
LOAN NUMBER 3896-MON

LOAN AGREEMENT
(Ordinary Operations)

(Vegetable Production and Irrigated Agriculture Project)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED 5 MAY 2020

MON 51423

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 5 May 2020 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 has also applied to ADB for a concessional loan ("COL Loan") in an amount of twenty-five million three hundred thousand Dollars (\$25,300,000) to assist in financing the Project from ADB's ordinary capital resources, upon the terms and conditions set forth in a loan agreement between the Borrower and ADB ("COL Loan Agreement", together with this Loan Agreement, "Loan Agreements");

(C) the Borrower has also applied to the Japan Fund for Poverty Reduction for a grant ("JFPR Grant") in an amount of two million Dollars (\$2,000,000) to assist in financing a part of the Project and to be administered by ADB, upon the terms and conditions set forth in a grant agreement between the Borrower and ADB ("JFPR Grant Agreement"); and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

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 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) "CGG" means a community grower group to be supported under the Project;
- (b) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;

- (c) "DEIA" means a Detailed Environment Impact Assessment, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (d) "EBA" means an environment baseline assessment for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (e) "EMDP" means ethnic minority development plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (f) "EMP" means the consolidated environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (g) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (h) "GAP" means the gender action plan for the Project, including any update thereto, prepared by the Borrower and cleared by ADB;
- (i) "GEIA" means a General Environment Impact Assessment, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (j) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (k) "HIV/AIDS" means human immunodeficiency virus/acquired immune deficiency syndrome;
- (l) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (n) "MET" means the Borrower's Ministry of Environment and Tourism, or any successor thereto;
- (o) "MOF" means the Borrower's Ministry of Finance, or any successor thereto;
- (p) "MOFALI" means the Borrower's Ministry of Food, Agriculture, and Light Industry, or any successor thereto;

- (q) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (r) "O&M" means operation and maintenance;
- (s) "PAM" means the project administration manual for the Project dated 18 December 2019 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;
- (t) "PIU" means a Project implementation unit established within MOFALI;
- (u) "Procurement Plan" means the procurement plan for the Project dated - 18 December 2019 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (v) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (w) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (x) "Project Executing Agency" for the purpose of, and within the meaning of, the Loan Regulations means MOFALI, or any successor acceptable to ADB, which is responsible for the carrying out of the Project;
- (y) "Project facilities" means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;
- (z) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation and compliance with the EMP, including any corrective and preventative actions;
- (aa) "SDAP" means the social development action plan for the Project, including any update thereto, prepared by the Borrower and cleared by ADB;
- (bb) "Services" means Consulting Services and Nonconsulting Services;
- (cc) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (dd) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of fourteen million seven hundred thousand Dollars (\$14,700,000), 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 19 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 August and 15 February 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. 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.

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. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2027 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, through the Project Executing Agency, shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain 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 auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, 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 the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(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, through the Project Executing Agency, shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(m) of the Loan Regulations: any of the COL Loan and JFPR Grant shall have become liable for suspension or cancellation.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: all of the COL Loan Agreement and the JFPR Grant Agreement shall have been duly executed and delivered, and all conditions precedent to their effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. 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 VII

Miscellaneous

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Government Building 2
S.Danzan Street 5/1
Ulaanbaatar-15160
Mongolia

Facsimile Number:

(976-11) 320247

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 Project is to increase efficiency of climate resilient agricultural production and marketing.

2. The Project shall comprise the following outputs.

Output 1: Efficient and climate-resilient irrigation infrastructure and management systems installed. Upgrading, modernizing and climate-proofing selected irrigation systems along with directly associated infrastructure providing irrigation services for 7,000 ha.

Output 2: Environmentally sustainable production systems improved. Improving food safety, environment sustainability and climate resilience of agriculture production systems, through (a) supporting the National Institute for Plant Protection with testing equipment and reagents for additional testing capacity; and (b) supporting, through the coordination of the national extension center, four regional crop research institutes with: (i) provision of equipment and facilities such as climate-controlled growth chambers, storage cool rooms, sheds, fencing, mechanization packages, seed cleaning and packaging equipment, conservation farming equipment, and teaching facilities; (ii) small-scale irrigation rehabilitation and modernization; and (iii) greenhouses including low-carbon options for extending cropping seasons, high value vegetable cultivation and quality seedling production.

Output 3: Technical, Institutional and management capacity and coordination strengthened. Setting up CGGs in the selected irrigation systems and providing training on improved vegetable production for CGG participating farmers in collaboration with crop research institutes, and providing mechanization technology packages, all-weather greenhouses with solar-powered heating and long-life films, and small cool rooms for product storage.

3. Parts of Output 1 and Output 3 shall be financed by the JFPR Grant.

4. The Project is expected to be completed by 30 September 2026.

SCHEDULE 2

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 August 2026	2.631579
15 February 2027	2.631579
15 August 2027	2.631579
15 February 2028	2.631579
15 August 2028	2.631579
15 February 2029	2.631579
15 August 2029	2.631579
15 February 2030	2.631579
15 August 2030	2.631579
15 February 2031	2.631579
15 August 2031	2.631579
15 February 2032	2.631579
15 August 2032	2.631579
15 February 2033	2.631579
15 August 2033	2.631579
15 February 2034	2.631579
15 August 2034	2.631579
15 February 2035	2.631579
15 August 2035	2.631579
15 February 2036	2.631579
15 August 2036	2.631579
15 February 2037	2.631579
15 August 2037	2.631579
15 February 2038	2.631579
15 August 2038	2.631579
15 February 2039	2.631579
15 August 2039	2.631579
15 February 2040	2.631579
15 August 2040	2.631579

Schedule 2

15 February 2041	2.631579
15 August 2041	2.631579
15 February 2042	2.631579
15 August 2042	2.631579
15 February 2043	2.631579
15 August 2043	2.631579
15 February 2044	2.631579
15 August 2044	2.631579
15 February 2045	2.631577
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 (i) 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 (ii) 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 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 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.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Goods and Works ^a	11,391,228	100% of total expenditure claimed*
2	Services ^a	805,084	100% of total expenditure claimed
3	Interest and Commitment Charges	837,396	100% of amounts due
4	Unallocated	1,666,292	
	TOTAL	14,700,000	

* Exclusive of VAT and duties.

a Proceeds of the COL Loan Agreement for the corresponding category are to be fully utilized prior to disbursement of this loan for this category.

SCHEDULE 4

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

General Implementation Arrangements

1. The Borrower, through 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 the Loan Agreements, the provisions of the Loan Agreements shall prevail.
2. The Borrower, through the Project Executing Agency, shall ensure that an implementation agreement shall be entered into with each aimag government which shall among things (a) define aimag government responsibilities for operating and maintaining the irrigation systems, (b) ensure sufficient amount of funding for maintenance is in place in the aimag annual budget, (c) ensure small-farmers are the beneficiaries of the irrigated systems for at least 15 years (land lease agreement period), (d) have appropriate systems in place for selecting land leasers to be included in the irrigated systems area, (e) ensure there are transparent irrigation fee systems in place which shall cover, at least partially, O&M costs.

Procurement

3. The Borrower, through the Project Executing Agency, shall ensure that:
 - (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
 - (b) Goods, Works and 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 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 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, through the Project Executing Agency, shall not award any Works contract, and shall ensure no Works contract is awarded, which involves environmental impacts until the Project Executing Agency has:

- (a) obtained the final approval of the IEE from the Borrower's relevant authority; and
- (b) incorporated the relevant provisions from the EMP into the Works contract.

Counterpart Funds

5. The Borrower, through the Project Executing Agency, shall ensure that (a) counterpart funds are made available to the Project in a timely manner, including additional counterpart funds, as and when required, to meet any Project shortfall or cost overruns during Project implementation; and (b) O&M of all Project facilities is fully and timely funded. In addition to the foregoing, the Borrower shall ensure that the Project Executing Agency has sufficient funds to satisfy their liabilities arising from Works, Goods, and/or Consulting Services contracts.

Environment

6. The Borrower, through the Project Executing Agency, shall ensure that the preparation, design, construction, commissioning, implementation and operation 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 (i) set forth in a Safeguards Monitoring Report, or (ii) which are subsequently agreed between ADB and the Borrower. In case of any discrepancy or inconsistency among the Borrower's laws, regulations and procedures relating to environment, health and safety and the SPS, the SPS shall prevail.

7. The Borrower, through the Project Executing Agency, shall ensure that no Works shall be conducted for a subproject until domestic requirements for environmental assessment have been completed and approved by the relevant domestic agencies. This shall include, but not be limited to: (a) the preparation of an EBA for each subproject by a certified domestic agency, and the submission of this assessment to MET for review; (b) the issuance of a GEIA Letter by the MET, which endorses the subproject EBA and clarifies whether a DEIA is required; (c) the preparation of a DEIA for each subproject, as required; and (d) subsequent review and approval of the DEIAs by MET. The Borrower, through the Project Executing Agency, shall further ensure that any environmental safeguard conditions specified by MET for any subproject, through the GEIA Letter, DEIA, or other means, which are not covered under the project EMP, shall be (i) integrated in the EMP, and (ii) included in all bidding documents.

8. After completion of the EBA, GEIA, and/or DEIA for each subproject, the Borrower, through the Project Executing Agency, shall submit the following documents to ADB for review: (a) the summary findings of the EBA, GEIA Letter, and DEIA; and (b) English-language translations of the GEIA Letter and MET letter of conclusion following completion of the DEIA. The Borrower, through the Project Executing Agency, shall ensure that any findings or conclusions that represent new safeguard risks and/or mitigation tasks or costs which are not already included in the EMP, shall be discussed between MET, MOFALI, PIU and ADB and any additional requirements shall be included in the EMP.

Schedule 4

9. The Borrower, through the Project Executing Agency, shall ensure that, in compliance with SPS, an ecological survey for rare, threatened and restricted-range species and their uses of the subproject area will be implemented, by a certified biodiversity specialist(s) and using an internationally accepted survey methodology for Okhindiin Tal subproject. The resulted assessment shall (a) cover the ecological values of the specific subproject area, (b) strengthen the preliminary ecological impact assessment undertaken in the IEE, (c) develop detailed mitigation measures, and (d) conclude on the final net (residual) ecological impacts and whether these are acceptable under the SPS and/or national regulations. The Borrower, through the Project Executing Agency, shall further ensure that such assessment will be undertaken before the detailed engineering designs are completed and approved, and can be done as part of, or in parallel with, the DEIA. No works shall commence for the subproject before ADB and the Borrower have reviewed and approved the ecological survey, impact assessment, and detailed engineering designs.

10. The Borrower, through the Project Executing Agency, shall ensure that no pesticides or other chemicals classified as "hazardous" or restricted-use by the World Health Organization or the government will be funded by the project. Prohibited chemicals shall include omethoate and methamidophos (pesticides) and bromadollon (a rodenticide).

11. In compliance with national requirements for the provision of environmental flows, the Borrower, through the Project Executing Agency, shall ensure that the water allocation extraction volumes calculated for each subproject for environmental flows and irrigation (and which are included in IEE's Appendix 5 and the feasibility study reports for each subproject) are included in detailed engineering designs and complied with. The Borrower, through the Project Executing Agency, shall further ensure that, for this purpose: (a) water extraction for each subproject will be monitored on a monthly basis by each *soum* government Project coordinator; (b) the monitoring results will be reported on a monthly basis to the subproject *soum* government and PIU, and compared against the monthly environmental flow rates calculated for each project river; (c) the monitoring results will be submitted at least annually to the relevant River Basin Administration responsible for the subproject rivers, for review and confirmation that extraction volumes comply with the permitted allocations; and (d) based on these comparisons, corrective actions will be identified in the event that irrigation water extraction is clearly exceeding the modeled acceptable extraction volumes.

12. For the associated facilities to the Project, as provided in the PAM, the Borrower, through the Project Executing Agency, shall ensure that they are maintained in accordance with domestic requirements for environmental management, including, but not limited to, environmental safety measures, water allocation approvals, and worker and community health and safety. In case any changes are made to such existing facilities which would significantly impact their capacity or function and as a result the viability of the Project, the Borrower, through the Project Executing Agency, shall immediately advise ADB of such changes, and the Borrower, through the Project Executing Agency, shall assess the Project impact and prepare a corrective action plan, if necessary, to be agreed with ADB.

Land Acquisition and Involuntary Resettlement and Indigenous Peoples

13. The Borrower, through the Project Executing Agency, shall ensure that the Project does not have any indigenous peoples or involuntary resettlement impacts, all within the meaning of SPS. In the event that the Project does have any such impact, the Borrower, through the Project Executing Agency and other agencies as necessary, shall take all steps

Schedule 4

required to ensure that the Project complies with the applicable laws and regulations of the Borrower, the resettlement framework and with SPS.

Human and Financial Resources to Implement Safeguards and Social Requirements

14. The Borrower, through the Project Executing Agency, shall make available necessary human and budgetary resources to fully implement, as applicable, the EMP, SDAP and GAP.

Safeguards-Related Provisions in Bidding Documents and Works Contracts

15. The Borrower shall, and shall cause the Project Executing Agency and PIU to, ensure that all bidding documents and contracts for Works contain specific 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 the respective affected people under the Environmental Safeguards during construction), and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and the Borrower;
- (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 people risks or impacts that arise during construction, implementation or operation of the project that were not considered in the IEE and the EMP.

Safeguards Monitoring and Reporting

16. The Borrower, through the Project Executing Agency, shall:

- (a) submit Safeguards Monitoring Reports to ADB semiannually during construction and the implementation of the Project and the EMP, and thereafter annually during operation, until the issuance of ADB's Project completion report unless a longer period is agreed in the EMP, and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards, promptly upon submission; and
- (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 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.

Gender and Social Development

17. The Borrower, through the Project Executing Agency, shall ensure that (a) the GAP and SDAP are implemented in accordance with their terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP and SDAP; (c) adequate resources are allocated for implementation of the GAP and SDAP; and (d) progress on implementation of the GAP and SDAP, including progress toward achieving key gender and social outcome and output targets, are regularly monitored and reported to ADB.

Works Contract

18. The Borrower, through the Project Executing Agency, shall ensure that the core labor standards and the applicable laws and regulations of the Borrower are complied with during Project implementation. The Borrower, through the Project Executing Agency, shall 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; (f) do not delay any lawful payment to the workers; and (g) 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, through the Project Executing Agency, shall further ensure that this paragraph shall be applicable to any workers regardless of their nationality, and strictly monitor compliance with the requirements set forth in this paragraph and provide ADB with semiannual reports.

Grievance and Redress Mechanism

19. The Borrower, through the Project Executing Agency, shall ensure that safeguards grievance redress mechanisms acceptable to ADB are established in accordance with the provisions of the IEE and the EMP at the project management office, within the timeframes specified in the relevant IEE and EMP, to consider safeguards complaints.

Household connections

20. The Borrower, through the Project Executing Agency, shall ensure that water supply to all households within the water supply network under the Project is in operation with adequate connections by the Project completion.

Land Leasing

21. The Borrower, through the Project Executing Agency, , shall ensure that the existing land lease contracts for irrigation systems to be covered by the Project for which land has been leased out by the *soum* governments to farmers and companies for agriculture purpose, the existing terms and conditions of the lease are maintained. The Borrower shall ensure by causing MOFALI to issue a letter to *soum* governments involved in the project that

they shall not revoke land possession rights issued to farming households. For those irrigation systems with which the land lease contracts are not yet in place, the Borrower, through the Project Executing Agency, shall ensure that all farmers have a certificate, a map of the leased land and a contract, with the land lease contracts with the terms and conditions which are (a) in line with the principle of fairness and equity; (b) reflect the willingness of households who are leasing land; and (c) are in line with the Borrower's Land Law and Crop Planting Law, and relevant requirements by ADB.

Governance and Anticorruption

22. The Borrower shall and shall cause the Project Executing Agency and other government agencies involved in the Project to comply with ADB's Anticorruption Policy (1998, as amended to date) and the Borrower acknowledges that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project. The Borrower agrees to cooperate, and to cause the Project Executing Agency and all other government offices, organizations and entities involved in implementing the Project to cooperate, fully with any such investigation and extend all necessary assistance, including providing access to all relevant books and records as may be necessary for the satisfactory completion of such investigation.

23. The Borrower, through the Project Executing Agency, shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the Borrower, the Project Executing Agency, the PIU, other government agencies involved in the Project, and all contractors, suppliers, consultants and other services providers as they relate to the Project.