

Loan and Project Agreement

dated
22nd June 2018
between

KfW, Frankfurt am Main
("KfW")

and

Mongolia
represented by the Ministry of Finance
("Borrower")

and

National Power Transmission Grid.
State Owned Joint Stock Company
("Project-Executing Agency")

for

EUR 20,450,000.00

- Energy Efficiency in the Central Transmission and Distribution Network -
(BMZ-No.: 201465129 and 201665009)

On the basis of the agreements dated October 19, 2015 and 22nd June 2018 between the Government of the Federal Republic of Germany and the Government of Mongolia on Financial Cooperation ("Government Agreements"), the Borrower, the Project-Executing Agency and KfW hereby enter into the following Loan and Project Agreement:

Article 1

Amount and Purpose of the Loan

1.1 KfW shall extend to the Borrower a Loan not exceeding

EUR 20,450,000.00

divided in a tranche I not exceeding

EUR 10,000,000.00 (BMZ-No.: 201465129, "Tranche I")

and a tranche II not exceeding

EUR 10,450,000.00 (BMZ-No.: 201665009, "Tranche II").

1.2 The Borrower shall channel the Loan in full to the Project-Executing Agency in accordance with the conditions set forth in Article 2. The Project-Executing Agency shall use the Loan exclusively for the modernisation and rehabilitation of substations in the Central Energy System in Mongolia, in particular for investment measures (equipment, erection/installation and civil works) as well as international consulting services ("Project"), and primarily to pay the foreign exchange costs. The Project-Executing Agency and KfW shall determine the details of the Project and the goods and services to be financed from the Loan by a separate agreement ("Separate Agreement").

1.3 Taxes and other public charges to be borne by the Borrower or the Project-Executing Agency and import duties shall not be financed from the Loan.

Article 2

Channelling of the Loan to the Project-Executing Agency

- 2.1 The Borrower shall channel the Loan to the Project-Executing Agency under a separate loan agreement at the terms and conditions set forth in the relevant Mongolian resolution.
- 2.2 Prior to the first disbursement from the Loan, the Borrower shall send KfW a certified translation of the loan agreement specified in Article 2.1.
- 2.3 The channelling of the Loan shall not constitute any liability of the Project-Executing Agency to KfW for payment obligations under this Agreement.

Article 3

Disbursement

- 3.1 KfW shall disburse the Loan in accordance with the progress of the Project and upon request of the Project-Executing Agency. By a Separate Agreement, the Project-Executing Agency and KfW shall agree on the disbursement procedure, in particular on the evidence proving that the requested loan amounts are used for the stipulated purpose.
- 3.2 KfW shall have the right to refuse to make disbursements after December 30, 2023.

Article 4

Commitment Charge, Interest, and Repayment

- 4.1 The Borrower shall pay a commitment charge of 0,25% p. a. on undisbursed loan amounts. The commitment charge shall be computed for a period beginning three months after the signing of this Agreement and ending at the date at which disbursements are debited.
- 4.2 The Borrower shall pay interest on the Loan at a rate of 2% p. a. Interest shall be charged from the dates at which disbursements are debited to the dates at which repayments are credited to KfW's account specified in Article 4.9.
- 4.3 The Borrower shall pay the commitment charge, interest, and any interest on arrears pursuant to Article 4.5 semiannually on June 30 and on December 30 for the half-year then ending. The first commitment charge shall be due together with first interest payment.

12

4.4 The Borrower shall repay the Loan as follows:

Instalment	Date		Tranche I	Tranche II	Total	
1	December 30,	2028	250,000.00	261,000.00	511,000.00	EUR
2	June 30,	2029	250,000.00	261,000.00	511,000.00	EUR
3	December 30,	2029	250,000.00	261,000.00	511,000.00	EUR
4	June 30,	2030	250,000.00	261,000.00	511,000.00	EUR
5	December 30,	2030	250,000.00	261,000.00	511,000.00	EUR
6	June 30,	2031	250,000.00	261,000.00	511,000.00	EUR
7	December 30,	2031	250,000.00	261,000.00	511,000.00	EUR
8	June 30,	2032	250,000.00	261,000.00	511,000.00	EUR
9	December 30,	2032	250,000.00	261,000.00	511,000.00	EUR
10	June 30,	2033	250,000.00	261,000.00	511,000.00	EUR
11	December 30,	2033	250,000.00	261,000.00	511,000.00	EUR
12	June 30,	2034	250,000.00	261,000.00	511,000.00	EUR
13	December 30,	2034	250,000.00	261,000.00	511,000.00	EUR
14	June 30,	2035	250,000.00	261,000.00	511,000.00	EUR
15	December 30,	2035	250,000.00	261,000.00	511,000.00	EUR
16	June 30,	2036	250,000.00	261,000.00	511,000.00	EUR
17	December 30,	2036	250,000.00	261,000.00	511,000.00	EUR
18	June 30,	2037	250,000.00	261,000.00	511,000.00	EUR
19	December 30,	2037	250,000.00	261,000.00	511,000.00	EUR
20	June 30,	2038	250,000.00	261,000.00	511,000.00	EUR
21	December 30,	2038	250,000.00	261,000.00	511,000.00	EUR
22	June 30,	2039	250,000.00	261,000.00	511,000.00	EUR
23	December 30,	2039	250,000.00	261,000.00	511,000.00	EUR
24	June 30,	2040	250,000.00	261,000.00	511,000.00	EUR
25	December 30,	2040	250,000.00	261,000.00	511,000.00	EUR
26	June 30,	2041	250,000.00	261,000.00	511,000.00	EUR
27	December 30,	2041	250,000.00	261,000.00	511,000.00	EUR
28	June 30,	2042	250,000.00	261,000.00	511,000.00	EUR
29	December 30,	2042	250,000.00	261,000.00	511,000.00	EUR
30	June 30,	2043	250,000.00	261,000.00	511,000.00	EUR
31	December 30,	2043	250,000.00	262,000.00	512,000.00	EUR
32	June 30,	2044	250,000.00	262,000.00	512,000.00	EUR
33	December 30,	2044	250,000.00	262,000.00	512,000.00	EUR
34	June 30,	2045	250,000.00	262,000.00	512,000.00	EUR
35	December 30,	2045	250,000.00	262,000.00	512,000.00	EUR
36	June 30,	2046	250,000.00	262,000.00	512,000.00	EUR
37	December 30,	2046	250,000.00	262,000.00	512,000.00	EUR
38	June 30,	2047	250,000.00	262,000.00	512,000.00	EUR
39	December 30,	2047	250,000.00	262,000.00	512,000.00	EUR
40	June 30,	2048	250,000.00	262,000.00	512,000.00	EUR
			10,000,000.00	10,450,000.00	20,450,000.00	EUR

172

- 4.5 If any repayment instalments are not at the disposal of KfW when due, KfW may increase the rate of interest on arrears to the base rate plus 3 % p.a. for the period beginning with the due date and ending at the date at which such repayments are credited to the account of KfW specified in Article 4.9. The "Base Rate" is the interest rate disclosed by the Deutsche Bundesbank as base rate at the rate applicable on the relevant due date. In the case of interest arrears, KfW may claim damages. Such damages shall not exceed the amount arrived at if interest were charged on such interest arrears at the base rate prevailing at the due date plus 3 % p.a.
- 4.6 Commitment charge, interest, and any charges on arrears pursuant to Article 4.5 shall be computed on the basis of a 360-day year and 30-day months.
- 4.7 Undisbursed or prematurely repaid loan amounts shall be credited in equal proportions against all outstanding repayment instalments unless KfW at its own discretion determines a different offsetting mode in a particular case, especially in the case of amounts of lesser volume.
- 4.8 KfW shall be entitled to credit, at its discretion, payments received against payments due under this Agreement or under other loan agreements concluded between KfW and the Borrower.
- 4.9 The Borrower shall, under exclusion of any set-off of counterclaims against such payments, remit all payments under this Agreement in Euro to the following account:

Recipient: KfW
SWIFT-BIC: KFWIDEFFXXX
IBAN: DE94 5002 0400 3139 4059 82

12

Article 5

Suspension of Disbursements and Premature Repayment

- 5.1 The Borrower may at any time
- a) subject to the fulfilment of its obligations under Article 8, cancel any loan amounts not yet disbursed, and
 - b) repay the Loan in whole or in part in advance of maturity.
- 5.2 KfW may not suspend disbursements unless
- a) the Borrower has failed to perform its obligations to KfW to make payments when due,
 - b) obligations under this Agreement or under separate agreements pertaining to this Agreement have been violated,
 - c) the Project-Executing Agency is unable to prove that the loan amounts have been used for the stipulated purpose,
 - d) the fulfilment of KfW's obligations under this Agreement violates applicable law, or
 - e) extraordinary circumstances arise that preclude or seriously jeopardize the implementation, the operation, or the purpose of the Project, or the performance of the payment obligations assumed by the Borrower under this Agreement.
- 5.3 If any of the situations specified in Article 5.2 a), b), c) or d) has occurred and has not been eliminated within a period determined by KfW, which shall, however, be at least 30 days, KfW may,
- a) in the cases specified in Article 5.2 a), 5.2 b) or 5.2 d), demand the immediate repayment of all outstanding loan amounts as well as the payment of all interest accrued and all other incidental charges;
 - b) in the case specified in Article 5.2 c), demand the immediate repayment of such loan amounts as the Project-Executing Agency is unable to prove to have been used for the stipulated purpose.

Article 6

Costs and Public Charges

- 6.1 The Borrower shall make all payments to be effected under this Agreement without any deduction for taxes, other public charges or other costs, and shall pay the transfer and conversion costs accruing in connection with the disbursement of the Loan.
- 6.2 The Borrower shall bear all taxes and other public charges accruing outside the Federal Republic of Germany in connection with the conclusion and execution of this Agreement.

Article 7

Validity of this Agreement and Representation

- 7.1 In due course prior to the first disbursement, the Borrower shall furnish to KfW evidence satisfactory to KfW proving that the Borrower has met all requirements under its constitutional and other laws for the valid assumption of all its obligations under this Agreement.
- 7.2 The Minister of Finance and such persons as designated by him or her to KfW and authorized by specimen signatures authenticated by him or her shall represent the Borrower in the execution of this Agreement. The Chief Executive Officer and such persons as designated by him or her to KfW and authorized by specimen signatures authenticated by him or her shall represent the Project-Executing Agency in the execution of this Agreement. The powers of representation shall not expire until their express revocation by the representative authorised at the time has been received by KfW.

- 7.3 Amendments or addenda to this Agreement and any notices and statements delivered by the contracting parties under this Agreement shall be in writing. Any such notice or statement shall have been received once it has arrived at the following address of the corresponding contracting party or at such other address of the corresponding contracting party as notified to the other contracting party:

For KfW:

KfW
Postfach 11 11 41
60046 Frankfurt am Main
Federal Republic of Germany
Fax: +49 69 7431-2944

For the Borrower:

Ministry of Finance
Development Financing Department
Government Building 2
S.Danzan Street 5/1
Ulaanbaatar, 15160
Mongolia

For the Project-Executing

Agency:

National Power Transmission Grid
State owned stock company (NPTG)
17033 Chinggis avenue 45, Khan-Uul district
Ulaanbaatar
Mongolia

- 7.4 Amendments to this Agreement affecting only the legal relationship between KfW and the Borrower shall not require the approval of the Project-Executing Agency.

Article 8

The Project

8.1 The Project-Executing Agency shall

- a) prepare, implement, operate and maintain the Project in conformity with sound financial and engineering practices, in compliance with environmental and social standards and substantially in accordance with the Project conception agreed upon between the Project-Executing Agency and KfW;
- b) assign the preparation and supervision of construction of the Project to independent, qualified consultants, and the implementation of the Project to qualified firms;
- c) award the contracts for the goods and services to be financed from the Loan upon prior international competitive bidding;
- d) maintain, or cause to be maintained, books and records unequivocally showing all costs of goods and services required for the Project and clearly identifying the goods and services financed from this Loan;
- e) enable the representatives of KfW at any time to inspect said books and records as well as any and all other documentation relevant to the implementation of the Project, and to visit the Project and all installations related thereto;
- f) furnish to KfW any and all such information and reports on the Project and its further progress as KfW may request;
- g) shall without delay forward to KfW any queries received by the Borrower from the OECD or its members under the so-called "Agreement for Untied ODA Credits Transparency" following the award of the contracts for the supplies and services to be financed from the Loan and shall coordinate the reply to any such query with KfW.

8.2 The Project-Executing Agency and KfW shall set forth the details pertinent to Article 8.1 in a Separate Agreement.

8.3 The Borrower and the Project-Executing Agency shall

- a) ensure the full financing of the Project and, upon request, furnish to KfW evidence proving that the costs not paid from this Loan are covered and;
- b) of their own accord promptly inform KfW of any and all circumstances precluding or seriously jeopardizing the implementation, the operation or the purpose of the Project.

8.4 The Borrower shall assist the Project-Executing Agency in conformity with sound engineering and financial practices in the implementation of the Project

and in the performance of the Project-Executing Agency's obligations under this agreement and, in particular, grant the Project-Executing Agency any and all permissions necessary for the implementation of the Project.

- 8.5 For the transport of the goods to be financed from the Loan the provisions of the Government Agreements, which are known to the Borrower, shall apply.

Article 9

Publication and transfer of Project-related information

- 9.1 To comply with internationally accepted principles of utmost transparency and efficiency in the development cooperation, KfW publishes selected information (including evaluation reports) about the Project and how it is financed during pre-contractual negotiations, while the Project-related agreement(s) is (are) being implemented and in the post-contractual stage (hereinafter referred to as the "Entire Period").

The information is published regularly on KfW's website for its business area "KfW Development Bank" (<http://transparenz.kfw-entwicklungsbank.de/>).

The publication of information (either by KfW or third parties in accordance with Article 9.3 below) about the Project and how it is financed does not include any contractual documentation or any sensitive financial or business-related detailed information about the parties involved in the Project or its financing, such as

- a) Information about internal financial data;
- b) business strategies;
- c) internal corporate guidelines and reports;
- d) personal data of natural persons;
- e) KfW's internal rating of the parties financial position.

- 9.2 KfW shares selected information about the Project and how it is financed during the Entire Period with the entities mentioned below, particularly to ensure transparency and efficiency:

- a) subsidiaries of KfW;
- b) the Federal Republic of Germany and its competent bodies, authorities, institutions, agencies or entities;
- c) other implementing organisations involved in German bilateral development cooperation, particularly the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH;
- d) international organisations involved in collecting statistical data and their members, especially the Organisation for Economic Cooperation and Development (OECD) and its members.

9.3 Furthermore, the Federal Republic of Germany has requested, KfW to share selected information about the Project and how it is financed throughout the Entire Period with the following entities, which publish the sections relevant to the purpose:

- a) Federal Republic of Germany for the purposes of the International Aid Transparency Initiative
(http://www.bmz.de/de/was_wir_machen/wege/transparenz-fuer-mehr-Wirksamkeit/index.html);
- b) Germany Trade & Invest (GTAI) for the purposes of market information
(<http://www.gtai.de/GTAI/Navigation/DE/trade.FOO>);
- c) OECD for the purpose of reporting financial flows in the framework of development cooperation (<http://stats.oecd.org/>);
- d) German Institute for Development Evaluation (DEval) for the purposes of evaluating the overall German development cooperation to ensure transparency and efficiency (<http://www.deval.org/de/>).

9.4 KfW further reserves the right to transfer (including for the purposes of publication) information about the Project and how it is financed during the Entire Period to other third parties so as to safeguard legitimate interests.

The information is not transferred by KfW to other third parties if the legitimate interests of the Borrower or the Project Executing Agency in the information not being transferred outweigh KfW's interests in it being transferred. The legitimate interests of the Borrower or the Project Executing Agency particularly include the confidentiality of the sensitive information mentioned in Article 9.1, which is excluded from publication.

Furthermore, KfW is entitled to transfer information to third parties if this is necessary due to statutory or regulatory requirements or to assert or defend claims or other legal rights in court or administrative proceedings.

1/12

Article 10

Miscellaneous Provisions

10.1 The Borrower and the Project-Executing Agency shall ensure that the persons charged with the preparation and implementation of the Project, the award of any contract for the supplies and services to be financed and with requesting disbursements of loan amounts do not demand, assume, render, grant, promise or obtain a promise of unlawful payments or other advantages in connection with these tasks.

10.2 The Project-Executing Agency shall promptly make available to KfW on demand all information and documents which KfW requires to fulfil its obligations to prevent money laundering and terrorism financing as well as for the continuous monitoring of the business relationship with the Project-Executing Agency, which is necessary for this purpose.

In entering into and implementing this Agreement the Project-Executing Agency acts in its own name and for its own account. With regard to German law or the law of the country of incorporation of the Project-Executing Agency

- a) the Project-Executing Agency's own resources or the amounts invested in the financing of the Project will not be of illicit origins and, in particular, this list being non-exhaustive, will not be linked to drug trafficking, corruption, organised criminal activity or terrorism;
- b) the shareholder capital of the Project-Executing Agency will not at any time be of illicit origins and, in particular, this list being non-exhaustive, will not at any time be related to drug trafficking, corruption, organised crime or terrorism;
- c) the Project-Executing Agency will not be engaged in the acquisition, possession or use of property that is of illicit origins and, in particular, this list being non-exhaustive, will not at any time be related to drug trafficking, corruption, organised crime or terrorism; and
- d) the Project-Executing Agency will not be engaged in financing terrorism.

- 10.3 The Project-Executing Agency represents that it does not maintain any business relationship or has not engaged in any other activity
- a) with or in favor of persons, organizations or entities which are listed on a sanctions list issued by the United Nations Security Council, the European Union or the Federal Republic of Germany ("Sanctions Lists"), or
 - b) which would constitute a breach of embargoes regulating foreign trade or of so-called financial sanctions issued by the aforementioned institutions (together "Sanctions").


The Project-Executing Agency will not enter into or continue any business relationship with persons, organizations or entities listed on a Sanctions List and will not engage in any other activity that would constitute a breach of Sanctions.

The Project-Executing Agency will inform KfW, promptly and of its own accord, of the occurrence of any event which results in any of the Project-Executing Agency, any member of its management bodies or other governing bodies or any of its shareholders, being listed on a Sanctions List.

- 10.4 The Borrower shall not enter into any transactions or engage in any other activities in relation to the Project that would constitute a breach of Sanctions.
- 10.5 If any of the provisions of this Agreement is invalid, all other provisions shall remain unaffected thereby. Any gap resulting therefrom shall be filled by a provision consistent with the purpose of this Agreement.
- 10.6 The Borrower and the Project-Executing Agency may not assign or transfer, pledge or mortgage any claims from this Agreement.
- 10.7 All claims of KfW under this Agreement expire after five years from the end of the year in which any such claim has accrued and in which KfW has become aware of the circumstances constituting such claim or could have become aware of them without gross negligence.
- 10.8 This Agreement shall be governed by the law of the Federal Republic of Germany. The place of performance shall be Frankfurt am Main.
- 10.9 All disputes arising out of or in connection with the present Agreement shall be settled exclusively and finally by an arbitration tribunal. In this regard, the following will apply:
- a) The arbitration tribunal will consist of one or three arbitrators who will be appointed and will act in accordance with the Arbitration Rules of the International Chamber of Commerce (ICC) applicable from time to time.
 - b) The arbitration proceedings will be conducted in Frankfurt am Main. The proceedings will be held in the English language.

Done in 3 originals in the English language.

Ulaanbaatar,
this 22nd June 2018


KfW

Ulaanbaatar,
this 22nd June 2018


Mongolia

represented by the Ministry of Finance

National Power Transmission Grid State
Owned Stock Company



