
LOAN NUMBER 3946-MON

LOAN AGREEMENT
(Ordinary Operations)

(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)**

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 Concessional Loan Agreement, as defined in Recital (E) below;

(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 ("Concessional Loan Agreement"), ADB has agreed to lend to the Borrower from its ordinary capital resources in an amount equivalent to thirteen million six hundred thirty-nine thousand Special Drawing Rights (SDR13,639,000) ("COL 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 loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein, in the Concessional Loan Agreement, and in the Project Agreement of even date herewith between ADB and MUB;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations 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 and the Concessional Loan Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of twenty-five million fifty thousand Dollars (\$25,050,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(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 (b) 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 interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 June and 15 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

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 COL 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, the Concessional 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 2 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 MUB to procure, the items of expenditure to be financed out of the proceeds

of the Loan in accordance with the provisions of Schedule 4 to the Concessional Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 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 of 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 the Concessional 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 and Works, 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, abrogated 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 this Loan Agreement for the purposes of Section 10.04 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 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 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

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 December 2026	2.750000
15 June 2027	2.750000
15 December 2027	2.750000
15 June 2028	2.750000
15 December 2028	2.750000
15 June 2029	2.750000
15 December 2029	2.500000
15 June 2030	2.500000
15 December 2030	2.500000
15 June 2031	2.500000
15 December 2031	2.500000
15 June 2032	2.500000
15 December 2032	2.500000
15 June 2033	2.500000
15 December 2033	2.500000
15 June 2034	2.500000
15 December 2034	2.500000
15 June 2035	2.500000
15 December 2035	2.500000
15 June 2036	2.500000
15 December 2036	2.500000
15 June 2037	2.500000
15 December 2037	2.500000
15 June 2038	2.500000
15 December 2038	2.500000
15 June 2039	2.500000
15 December 2039	2.500000
15 June 2040	2.500000
15 December 2040	2.500000

15 June 2041	2.500000
15 December 2041	2.500000
15 June 2042	2.500000
15 December 2042	2.500000
15 June 2043	2.500000
15 December 2043	2.250000
15 June 2044	2.250000
15 December 2044	2.250000
15 June 2045	2.250000
15 December 2045	2.250000
15 June 2046	2.250000
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 2**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 and Commitment Charges

3. The amount allocated to Category "Interest and Commitment Charges" is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

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 or ratified by, and executed and delivered on behalf of, the Borrower (or its authorized government entity) and 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 (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Works and equipment**	20,130,000	53.3% of total expenditure claimed*
2	Interest and Commitment Charge	1,580,000	100% of amounts due
3	Unallocated	3,340,000	
	TOTAL	25,050,000	

* 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 2.