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LOAN NUMBER \_\_\_\_\_-MON

LOAN AGREEMENT  
(Ordinary Operations)

(Sustainable Tourism Development Project (Phase 2))

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED \_\_\_\_\_

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MON 51422

## **LOAN AGREEMENT (Ordinary Operations)**

LOAN AGREEMENT dated \_\_\_\_\_ 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 ("Project");

(B) 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

(C) 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, subject, however, to the following modifications:

(a) Section 2.01 (Definitions) subsection (xx) shall be deleted and replaced in its entirety as follows:

(xx) "Reference Rate" means, (i) except as ADB has otherwise made a determination in accordance with Section 3.02(c), in respect of any Loan Currency other than Euro, LIBOR, and in respect of Euro, Euribor; and (ii) if a determination is made in accordance with Section 3.02(c), such other reference rate and any spread for the Loan Currency as ADB shall reasonably determine and promptly notify the Borrower and the Guarantor.

(b) A new subsection 3.02(c) shall be inserted after subsection 3.02(b) as follows:

Section 3.02(c). If interest on any amount of the Loan is calculated based on LIBOR or Euribor, and ADB determines that (i) such Reference Rate has permanently ceased to be quoted for the relevant

Loan Currency or a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate announcing such Reference Rate is no longer representative has been made or (ii) ADB is no longer able, or it is no longer commercially acceptable for ADB, to continue to use such Reference Rate for purposes of its asset and liability management, ADB shall apply such other Reference Rate for the relevant Loan Currency, including any applicable spread, as it may reasonably determine. ADB shall promptly notify the Borrower and the Guarantor of such other reference rate and any spread, and of related amendments to the provisions of the Loan Agreement necessary to give effect to its application, which shall become effective as of the date of such notice.

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) "CBO(s)" means the community-based organization(s);
- (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) "CRF" means the community revolving fund of the Borrower;
- (d) "EMP" means the environmental management plan for the Project, 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) "GAP" means the gender action plan for the Project, including any update thereto, prepared by the Borrower and cleared by ADB;
- (g) "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;
- (h) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (i) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (j) "MET" means the Borrower's Ministry of Environment and Tourism, or any successor thereto;

- (k) "MOF" means the Borrower's Ministry of Finance, or any successor thereto;
- (l) "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;
- (m) "PAM" means the project administration manual for the Project dated 8 July 2021 and agreed between MET and ADB, as updated from time to time in accordance with the respective administrative procedures of MET and ADB;
- (n) "Procurement Plan" means the procurement plan for the Project dated 8 July 2021 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;
- (o) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (p) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (q) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations, means MET or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (r) "Project facilities" means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;
- (s) "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, the RP and the IPP (as applicable), including any corrective and preventative actions;
- (t) "Services" means Consulting Services and Nonconsulting Services;
- (u) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (v) "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 thirty million Dollars (\$30,000,000), 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 1 March and 1 September 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 30 June 2028 or such other date as may from time to time be agreed between the Borrower and ADB.

### **ARTICLE IV**

#### **Particular Covenants**

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 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 shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, 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: the 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: 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 Finance 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 \_\_\_\_\_  
[Name and designation]

ASIAN DEVELOPMENT BANK

By \_\_\_\_\_  
[Name and designation]

**SCHEDULE 1****Description of the Project**

1. The objective of the Project is to increase sustainability and inclusiveness of tourism in western Mongolia.
2. The Project shall comprise:
  - (a) enhancement of inclusive planning and capacity for community-based tourism (Output 1);
  - (b) construction of enabling infrastructure (Output 2);
  - (c) improvement of sanitation and waste management (Output 3); and
  - (d) strengthened management of cultural heritage sites and protected areas (Output 4).
3. Parts of Output 1, Output 3, Output 4 shall be financed by the JFPR Grant.
4. The Project is expected to be completed by 31 December 2027.

**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.

<b>Payment Due</b>	<b>Installment Share (Expressed as a %)</b>
1 March 2028	2.631579
1 September 2028	2.631579
1 March 2029	2.631579
1 September 2029	2.631579
1 March 2030	2.631579
1 September 2030	2.631579
1 March 2031	2.631579
1 September 2031	2.631579
1 March 2032	2.631579
1 September 2032	2.631579
1 March 2033	2.631579
1 September 2033	2.631579
1 March 2034	2.631579
1 September 2034	2.631579
1 March 2035	2.631579
1 September 2035	2.631579
1 March 2036	2.631579
1 September 2036	2.631579
1 March 2037	2.631579
1 September 2037	2.631579
1 March 2038	2.631579
1 September 2038	2.631579
1 March 2039	2.631579
1 September 2039	2.631579
1 March 2040	2.631579
1 September 2040	2.631579
1 March 2041	2.631579
1 September 2041	2.631579
1 March 2042	2.631579
1 September 2042	2.631579
1 March 2043	2.631579

<b>Payment Due</b>	<b>Installment Share (Expressed as a %)</b>
1 September 2043	2.631579
1 March 2044	2.631579
1 September 2044	2.631579
1 March 2045	2.631579
1 September 2045	2.631579
1 March 2046	2.631579
1 September 2046	2.631577
<b>Total</b>	<b>100.000000</b>

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 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	Works and Goods	20,597,738	100% of total expenditure claimed*
2	Consulting Services, Workshops, Project Management	4,209,520	100% of total expenditure claimed
3	Interest and Commitment Charges	781,382	100% of total amounts due
4	Unallocated	4,411,360	
	<b>TOTAL</b>	30,000,000	

\* Exclusive of value-added taxes and duties for Works and Goods within the territory of the Borrower.

## SCHEDULE 4

### Execution of Project; Financial Matters

#### Implementation Arrangements

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

#### Procurement

2. The Borrower shall, through MET, 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.

3. The Borrower shall not, through MET, award any Works contracts which involve environmental impacts until:

- (a) MET has granted the final approval of the IEE; and
- (b) The Borrower has incorporated the relevant provisions from the EMP into the Works contract.

#### Environment

4. The Borrower shall, through MET, ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project



facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report, or (ii) which are subsequently agreed between ADB and the Borrower.

5. The Borrower shall, through MET, cause Governments of Bayan-Ulgii, Khovd, and Uvs to ensure that (a) no project works are located in the Strict Protection Zone of any protected areas; (b) no project works are located in any critical habitats; (c) all project facilities are located at least 200 meters from the nearest lake, river, or wetland, in compliance with national laws; and (d) all civil works, especially the small facilities within protected areas, will be implemented within the specific site locations and for the specific scope of works defined in the feasibility study report. Any proposed changes in the locations of sites or scope will be subject to review and endorsement of MET and ADB, pending additional impact assessment as needed.

6. The Borrower shall, through MET, ensure that for all water wells constructed or upgraded under the Project: (a) the sustainability of groundwater use will be assessed based on the best available data, including assessment of aquifer size and recharge rate, existing extraction demand, and cumulative demand including the project requirements; (b) cost-effective water meters will be installed at each water well pump; (c) groundwater extraction volumes and water table depths will be monitored, at least on a quarterly basis, by the local (soum) governments and/or authorities; and (d) monitoring results will be included in the Safeguards Monitoring Reports. In the event that groundwater availability appears to be decreasing, the Borrower shall, through MET, inform and discuss the situation with ADB, in a timely manner. Subsequently, the Borrower shall, through MET, prepare and submit for ADB's approval the necessary corrective or preventative time-based actions.

7. As part of its counterpart funding commitment, the Borrower shall, through MET, ensure that: (a) value-added taxes on Works and Goods, customs duties on goods or similar mandatory payments are not levied in connection with the Project within the territory of the Borrower as described in the PAM; and (b) MOF shall coordinate with relevant tax and customs authorities to ensure such exemptions.

#### Involuntary Resettlement and Indigenous Peoples

8. The Borrower 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 shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with ADB's SPS.

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

9. The Borrower shall make available, or cause MET to make available, necessary budgetary and human resources to fully implement the EMP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

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

- (a) comply with the measures relevant to the contractor set forth in the IEE and the EMP (to the extent they concern impacts on the respective affected people under the Environmental Safeguards during construction), 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;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE and the EMP; and
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction.

Safeguards Monitoring and Reporting

11. The Borrower shall, through MET, do the following:

- (a) submit Safeguards Monitoring Reports to ADB in respect of implementation of and compliance with Environmental Safeguards and the EMP, 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 affected people under the Environmental 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 and the EMP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP promptly after becoming aware of the breach.

Prohibited List of Investments

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

Labor Standards, Health and Safety

13. The Borrower shall, through MET, ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall, through MET, 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 Borrower's applicable labor law and regulations 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) allow freedom of association and effectively recognize the right to collective bargaining; 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.

14. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 13 above and provide ADB with regular reports.

Gender and Development

15. The Borrower shall, through MET, ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include: (i) the CBOs and CRF committees comprise at least 40% women members, (ii) 60% of recipients for the CRF loans and market stalls are women, (iii) 50% women participants in the capacity building activities, (iv) nine women-led markets established, and (v) 40% of jobs provided to women.

Counterpart Support

16. The Borrower shall, through MET, ensure that counterpart funds for Project implementation are made available on time. In addition to the foregoing, the Borrower shall ensure that MET has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract.

Operational/Sector Performance Covenants

17. The Borrower shall, through MET, ensure that the aimag and soum governments do not issue any further tourism concessions in the ATBNP, KKNP, KUNNP, TSC, or UVSPA until the tourism concession manual, certification program, revisions to the three aimag tourism plans, and revisions to the protected area management plans, have been completed and put into operation.

18. The Borrower shall, through MET, cause the Governments of Bayan-Ulgii, Khovd, and Uvs to ensure that project beneficiaries of the pilot tourism development scheme, especially poor and vulnerable households, female-headed households, and youth, are (a) prioritized for allocation of vendors stalls in the tourist streets and women-led markets, and (b) are subject to low or no rental costs for the use of these stalls, as specified in the PAM.
19. The Borrower shall, through MET, ensure that any interests applied to or gained by the CRF remain within the fund and be used solely for the fund purposes, to help support replenishment and increase in the fund capital, therefore strengthening the financial sustainability of the fund.
20. The Borrower shall, through MET, ensure that operational arrangements and financing of the CBOs are (a) established within tripartite contracts between the CBO, protected area administration, and aimag/soum government, and (b) funded by the project for the first 4 years of CBO operation as described in the PAM. Thereafter, the Borrower shall, through MET, ensure that the CBO salaries and operational costs are financed by domestic sources e.g., entry fees to the protected areas and other tourism revenue.
21. The Borrower shall, through MET, ensure that the Khovd Aimag power station and Uvs Aimag power station are adequately maintained and managed in order to: (a) provide the required power for the Khovd Tourist Street and Rock Art and Nomadic Cultural Center (Khovd Aimag) (Outputs 1 and 4) and Uvs Tourist Street and Uvs Tourism Complex (Uvs Aimag) (Outputs 1 and 2); and (b) ensure there is no disruption to the existing power supply for communities and services, including during winter and times of peak demand.
22. The Borrower shall, through MET, cause the Uvs Aimag Government to, make best efforts to ensure timely completion of road upgrades between Ulaangom and the Uvs Nuur Special Protected Area before completion of the project-funded Uvs Tourism Complex.
23. The Borrower shall, through MET, cause the Governments of Bayan-Ulgii, Khovd, and Uvs to, ensure that operations and management (O&M) costs of the tourism complexes and tourist streets and small facilities in the protected areas, shall be subsidized by the government until full cost recovery (including through entry fees, rental of vendor spaces, and other revenue sources) is being achieved.
24. The Borrower shall, through MET, ensure that the project-funded facilities within the project protected areas are operated and maintained by the following agencies, as described in the PAM: (a) the protected area administrations – for the project-funded fee collection stations and ranger stations, and (b) the CBOs – for the other project-funded facilities (including the public campsites, car parks, toilets, information centers, information points, and public cooking cabins).
25. The Borrower shall, through MET, ensure that for the Khovd Tourist Street and Rock Art and Nomadic Cultural Center (Khovd Aimag), and Uvs Tourist Street and Uvs Tourism Complex: (a) an official state-owned or local-owned entity shall be established for each facility, to be responsible for O&M of behalf of MET and the aimag governments; (b) an O&M plan, including business administration, staffing, and financing arrangements, shall be prepared for each facility and approved by MET and the aimag governments; and (c) these arrangements shall be established at least 12 months before completion of the facilities.

Governance and Anticorruption

26. The Borrower, MET, and the implementing agencies shall (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.

27. The Borrower, MET and the implementing agencies 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 executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.