. The Project shall comprise the following outputs.

Output 1: Roads and urban services expanded. Constructing in selected subcenters;

- (a) priority roads within the subcenters (including street lighting and bridges);
- (b) a flood protection channel and sediment retention ponds;
- (c) overhead electricity cable and fiber optic cable with auxiliary facilities for telecommunications network;
- (d) water supply, sewerage pipeline and heating network pipes with seven substations and secondary connection; and
- (e) a reservoir in Sharkhad and a pumping station each for water supply in Sharkhad and Tolgoit.

Output 2: Economic and public services in targeted subcenters improved. Constructing in the selected subcenters;

- (a) kindergartens;
- (b) a primary health care center;
- (c) community development and service centers;
- (d) training centers;
- (e) sports complex;
- (f) green public spaces; and
- (g) social housing units.

Output 3: Institutional capacity for program management and urban development strengthened. Engaging (a) consulting services for people centred subcenter redevelopment mechanism and platform to ensure a green, liveable, and efficient subcenter redevelopment process involving people and public and private stakeholders, and (b) external monitoring consulting services to ensure compliance with ADB safeguard requirements.

3. The Project is expected to be completed by 11 June 2023.

SCHEDULE 2**Amortization Schedule**

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in SDR)
15 December 2025	340,975
15 June 2026	340,975
15 December 2026	340,975
15 June 2027	340,975
15 December 2027	340,975
15 June 2028	340,975
15 December 2028	340,975
15 June 2029	340,975
15 December 2029	340,975
15 June 2030	340,975
15 December 2030	340,975
15 June 2031	340,975
15 December 2031	340,975
15 June 2032	340,975
15 December 2032	340,975
15 June 2033	340,975
15 December 2033	340,975
15 June 2034	340,975
15 December 2034	340,975
15 June 2035	340,975
15 December 2035	340,975
15 June 2036	340,975
15 December 2036	340,975
15 June 2037	340,975
15 December 2037	340,975
15 June 2038	340,975
15 December 2038	340,975
15 June 2039	340,975
15 December 2039	340,975
15 June 2040	340,975
15 December 2040	340,975
15 June 2041	340,975
15 December 2041	340,975
15 June 2042	340,975
15 December 2042	340,975
15 June 2043	340,975

15 December 2043	340,975
15 June 2044	340,975
15 December 2044	340,975
15 June 2045	340,975
Total	13,639,000

* 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 allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest Charge

3. 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.

Reallocation

4. 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

5. 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

6. 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 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.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (SDR)	Basis for Withdrawal from the Loan Account
		Category	
1	Project Cost except for Works and equipment for kindergartens **	9,342,000	100% of total expenditure claimed*
2	Works and equipment for kindergartens **	1,459,000	69.2% of total expenditure claimed*
3	Interest Charge	719,000	100% of amounts due
4	Unallocated	2,119,000	
	TOTAL	13,639,000	

* Exclusive of value added taxes and custom duties within the territory of the Borrower

** Subject to the condition for withdrawal described in paragraph 6 of Schedule 3.

SCHEDULE 4

Execution of Project; Environmental, Social, Financial and Other Matters

Implementation Arrangements

1. The Borrower shall ensure, and cause MUB to 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.

2. The Borrower shall cause MUB to ensure that the existing PMO for the Investment Program shall continue to be responsible for the Project implementation throughout the Project. If there are any changes to the key staff of the PMO, the Borrower shall cause MUB to ensure that such changes are acceptable to ADB and MOF.

Procurement

3. The Borrower shall cause MUB to ensure that:

- (a) the procurement of Goods, Works and Consulting Services is carried out in accordance with the Procurement Guidelines and the Consulting Guidelines; and
- (b) Goods, Works and Consulting Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
- (c) (i) all Goods and Works procured and Consulting Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Consulting Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

4. The Borrower shall cause MUB not to award any Works contract for any Subproject financed under the Project, which involves environmental impacts until MUB has;

- (a) obtained the final approval of the Detailed Environmental Impact Assessment (as applicable) from the Borrower's Ministry of Environment and Tourism; and

- (b) incorporated the relevant provisions from the EMP into the Works contract.

5. The Borrower shall cause MUB not to award any Works contract for any Subproject, which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final RP based on the detailed design, and obtained ADB's clearance of such RP.

6. The Borrower shall cause MUB to ensure that (a) procurement responsibility shall stay with the existing PMO; (b) any procurement under the Project shall be completed by the Project completion date; and (c) any major changes to the procurement plan which may cause substantial delay to the Project implementation shall be avoided.

Environment

7. The Borrower shall ensure, and cause MUB to ensure, that the preparation, design, construction, implementation, and operation of Subprojects financed under the Facility comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Safeguard Policy Statement; (c) the EARF; and (d) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions set forth in the Safeguard Monitoring Reports.

8. 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.

9. 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.

10. 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 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.

11. The Borrower shall cause MUB to ensure that the heat facilities comply with the relevant standard (eg. 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.

12. 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.

13. 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.

14. The Borrower shall cause MUB to ensure that (a) the project implementation consultants are engaged in a timely manner, including the safeguards specialists; (b) as per EMP licensed Institutes are 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 resettlement plans is implemented as planned from the date of engagement of the consultants until project completion.

Land Acquisition and Involuntary Resettlement

15. The Borrower shall cause MUB to ensure that all land and all rights-of-way required for each Subproject and all Project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract 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 involuntary resettlement; (b) the involuntary resettlement safeguards defined under the Safeguard Policy Statement; (c) the RF; and (d) all measures and requirements set forth in the respective RPs, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

16. The Borrower shall cause MUB to ensure sufficient resources in a timely manner for implementation of all measures and requirements related to land acquisition and resettlement set forth in the respective RPs. In particular, the Borrower shall cause MUB to ensure that the necessary financing for resettlement and land acquisition is reflected in MUB's annual budget for timely implementation of the Project.

17. Without limiting the application of the involuntary resettlement safeguards, the RF or the RP, the Borrower shall cause MUB to ensure that no physical or economic displacement takes place in connection with any Subproject until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the relevant RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the relevant RP.

Indigenous Peoples

18. The Borrower shall cause MUB to ensure that the preparation, design, construction, implementation and operation of each Subproject and all Project facilities do not have any adverse impacts on the indigenous peoples, within the meaning of the Safeguard Policy Statement. In the event that the Project or any of its Subprojects have such impact, the Borrower shall cause MUB to take all steps required to ensure that the Project and the Facility,

as applicable, comply (a) with the applicable laws and regulations of the Borrower relating to indigenous peoples and (b) with the Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

19. The Borrower shall cause MUB to make available necessary budgetary and human resources to fully implement the EMP and the RPs.

20. 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.

Safeguards-Related Provisions in Bidding Documents and Works Contracts

21. The Borrower shall cause MUB to ensure that all bidding documents and contracts for the Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP and the RPs (to the extent they concern impacts on affected persons during construction), and any corrective or preventative actions set forth in safeguards monitoring reports;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the MUB with a written notice of any unanticipated environmental, or resettlement risks or impacts that arise during construction, implementation or operation of the project that were not considered in the IEE, the EMP or the RPs; and
- (d) reinstate pathways and other local infrastructure to at least their pre-project condition as soon as possible and no later than the completion of construction.

Safeguard Monitoring and Reporting

22. 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 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

- (ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards, and of the RPs, semiannually 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 EMP,

and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards and the Involuntary Resettlement Safeguards 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 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;
- (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
- (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.

Prohibited List of Investments

23. The Borrower shall ensure, and cause MUB to ensure, that no Loan proceeds are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the Safeguard Policy Statement.

Grievance Redress Mechanism

24. 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.

Labor Standards, Health, and Safety

25. 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 the 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 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.

Gender and Development

26. 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.

Institutional and Operational Framework for Subcenter Redevelopment

27. The Borrower shall cause MUB to develop the institutional and operational framework for transparent, green and inclusive subcenter redevelopment, in a substance acceptable to ADB, by 31 December 2020, and to approve it by 30 June 2021. The Borrower shall further cause MUB to reflect necessary budget to implement the framework into its annual budget.

Counterpart Support

28. The Borrower shall cause MUB to ensure that the counterpart funding required for successful Project implementation is timely allocated and provided, and to adequately staff and equip the PMO. In particular, the Borrower shall cause MUB to include into its annual budget necessary items, including (a) its share of Works contracts, and (b) land acquisition and resettlement cost for the Project.

29. 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.

Operational Covenants

30. 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.

Maintenance of the Project facilities

31. The Borrower shall ensure, and cause MUB to ensure, that the Project facilities have enough resources and human capacity to be properly operated and maintain by relevant departments and agencies, and that MUB allocated sufficient financial resources for operation and maintenance of the Project facilities.

Finance and Tariff

32. The Borrower shall ensure that MUB shall continue implementing the financial management action plan, developed under the Program, throughout the Project implementation period.

33. The Borrower shall ensure, and cause MUB to ensure, that: (a) USUG tariffs are reviewed at least once a year and set and periodically adjusted as appropriate by at least 5% every 5 years; and (b) commencing no later than 2022 fiscal year, USUG achieves and aggregate tariff collection rate from all customers of 90%. Furthermore, the Borrower shall ensure and cause MUB to 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.

34. In order to facilitate and improve its operational and financial sustainability, the Borrower shall cause MUB to ensure that USUG implements annual business plans.

35. The Borrower shall ensure, and cause MUB to 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 to ensure the financial viability of the project investments; and (b) 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.

Governance and Corruption

36. The Borrower shall, and shall cause MUB 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.

37. The Borrower shall ensure, and cause MUB 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.