



**MUNICIPALITY OF
ULAANBAATAR**

**Ulaanbaatar Urban Services and Ger Areas
Development Investment Program
ADB Loan 3098-MON - ADB Loan 3099-MON(SF)
UEIF Grant 0380-MON(EF)
EIB Loan 83.097 – 83.873**

**PROGRAM PROGRESS REPORT
June 2017**

**Date
Reference**

VO1 –

ABBREVIATIONS

| | | |
|----------|---|---|
| ADB | – | Asian Development Bank |
| ADF | – | Asian Development Fund |
| EA | – | executing agency |
| EIB | – | European Investment Bank |
| FAM | – | facility administration manual |
| HIV/AIDS | – | human immunodeficiency virus/acquired immunodeficiency syndrome |
| ICB | – | international competitive bidding |
| IEE | – | initial environment examination |
| ICB | – | international competitive bidding |
| LARP | – | land acquisition and resettlement plan |
| MFF | – | multitranchise-financing facility |
| MIS | – | management information system |
| MUB | – | Municipality of Ulaanbaatar |
| OCR | – | ordinary capital resources |
| PMO | – | project management office |
| QCBS | – | quality- and cost-based selection |
| SCADA | – | supervisory control and data acquisition |
| UEIF | – | Urban Environmental Infrastructure Fund |
| USUG | – | Ulaanbaatar Water Supply and Sewerage Authority |

**Ulaanbaatar Urban Services and Ger Areas
Development Investment Program**

**ADB Loan 3098-MON - ADB Loan 3099-MON (SF)
UEIF Grant 0380-MON (EF)
EIB Loan 83.097 – 83.873**

**Progress REPORT
June 2017**

| | |
|--|-----------|
| EXECUTIVE SUMMARY | 2 |
| A. The Program | 9 |
| B. Tranche 1 – Program Scope | 9 |
| C. Implementation Status | 10 |
| D. Implementation Arrangements | 10 |
| E. Procurement Plan | 10 |
| 1. ADB- financed Construction Packages | 11 |
| 2. UEIF-Financed Package | 11 |
| 3. EIB-financed Construction and Goods Packages | 11 |
| 4. Consulting Services Packages | 12 |
| F. Safeguard Components | 16 |
| 1. Land Acquisition and Resettlement | 16 |
| 2. Environmental Management Plan | 17 |
| 3. Social and Gender Development Plans | 18 |
| G. Project Cost | 18 |
| H. Project Financing | 19 |
| I. Disbursements | 20 |
| J. Loan Covenants – Framework Financing Agreement | 20 |
| K. Conclusions, Issues and Recommendations | 20 |
| APPENDIXES | 22 |
| APPENDIX 1 PROJECT DESIGN AND MONITORING FRAMEWORK | 22 |
| APPENDIX 2 COMPLETION RATE | 28 |
| APPENDIX 3 UPDATED PROJECT IMPLEMENTATION SCHEDULE | 29 |
| APPENDIX 4 UPDATED PROCUREMENT PLAN | 33 |
| APPENDIX 6 COMPLIANCE WITH LOAN COVENANTS | 52 |

**Ulaanbaatar Urban Services and Ger Areas
Development Investment Program**

**ADB Loan 3098-MON - ADB Loan 3099-MON (SF)
UEIF Grant 0380-MON (EF)
EIB Loan 83.097 – 83.873**

**PROGRESS REPORT
June 2017**

EXECUTIVE SUMMARY

The Program

1. The investment program supports the Ulaanbaatar city master plan in upgrading priority services and developing economic hubs (sub centers) in *ger* areas. The anticipated program impact is improved living conditions in Ulaanbaatar; its outcome is a network of livable, competitive and inclusive sub centers in Ulaanbaatar *ger* areas.
2. The program will be implemented in three tranches expected to be implemented over a 9-year period. The total cost of the Program estimated at \$320 million will be financed by the Asian Development Bank (ADB), the Urban Environmental Infrastructure Fund (UEIF), the European Investment Bank (EIB) and the Government of Mongolia. The ADB financing will be provided through a multitranche financing facility (MFF) consisting of a mix of ADB resources including the Asian Development Fund (ADF), ordinary capital resources (OCR) and ADB-administered UEIF funds. The closing date of the ADB loans and ADB-administered UEIF grant for the Tranche 1 originally scheduled on 30 June 2018 is expected to be extended to 31 December 2019.¹
3. The program tranche 1 will develop priority infrastructures, facilities and capacity building in the Selbe and Bayankhoshuu sub enters. The Tranche 1 components are those anticipated at Appraisal with some minor changes: (i) sewerage network extension; (ii) roads and urban services; (iii) social and economic facilities; (iv) multi-interventions in the Ulaanbaatar Water Supply and Sewerage Authority (USUG); and (v) institutional and capacity building.

Implementation Status – Implementation Arrangements

4. As of 30 June 2017, the Tranche 1 is about 26.61% complete as shown in the table below. The Tranche implementation is about six months behind the schedule anticipated at Appraisal. Delays are mainly due to (i) lengthy process in ratifying the multitranche financing facility (MFF), signing and making effective the loan and grant agreements, recruiting the consultants; (ii) design adjustment required to meet the existing conditions of the Project areas; and (iii) lengthy design process. The construction activities under Tranche 1 are scheduled to be completed by mid-2019.

¹ The ADB mid-term review Mission of February 2017 recommended a 1.5-year extension of the ADB Tranche 1 loans and UEIF grant.

| Activities/Investment | Value | Actual Progress* | Weighted Progress |
|---|------------|------------------|-------------------|
| Establish PMO | | 100% | 5.00% |
| Staff training and development | | 55% | 2.75% |
| <i>Loan Consultants</i> | | | |
| Preparation of detailed design and bidding documents (CS-01) | 4,024,241 | 89% | 2.60% |
| Strengthening Program Implementation Capacity (CS-02) | 1,196,033 | 60% | 0.52% |
| Community Engagement (CS-03) | 699,936 | 60% | 0.31% |
| Sub-center redevelopment planning (CS-04) | 799,990 | 60% | 0.35% |
| Improved O&M for service providers and inst/regulatory reform (CS-05) | 500,000 | 3% | 0.01% |
| <i>Resettlement</i> | | | |
| Resettlement Plan Developed/Approval | | 85% | 4.23% |
| Resettlement Implemented | | 21% | 3.12% |
| <i>Physical Investments</i> | | | |
| Heating Plant and Network Extension | 17,558,000 | 15% | 1.92% |
| Kindergarten & Business Incubator Centers | 5,322,000 | 5% | 0.19% |
| Roads, heating, water supply and sewage network in subcenters | 28,673,000 | 5% | 1.04% |
| Bridges | 1,640,000 | 8% | 0.10% |
| Landscape | 2,504,000 | 5% | 0.09% |
| Electricity and Telecommunication network | 4,518,000 | 0% | 0.00% |
| Affordable Housing Pilot | 600,000 | 6% | 0.03% |
| Sewage Collector Main (EIB) | 3,658,984 | 98% | 2.61% |
| Water Supply and Sewerage Network Improvement (EIB) | 14,973,083 | 5% | 0.54% |
| Water Reservoir (EIB) | 4,422,000 | 5% | 0.16% |
| Flood Protection (EIB) | 1,719,000 | 5% | 0.06% |
| Sewage Water Treatment Plant (Grant) | 3,370,000 | 40% | 0.98% |
| Total | 96,178,267 | Imp. Progress: | 26.61% |

Without considering the actual progress of PMO establishment and PMO staff training, the actual progress of the project is 18.86% as of 30 June 2017.

5. As envisaged at Appraisal the Ulaanbaatar Municipality (MUB) is the executing agency (EA) for the Program. The program implementation is under the MUB Project and Cooperation Unit (PCU) in charge of infrastructures and ger areas development and headed by the Ulaanbaatar Deputy Governor.

6. The program management office (PMO) responsible for the daily administration of the program is under the PCU. The changes in the municipal administration resulted in the replacement of some PMO officers, which to a limited extent affected the PMO business

process. As of 30 June 2017, the PMO is currently staffed with 15 well qualified and experienced officers.

7. Following an MUB's decision² the procurement activities have been transferred from PMO to the MUB Procurement Agency in December 2016.

Procurement Plan – Procurement Status

8. The original procurement plan consisting of 16 contract packages³ under ADB financing and two packages to be financed by the European Investment Bank (EIB). Originally, all packages were to be procured through international competitive bidding (ICB). The procurement plan has been revised to meet changes in the Mongolian procurement regulations and as a result of adjustments to the detailed design of the Program infrastructures and facilities.

9. Based on the latest updated procurement plan⁴ the construction of the infrastructure and facilities will be implemented through 25 procurement packages including 14 ADB-financed packages and 11 EIB-financed packages. The consulting services (CS) will be provided through five consulting firm contracts and two individual consultant (IC) contracts.⁵

10. **ADB-financed Construction Packages** – Of the 10 OCR-funded contract packages, seven are under bidding (five ICB and two NCB packages) with contract award expected in the third (Q3) and fourth (Q4) quarter of 2017; the detailed design and bidding documents for the remaining three packages are being finalized. Of the three ADF-funded packages, one is under NCB bidding with contract award expected in November 2017. Bidding documents are being finalized for the remaining two packages.

11. **UEIF-Financed Package** – The design, supply and installation of pump equipment, SCADA system, rehabilitation and commissioning of the pumping stations and water and wastewater treatment plant is financed through the UEIF funds; the \$3.37 million turnkey contract has been awarded on 13 October 2016. The detailed design by the contractor has been completed and works are about 40% complete.

12. **EIB-financed Packages** – All 11 EIB-financed contract packages including ten construction packages and one goods package will be procured through NCB. Three contract packages for the construction of sewerage collectors in Bayankhoshuu and Selbe sub centers have been awarded in March and July 2016 for a total amount of \$3.62 million. Of the remaining seven construction packages for a total estimated cost of \$19.3 million, one is being tendered and bidding documents are being finalized for the other five; the contract awards are expected in Q4 2017. The EIB-financed goods package for the procurement of water supply and sewerage pipes for an estimated amount of \$1.83 million is under bidding; contract award is expected in early 2018.

13. **Consulting Services Packages** – The implementation of the Program Tranche 1 is supported by five team of consultants. All consulting services are being 100% financed from the ADB ADF Loan.

CS1/CSDD – Detailed design and construction supervision. The \$4.02 million CS1 contract was signed on 29 May 2015 with the joint venture (JV) Dohwa

² Mayor decree order of A/870 on 9 December 2016

³ Ten civil works packages, one plant and five consulting services packages.

⁴ The updated procurement plan yet to be approved by ADB is attached to the memorandum of understanding (MOU) of the ADB mid-term review Mission of February 2017.

⁵ Individual consultants were recruited at the start of Tranche 1 to facilitate the program start-up. As of 30 June 2017 all IC contracts have been completed.

Engineering Co. Ltd. (Korea) and Korea District Heating Corporation (Korea) in association with Monconsult LLC (Mongolia). The detailed design of the infrastructure and facility was completed in the end of April 2017. Delivery of detailed design has been significantly delayed even though partly due to reasons behind the control of the consultants. The Consultant still hasn't delivered the budget estimation to the PMO hindering the PMO to produce more or less accurate forecast of disbursements.

CS2/CSPM – Program Management Support. The \$1.24 million CS2 contract was awarded to Egis International on 5 June 2014. Of the four contract variations processed one increase the contract price up to \$1,32 million as the result of increase in consultants' inputs. During the second quarter 2017 CS2 activities focused on expediting and monitoring procurement of the program contract packages. Also, several training sessions were conducted on bid opening, bid evaluation, archiving and personal skills. Workshops on land acquisition and involuntary resettlement as well as the ADB Safeguard Policy Statement were organized.

CS3/CSCE – Community Engagement and Small and Medium Enterprise (SME) Development. UN Habitat provides consulting services through a \$699,936 contract signed on 25 June 2015. The consultants continued with consultation meetings to disseminate the program concept and facilitate the understanding and support of the program beneficiaries; and further develop and implement the SME development plan.

CS4/CSSD – Improved Urban Planning and Sub center Development. The consulting services are being provided by IPE Global & Associates through a \$799,990 contract signed on 13 August 2015. The work during Q2 2017 focused mainly on (i) the preparation of the local development plans (LDP) for Bayankhoshuu and Selbe sub centers; (ii) the development of a block planning manual and related tasks; and (iii) the assessment of training needs and the design of a training program in sub center redevelopment for key agencies of government.

CS5/CSOI – Improved Operations and Management of Service Providers and Institutional and Regulatory Reform. The consulting services to support utilities providers toward improved operations and management are yet to be contracted. PMO is preparing the request for proposal to be submitted to ADB along with the shortlist of consultants.

Safeguard Components

1. Land Acquisition and Resettlement

14. Meeting the Tranche 1 requirements related to land acquisition and resettlement (LAR) requires the preparation and updating of five resettlement plans (RP):

- (i) RP1 –Selbe and Bayankhoshuu sub centers – heating plant, kindergarten, business incubator and training center;
- (ii) RP2 – Bayankhoshuu sub center – roads and infrastructures;
- (iii) RP3 – Selbe sub center – roads and infrastructures.
- (iv) RP4 – KTMS-Tasgany Ovoo-Tavan Shar – Water supply network; and
- (v) RP5 - Bayankhoshuu sub center – water reservoir and pipes.

15. Of these five RPs three are to be fully developed because the proposed works were not anticipated at Appraisal and two (RP4 and RP5) have to be significantly amended and expanded due to the increased scope of roads and infrastructures in the final approved detailed design. In addition to the RPs two due diligence reports would be required one for

Selbe/Dambadarjaa water reservoir and pipes and the other for Bayankhoshuu heating pipes and facilities for replacing existing pipes with new ones with more capacity.

16. As of 30 June 2017, the RP1 is being finalized and expected to be completed by the end of August 2017; RP2 and RP3 are expected to be completed by the end of September 2017; and the RP4 and RP5 are being prepared. The due diligence report for the piping and water reservoirs in Selbe and Dambadarjaa is being prepared and expected to be completed by the end of August 2017. The due diligence report for the heating piping works and facilities in Bayankhoshuu sub center is expected to be completed by the end of August 2017.

17. Based on preliminary figures the number of affected households (AHH) is significantly higher than anticipated at Appraisal. This is mainly due to the change in the road layout, widening of the project roads and the laying of pipes outside the right of way of the existing roads. As of 30 June 2017, the anticipated number of AHHs stood at 824 of which 379 fully affected and 454 partly affected.

18. The overall cost of the LAR is tentatively estimated at about \$23.54 million well above the Appraisal estimate of \$1.02 million. More figures that are accurate will be determined once the negotiations with the affected households are completed, agreements reached, and RPs finalized.

2. Environment

19. The environmental assessment and review framework (EARF) and the environmental management plan (EMP) have been finalized according to ADB requirements. The updated EARF and EMP have been posted on the ADB website. A public consultation was conducted to inform likely affected households of the potential environmental impacts of the 25.2 mWt heating station.

20. The second Environmental Monitoring report covering the June 2016-June 2017 period was prepared and will be submitted to ADB by mid July 2017. The report referred more in detail on the occupational safeguard issues related to the sewage collector line subproject in Selbe and Bayankhoshuu sub centers.

3. Social and Gender

21. A database has been developed at macro and micro level for the two sub centers based on the existing secondary data by sex disaggregated. The consultants updated the database to incorporate secondary data from the National Statistics Office and Department of Ulaanbaatar Statistics. To date, 121 community consultations and training sessions were conducted and attended by 3,137 persons, of whom 55.7% were women. Workshops were conducted on ADB and Mongolian Government's Safeguard Policies and Principles with regards to Social Safeguards for stakeholders from government officers of Songinokhairkhan, Chingeltei and Sukhbaatar districts.

Tranche – Investment Cost-Financing Financing – Disbursements

22. At Appraisal, the Tranche 1 was estimated \$104.52 million. Based on the actual price of the awarded contracts and updated cost estimate of the to-be-awarded contracts the total project cost has been updated at \$106.14 million, 1.6% above the appraisal estimate. The cost increase mainly results from higher than estimated land acquisition costs.

23. The Tranche 1 is financed through three sources: the ADB, EIB and the Municipality of Ulaanbaatar. The ADB's funds are provided through a loan from the Asian Development

Fund (ADF, SDR14,54 million), a loan from the ordinary capital resources (OCR, \$27.50 million) and a grant from the Urban Environmental Infrastructure Fund (UEIF, 3.70 million). As of end of June 2017, the updated financing reveals the following changes: (i) the ADB ADF Loan amount in dollars terms is reduced from \$22.50 million at Appraisal to about \$20.50 million due to the depreciation of the US dollar against the special drawing rights (SDR); (ii) as the result of the increased land acquisition cost the contribution of the MUB significantly increase from \$22.44 million at Appraisal to about \$32.43 million by the end of June 2017; and (iii) the less than anticipated costs of the water supply and sewerage works reduced the EIB financing share.

24. As of 30 June 2017, all ADB loans and grant combined the total disbursement stood at about \$7.44 million, mainly for consulting services under the ADF Loan; the current ADB and EIB low disbursement ratio (14.38% and 9.49% respectively) are likely to pick up with the signing of several civil works contracts in the last quarter 2017.

Covenants

25. Most of the loan covenants due by end of June 2017 have been complied with. The 2016 audited financial statements were submitted to ADB on 31 June 2017. No significant deviance from road map and policy framework has been recorded.

Conclusions – Issues – Recommendations

26. With a completion rate of about 18.86% (26.61%) and an overall disbursement ratio of about 12.15% the implementation of Tranche 1 is behind schedule. The anticipated target date for completion by mid 2018 is unlikely to be met. The finalization of the LARPs and the delayed and lengthy procurement processes significantly contribute to the implementation delay.

27. While the decision to have the procurement activities handled by the MUB Procurement Agency acting as an independent procurement agent is in line with good governance principles, the need to have the evaluation and recommendations for contract award reviewed by PMO prior to seeking ADB concurrence on the bid evaluation report delays the process. In many instances during the quarter under review, the evaluation of bids was to be reconsidered at the request of the PMO Procurement Committee. Furthermore, the MUB Procurement Agency also dealing with other MUB procurement activities may not have sufficient resources to handle the large number of Tranche 1 contract packages, which are to be awarded in the next six months. The same apply to PMO procurement unit while reviewing and amending the bid evaluation reports and eventually incorporating the ADB's comments.

28. As a prerequisite to the start-up of the civil works, five LARPs have to be finalized and implemented. Of these five, three have to be fully developed and two significantly revised to reflect increases in land acquisition as a result of significant design changes. While the LARP preparation is well advanced, there is a risk for their implementation to be delayed: (i) negotiations with the affected people may take longer than anticipated and (ii) due to the significant increase in the land acquisition costs there is a risk of shortage of MUB funds to acquire the land required before the 2018 construction season.

29. To address the procurement issue there would be a need to reinforce the staff resources of both the MUB Procurement Agency and PMO. In addition, the CS2 procurement consultants should strengthen their support to PMO and maintain close relation with ADB to anticipate the issues and take remedial actions. While capacity is not an issue, there is still a need for CS2 to provide training through training sessions and on-the-job guidance.

30. Concurrently with expediting the procurement activities there is a need to finalize the five LARPs and expedite their implementation including negotiations with the affected land and property. There is a need to closely monitor land acquisition cost given the MUB financial constraints.

31. Also, the Tranche 1 investment costs have to be closely monitored. Upon signing contract under ADB OCR financing it will be necessary to breakdown the contract price to identify costs pertaining to heat distribution networks from the other costs items. This exercise is required since the financing percentage are different for these two categories, 55.00% and 69.60% of the total expenditure claimed for the heat distribution networks and other works respectively.⁶

⁶ OCR Loan Agreement, Attachment to Schedule 2.

**Ulaanbaatar Urban Services and Ger Areas
Development Investment Program**

**ADB Loan 3098-MON - ADB Loan 3099-MON (SF)
UEIF Grant 0380-MON (EF)
EIB Loan 83.097 – 83.873**

**PROGRESS REPORT
June 2017**

A. The Program

32. The investment program supports the Ulaanbaatar city master plan in upgrading priority services and developing economic hubs (sub centers) in *ger* areas. It is geographically targeted with multisector interventions. Responding to the urgent demand for basic urban services and the ongoing densification, the program is implemented through an integrated approach to initiate a redevelopment process in *ger* areas and develop urban sub centers as catalysts for growth.

33. The anticipated program impact is improved living conditions in Ulaanbaatar. Its outcome is a network of livable, competitive and inclusive sub centers in Ulaanbaatar *ger* areas. The updated status of the program design and monitoring framework (DMF) is attached as Appendix 1.

34. The program will be implemented in three tranches, which are anticipated to deliver the following four outputs: (i) expanding roads and urban services within priority sub centers and improving connectivity between them; (ii) improving economic and public services in targeted areas; (iii) improving efficiency of services providers; and (iv) strengthening institutions and capacity for urban development, program management and service delivery.

35. At Appraisal, the Program was expected to be implemented over a 9-year period ending in December 2022. The total cost of the Program estimated at \$320 million will be financed by the Asian Development Bank (ADB), the Urban Environmental Infrastructure Fund (UEIF), the European Investment Bank (EIB) and the Government of Mongolia. The ADB financing will be provided through a multitranche financing facility (MFF) consisting of a mix of ADB resources including the Asian Development Fund (ADF), ordinary capital resources (OCR) and ADB-administered UEIF funds.

36. The closing date of the ADB loans and ADB-administered UEIF grant for the Tranche 1 originally scheduled on 30 June 2018 are expected to be extended to 31 December 2019.⁷

B. Tranche 1 – Program Scope

37. The program tranche 1 will develop priority infrastructures, facilities and capacity building in the Selbe and Bayankhoshuu sub centers. The Tranche 1 components are those anticipated at Appraisal: (i) sewerage network extension; (ii) roads and urban services; (iii) social and economic facilities; (iv) multi-interventions in the Ulaanbaatar Water Supply and Sewerage Authority (USUG); and (v) institutional and capacity building. However as a result of the detailed design four minor changes in scope were introduced in the ADB-financed component:

⁷ The ADB mid-term review Mission of February 2017 recommended a 1.5-year extension of the ADB Tranche 1 loans and UEIF grant.

- (i) Power substations were added to the original installation of power cables to meet the actual power supply needs; a separate construction package covering power supply and telecommunications has been added to the procurement plan;
- (ii) Due to the recent capacity increase in the central heating system implemented by the Municipality of Ulaanbaatar (MUB) the decentralized heating plant originally envisaged to cover Bayankhoshuu sub center is no longer required; the provision of heat to this sub center will be through a connection to the heating network complemented by a booster station and two substations;
- (iii) In anticipation of the upcoming Ulaanbaatar Affordable Housing and Urban Renewal Project, at the request of MUB an affordable housing pilot project to be implemented in Selbe sub center was added to Tranche 1 scope; and
- (iv) As a result of the savings under the EIB-financed construction packages, the flood protections and drainage works were removed from the ADB financing and transferred to the EIB financing.

C. Implementation Status

38. As of 30 June 2017, the Tranche 1 is about 18.86% (26.61%) complete (**Appendix 2**). The Tranche implementation is about six months behind the schedule anticipated at Appraisal. Delays are mainly due to (i) lengthy process in ratifying the multitranche financing facility (MFF), signing and making effective the loan and grant agreements, recruiting the consultants; (ii) design adjustment required to meet the existing conditions of the program areas; and (iii) lengthy design process. The construction activities under Tranche 1 are scheduled to be completed by mid 2019 (**Appendix 3**).

D. Implementation Arrangements

39. As envisaged at Appraisal the Ulaanbaatar Municipality (MUB) is the executing agency (EA) for the Program. Further to the change of municipal government in July 2016, the program implementation shifted from the Urban Development and Investment Office to the MUB Project and Cooperation Unit (PCU) which is headed by the Ulaanbaatar Deputy Governor in charge of infrastructures and *ger* areas development.

40. The program management office (PMO) responsible for the daily administration of the program is under the PCU. The changes in the municipal administration resulted in the replacement of some PMO officers, which to a limited extent affected the PMO business process. As of 30 June 2017, the PMO is currently staffed with 15 officers.

41. Following an MUB's decision⁸ the procurement activities have been transferred from PMO to the MUB Procurement Agency in December 2016. A procurement capacity assessment of this agency is scheduled to be conducted in early July 2017 and a memorandum of understanding has been prepared to specify the procurement-related task assignment and responsibilities between PMO and MUB Procurement Agency.

E. Procurement Plan

42. The original procurement plan consisting of 16 contract packages⁹ under ADB financing and two packages to be financed by the European Investment Bank (EIB). Originally all packages were to be procured through international competitive bidding (ICB). Further to (i) the increases in the Mongolia thresholds for ICB and national competitive

⁸ Mayor decree order of A/870 on 9 December 2016

bidding (NCB) and (ii) adjustments to the detailed design of infrastructures and facilities, the procurement plan for the ADB-financed packages has been revised.

43. Based on the latest updated procurement plan¹⁰ (**Appendix 4**) the construction of the infrastructure and facilities will be implemented through 25 procurement packages including 14 ADB-financed packages and 11 EIB-financed packages. The consulting services (CS) will be provided through six consulting firm contracts and two individual consultant (IC) contracts.¹¹ As of 30 June 2017, four CS contract are ongoing and one for improved operations and management of service providers and institutional and regulatory reform is yet to be awarded. To complement the provision of CS and meet the Program requirements it is envisaged to recruit one additional IC through single source selection to prepare the detailed design of the extension of the existing heating network.

1. ADB- financed Construction Packages

44. Of the 10 OCR-funded contract packages, seven are under bidding (five ICB and two NCB packages) with contract award expected in the third (Q3) and fourth (Q4) quarter of 2017; the detailed design and bidding documents for the remaining three packages are being finalized (**Appendix 5**).

45. Of the three **ADF-funded packages**, one is under NCB bidding with contract award expected in November 2017 (**Appendix 5**). Bidding documents are being finalized for the remaining two packages.

2. UEIF-Financed Package

46. The design, supply and installation of pump equipment, SCADA system, rehabilitation and commissioning of the pumping stations and water and waste water treatment plant is financed through the UEIF funds; the turnkey contract has been awarded to the JV of Comfort Impex” LLC and “Hunan Xiangnu Environmental Protection Industrial” Co.ltd for \$3.37 million on 13 October 2016; the detailed design by the contractor has been completed and works are about 40% complete. A contract variation entailing an additional contract price of about \$0.21 million has been approved upon ADB’s endorsement; a contract addendum is being prepared.¹²

3. EIB-financed Construction and Goods Packages

47. All 11 EIB-financed contract packages including ten construction packages and one good package will be procured through NCB. Three packages for the construction of sewerage collectors in Bayankhoshuu and Selbe sub centers have been awarded in March and July 2016 to the JV of Bumbod LLC and DWKB LLC, JV of Bumbod LLC and DWKB LLC and JV of Khurd LLC and Zest Khulug LLC for \$1.44 million, \$1.14 million and \$1.04 million respectively. Of the remaining seven construction packages for a total estimated cost of \$19.3 million, one is being tendered and bidding documents are being finalized for the other five; the contract awards are expected in Q3 and Q4 2017 (**Appendix 5**).

⁹ Ten civil works packages, one plant and five consulting services packages.

¹⁰ The updated procurement plan yet to be approved by ADB is attached to the memorandum of understanding (MOU) of the ADB mid-term review Mission of February 2017.

¹¹ Individual consultants were recruited at the start of Tranche 1 to facilitate the program start-up. As of 30 June 2017 all IC contracts have been completed.

¹² The variation is for additional fiber optic cable, extension of the pumping station and procurement of LED monitor screens for the SCADA system.

48. The EIB-financed goods package for the procurement of water supply and sewerage pipes for an estimated amount of \$1.83 million is under bidding; contract award is expected in early 2018.

4. Consulting Services Packages

49. The implementation of the Program Tranche 1 is supported by five team of consultants. All consulting services are being 100% financed from the ADB ADF Loan.

50. **CS1/CSDD – Consulting services for detailed design and construction supervision.** The CS1 contract was signed on 29 May 2015 with the joint venture (JV) Dohwa Engineering Co. Ltd. (Korea) and Korea District Heating Corporation (Korea) in association with Monconsult LLC (Mongolia) in the amount of \$4,024,241.

51. The detailed design of the infrastructure and facility is not completed. Not all packages were approved by the State expertise, have their 'Summary report' from the Expertise, as well as the accompanying 'approved budget' from the Expertise. The detail design of the heating network is not complete. PMO received an email from CS1's TL about demobilization of their team in May 2017. The performance of the consultants is rated partly satisfactory on the low end of the scale. Delivery of detailed design has been significantly delayed even though partly due to reasons behind the control of the consultants. PMO is investigating options for dealing the contract with the Dohwa JV and recruiting another consulting firm to supervise the construction works.

52. As of 30 June 2017, a total of \$3,041,942.00 million including the advance payment has been disbursed.¹³

53. **CS2/CSPM – Program Management Support Services.** The CS2 contract was awarded to Egis International on 5 June 2014 for a total amount of \$1,237,727.69. Four contract variations have been processed, three cost neutral and variation No. 3 to increase the contract cost up to \$1,317,587.91 as the result of increase in consultants' inputs. A fifth cost neutral variation is being prepared to adjust the euro portion of the contract to the actual euro payment as 30 June 2017, increase the Team Leader input through a reduction of the Financial specialist input, and increase the equipment provisional sum after reducing the seminars and workshop provisional sum.

54. During the second quarter, 2017 CS2 activities focused on expediting and monitoring procurement of the program contract packages. In addition, several training sessions were conducted on bid opening, bid evaluation, archiving and personal skills. Workshops on land acquisition and involuntary resettlement as well as the ADB Safeguard Policy Statement were organized to the officers of the Land Management Office of MUB and two sub centers *khoro* and *kheseg* leaders. Public consultations with the households located around the Selbe heating plant were organized. First drafts of the updated EMP and SAP and GAP were prepared.

55. **CS3/CSCE – Community Engagement and Small and Medium Enterprise Development.** UN Habitat provides consulting services through a \$699,936 contract signed on 25 June 2015.

56. Communities Engagement and Development: UN-Habitat Team continued with facilitation meetings for reactivation of former primary groups (PG) as well as formation of new primary groups based on neighborhood agreements and decision in the sub center areas. Community mobilization and organization activities have been organized in selected

¹³ As of 30 June 2017 the advance, payment has been fully repaid.

two blocks in each sub centers to facilitate primary group formation based on the block subdivision. The purpose of this work is to help the communities to start with block redevelopment planning. As result, three new primary groups in SBD 14th *khoro*, four in CHD 18th *khoro* and eight in SHD 8th *khoro* are being formed.

57. Community Consultations for Redevelopment by Blocks: the CS3 team in cooperation with ADB Affordable Housing Project team organized 25 consultations in the sub centers (10 in Selbe and 15 in Bayankhoshuu). With the start of LARP implementation, the UN-Habitat Team has started providing legal support to the affected communities regarding land title and ownership issues. During the reporting period one poor household affected by the land acquisition for the planned kindergarten in Selbe received advice from the Legal Specialist.

58. Un-Habitat Team is preparing a project information boards with closed boxes for receiving comments. The boards will be placed in each of target *khoro* offices nearest to the communities and help them to communicate with the project about their issues and constrains. The newly established subcenter development unit is preparing a regulation to handle the grievances received from the boxes under the guidance of CS3.

59. SME Engagement and Development: As per the PMO request, CS3 team has prepared a separate annex for reporting of implementation of SME Development Plan. Survey for review and assessment of needs of goods and services in order to match community needs and SME needs. UN-Habitat team has conducted a survey of Consumer Market Analysis and mapping of existing businesses and services in two sub-centers in March 2017. The survey covers over 3,200 people to understand the distinctiveness of the local market and its consumers. Compilation of the data and analysis was completed in June 2017.

60. Linking MSMEs to financial and training institutions: 65 micro business owners in Bayankhoshuu have been linked with SME Support Federation for SME support loan with lower interest. They have been trained by the Federation in business proposal development. They have developed their business proposals and submitted the proposals to get MSME support loan. The training for local businesses who wish to receive MSME loan was started on 23 June by the above Federation in Selbe area.

61. Contribution to CS4 in development of Sub center Local Development plans: CS3 team has been working with CS4 for the development of Sub center Local development plans. As part of CS3 inputs, the International SME Development Specialist has prepared projection of business development in the sub centers in 2017-2020.

62. IEC Activities: The UN-Habitat team provided assistance to the PMO to organize Project Introductory Meetings at Songinokhairkhan, Chingeltei and Sukhbaatar Districts Governors' Offices on 17, 18, 19 May 2017 respectively.

63. Two Facebook pages, for both sub centers are being regularly updated to disseminate information as well as in responding questions from the communities. There are 233 followers in Selbe and 125 followers in Bayankhoshuu as of June 2017.

64. In parallel, the UN-Habitat Team has been keeping interested parties (including affected residents from the sub-centers, residents from other areas of Ulaanbaatar City, interested companies and international and national NGOs) informed about the project, provided responses to their questions and clarifications through phone conversations and person-to-person meetings in the field and at its office, as needed.

65. During the block redevelopment consultations, 253 plot owners in Bayankhoshuu and 198 plot owners in Selbe were informed in person about the status of project implementation and ongoing parallel interventions of Affordable Housing and Urban Renewal Project (AHURP).

66. **CS4/CSSD – Improved Urban Planning and Sub center Development.** The consulting services are being provided by IPE Global & Associates through a \$799,990 contract signed on 13 August 2015.

67. The work during Q2 2017 focused mainly on (i) the preparation of the local development plans (LDP) for Bayankhoshuu and Selbe sub centers; (ii) the development of a block planning manual and related tasks; and (iii) the assessment of training needs and the design of a training program in sub center redevelopment for key agencies of government. Some delays, however, were experienced in the work, particularly in relation to community liaison and feedback, on the account of the prohibition of contacting local communities during the period of the Presidential Election, and the difficulties in obtaining and agreeing on data for the LDPs from key agencies of the Municipality of Ulaanbaatar (MUB) and national government.

68. Reviewed and incorporated provisions of the Development Law of Mongolia. All action plans have been reviewed, and plan preparation is progressing according to these directions of these plans. The draft 4-year investment plan has been prepared in line with the government action plan 2016-2020 and, MUB and district action plans for both sub centers. These plans also have been prepared in compliance with the sector agencies' investment plans.

69. The Bayankhoshuu and Chingeltei, Khailaast and 9th Planned Unit Districts Master Plan where the two sub centers are located were approved by SRKh in June 2017. The plans are under review and are being compared with those of the Urban Development Institute (UDI) and the CS4's recommendations. The possibility of an official review by UDI has been discussed. An amendment to the master plan has been prepared with supporting maps. It was discussed with UDI on March 24 and is to be processed for approval through by them. A cost and work proposal had been received. Due to the unfortunate circumstances unclear funding sources for the master plan amendment, further consultation could not finalize. Because of this, it has been proposed that the UDI plan will act as a phase one until 2025 and the CS4-prepared plan would be targeting 2040.

70. CS4 have reviewed the laws related to urban redevelopment and recommendations have been made. They will be submitted to PMO by July 6. A redevelopment process for the sub centers has been prepared. It was suggested to develop sub centers based on three types of block development plans, four community incentive programs and five projects. Based on zoning requirements for low-density area the plan will be prepared through simple and complex readjustment planning approaches, while the higher density areas will be developed under the redevelopment planning principle. These three development plans will have five sectorial investment projects: (i) sub-center infrastructure project, (ii) housing project, (iii) public facility project, (iv) landscape projects, and (v) commercial amenity development project. Based on their location, the community will be supported by four programs: (i) block infrastructure program, (ii) housing program, (iii) business development program, and (iv) capacity building and strengthening of sub center development stakeholders. An initial meeting on the plans, and land readjustment and redevelopment mechanisms and community incentives has been held with City and District land authorities. This workshop was held at the PMO office on 21st of June. CS4 has reviewed and made suggestions to improve the Law on City and Settlement Redevelopment regarding block development. Regulations are still to be drafted and if there are pilot projects, lessons can be learnt from their implementation. The Law and its regulations can be improved further. It is intended that any new regulations be approved by the MUB Citizens Representative Khural.

71. Based on development parameters, the infrastructure assessment has been completed. Water supply and sewerage networks can with minor adjustments satisfy the proposed increase needs based on the population projections prepared by CS4. Heating network and supply, however, will have to increase to supply the increased load according to the revised population projections. CS4 has proposed that the network and capacity as designed the CS1 and UDI could be adopted until 2025. Beyond that date, an alternative solution may be needed but if development could be controlled by incorporating better-insulated structures, it could still satisfy the demand for heating until 2030.

72. CS4 has reviewed existing data with PMO and UN-Habitat. Revised target dates depends upon the completion of work by CS3/PMO. Because the base data for monitoring purposes was found to be lacking, it has been decided to update the data relating to the two sub centers. A contract variation was requested and approved by ADB on June 20 to hire the Database and GIS Specialist. Contracting is now on going. While waiting the approval of the variation, data collection templates have been prepared and *kheseg* leaders trained on data quality and entry on 17, 28 May, and 9 June 2017. Data collection activities are ongoing with 80% completion, and compiled according to the templates. But, because of the Presidential Election, engagement with the communities has been restricted.

73. City is currently preparing its housing and *ger* area development strategy. Consultation meetings with MUB Housing authority took place on 20 May 2017 with Mr. Enkhmanlai who is in charge of MUB housing and infrastructure program development. National Housing Strategy and MUB City Affordable Housing Strategy has been reviewed, including the land development process. The recommendation for city housing and *ger* area development strategy was submitted to the Capital City Housing corporation.

74. A district and *khoroos* governments meetings have been undertaken on 15, 18 and 22 May 2017. A visioning workshop with *kheseg* leaders was held on 17 May 2017 for SKh District's 5 *khoroos* 24 *kheseg* leaders; May 28th for Sukhbaatar district 14th *khoroos* 8 *kheseg* leaders; and June 9th for Chingeltei District 2 *khoroos* 15 *kheseg* leaders. Consultation work shop for district officials and consultation discussions with land officers of District and City land authorities were conducted.

75. The small and medium enterprise (SME) policy for sub-center development is under preparation. CS4 is working with PMO/CS3 SME Specialist—supporting on data collection. Because of missing data, more time is required to complete the SME proposal. Data collection has been hindered by the Presidential Election, which has restricted any engagement with the communities.

76. Community willingness study has started but can only be finalized after the Presidential Election. Although the election process has been extended, all data collection will be finished after the election and the national Naadam celebrations. It is expecting to finalise survey and data collection in August. Database and GIS specialist approval by ADB was received only on 20 June 2017. Work on data collection has started but because of above, most will be undertaken in August.

77. The draft block development concepts, methods and tools were prepared and discussed with PMO, MUB Land Agency and ADB, but still require further discussions prior seeking official comments.

78. **CS5/CSOI – Improved Operations and Management of Service Providers and Institutional and Regulatory Reform.** The consulting services to support utilities providers toward improved operations and management are yet to be contracted. PMO is preparing the request for proposal to be submitted to ADB along with the shortlist of consultants, which is finalized by the Bid Evaluation Committee.

F. Safeguard Components

1. Land Acquisition and Resettlement

79. Meeting the Tranche 1 requirements related to land acquisition and resettlement (LAR) requires the preparation and updating of five resettlement plans (RP):

- (vi) RP1 –Selbe and Bayankhoshuu sub centers – heating plant, kindergarten, business incubator and training center;
- (vii) RP2 – Bayankhoshuu sub center – roads and infrastructures;
- (viii) RP3 – Selbe sub center – roads and infrastructures.
- (ix) RP4 – KTMS-Tasgany Ovoo-Tavan Shar – Water supply network; and
- (x) RP5 - Bayankhoshuu sub center – water reservoir and pipes..

80. As the heating plant, kindergarten, business incubator and training center in Selbe and Bayankhoshuu sub centers were not anticipated in the original program scope, there is a need to develop a new RP for these facilities. The draft RP2 and RP3 have to be significantly revised and expanded due to the increased scope of roads and infrastructures in the final approved detailed design. The works envisaged under the RP4 and RP5 were not included in the original Tranche 1 scope, this RPs have to be developed in full.

81. In addition to the RPs two due diligence reports would be required one for Selbe/Dambadarjaa water reservoir and pipes and the other for Bayankhoshuu heating pipes and facilities for replacing existing pipes with new ones with more capacity.

82. Based on preliminary figures the number of affected households (AHH) is significantly higher than anticipated at Appraisal. This is mainly due to the change in the road layout, widening of the project roads and the laying of pipes outside the right of way of the existing roads. As of 30 June 2017, the anticipated number of AHHs is summarized in Table 1.

Table 1 – Anticipated Affected Households (AHH)

| | AHH At Appraisal | Anticipated AHH ^a | |
|--|------------------------|------------------------------|--------------------|
| | | Fully Affected | Partly Affected |
| Bayankhoshuu road & infrastructure | 23 | 124 | 228 |
| Selbe road & infrastructure | 52 | 139 | 211 |
| Bayankhoshuu facilities | | 26 | |
| Selbe facilities | | 69 | |
| Bayankhoshuu water pipes and reservoir | | 8 | 3 |
| KTMS-Tasgany Ovoo-Tavan Shar water pipes | | 4 | 12 |
| Total | 75 | 370 | 454 |

a. Tentative figures as of 30 June 2017

83. The **RP1** consists of three sections: A. General Provisions, B. Selbe Sub center and C. Bayankhoshuu Sub center. Section A. has been completed and sent to ADB for review on 2 June. Section B. and C. are being finalized and expected to be completed in the end of July 2017. The RP1 delayed completion is due to late submission of the final design, which was required to review and confirm the census, socio-economic surveys and valuation works carried in 2016.

84. The **RP2** and **RP3** are expected to be completed by the end of September 2017. The preparation of these RPs was delayed due to late submission of the final detailed design. To date the list of AHHs and the terms of reference for the census, socio-economic surveys and valuation of land/properties have been completed. Public consultations (nine meetings in Selbe and eight in Bayankhoshuu) have been held. The socio-economic surveys are expected to be completed by mid of July and the valuation works are to be completed in early August 2017.

85. The preparatory works for **RP4** and **RP5** are ongoing. The list of AHHs is being prepared based on the final detailed design of the piping works and water reservoir, which were made available to the LARP team in May 2017.

86. Upon submission of the final detailed design of the piping and water reservoir works in Selbe and Dambadarjaa, PMO engineers and LARP team conducted joint field visits to confirm that a full RP is not required. A due diligence report is being prepared and expected to be completed in the end of July 2017.

87. As a result of the site visits conducted in Bayankhoshuu sub center to assess the LARP impacts it is anticipated that the heating piping works and facilities would not require any acquisition of private land. Upon confirmation of this preliminary finding, after the final technical design is completed¹⁴, a due diligence report will be prepared and expected to be completed by the end of August 2017. This work is pending the approval of the technical design by MUB.

88. The overall cost of the LAR is tentatively estimated at about \$23.54 million well above the Appraisal estimate of \$1.02 million. More accurate figures will be determined once the negotiations with the affected households are completed, agreements reached, and RPs finalized.

Table 2: Summary of LAR Estimated Costs

| No. | Resettlement Plans | Estimated Cost Million MNT |
|--------------|---|-------------------------------|
| 1 | RP1 – Selbe and Bayankhoshuu sub center – heating plant, kindergarten, business incubator and training center | 5,561.5 |
| 2 | RP2 – Bayankhoshuu sub center – roads and infrastructure | 33,698.1 |
| 3 | RP3 – Selbe sub center – roads and infrastructures | 17,356.1 |
| 4 | RP4 – KTMS-Tasgany Ovoo-Tavan Shar – Water supply network | 146.3 |
| 5 | RP5 - Bayankhoshuu sub center – water reservoir and pipes | 553.4 |
| Total | | 57,315.4 |

2. Environmental Management Plan

89. As a main task of the CS2 in terms of environmental safeguard issue in Q2 of 2017 the environmental consultant focused on finalization of update of the environmental assessment and review framework (EARF) and the environmental management plan (EMP)

¹⁴ There is still a need to survey the existing pipe condition as those will be replaced by larger diameter pipes to confirm that the works do not require land acquisition based on the final technical design, which is being undertaken.

have been finalized according to ADB requirements. The updated EARF and EMP have been posted on the ADB website.

90. Terms of reference and a cost estimate have been prepared to recruit a consultant to update the EMP. The recruitment process by the Ulaanbaatar Municipality is ongoing; the consultant is expected to mobilize in the Q4 2017. PMO delivered related documents to the Ministry of Environment and Tourism (MET) for the general environmental impact assessment (GEIA) covering the entire program. The updated GEIA has been released. The detailed environmental and impact assessment (DEIA) for Tranche 2 is being reviewed by MET.

91. A public consultation was conducted to inform likely affected households of the potential environmental impacts of the 25.2 mWt heating station. About 80 people from the 13th and 14th *khoroos* of Sukhbaatar district and 14th *khoroos* of Chingeltei district attended the consultation meeting and completed the survey questionnaire.

92. The second Environmental Monitoring report covering the June 2016-June 2017 period was prepared and expected to submit to ADB by mid July 2017. The report referred more in detail on the occupational safeguard issues related to the sewage collector line subproject in Selbe and Bayankhoshuu subcenters.

3. Social and Gender Development Plans

93. The CS2 assisted to PMO for preparation of the mid-term review report on Social, Gender and Community Participation for overall project-1 in collaboration with UN-Habitat for period of July 2015-February 2017. According to ADB gender specialist comments, GAP and SAP implementation progress report was finalized and submitted to ADB mission. During the ADB MTR Mission, targets and indicators for monitoring SAP and GAP were reviewed and updated.

94. A database has been developed at macro and micro level for the two sub-centers based on the existing secondary data by sex disaggregated. The consultants updated the database to incorporate secondary data from the National Statistics Office and Department of Ulaanbaatar Statistics.

95. The CS2 gender/social specialist assisted the UN Habitat consultants to analyze the information collected during the consultation meetings for monitoring the social action plan, gender action plan and CAP. Sex disaggregated data were reported in the quarterly and semi-annual project implementation reports. A database for all consultation meetings and trainings including sex-disaggregated data has been established, updated and shared with ADB. To date, 121 community consultations and training sessions were conducted and attended by 3,137 persons, of whom 55.7% were women.

96. The social and gender development specialist conducted workshop on ADB and Mongolian Government's Safeguard Policies and Principles with regards to Social Safeguards for stakeholders from government officers of Songinokhairkhan, Chingeltei and Sukhbaatar districts.

G. Project Cost

97. At Appraisal, the Tranche 1 was estimated \$104.52 million. Based on the actual price of the awarded contracts and updated cost estimate of the to-be-awarded contracts the total project cost has been updated at \$106.14 million, 1.6% above the appraisal estimate. The cost increase mainly resulted from higher than estimated land acquisition costs.

Table 3 – Updated Tranche 1 Cost
\$ Million – As of 30 June 2017

| Item/Output/Component | Appraisal Estimate | Updated Estimate |
|---|--------------------|------------------|
| A. Base Cost | | |
| 1. Expanded Roads and Urban Services | | |
| 1.1 Roads Improvement | 24.59 | 37.82 |
| 1.2 Water Supply System Improvement | 12.39 | 12.12 |
| 1.3 Sewerage System Improvement | 13.31 | 10.61 |
| 1.4 Heating Services Expansion | 30.14 | 26.84 |
| Subtotal (1) | 80.43 | 87.40 |
| 2. More efficient Service Providers | 3.70 | 3.70 |
| 3. Increased Economic and Public Services | 5.00 | 6.32 |
| 4. Institutional Strengthening and Capacity Development | | |
| 4.1 Program Management and Implementation Support | 2.00 | 2.02 |
| 4.2 Strengthening Service Providers | 0.50 | 0.50 |
| 4.3 Sub center Development and Community Engagement | 1.50 | 1.50 |
| Subtotal (4) | 4.00 | 4.02 |
| Subtotal (A) | 93.13 | 101.44 |
| B. Contingencies | 7.40 | 1.38 |
| C. Financing Charges During Implementation | 4.00 | 3.32 |
| Total (A+B+C) | 104.52 | 106.14 |

Note: Numbers may not sum up precisely because of rounding.

^a Appraisal estimates in mid-2013 price; updated estimates as of 30 June 2017 in 2017 prices. Value-added tax and import duties are included in both estimates. The Government will finance taxes and duties through tax exemptions.

^bAt Appraisal physical contingencies were computed at 5% of civil works and consulting services costs. Price contingencies were calculated at rates ranging from 3 to 8% for local currency costs and 0.5 to 2.2% for foreign exchange costs; includes provision for exchange rate fluctuations under a purchasing power parity exchange rate. During the ADB Mid-term Review Mission of February 2017, physical contingencies were re-estimated at 1% of civil works costs. Price contingencies were reevaluated at 3% of local currency costs and 1% of foreign currency costs.

C Financing charges include interest and commitment charges. Financing charges during implementation on the ADB loans have been computed at (i) 2.0% per annum of the first tranche's loan for the ADF funds and (ii) the 5-year USD fixed swap rate plus an effective contractual spread of 0.4%; and commitment charge of 0.15% on the undisbursed portion of the first tranche OCR loan. Financing charges during implementation for the EIB Loan have been computed based on the 5-year USD fixed swap rate.

Source: Asian Development Bank – Project Management Office

H. Project Financing

98. The Tranche 1 is financed through three sources: the ADB, EIB and the Municipality of Ulaanbaatar. The ADB's funds are provided through a loan from the Asian Development Fund (ADF, SDR14,54 million), a loan from the ordinary capital resources (OCR, \$27.50 million) and a grant from the Urban Environmental Infrastructure Fund (UEIF, 3.70 million). The Tranche 1 financing plan is detailed in Table 4. As of end of June 2017, the updated financing reveals the following changes: (i) the ADB ADF Loan amount in dollars terms is reduced from \$22.50 million at Appraisal to about \$20.50 million due to the depreciation of

the US dollar against the special drawing rights (SDR); (ii) as the result of the increased land acquisition cost the contribution of the MUB significantly increase from \$22.44 million at Appraisal to \$32.43 million by the end of June 2017; and (iii) the less than anticipated costs of the water supply and sewerage works reduced the EIB financing share.

Table 4 – Tranche 1 – Updated Financing Plan
\$ Million – As of 30 June 2017

| Financing Source | Appraisal Estimate | Updated Estimate |
|-----------------------------|--------------------|------------------|
| Asian Development Bank | | |
| ADF Loan | 22.50 | 20.50 |
| OCR Loan | 27.50 | 27.50 |
| UEIF-UFPF Grant | 3.70 | 3.70 |
| Subtotal | 53.70 | 51.70 |
| Municipality of Ulaanbaatar | 22.44 | 32.43 |
| European Investment Bank | 28.38 | 22.01 |
| Total | 104.52 | 106.14 |

ADF = Asian Development Fund, OCR = ordinary capital resources, UEIF-UFPF = Urban environmental Infrastructure Fund under the Urban Financing Partnership Facility.

Source: Asian Development Bank Estimate

I. Disbursements

99. The status of disbursement as of 30 June 2017 is summarized in Table 5. All ADB loans and grant combined the total disbursement stood at about \$7.44 million, mainly for consulting services under the ADF Loan; the current ADB and EIB low disbursement ratio (14.38% and 9.49% respectively) are likely to pick up with the signing of several civil works contracts in the last quarter 2017.

Table 5 – Tranche 1 – Disbursements
\$ Million – As of 30 June 2017

| Financing Source | Financing Amount | Disbursed As of 30 June 2017 | Disbursement Ratio % |
|-----------------------------|------------------|------------------------------|----------------------|
| Asian Development Bank | | | |
| ADF Loan | 20.50 | 5.42 | 26.45 |
| OCR Loan | 27.50 | 1.64 | 5.98 |
| UEIF-UFPF Grant | 3.70 | 0.37 | 10.00 |
| Subtotal | 51.70 | 7.44 | 14.38 |
| Municipality of Ulaanbaatar | 32.43 | 3.37 | 10.39 |
| European Investment Bank | 22.01 | 2.09 | 9.49 |
| Total | 106.14 | 12.89 | 12.15 |

J. Loan Covenants – Framework Financing Agreement

100. Most of the loan covenants due by end of June 2017 have been complied with. The 2016 audited financial statement were submitted to ADB on 31 June 2017. No significant deviance from road map and policy framework has been recorded. Compliance with loan covenants is detailed in **Appendix 6**.

K. Conclusions, Issues and Recommendations

101. With a completion rate of about 18.86% (26.61) and an overall disbursement ratio of about 14.47% the implementation of Tranche 1 is behind schedule. The anticipated target date for completion by mid 2018 is unlikely to be met. The finalization of the LARPs and the delayed and lengthy procurement processes significantly contribute to the implementation delay.

102. While the decision to have the procurement activities handled by the MUB Procurement Agency acting as an independent procurement agent is in line with good governance principles, the need to have the evaluation and recommendations for contract award reviewed by PMO prior to seeking ADB concurrence on the bid evaluation report delays the process. In many instances during the quarter under review, the evaluation of bids was to be reconsidered at the request of the PMO Procurement Committee. Furthermore, the MUB Procurement Agency also dealing with other MUB procurement activities may not have sufficient resources to handle the large number of Tranche 1 contract packages which are to be awarded in the next six months. The same apply to PMO procurement unit while reviewing and amending the bid evaluation reports and eventually incorporating the ADB's comments.

103. As a prerequisite to the start-up of the civil works five LARPs have to be finalized and implemented. Of these five LARPs, three have to be fully developed and two significantly revised to reflect increases in land acquisition as a result of significant design changes. While the LARP preparation is well advanced, there is a risk for their implementation to be delayed: (i) negotiations with the affected people may take longer than anticipated and (ii) due to the significant increase in the land acquisition costs there is a risk of shortage of MUB funds to acquire the land required before the 2018 construction season.

104. To address the procurement issue there would be a need to reinforce the staff resources of both the MUB Procurement Agency and PMO. Also the CS2 procurement consultants should strengthen their support to PMO and maintain close relation with ADB to anticipate the issues and take remedial actions. While capacity is not an issue, there is still a need for CS2 to provide training through training sessions and on-the-job guidance.

105. Concurrently with expediting the procurement activities there is a need to finalize the five LARPs and expedite their implementation including negotiations with the affected land and property. There is a need to closely monitor land acquisition cost given the MUB financial constraints.

106. Also, the Tranche 1 investment costs have to be closely monitored. Upon signing contract under ADB OCR financing it will be necessary to breakdown the contract price to identify costs pertaining to heat distribution networks from the other cost items. This exercise is required since the financing percentage are different for these two categories, 55.00% and 69.60% of the total expenditure claimed for the heat distribution networks and other works respectively.¹⁵

¹⁵ OCR Loan Agreement, Attachment to Schedule 2.

APPENDIXES

APPENDIX 1 PROJECT DESIGN AND MONITORING FRAMEWORK

| Design Summary | Performance Targets and Indicators with Baselines | Data Sources and Reporting Mechanisms | Assumptions and Risks | Note |
|---|---|--|---|---|
| Impact Improved living conditions in Ulaanbaatar | <p>By 2022: Poverty headcount index reduced by 20% (baseline: 23.5% in 2012)</p> <p>Incidence of waterborne diseases reduced by 20% (baseline: 90,310 in 2012) Air pollution in Ulaanbaatar reduced by 20% (baseline: 1.286 PM₁₀ concentration in 2012)</p> | National Statistical Office reports Government public health statistics National Statistical Office reports | <p>Assumption Policy environment supports urban development and increased investments in urban infrastructure.</p> <p>Risk Urban infrastructure investments are constrained by fiscal and political factors.</p> | No change |
| Outcome A network of livable, competitive, and inclusive sub enters in Ulaanbaatar's <i>ger</i> areas | <p>By 2021: Total number of population with improved coverage to water, sanitation, and heating (baseline: 0 for water; 0 for sanitation, and 0 for heating in 2016) in targeted areas</p> <p>Average density in targeted sub center increased to 75 persons per ha (average baseline: 50 persons</p> | MUB report on urban construction and districts records MUB report on urban construction and districts records MUB report on urban construction and Districts records USUG operation and financial reports | <p>Assumptions Political support and investment in urban infrastructure continue throughout the program. Improved services and urban governance lead to sustained economic growth in the <i>ger</i> areas.</p> <p>Risks Insufficient time and resources are devoted to community mobilization. Lack of private sector participation</p> | <p>Baseline data changed to 2016.</p> <p>Rephrased the indicator; due to change of scope of the project there will be no connections to households. Currently, there's no coverage providing water, sanitation, and heating.</p> <p>No change</p> |

| Design Summary | Performance Targets and Indicators with Baselines | Data Sources and Reporting Mechanisms | Assumptions and Risks | Note |
|---|--|--|---|--|
| | <p>per ha in 2010)</p> <p>Number of business establishments increased by 20% (baseline: 33,140 in 2012) in targeted areas</p> <p>Unit production cost of water reduced by 35% (baseline: MNT5,940/ cubic meter in 2011)</p> | | | <p>No change</p> <p>No change</p> |
| Outputs | | | | |
| <p>1. Roads and urban services are expanded within the targeted sub enters and connectivity between sub enters is improved.</p> | <p>By 2019: 18.6 km of water supply network, 20.0 km of sewer network, and 6.0 km of collector mains constructed Five heating facilities, 21 km of heating network pipes, and 2.4 km of heating service connections constructed 15 km of carriageway and 7.9 ha of landscaping and public space including universal design features such as sidewalk, lighting, and sitting</p> | <p>PMO progress and completion reports</p> | <p>Assumption The MUB complies with ADBs safeguards policies.</p> <p>Risk Rising world prices of energy and construction materials significantly increase the program's investment and operation and maintenance costs.</p> | <p>Target data change: from 2016 to 2019 based on revised procurement plan completion date estimation.</p> <p>Project scope changed: water supply network from 18.6 km to 11.06 km; sewer network from 20.0 km to 18.6 km; collector mains from 6.0 km to 3.3 km extension of existing collector mains, and 3.4 km construction; heating facilities from 5 to 1; heating network pipes from 21 km to 16.7 km; <u>2.4 km of heating service connections is not included in the scope, and it has be to defined.</u></p> |

| Design Summary | Performance Targets and Indicators with Baselines | Data Sources and Reporting Mechanisms | Assumptions and Risks | Note |
|---|---|---|--|--|
| | | | | Carriageway from 15 km to 12.2 km; Landscaping 7.9 ha to 7.66 ha and includes 4.5 km of flood embankment. |
| 2. Economic and public services in sub enters are improved. | <p>By 2023: At least 5,000 beneficiaries, 50% of whom are women, receive vocational training (baseline: 0 in 2016)</p> <p>Constructed social facilities based on community needs fully staffed and operational in participating sub enters (baseline: 0 in 2016)</p> | PMO progress and completion reports and district records | <p>Assumption Investment in economic and social facilities leads to increased employment.</p> <p>Risks Inappropriate vocational training courses provided. Lack of demand for commercial facilities built</p> | <p>Baseline date changed to 2016.</p> <p>Target date change: from 2016 to 2023, the construction is expected to be completed in July 2018.</p> <p>Baseline data changed from 2012 to 2016.</p> |
| 3. Service providers become more efficient | <p>By 2023: Water supply network pumping system is improved Distribution system is optimized Operation Control Centre is upgraded and expanded</p> | USUG operating and financial reports PMO progress and completion reports | <p>Assumptions Service providers are supportive of proposed policy and institutional reforms Customers continue to pay water and sewerage charges</p> <p>Risk The MUB fails to provide adequate subsidies to augment shortfalls of revenues.</p> | No change |
| 4. Institutional strengthening and capacity building | <p>By 2023: 6 CDCs and SDCs fully functioning in targeted areas, with at least</p> | PMO progress and completion reports | <p>Assumptions Urban planning and sub enter development</p> | No change |

| Design Summary | Performance Targets and Indicators with Baselines | Data Sources and Reporting Mechanisms | Assumptions and Risks | Note |
|---|--|---|--|--|
| 4.1 Sub enter development and community engagement | 40% women participating actively (baseline: CDCs established only in Bayankhoshuu and Selbe in 2012) Sub centers plan are prepared and endorsed by all the stakeholders through community consultation including at least 50% of women participants | CDC reports | methodologies and tools and supporting legislation are in place at the start of program implementation. Sub enter redevelopment leads to more efficient land use and management. Risks Program implementation is slowed down by a lack of community and private sector participation. Women are not effectively mainstreamed into the program. Assumptions Policy reforms receive full government support. Appropriate user charges/ tariffs are not implemented by the MUB, and/or not supported by the target consumers. | No change |
| 4.2 Operations and management of service providers improved | By 2019: USUG is autonomous in terms of financial and asset management (baseline: USUG operations loss/gain: MNT -5,325.6 million; target MNT 5,126.9 million) Utility tariffs linked to direct cost recovery of O&M, including asset depreciation (baseline: 2014 average water tariff MNT463.09; average wastewater tariff is | USUG operating and financial reports USUG business plans | Risks Inadequate program resources are allotted to support the policy and institutional reforms. Lack of incentives to attract private sector participation | Date changed from 2017 to 2019. Added baseline data and targets based on USUG financial data and projection. |

| Design Summary | Performance Targets and Indicators with Baselines | Data Sources and Reporting Mechanisms | Assumptions and Risks | Note |
|---|---|--|---|--------------------------|
| | MNT274.11, barely covering O&M. Target: MNT1064.52; MNT713.95) Revised performance contract between the MUB and service providers in place. | | | |
| 4.3 Strengthened program implementation capacity | By 2023: PMO is fully functioning with fully trained staff, at least 30% of whom are women (baseline: 0 in 2012) Sex-disaggregated program performance and monitoring system operational (baseline: 0 in 2012) Project feasibility studies, due diligence, and safeguards prepared for participating sub enters (baseline: 0 in 2012) | MUB reports PMO progress and completion reports | Assumption Consultants and PMO staff work effectively as a team. Risk Failure to appoint and retain well qualified and experienced consultants | No change |
| Activities with Milestones for Tranche 1 (after Loan Effectiveness) | | | Inputs | |
| 1. Roads and urban services expanded 1.1 Detailed design of water and/or sewerage improvements completed (Apr 2014) 1.2 Detailed design of heating improvements completed (Apr 2014) 1.3 Detailed design of roads and/or other infrastructure completed (Apr 2014) 1.4 Urban infrastructure constructed, commissioned, and operating in phases from Apr 2014 to 2016 2. Economic and public services in sub enters improved 2.1 Detailed design of kindergarten and business incubators and/or vocational training centers completed (mid-2014) 2.2 Facilities constructed, commissioned, and operating in phases from the end of 2014 to 2017 | | | Amount(\$ millions) Investment Program ADB MFF 163.70 MUB 96.00 Co financing60.30 Total 320.00 Tranche 1 ADB ADF Loan 22.50 | The Tranche 1 investment |

| Design Summary | Performance Targets and Indicators with Baselines | Data Sources and Reporting Mechanisms | Assumptions and Risks | Note |
|---|---|---------------------------------------|--|--|
| 3. More efficient service providers 3.1 Support improvements in operating efficiency 3.2 Construction of upgraded facilities and measurement systems completed 4. Institutional strengthening and capacity building 4.1 PMO fully staffed (mid-Dec 2013) 4.2 Hiring of capacity development consultants (Jan 2014) 4.3 Sub enter redevelopment authority established and staffed (Dec 2013) 4.4 Sub enter planning and development guidelines and regulations in place (Sep 2014) 4.5 CDCs and SDCs fully functioning in targeted areas (mid-2014) 4.6 Support to financial strengthening and improved regulatory and institutional framework (mid-2015) Tranche 2 is prepared and approved by 2016 Tranche 3 is prepared and approved by 2017 | | | OCR Loan 27.50 UEIF-UFPF ^a 3.70 MUB 22.44 Co financing28.38 Total 104.52 | cost has been updated at \$106.14 million. In dollar terms the ADF Loan decreased to about \$20.50 million due to the depreciation of the US dollar against the SDR. The MUB contribution increased to \$22.01 million mainly due to higher than anticipated LAR costs. |

ADB = Asian Development Bank, ADF = Asian Development Fund, CDC = community development council, ha = hectare, km = kilometer, m² = square meter, m³ = cubic meter, LAR = land acquisition and resettlement, MFF = multitranchise financing facility, MUB = Municipality of Ulaanbaatar, OCR = ordinary capital resources, O&M = operation and maintenance, PMO = program management office, SDC = small- and medium-enterprise development council, SDR = special drawing rights, USUG = Ulaanbaatar Water Supply and Sewerage Authority.

^aTraditional tents for housing.

^b Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility.

Source: Asian Development Bank.

APPENDIX 2 COMPLETION RATE

| Activities/Investment | Actual Progress* | Weighted Progress |
|---|------------------|-------------------|
| Establish PMO | 100% | 5.00% |
| Staff training and development | 55% | 2.75% |
| <i>Loan Consultants</i> | | |
| Preparation of detailed design and bidding documents (CS-01) | 89% | 2.60% |
| Strengthening Program Implementation Capacity (CS-02) | 60% | 0.52% |
| Community Engagement (CS-03) | 60% | 0.31% |
| Sub-center redevelopment planning (CS-04) | 60% | 0.35% |
| Improved O&M for service providers and inst/regulatory reform (CS-05) | 3% | 0.01% |
| <i>Resettlement</i> | | |
| Resettlement Plan Developed/Approval | 85% | 4.23% |
| Resettlement Implemented | 21% | 3.12% |
| <i>Physical Investments</i> | | |
| Heating Plant and Network Extension | 15% | 1.92% |
| Kindergarten & Business Incubator Centers | 5% | 0.19% |
| Roads, heating, water supply and sewage network in subcenters | 5% | 1.04% |
| Bridges | 8% | 0.10% |
| Landscape | 5% | 0.09% |
| Electricity and Telecommunication network | 0% | 0.00% |
| Affordable Housing Pilot | 6% | 0.03% |
| Sewage Collector Main (EIB) | 98% | 2.61% |
| Water Supply and Sewerage Network Improvement (EIB) | 5% | 0.54% |
| Water Reservoir (EIB) | 5% | 0.16% |
| Flood Protection (EIB) | 5% | 0.06% |
| Sewage Water Treatment Plant (Grant) | 40% | 0.98% |
| Total | Imp. Progress: | 26.61% |

APPENDIX 3 UPDATED PROJECT IMPLEMENTATION SCHEDULE

| MAIN ACTIVITIES | 2014 | | | | 2015 | | | | 2016 | | | | 2017 | | | | 2018 | | | | 2019 | | | |
|--|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| DETAILED DESIGN | | | | | | | | | | | | | | | | | | | | | | | | |
| SEWAGE COLLECTOR MAINS | | | | | | | | | | | | | | | | | | | | | | | | |
| Detailed Design for Sewage Collector Main | | | | | | | | | | | | | | | | | | | | | | | | |
| Resettlement Surveys, RP Preparation and Approval | | | | | | | | | | | | | | | | | | | | | | | | |
| WWOIP Tendering and Contract Award | | | | | | | | | | | | | | | | | | | | | | | | |
| BCM01 Construction Sewage Collector Main | | | | | | | | | | | | | | | | | | | | | | | | |
| Bayankhoshuu Subcenter | | | | | | | | | | | | | | | | | | | | | | | | |
| BCM02 Construction Sewage Collector Main | | | | | | | | | | | | | | | | | | | | | | | | |
| Bayankhoshuu Subcenter | | | | | | | | | | | | | | | | | | | | | | | | |
| SCM Construction Sewage Collector Main Selbe SubCentre | | | | | | | | | | | | | | | | | | | | | | | | |
| WWOI Design, Engineering, Supply, and Installation of Pump Equipment, SCADA System, Construction and Commissioning of Pumping Stations | | | | | | | | | | | | | | | | | | | | | | | | |
| HEATING PLANTS and network | | | | | | | | | | | | | | | | | | | | | | | | |
| Resettlement Surveys, RP preparation and approval | | | | | | | | | | | | | | | | | | | | | | | | |
| SHF06 Design, supply and installation of heating plant in Selbe Subcenter | | | | | | | | | | | | | | | | | | | | | | | | |
| BHF06 Heating network connection to Bayankhoshuu Subcenter | | | | | | | | | | | | | | | | | | | | | | | | |
| Design | | | | | | | | | | | | | | | | | | | | | | | | |
| Due diligence on Resettlement and approval | | | | | | | | | | | | | | | | | | | | | | | | |
| KINDERGARTEN, BUSINESS INCUBATOR | | | | | | | | | | | | | | | | | | | | | | | | |
| Resettlement Surveys, RP preparation and approval | | | | | | | | | | | | | | | | | | | | | | | | |
| Tendering for Construction Works | | | | | | | | | | | | | | | | | | | | | | | | |
| BSF05 Construction of Kind'n, B. Incubator & Voc. Tr. Centre - Bayankhoshuu Subcenter | | | | | | | | | | | | | | | | | | | | | | | | |
| SSF05 Construction of Kind'n, B. Incubator & Voc. Tr. Centre - Bayankhoshuu Subcenter | | | | | | | | | | | | | | | | | | | | | | | | |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| MAIN ACTIVITIES | 2014 | | | | 2015 | | | | 2016 | | | | 2017 | | | | 2018 | | | | 2019 | | | |
|---|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| RESETTLEMENT PLANS FOR ROAD AND UTILITY NETWORKS | | | | | | | | | | | | | | | | | | | | | | | | |
| Socio-Economic Survey | | | | | | | | | | | | | | | | | | | | | | | | |
| Inventory of Loss and Valuation | | | | | | | | | | | | | | | | | | | | | | | | |
| Resettlement Plan preparation and Approval | | | | | | | | | | | | | | | | | | | | | | | | |
| ROAD AND UTILITY NETWORKS | | | | | | | | | | | | | | | | | | | | | | | | |
| Tendering for Construction Works | | | | | | | | | | | | | | | | | | | | | | | | |
| BRDH11 Roads, heating network, and associated infrastructure in Bayankhoshuu subcenter (Phase 1) | | | | | | | | | | | | | | | | | | | | | | | | |
| BRDH14 Roads, heating network, and associated infrastructure in Bayankhoshuu subcenter (Phase 2) | | | | | | | | | | | | | | | | | | | | | | | | |
| SRDH11 Roads, heating network, and associated infrastructure in Selbe subcenter (Phase 1) | | | | | | | | | | | | | | | | | | | | | | | | |
| SRDH14 Roads, heating network, and associated infrastructure in Selbe subcenter (Phase 2) | | | | | | | | | | | | | | | | | | | | | | | | |
| WATER SUPPLY AND SEWERAGE SYSTEMS | | | | | | | | | | | | | | | | | | | | | | | | |
| Tendering for Works | | | | | | | | | | | | | | | | | | | | | | | | |
| Resettlement Surveys, RP preparation and approval | | | | | | | | | | | | | | | | | | | | | | | | |
| WSC16 Water supply and sewage connections in Bayankhoshuu and Selbe subcenters | | | | | | | | | | | | | | | | | | | | | | | | |
| WWTPR01 Rehabilitation of the central wastewater treatment plant | | | | | | | | | | | | | | | | | | | | | | | | |
| WSNR17A Extension of wastewater collector main from 100ail area to Bayanburd and extension of water supply main from North East water reservoir to Tasgan water reservoir | | | | | | | | | | | | | | | | | | | | | | | | |
| WSNR17B Extension of water supply main from Tasgan water reservoir to Western area water reservoir | | | | | | | | | | | | | | | | | | | | | | | | |
| WSNR17C Rehabilitation of sewerage network from school 14 to the central connector on the main road | | | | | | | | | | | | | | | | | | | | | | | | |
| WATER RESERVOIR | | | | | | | | | | | | | | | | | | | | | | | | |
| Detailed design | | | | | | | | | | | | | | | | | | | | | | | | |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| MAIN ACTIVITIES | 2014 | | | | 2015 | | | | 2016 | | | | 2017 | | | | 2018 | | | | 2019 | | | |
|--|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Tendering for Works Resettlement Surveys, RP preparation and approval BSWR10 Construction of water reservoirs and supply pipes in Bayankhoshuu and Selbe subcenters | | | | | | | | | | | | | | | | | | | | | | | | |
| BRIDGES Tendering for Bridge Construction Works SBR08 Construction work of three bridges (with 60, 30, and 24 meters) in Selbe subcenter | | | | | | | | | | | | | | | | | | | | | | | | |
| FLOOD PROTECTION & LANDSCAPING Tendering for Flood Protection and Landscaping Works BSDF07 Flood protection and embankment (combined for culverts and embankment Bayankhoshuu and Selbe subcenters) BSLS09 Landscaping in Bayankhoshuu and Selbe subcenters | | | | | | | | | | | | | | | | | | | | | | | | |
| AFFORDABLE HOUSING PILOT Tendering for Works AAHURRP-PP01 Affordable Housing Pilot Project in Selbe SubCentre | | | | | | | | | | | | | | | | | | | | | | | | |
| ELECTRICITY AND TELECOMMUNICATION NETWORK Tendering for Electricity and Telecom Works BEC13 Electricity and telecommunication network in Bayankhoshuu subcenter SEC13 Electricity and telecommunication network in Selbe subcenter | | | | | | | | | | | | | | | | | | | | | | | | |
| Community Engagement CS3- Community Engagement, and SME Support (UN-Habitat) Improved Subcenter Planning and Development | | | | | | | | | | | | | | | | | | | | | | | | |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| MAIN ACTIVITIES | 2014 | | | | 2015 | | | | 2016 | | | | 2017 | | | | 2018 | | | | 2019 | | | |
|---|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| CS4- Improved Sub-Centre Planning and Developments (IPE Global) | | | | | | | | | | | | | | | | | | | | | | | | |
| Improved O&M of Service Providers and Institutional and Regulatory Reforms | | | | | | | | | | | | | | | | | | | | | | | | |
| CS-5 Improved O&M of Service Providers and Institutional and Regulatory Reforms | | | | | | | | | | | | | | | | | | | | | | | | |

APPENDIX 4 UPDATED PROCUREMENT PLAN

JUSTIFICATION TO REVISE THE PROCUREMENT PLAN OF “ULAANBAATAR URBAN SERVICES AND GER AREAS DEVELOPMENT INVESTMENT PROGRAM” TRANCHE-1

The Framework Financing Agreement (FFA) established between Mongolia and Asian Development Bank (ADB) on December 2013 and it was duly approved by the Parliament. The Ulaanbaatar Urban Services and Ger Areas Development Investment Program: Tranche 1 was commenced in 2014.

Under the Tranche 1 of the Project, the Procurement of Consultancy Service for Detailed Engineering Design, Tendering and Construction Supervision Service was carried out in 2014, contract was awarded to “Dohwa Engineering” Co, Ltd, and the was signed on 06 April 2015.

In accordance with the Contract Agreement, the Detailed Engineering Design was planned to finish by July 2015. However, as of 18 November 2016, the Detailed Engineering Design and as well as tendering documents was not completed as planned due to resettlement issues, low quality of design works and unsatisfactory performance of the Consultancy Service and it leads to work delay for an another year. **The financial capability of construction companies in Mongolia is limited further aggravated by the current economic conditions in Mongolia. The Project is in urgent need of re-organizing the works and plants, taking into consideration the closing date of Tranche 1, which is 30 June 2018, and the circumstances mentioned above and in the PP.**

Further, the PMO wishes to spread the procurement risk by:

Preparing smaller packages and awarding more contracts. This will encourage more contractors and smaller contracts will increase the visibility and public relation that the MUB proposes. Contractors are prone to making frequent complaints, if there are any disputes during tendering process; the work cannot be started as planned. Having more packages also reduces this risk.

Financial resource requirements in the bidding documents are usually high contractors and in particular for Kindergarten and Vocational Training Center for Selbe and Bayankhoshuu Sub-centers. Therefore, it is proposed to divide this one contract package into two lots. The project implementation period is limited, dividing the contract into 2 separate packages: Kindergarten and Vocational Training Center is beneficial to finish the construction work in shorter period. There is little effect to supervision towards the Construction of Kindergarten and Vocational Training Center Building whether it is one package or two separate packages.

Thus, there is a necessity to revise the contract packages of Procurement Plan and these changes are as proposed in the attached revised PP.

REVISED Procurement Plan

Basic Data

| | |
|---|--|
| Project Name: Ulaanbaatar Urban Services and Ger Area Development Investment Program – Tranche 1 | |
| Project Number: 45007-004 | Approval Number: 3098/3099/0380 |
| Country: Mongolia | Executing Agency: Municipality of Ulaanbaatar |
| Project Financing Amount: US\$ 104,520,000 ADB Financing: US\$ 50,000,000 Co-financing (ADB Administered): US\$ 3,700,000 Non-ADB Financing: US\$ 50,820,000 | Implementing Agency: N/A Project Closing Date: 30 June 2018 |
| Date of First Procurement Plan: 15May 2013 | Date of This Procurement Plan: ... 2017, Version 3 |

A. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

| Procurement of Goods and Works | | |
|---|---|---------------------|
| Method | Threshold | Comments |
| International Competitive Bidding for Goods | US\$ 2,000,000 and Above | Prior review |
| National Competitive Bidding for Goods | Between US\$ 100,001 and US\$ 1,999,999 | Prior review |
| Shopping for Goods | Up to US\$ 100,000 | Prior review |
| International Competitive Bidding for Works | US\$ 5,000,000 and Above | Prior review |
| National Competitive Bidding for Works | Between US\$ 100,001 and US\$ 4,999,999 | Prior / Post review |
| Shopping for Works | Up to US\$ 100,000 | Prior review |

ADB Prior or Post Review

Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

| Consulting Services | |
|--|-----------------|
| Method | Comments |
| Quality- and Cost-Based Selection for Consulting Firm | 90:10 |
| Quality-Based Selection for Consulting Firm | 90:10 |
| Individual Consultants Selection for Individual Consultant | |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

1. Goods and Works Contracts Estimated to Cost \$1 Million or More

The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

| Package Number | General Description | Description according to the previous PP | Description | According to PP of Aug 22 (in USD) | Estimated Value (in USD) | Procure Method | Review (Prior/ Post) | Bidding Procedure | Advertisement | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
|---------------------|--|--|---|------------------------------------|--------------------------|----------------|----------------------|-------------------|---------------|---------------------------------|---------------------------|--|--|
| BHF06 | Heating network connection to Bayankhoshuu sub-center | | Extension of the existing heating network (DN700 mm L=3.3 km) (refer to the attached central heating connection file) | | 3,600,000.00 | NCB | Prior | 1S1E | May 2017 | Aug 2017 | Oct 2017 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Works | <ul style="list-style-type: none"> With the increase in the central heating capacity, it has become technically possible to supply Bayankhoshuu from the central district heating system. The Ministry of Construction and Urban Development and the Ministry of Energy of Mongolia requested to replace the decentralized heating plant of Bayankhoshuu by the construction of heating pipe connection together with a boosting station, which are detailed in the document, titled "The planning of sub-center of Khaniin material, Bayankhoshuu to the central heating". The work scope has been changed from Design, supply, and installation of heating plant into design, works, supply and installation of pipeline/s and associated facilities to the central heating network. Package BHF06 split into 2 packages. - BHF06 that is the first stage of the connection to the central heating system, and the second stage will be financed under Tranche 2. Procurement method is revised from ICB to NCB. Change from plant to small works |
| BHF06B | Heating network connection to Bayankhoshuu sub-center | Design, supply, and installation of heating plant in Bayankhoshuu Subcenter. | Central heating system connect to the Bayankhoshuu sub-center 2 x DN500mm L=3.4 km One boosting station (500 ton/hr.) shall be included in this package. Two substations - one in Khaniin material area another one in Bayankhoshuu area. | 7,180,000.00 | 4,800,000.00 | ICB | Prior | 1S1E | Aug 2017 | Nov 2017 | Oct 2018 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: | |
| BRDH11 ⁹ | Roads, heating network, and associated infrastructure in Bayankhoshuu sub-center (Phase 1) | | - Road: B=11.6m L=2.85 km - Street lighting: L=6.19 km - Drainage : L=2.89 km - Heating pipe lines: (DN150mm~350mm) L=5.19 km - Substation : 6 set - Power line relocation: L=10.06 km | 5,076,000.00 | 6,977,000.00 | ICB | Prior | 1S1E | April 2017 | June 2017 | May 2019 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: | - |

⁹ and ² Water supply and Sewerage pipes are financed as Goods by EIB

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| Package Number | General Description | Description according to the previous PP | Description | According to PP of Aug 22 (in USD) | Estimated Value (in USD) | Procure Method | Review (Prior/ Post) | Bidding Procedure | Advertisement | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
|----------------------|--|---|---|------------------------------------|--------------------------|----------------|----------------------|-------------------|---------------|---------------------------------|---------------------------|--|--|
| | | | - Telecommunication relocation: L= 2.89 km | | | | | | | | | Small Works | |
| BRDH14 ¹⁰ | Roads, heating network, and associated infrastructure in Bayankhoshuu sub-center (Phase 2) | | - Road: B=11.6m ; B=20m ; L=3.61 km - Pipe culvert: DN1000 mm; L=193.08 m - Street lighting: L=7.05 km - Drainage : L=3.65km - Drainage canal work: L=60.9 - Heating pipe lines: DN200mm~300mm; L= 2.39 km - Substation : 6 set - Power line relocation: L=6.93 km - Telecommunication relocation: L=3.65 km | 8,304,000.00 | 6,655,000.00 | ICB | Post | 1S1E | April 2017 | June 2017 | June 2019 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | - |
| BEC13 | Electricity and telecommunication network in Bayankhoshuu sub-center | Electricity and telecommunication network in Bayankhoshuu and Selbe sub-centers | - 35/10 kV substation – 1 set - 35 kV underground power supply cable; L=4.3km - 10 kV distribution facility-RP – 1 set - 10/0.4 kV Indoor substation with capacity of 2x630kVa – 2set - 10 kV underground power supply cable; L=1.4 km - Telecommunication cabling with length of 2.8km. (4 and 6 way of cable ducting in a pipe with manholes) - Two Telecommunication sub-stations | 1,093,000.00 | 2,518,000.00 | NCB | Prior | 1S1E | July 2017 | Oct 2017 | Nov 2018 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | <ul style="list-style-type: none"> Package BSEC13 split into 2 packages - BEC13 and SEC13, respectively located in Bayankhoshuu and Selbe. Estimated cost is revised accordingly from USD 1,093,000 to USD 2,518,000.00 for package BEC13 and USD 2,000,000 for package SEC13. If any delay occurs, the works will be postponed to the next year, given that construction season in Mongolia is very short (6 months from May to mid of October); |
| SEC13 | Electricity and telecommunication network in Selbe sub-center | | - 35/10 kV substation – 1 set - 35 kV underground power supply cable; L= 1.9km - 10 kV distribution facility-RP – 1 set - 10/0.4 kV Indoor substation with capacity of 2x630kVa – 2 set - 10 kV underground power supply cable; L=1.4 km - Telecommunication cabling with length of 1.7km. (4 and 6 way of cable ducting in a pipe with manholes) - Two Telecommunication sub-station | | 2,000,000.00 | NCB | Prior | 1S1E | July 2017 | Oct 2017 | Nov 2018 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | <ul style="list-style-type: none"> Electricity and telecommunications network addressed in the Feasibility study of the Tranche 1 where under estimated. Thus, changes were made in the BOQ because of extended electricity and telecommunications works as reflected in detailed design in conformity with the Ulaanbaatar City Master Plan, which was approved on 11 November 2015. |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| Package Number | General Description | Description according to the previous PP | Description | According to PP of Aug 22 (in USD) | Estimated Value (in USD) | Procure Method | Review (Prior/ Post) | Bidding Procedure | Advertisement | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
|----------------|---|--|--|------------------------------------|--------------------------|----------------|----------------------|-------------------|---------------|---------------------------------|---------------------------|--|---|
| BSF05 | Lot-1. Kindergarten in Bayankhoshuu sub-center | Kindergarten and Business incubator, vocational training center in Bayankhoshuu sub-center | Kindergarten for 240 children with a Floor area of 1,997m ² and a Playground of 588 m ² | 2,917,000.00 | 1,318,000.00 | NCB | Prior | 1S1E | April 2017 | June 2017 | July 2018 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | <p>➤ The package BSF05 is split into 2 lots: Kindergarten as LOT 1 and Business incubator, vocational training center as LOT 2.</p> <p>➤ Estimated cost is revised accordingly from USD 2,917,000 to USD 1,318,000.00 for LOT 1 and USD 1,360,000 for LOT 2.</p> <p>➤ Justification: time constrain and short construction period.</p> |
| | Lot-2 Business incubator, vocational training center in Bayankhoshuu sub-center | | A BIVT centre with a Floor area of 2,028m ² and an Open space of 2,678m ² | | 1,360,000.00 | NCB | Prior | 1S1E | April 2017 | June 2017 | July 2018 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | <p>➤ Financial capacity of construction companies in Mongolia has been reduced during last few years due to economic difficulties and high inflation. In this regard, the requirement on financial resource is very high for the bidders and it leads to break down of the contracts by each sub-centers.</p> <p>➤ If any delay occurs, the works will be postponed to the next year, given that construction season in Mongolia is very short (6 months from May to mid of October).</p> <p>➤ Contractors are prone to making frequent complaints, if there are any disputes during tendering process; the work cannot be started as planned. Having more packages also reduces this risk.</p> |
| BSLS09 | Lot-1. Landscaping in Bayankhoshuu sub-center | Open space (landscape) | Landscaping of 4.65 ha, including: - Road and Square - 12,692 m ² - Natural stone pavement - 0.37ha. - Rubber Playground pavement 1,324m ² . - Eco –tile pavement - 576m ² . - Solar battery for lighting - 320 pcs, - Eco toilet - 20 pcs, - Planting - 970m, | 1,800,000.00 | 1,337,000.00 | NCB | Post | 1S1E | April 2017 | June 2017 | May 2019 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | <p>➤ The package BSLS09 is split into 2 lots: Landscaping in Bayankhoshuu sub-center as LOT 1 and Landscaping in Selbe sub-center as LOT 2.</p> <p>➤ Estimated cost is revised from USD 1,800,000 to USD 1,337,000.00 for LOT 1 and USD 1,167,000 for LOT 2.</p> <p>➤ Prior review changed to Post review.</p> |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| Package Number | General Description | Description according to the previous PP | Description | According to PP of Aug 22 (in USD) | Estimated Value (in USD) | Procure Method | Review (Prior/ Post) | Bidding Procedure | Advertisement | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
|----------------|--|--|--|------------------------------------|--------------------------|----------------|----------------------|-------------------|---------------|---------------------------------|---------------------------|--|--|
| | | | - Children park - 4 | | | | | | | | | | ➤ Justification: different location. |
| | Lot-2. Landscaping in Selbe sub-center | | Landscaping of 3.01 ha, including: - Road and Square - 12,692 m ² - Natural stone pavement - 0.7 ha, - Rubber Playground pavement - 848m ² , - Eco –tile pavement - 928m ² , - Solar battery for lighting - 130 pcs, - Planting - 964m, - Seeding lawn - 2,6ha - Artificial rock climbing - 1 pcs | | 1,167,000.00 | NCB | Post | 1S1E | April 2017 | June 2017 | May 2019 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | <p>➤ It is necessary to break down the landscaping package into each sub-centers given that the landscaping in Bayankhoshuu Sub-center will be performed once the construction of Flood protection was done in 2018 and the landscaping in Selbe Sub-center will be performed in 2017 as it captures the open area, which located alongside the flood drainage channel of Chingeltei.</p> <p>➤ If any delay occurs, the works will be postponed to the next year, given that construction season in Mongolia is very short (6 months from May to mid of October).</p> <p>➤ Financial capacity of construction companies in Mongolia has been reduced during last few years due to economic difficulties and high inflation. In this regard, the requirement on financial resource is very high for the bidders and it leads to break down of the contracts by each sub-centers.</p> <p><i>Note: There will be no any impact to the supervision over the engineering and construction works whether it is one package or two separate packages.</i></p> |
| SBR08 | Three bridges in Selbe sub-center | | Bridge: 24m, 30m, 60m | 2,912,000.00 | 1,640,000.00 | NCB | Prior | 1S1E | Jan 2017 | Apr 2017 | June 2018 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | - |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| Package Number | General Description | Description according to the previous pp | Description | According to PP of Aug 22 (in USD) | Estimated Value (in USD) | Procure Method | Review (Prior/ Post) | Bidding Procedure | Advertise ment | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
|----------------------|---|--|---|------------------------------------|--------------------------|----------------|----------------------|-------------------|----------------|---------------------------------|---------------------------|--|--------------------------|
| SHF06 | Design, supply, and installation of heating plant in Selbesub-center | | 25.2 MW CFBC Type Boiler (3 Boiler) | 7,958,000.00 | 7,958,000.00 | ICB | Prior | 1S1E | Sep 2016 | Apr 2017 | April 2019 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Plant | - |
| SRDH11 ¹¹ | Roads, heating network, and infrastructure in Selbesub-center (Phase 1) | | <ul style="list-style-type: none"> • Road: B=11.6m L=3.625 km • Box culvert: (1.2m x 1.5m) L=52.74m • Street lighting: L=4.18 km • Drainage : L=3.750 km • Embankment slope fixing: 0.82 km • Heating pipe lines: DN150mm~350mm; L=4.51 km • Substation : 8 set • Power line relocation: L=7.85 km • Telecommunication cable relocation: L=3.750 km | 6,074,000.00 | 8,057,000.00 | ICB | Prior | 1S1E | April 2017 | July 2017 | May 2019 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | |
| SRDH14 ¹² | Roads, heating network, and infrastructure in Selbesub-center (Phase 2) | | <ul style="list-style-type: none"> • Road: B=11.6m L=1.920 km • Box Culvert (1.2m x 1.5m) L=41m • Street lighting: L=1.87 km • Drainage : L=1.89 km • Drainage canal work: Pipe culvert (1.5m x 1.0m) L=50m • Embankment slope fixing: 1.36 km • Heating pipe lines: DN150mm~450mm; L=5.46 km • Substation : 6 set • Power line relocation: L=2.84 km • Telecommunication relocation: L=1.89 km | 4,807,000.00 | 6,984,000.00 | ICB | Prior | 1S1E | April 2017 | July 2017 | June 2019 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | |

¹¹ and ¹² Water supply and Sewerage pipes are financed as Goods by EIB

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| Package Number | General Description | Description according to the previous PP | Description | According to PP of Aug 22 (in USD) | Estimated Value (in USD) | Procure Method | Review (Prior/ Post) | Bidding Procedure | Advertisement | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
|----------------|--|--|--|------------------------------------|--------------------------|----------------|----------------------|-------------------|---------------|---------------------------------|---------------------------|--|---|
| SSF05 | Kindergarten in Selbe sub-center | | Kindergarten for 240 children with a Floor area of 1,997m ² and a Playground of 506m ² | 2,902,000.00 | 1,339,000.00 | NCB | Post | 1S1E | March 2017 | June 2017 | July 2018 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | <p>➤ The package SSF05 is split into 2 lots: Kindergarten as LOT 1 and Business incubator, vocational training center as LOT 2.</p> <p>➤ Estimated cost is revised accordingly from USD 2,902,000 to USD 1,339,000.00 for LOT 1 and USD 1,305,000 for LOT 2.</p> <p>➤ Justification: time constrain and short construction period.</p> <p>➤ Financial capacity of construction companies in Mongolia has been reduced during last few years due to economic difficulties and high inflation.</p> <p>➤ In this regard, the requirement on financial resource is very high for the bidders and it leads to break down of the contracts by each sub-centers.</p> <p>➤ If any delay occurs, the works will be postponed to the next year, given that construction season in Mongolia is very short (6 months from May to mid of October).</p> <p>➤ Contractors are prone to making frequent complaints, if there are any disputes during tendering process; the work cannot be started as planned. Having more packages also reduces this risk.</p> |
| | Business incubator, vocational training center in Selbe sub-center | | A BIVT centre with a Floor area of 2,028 m ² and an Open space of 2,344m ² | | 1,305,000.00 | NCB | Post | 1S1E | March 2017 | June 2017 | July 2018 | | |
| AAHURR P-PP01 | Affordable Housing Pilot Project in Selbe Sub-Centre | - | Works for an affordable housing pilot project in Selbe sub-centers, Chingeltei Street – Khoroo 18 | - | 600,000.00 | NCB | Prior | 1S1E | February 2017 | April 2017 | Oct 2017 | Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works | |
| 13 | TOTAL | | | 51,023,000.00 | 60,815,000.00 | | | | | | | | |

2. Consulting Services Contracts Estimated to Cost USD 100,000 or more

The following table lists consulting services contracts for which recruitment activity is either ongoing or expected to commence within the next 18 months.

| Package Number | General Description | Estimated Value | Procurement Method | Review (Prior/Post) | Advertisement Date (quarter/year) | Type of Proposal | Comments |
|----------------|--|-----------------|--------------------|---------------------|-----------------------------------|------------------|---|
| CSOI | Improved Operations and Management of Service Providers, and Institutional and Regulatory Reform | | QCBS | Prior | Q2 / 2016 | STP | Assignment: International Quality-Cost Ratio: 90:10 Comments: 90:10 based on FAM |

3. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

The following table lists smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

| Goods and Works | | | | | | | | |
|-----------------|---------------------|-----------------|---------------------|--------------------|---------------------|-------------------|-----------------------------------|----------|
| Package Number | General Description | Estimated Value | Number of Contracts | Procurement Method | Review (Prior/Post) | Bidding Procedure | Advertisement Date (quarter/year) | Comments |
| None | | | | | | | | |

| Consulting Services | | | | | | | |
|---------------------|--|-----------------|--------------------|---------------------|------------------------------|----------|--|
| Package Number | General Description | Estimated Value | Recruitment Method | Review (Prior/Post) | Type of Proposal | Comments | |
| CSBHF06A | Detail Design of the Extension of existing heating network L=3.3km | 65,000.00 | SSS | Prior | <u>STP ?</u> <u>BTP ?</u> | | |

B. Indicative List of Packages Required Under the Project

The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

| Goods and Works | | | | | | | |
|-----------------|---------------------|------------------------------|-------------------------------|--------------------|---------------------|-------------------|----------|
| Package Number | General Description | Estimated Value (cumulative) | Estimated Number of Contracts | Procurement Method | Review (Prior/Post) | Bidding Procedure | Comments |
| None | | | | | | | |

| Consulting Services | | | | | | | |
|---------------------|---------------------|------------------------------|-------------------------------|--------------------|---------------------|------------------|----------|
| Package Number | General Description | Estimated Value (cumulative) | Estimated Number of Contracts | Recruitment Method | Review (Prior/Post) | Type of Proposal | Comments |
| None | | | | | | | |

C. List of Awarded and On-going, and Completed Contracts

The following tables list the awarded and on-going contracts, and completed contracts.

1. Awarded and Ongoing Contracts

| Goods and Works - Financed by EIB | | | | | | | |
|---|---|-----------------|------------------------|--------------------|-----------------------------------|--|---|
| Package Number | General Description | Estimated Value | Awarded Contract Value | Procurement Method | Advertisement Date (quarter/year) | Date of ADB Approval of Contract Award | Comments |
| NCB-BCM1 | Sewage collector main in Bayankhoshuu sub-center, L= 4116 m, DI pipes D450mm and D500mm. | 1,626,620.6 | 1,440,577.0 | NCB | 06 April 2015 | 04 March 2016 | Complete |
| NCB-BCM2 | Works of sewage collector main in Bayankhoshuu sub-center, L= 2250 m, DI pipes D600mm. | 1,169,709.6 | 1,170,000.0 | NCB | 06 April 2015 | 21 July 2016 | Completion rate: 85% |
| NCB-SCM | Sewage collector main in Selbe sub-center, L= 2183 m, DI pipes D400mm. | 1,057,126.8 | 1,048,407.0 | NCB | 06 April 2015 | 04 March 2016 | Completion rate: 70% |
| Goods and Works - Financed by ADB Grant | | | | | | | |
| WWOI | Design, Engineering, Supply, and Installation of Pump Equipment, SCADA System, Construction and Commissioning of Pumping Stations | 3,561,000.00 | 3,370,000.00 | NCB | 01 April 2016 | 03 October 2016 | - Drawings are finalized. - 65% of equipment has been ordered. |

| Consulting Services | | | | | | | |
|---------------------|---|-----------------|------------------------|--------------------|-----------------------------------|--|----------|
| Package Number | General Description | Estimated Value | Awarded Contract Value | Recruitment Method | Advertisement Date (quarter/year) | Date of ADB Approval of Contract Award | Comments |
| CS1/CSDD | Detailed Engineering, Tendering and Construction Supervision Consulting Services | 4,187,700.00 | 4,024,241.00 | QCBS | Q2 / 2014 | 02-JUN-15 | |
| CS2/CSPM | Program Management Support Services | 1,250,000.00 | 1,196,033.00 | QCBS | Q1 / 2014 | 17-AUG-15 | |
| CS3/CSCE | Community Engagement and Small and Medium Enterprises Development Consulting Services | 700,000.00 | 699,936.00 | QCBS | Q1 / 2014 | 03-JUL-15 | |
| CS4/CSSD | Improved Urban Planning and Sub center Development Consulting Services | 800,000.00 | 799,990.00 | QCBS | Q2 / 2014 | 08-SEP-15 | |
| ICS1-3 | 3 International Consultants | 125,000.00 | 124,074.00 | ICS | Q1 / 2015 | 10-SEP-15 | |
| ICS4-9 | 6 National Consultants | 37,000.00 | 35,493.00 | ICS | Q1 / 2015 | 10-SEP-15 | |

E. National Competitive Bidding

A. Regulation and Reference Documents

1. The procedures to be followed for national competitive bidding shall be those set forth in the Public Procurement Law of Mongolia of 1 December 2005, effective 1 February 2006, as amended in February 2007; July 2009; and February, June and December 2011 (hereinafter referred to as PPLM), with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB Procurement Guidelines.

B. Procurement Procedures

1. Eligibility [Recommended standard provision]

3. Government-owned enterprises in Mongolia shall be eligible for projects only if they can establish that they: (i) are legally and financially autonomous; (ii) operate under the principles of commercial law; and (iii) are not dependent agencies of the Borrower, Beneficiary, Recipient Executing Agency and/or the Implementing Agency.

2. Participation of Foreign Bidders

4. International bidders from eligible countries of ADB shall be allowed to participate in local procurement and may not be denied participation due to nationality.

3. Preferences

5. No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

4. Prequalification and Registration

6. Prequalification is discouraged for procurement contracts using NCB. When used, particularly for works contracts, an individual prequalification exercise is acceptable for each contract as is the use of a registration system (or approved standing list) of contractors based on criteria such as experience, financial capacity, and technical capacity. Foreign bidders from eligible countries must, however, be allowed to register and to bid without unreasonable cost or additional requirements.

5. Rejection of All Bids and Rebidding

7. All bids shall not be rejected or new bids invited without ADB's prior written concurrence.

8. No bid shall be rejected merely based on a comparison with the estimated cost or budget ceiling without

ADB's prior written concurrence (with specific reference to Article 30 of the PPLM).

C. Bidding Documents

6. Use of Bidding Documents

9. National Standard Bidding Documents Goods and Works that have been approved for procurement in ADB-financed projects shall be used.

7. Language

10. Bidding documents may be prepared in other languages, but a copy of the bidding documents must be made available in English and submitted to ADB for review.

8. Bid Validity

11. Bidders shall be requested to extend the validity of their bids only under exceptional circumstances and the Executing or Implementing Agency, as the case may be, shall communicate such request for extension to all bidders before the date of expiry of their bids. When the procurement is subject to ADB's prior review, the Executing or Implementing Agency, as the case may be, shall obtain in a timely manner the prior written concurrence of ADB for the extension of the bid validity period.

9. Bid Evaluation

12. Evaluation and qualification criteria, and submission requirements, to be used in each bidding activity shall be clearly specified in the bidding documents. The evaluation of bids shall be done in strict adherence to the criteria specified in the bidding documents.

13. Negotiations with bidders shall not be undertaken before award of contract, except as provided in Paragraph 2.63 of ADB's Procurement Guidelines a bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify its bid as originally submitted.

14. At the same time that notification on award of contract is given to the successful bidder, the results of the bid evaluation shall be posted on a well-known freely accessible website (namely Mongolia's Ministry of Finance

e-procurement website: www.e-procurement.mn) identifying the bid and lot numbers and providing information on the: (i) name of each bidder that submitted a bid; (ii) bid prices as read out at bid opening; (iii) names of bidders whose bids were rejected and the reasons for their rejection; and (iv) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. The Executing Agency or Implementing Agency, as the case may be, shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids were not selected.

10. ADB Policy Clauses

15. A provision shall be included in all NCB works and goods contracts financed by ADB requiring suppliers and contractors to permit ADB to inspect their accounts and records and other documents relating to the bid submission and the performance of the contract, and to have them audited by auditors appointed by ADB.

16. A provision shall be included in all bidding documents for NCB works and goods contracts financed by ADB stating that the Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for the contract in question.

17. A provision shall be included in all bidding documents for NCB works and goods contracts financed by ADB stating that ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices or any integrity violation in competing for, or in executing, ADB-financed contract.

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

D. Non-ADB Financing

The following table lists goods, works and consulting services contracts over the life of the project, financed by Non-ADB sources.

| | Goods and Works | | | | | | | | | | | | |
|-------------|---|---|--|--|-----------------------|-------------------------------|--------------------|-------------------|---------------|---------------------------------|---------------------------|--------------|--|
| Package No. | General Description | Description according to the previous PP | Description | Preliminary design value Feb, 2016 (USD) | Estimated Value (USD) | Estimated Number of Contracts | Procurement Method | Bidding Procedure | Advertisement | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
| BSDF07A | Lot-1. Flood protection and embankment (combined for culverts and embankment) Bayankhoshuu sub-center | | Open channel: L= 2.3 km | 1,800,000.00 | 756,000.00 | 1 | NCB | 1S1E | March 2017 | May 2017 | June 2018 | EIB financed | <p>➤ The package BSDF07A is split into 2 lots: Flood protection and embankment Bayankhoshuu sub-center as LOT 1 and Flood protection and embankment Selbe sub-center as LOT 2.</p> <p>➤ Estimated cost is revised accordingly from USD 1,800,000 to USD 756,000.00 for LOT 1 and USD 963,000 for LOT 2.</p> <p>-----</p> <p>➤ Financial capacity of construction companies in Mongolia has been reduced during last few years due to economic difficulties and high inflation. In this regard, the requirement on financial resource is very high for the bidders and it leads to break down of the contracts by each sub-centers.</p> <p>➤ If any delay occurs, the works will be postponed to the next year, given that construction season in Mongolia is very short (6 months from May to mid of October).</p> <p>➤ Contractors are prone to making frequent complaints, if there are any disputes during tendering process; the work cannot be started as planned. Having more packages also reduces this risk.</p> |
| | Lot-2. Flood protection and embankment (combined for culverts and embankment) Selbe sub-center | Flood protection and embankment (combined for culverts and embankment) Bayankhoshuu and Selbe sub-centers | Open channel: L= 2.1 km - Culvert: L=500m | | 963,000.00 | 1 | NCB | 1S1E | March 2017 | May 2017 | June 2018 | | |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| | Goods and Works | | | | | | | | | | | | |
|-------------|---|---|--|--|---|-------------------------------|--------------------|-------------------|---------------|---------------------------------|---------------------------|--------------|---|
| Package No. | General Description | Description according to the previous PP | Description | Preliminary design value Feb, 2016 (USD) | Estimated Value (USD) | Estimated Number of Contracts | Procurement Method | Bidding Procedure | Advertisement | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
| BSPE01 | Water supply and sewage pipes in Bayankhoshuu and Selbe sub-centers (Phase 1) | Water supply and sewage pipes in Bayankhoshuu and Selbe sub-centers (Phase 1 and 2) | Steel pipe of DN200mm~250mm and SRTP of DN160mm~315mm with L=11.07km - DI pipe of DN200mm~250mm with L=18.55 km | 1,085,000.00 | 1,831,000.00 | 1 | NCB | 1S1E | March 2017 | July 2017 | May 2019 | EIB financed | <p>➤ The packages BSPE01 and BSPE02 has been combined into one package.</p> <p>➤ Estimated cost of USD 1,085,000 and USD 746,000 has been combined as USD 1,831,000.</p> |
| BSPE02 | Water supply and sewage pipes in Bayankhoshuu and Selbe sub-centers (Phase 2) | | 746,000.00 | | | | | | | | | | |
| BSWR10 | Lot-1. Construction of water reservoirs and supply pipes in Bayankhoshuu sub-center | | A water reservoir of V=1000m3 with two Pump stations and 3.3 km of pipeline. (SRTP 2xDN200. L=1854.5m and DN250 L=1483.5m) | 4,230,000.00 | 2,748,000.00 | 1 | NCB | 1S1E | May 2017 | Aug 2017 | May 2019 | EIB financed | <p>➤ The package BSWR10 is split into 2 lots: Construction of water reservoirs and supply pipes in Bayankhoshuu sub-center as LOT 1 and Construction of water reservoirs and supply pipes in Selbe sub-center as LOT 2.</p> <p>➤ Estimated cost is revised accordingly from USD 4,230,000 to USD 2,748,000.00 for LOT 1 and USD 1,674,000 for LOT 2.</p> <p>➤ Justification: different location</p> |
| | | Lot-2 Construction of water reservoirs and supply pipes in Selbe sub-center | | | A water reservoir of V=1000m3 with one Pump station and 3.1 km of pipeline. (SRTP 2xDN200mm, L=1620m and DN250 L=1527m) | 1,674,000.00 | 1 | NCB | 1S1E | May 2017 | Aug 2017 | | May 2019 |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| | Goods and Works | | | | | | | | | | | | |
|-------------|--|--|--|--|-----------------------|-------------------------------|--------------------|-------------------|---------------|---------------------------------|---------------------------|--------------|--|
| Package No. | General Description | Description according to the previous PP | Description | Preliminary design value Feb, 2016 (USD) | Estimated Value (USD) | Estimated Number of Contracts | Procurement Method | Bidding Procedure | Advertisement | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
| | | | | | | | | | | | | | tendering process; the work cannot be started as planned. Having more packages also reduces this risk. |
| WSC16 | Water supply and sewage connections in Bayankhoshuu and Selbe sub-center | | | 4,000,000.00 | 4,000,000.00 | 1 | NCB | 1S1E | March 2018 | June 2018 | June 2019 | EIB financed | |
| WWTPR01 | Rehabilitation of the Central Wastewater Treatment Plant | | Rehabilitation of the Aeration tanks: - Precast repair of 20 corridors of the 5 aeration tanks; - Improvement of the concrete structure of the 5 aeration tanks; - Improvement of the Air blowers, network and pumps; - Renewal of the reservoir's facility; | 4,500,000.00 | 3,187,500.00 | 1 | NCB | 1S1E | March 2017 | June 2017 | June 2018 | EIB financed | |
| WSNR17A | Extension of wastewater collector main from 100ail area to Bayan-burd and extension of water supply main from North East water reservoir to Tasgan water reservoir | | Supply and Installation work, including: - DI pipes of DN600 mm for L=1,685m - HDPE pipe of DN900mm with L=4,010m | 4,500,000.00 | 3,090,416.67 | 1 | NCB | 1S1E | May 2017 | Aug 2017 | Nov 2018 | EIB financed | > The package WSNR17 is split into 3 packages. > Estimated cost is revised accordingly from USD 4,500,000 to USD 3,090,416.67 for WSNR17A , USD 2,633,333.33 for WSNR17B and USD 230,833.33 for WSNR17C . |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

| Goods and Works | | | | | | | | | | | | | |
|-----------------|---|--|---|--|-----------------------|-------------------------------|--------------------|-------------------|---------------|---------------------------------|---------------------------|--------------|--------------------------|
| Package No. | General Description | Description according to the previous PP | Description | Preliminary design value Feb, 2016 (USD) | Estimated Value (USD) | Estimated Number of Contracts | Procurement Method | Bidding Procedure | Advertisement | Projected contract signing date | Projected completion date | Comments | Changes / Justifications |
| | reservoir | | with L=4,010m | | | | | | | | | | |
| WSNR17 B | Extension of water supply main from Tasgan water reservoir to Western area water reservoir | | Supply and Installation work, including: - HDPE pipes of DN600mm for L=7012m | | 2,633,333.33 | 1 | NCB | 1S1E | May 2017 | Aug 2017 | Nov 2018 | EIB financed | |
| WSNR17 C | Rehabilitation of sewerage network from school 14 to the central collector on the main road | | Rehabilitation work of sewerage pipeline: - DI pipe of DN400mm for L=540m | | 230,833.33 | 1 | NCB | 1S1E | May 2017 | Aug 2017 | Nov 2018 | EIB financed | |
| 9 | Total | | | <u>20,861,000.00</u> | <u>21,114,083.00</u> | | | | | | | | |

APPENDIX 5 BIDDING AND CONTRACT AWARD SCHEDULE

ADB FINANCING

As of 30 June 2017

| No. | Package Number | Contract Package | BASIC DATA | | BID SUBMISSION DEADLINE | | CONTRACT SIGNING | | Comments |
|-----|----------------|--|-------------------------|--------------------|--|----------------------------|------------------|--------|---|
| | | | Estimated Amount (US\$) | Procurement Method | Anticipated | Actual | Anticipated | Actual | |
| 1 | SBR08 | Three bridges in Selbe Sub-Centre | 1 640 000 | NCB | | 13 Feb 2017 | 20-Jul-2017 | | BER finalized by PMO Under review by MUB Bid Evaluation Committee (BEC). |
| 2 | BSF05 (ADF) | Kindergarten and Business Incubator Vocational Training Center in Bayankhoshuu Sub-Centers | Lot 1: 1,318,000 | NCB | 27 June 2017 06 July 2017 | | 22 Nov. 2017 | | Advertised on 24 May 2017-Bid submission 27 June 2017. Deadline for submission postponed to 06 July 2017 further to deletion of design, changes in BOQ, addition of a prebid meeting. |
| | | | Lot 2: 1,360,000 | | | | | | |
| 3 | SSF05 (ADF) | Kindergarten and Business Incubator Vocational Training Center in Selbe Sub-Centers | Lot 1: 1,339,000 | NCB | 10 August 2017 | | 05 Dec. 2017 | | Draft BDs sent to ADB on 15 June 2017. ADB's comments awaited. However, further likely changes in BOQ, reconsidering selection criteria (licensing, financial, pre-bid meeting) |
| | | | Lot 2: 1,305,000 | | | | | | |
| 4 | BRDH11 | Roads, heating network, and associated infrastructure in Bayankhoshuu Sub-Center (Phase 1) | 6 977 000 | ICB | 26 June 2017 28 June 2017 6 July 2017 | | 15 Dec. 2017 | | ADB-approved BDs issued on 12 May 2017. BDs have been amended to incorporate price adjustment provision contract . Submission deadline postponed to 28 June 2017. Deadline postponed a second time to 6 July 2017 further to changes in BOQ and drawings. |
| 5 | BRDH14 | Roads, heating network, and associated infrastructure in Bayankhoshuu Sub-Center (Phase 2) | 6 655 000 | ICB | 26 June 2017 28 June 2017 18 July 2017 | | 15 Dec. 2017 | | ADB-approved BDs issued on 12 May 2017. BDs have been amended to incorporate price adjustment provision contract . Submission deadline postponed to 28 June 2017. Submission deadline postponed to 18 July 2017 further to changes in BOQ and drawings. |
| 6 | SRDH11 | Roads, heating network, and associated infrastructure in Selbe Sub-Center (Phase 1) | 8 057 000 | ICB | 28 July 2017 | | 31 Dec. 2017 | | ADB-approved BDs issued on 13 June 2017. ADB-approved amendment to the BDs (Changes in BOQ and drawings) sent to prospective bidders on 29 June 2017. BSD 28 July 2017. |
| 7 | SRDH14 | Roads, heating network, and associated infrastructure in Selbe Sub-Center (Phase 2) | 6 984 000 | ICB | 28 July 2017 | | 31 Dec. 2017 | | |
| 8 | AHURP-PP01 | Affordable Housing Pilot Project in Selbe Sub-Center | 600 000 | NCB | | 24 Mar 2017 07 Apr 2017 | 31 Dec. 2017 | | BER finalized by MUB BEC sent to ADB on 30 May 2017. (Three bidders-Unsuccessful bidding). Preliminary ADB's comments: to seek clarifications from bidders if required. If unsuccessful bidding confirmed: Option 1: rebidding after reconsidering selection criteria; Option 2: carrying out detailed design (detailed design is part of the package scope). |
| 9 | BHF06A | Heating Network connection to Bayankhoshuu Sub-Center | 3 600 000 | NCB | 25 Aug. 2017 | | | | Design and BOQ being finalized by PMO. |
| 10 | BEC13 | Electricity and Telecommunication Network in Bayankhoshuu Sub-Center | 2 518 000 | NCB | | | | | Turnkey contract being considered by PMO. ADB endorsement on turnkey contract be sought in due course. Technical requirements being prepared in consultation with line agencies concerned. |
| 11 | SEC13 | Electricity and Telecommunication Network in Selbe Sub-Center | 2 000 000 | NCB | | | | | |
| 12 | BSLS09 (ADF) | Landscaping in Bayankhoshuu and Selbe Sub-centers | Lot 1: 1 337 000 | NCB | 17 Aug. 2017 | | | | Design and BOQ to be reviewed prior to completing the BDs. |
| | | | Lot 2: 1 167 000 | | | | | | |

Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1
Progress Report – June 2017

**CIVIL WORKS PACKAGES
EIB FINANCING**

As of 30 June 2017

| No. | Package Number | Contract Package | Basic Data | | Bid Submission Deadline | | Contract Signing | | Comments |
|-----|----------------|--|--|--------------------|-----------------------------|-------------|------------------|---------------|--|
| | | | Estimated Amount (US\$) | Procurement Method | Anticipated | Actual | Anticipated | Actual | |
| 13 | BSWR10 | Construction of water reservoirs and supply pipes in Bayankhoshuu and Selbe sub-centers | Lot 1: 2,748,000 Lot 2: 1,674,000 | NCB | 7 July 2017 17 July 2017 | | 10 Dec. 2017 | | <p>IFB issued on 6 June 2017. BSD postponed till 17 July 2017 due to election day and request from a bidder to extend the bidding period.</p> <p>On hold pending decisions from communities. Block development - IPE consultants to act.</p> <p>For these four packages BOQ and technical specifications being finalized. BDs expected to be issued on 7 July 2017. However prior to issuance, need to solve the issue on BD format (complaint from a bidder that BD format should be that of EIB not ADB)</p> |
| 14 | WSC16 | Water supply and sewage connections in Bayankhoshuu and Selbe sub-center | 4 000 000 | NCB | 15 Aug. 2017 | | 15 Jan. 2018 | | |
| 15 | WWTPR01 | Rehabilitation of the Central Wastewater Treatment Plant | 3 187 500 | NCB | 15 Aug. 2017 | | 20 Dec. 2017 | | |
| 16 | WSNR17A | Extension of wastewater collector main from 100 ail area to Bayanburd and extension of water supply main from North East water reservoir to Tasgan water reservoir | 3 090 417 | NCB | 15 Aug. 2017 | | 20 Dec. 2017 | | |
| 17 | WSNR17B | Extension of water supply main from Tasgan water reservoir to Western area water reservoir | 2 633 333 | NCB | 15 Aug. 2017 | | 20 Dec. 2017 | | |
| 18 | WSNR17C | Rehabilitation of sewerage network from from school 14 to the central collector on the main road | 230 833 | NCB | 15 Aug. 2017 | | 20 Dec. 2017 | | |
| 19 | NCB-BCM1 | Sewage collector main in Bayankhoshuu sub-center | 1 440 577 | NCB | | 06 Apr 2015 | | 04 March 2016 | |
| 20 | NCB-BCM2 | Works of sewage collector main in Bayankhoshuu sub-center | 1 170 000 | NCB | | 06 Apr 2015 | | 21 July 2016 | |
| 21 | NCB-SCM | Sewage collector main in Selbe sub-center | 1 048 407 | NCB | | 06 Apr 2015 | | 04 March 2016 | |

**PLANTS
ADB FINANCING**

| No. | Package Number | Contract Package | Basic Data | | Bid Submission Deadline | | Contract Signing | | Comments |
|-----|----------------|--|-------------------------|--------------------|-------------------------|-----------------------------|------------------|-------------|--|
| | | | Estimated Amount (US\$) | Procurement Method | Anticipated | Actual | Anticipated | Actual | |
| 22 | WWOI | Design, Engineering, Supply and Installation of Pump Equipment, | 3 700 000 | NCB | | 27 May 2016 16 June 2016 | | 13 Oct 2016 | Variation 1 endorsed by ADB on 20 June 2017. Contract Addendum being prepared. |
| 23 | SHF06 | Design, Supply and Installation of Heating Plant in Selbe Sub-Centre | 7 958 000 | ICB | | 15 Nov 2016 30 Nov 2016 | 20 July 2017 | | ADB approved extension of bid validity up to 22 July 2017. Revised BER expected to be endorsed by ADB first week of July 2017. |

**GOODS
EIB FINANCING**

| No. | Source of Funding | | Basic Data | | Bid Submission Deadline | | Contract Signing | | Comments |
|-----|-------------------|---|-------------------------|--------------------|-------------------------|--------|------------------|--------|----------------------------|
| | Package Number | Contract Package | Estimated Amount (US\$) | Procurement Method | Anticipated | Actual | Anticipated | Actual | |
| 24 | BSPE | Water Supply and Sewage Pipes in Bayankhoshuu and Selbe Sub-Centers | 1 831 000 | NCB | 03 July 2017 | | 5 Jan. 2018 | | IFB issued on 1 June 2017. |

APPENDIX 6 COMPLIANCE WITH LOAN COVENANTS

| Article/ Schedule | Section/ Para no. | Description | Schedule/ Due Date | Status/Remarks |
|----------------------|----------------------|---|----------------------------------|--|
| LA Art III | 3.01 | (a) The Borrower shall relend the proceeds of the Loan to MUB upon terms and conditions satisfactory to ADB. | December 2014 | Complied. Relending agreement signed on 11 December 2014. |
| LA Art III | 3.01 | (b) The Borrower shall cause MUB to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of the Ordinary Operations Loan Agreement (OCR), Special Operations Loan Agreement (ADF), and the Project Agreement. | Throughout implementation period | Being complied. |
| LA Art III | 3.02 | The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 (OCR) and Schedule 3 (ADF), as such Schedule may be amended from time to time by agreement between the Borrower and ADB. | Throughout implementation period | Being complied. |
| LA Art III | 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 the Special Operations Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB. | Throughout implementation period | Being complied. Procurement procedures of ADB being strictly followed in accordance with approved Procurement Plan. |
| LA Art III | 3.04 | Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project. | Throughout implementation period | Being complied. |
| LA Art III | 3.05 | The Loan Closing Date for the purposes of Section 9.02 (OCR) and Section 8.02 (ADF) shall be 30 June 2018 or such other date as may from time to time be agreed between the Borrower and ADB. | 30 June 2018 | The Loan Closing Date remains the same. |
| LA Art IV | 4.01 | (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices. | Throughout implementation period | Being complied. |
| LA Art IV | 4.01 | (b) 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 5 to the Special Operations Loan Agreement and in the Project Agreement. | Throughout implementation period | Being complied. |
| LA Art IV | 4.02 | The Borrower shall make available, or cause to be made available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project. | Throughout implementation period | Being complied. |

| | | | | |
|-----------|------|--|----------------------------------|--|
| LA Art IV | 4.03 | (a) Whenever applicable, in the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB. | Throughout implementation period | Being complied. |
| LA Art IV | 4.03 | (b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail, as ADB shall reasonably request. | Throughout implementation period | Being complied. Detailed Design consultant is preparing plans, design standards, specifications, work schedules, and construction methods to required standards, which are reviewed by MUB and ADB. |
| LA Art IV | 4.04 | The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures. | Throughout implementation period | Being complied. |
| LA Art IV | 4.05 | The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents. | Throughout implementation period | Being complied. |
| LA Art IV | 4.06 | (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles 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 international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund and statement of expenditures) 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. | Throughout implementation period | Being complied. The EA/IA maintain separate books of accounts for the project and prepare annual financial statements. The 2014 and 2015 financial statements were audited by Dalai Van Audit LLC. The 2014-2015 audit reports were submitted to ADB in June 2016. The 2017 audited financial statements were submitted to ADB on 30 June 2017 |
| LA Art IV | 4.06 | (b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. | Throughout implementation period | To be complied. |

| | | | | |
|------------------------------------|------|--|----------------------------------|--|
| LA Art IV | 4.06 | (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. | Throughout implementation period | To be complied, if such request from ADB will be received. |
| LA Art IV | 4.07 | The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, operational and maintenance practices. | Throughout implementation period | Being complied. |
| LA Art IV | 4.08 | The Borrower shall take all actions which shall be necessary on its part to enable MUB to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations. | Throughout implementation period | Being complied. |
| LA Art IV | 4.09 | (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan. | Throughout implementation period | Being complied. |
| LA Art IV | 4.09 | (b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB. | Throughout implementation period | Being complied. |
| LA Sch. 2 (OCR) LA Sch. 3 (ADF) | 2 | Basis for Withdrawal from the Loan Account. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table. | Throughout implementation period | Being complied. The EA/IA strictly follows the percentage for each item of expenditure set forth in the Allocation and Withdrawal of Loan Proceeds Table stated in the loan and grant agreements. |
| LA Sch. 2 (OCR) LA Sch. 3 (ADF) | 4 | Reallocation. 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 | Throughout implementation period | To be complied. No reallocation yet as of to-date. |

| | | | | |
|------------------------------------|--------------------|--|----------------------------------|---|
| | | expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and | | |
| LA Sch. 2 (OCR) LA Sch. 3 (ADF) | 4 | (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. | Throughout implementation period | To be complied. No reallocation yet as of to-date. |
| LA Sch. 2 (OCR) LA Sch. 3 (ADF) | 5 | Disbursement Procedures. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook. | Throughout implementation period | Being complied. |
| LA Sch. 2 (OCR) LA Sch. 3 (ADF) | 6 | Retroactive Financing. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with the Consulting Services and Project management support, subject to a maximum amount equivalent to 20% of the Loan amount. | Throughout implementation period | Retroactive financing was provided but not utilized for the project under Tranche 1. |
| LA Sch. 3 (ADF) | 7 | Imprest Account. Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The imprest account shall only be used for the purposes of the Project. The currency of the imprest account shall be the Dollar. The maximum ceiling for the imprest account shall not exceed the equivalent of 10% of the Loan amount, unless otherwise agreed between the Borrower and ADB. | Throughout implementation period | Being complied. Two (2) imprest accounts and one (1) imprest Grant account were opened in the State Bank of Mongolia on 12 November 2014 in the amount of USD1.5 million each. Initial withdrawal into the Grant account is USD370,000. A sub-account was also opened and maintained in the same bank for PMO salaries. |
| LA Sch. 2 (OCR) LA Sch. 3 (ADF) | 7 (OCR) 8 (ADF) | Conditions for Withdrawals from Loan Account. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower (or its authorized government entity) and the MUB, and is legally binding upon the parties thereto in accordance with its terms. | December 2014 | Complied. Relending agreement signed on 11 December 2014. |
| LA Sch. 2 (OCR) LA Sch. | 8 (OCR) | Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for Works that relate to the EIB-cofinanced components of a Subproject until the | December 2014 | Complied. EIB Loan Agreement has been signed on |

| | | | | |
|-----------------|-----|--|----------------------------------|---|
| 3 (ADF) | | Borrower has certified to ADB in writing that the execution and delivery of the EIB Loan agreement on behalf of the Borrower and EIB shall have been duly authorized or ratified by all necessary corporate and governmental action. | | 30 June 2014 for EUR 50 million equivalent in two tranches. As of this date, the initial withdrawal of EUR 1,984,835.51 was made on 5 January 2016. A request for second disbursement of EUR 2,500,000 is now in process. |
| LA Sch. 4 (ADF) | 1,2 | <p>The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.</p> <p>All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.</p> | Throughout implementation period | Being complied. |
| LA Sch. 4 (ADF) | 3,4 | <p>Goods and Works.</p> <p>Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the method of procurement set forth below:</p> <p>International Competitive Bidding.</p> <p>The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.</p> | Throughout implementation period | Being complied. The PMO will seek ADB approval for any change in the Procurement Plan. |
| LA Sch. 4 (ADF) | 5 | <p>National Competitive Bidding.</p> <p>The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding; the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.</p> | Throughout implementation period | Being complied. The Procurement Plan is being revised to include NCB packages for approval by ADB. |
| LA Sch. 4 (ADF) | 6 | <p>Conditions for Award of Contract.</p> <p>The Borrower shall not award any Works contract for a Subproject, or any component financed under the Project, which involves environmental impacts until MUB has (a) obtained the final approval of the Detailed Environmental Impact Assessment (as applicable) from the Mongolia's Ministry of Environment and Green Development (MEGD); and (b) incorporated the</p> | Throughout implementation period | Being complied. As of to this date, there is nothing to update due to no active construction works are happening. |

| | | | | |
|-----------------|----|---|----------------------------------|---|
| | | relevant provisions from the EMP into the Works contract. | | |
| LA Sch. 4 (ADF) | 7 | The Borrower shall not award any Works contract for a Subproject, which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final RP for such Subproject based on the detailed design, and obtained ADB's clearance of such RP. | Throughout implementation period | Being complied. Resettlement plan is in process. |
| LA Sch. 4 (ADF) | 8 | Consulting Services. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall cause MUB to apply quality-and cost-based selection for selecting and engaging Consulting Services. | Throughout implementation period | Being complied. QCBS was used for 2 packages (CS1 and CS2). However, 2 packages used QBS (CS3 and CS4) due to inclusion of UN agency in the shortlist. The last consulting package (CS5) was advertised on 17 June 2016 and will use QCBS, and is ongoing. |
| LA Sch. 4 (ADF) | 9 | The Borrower may recruit the individual consultants for improving operation and maintenance of utility service providers and incremental administrative tasks in accordance with procedures acceptable to ADB for recruiting individual consultants. | Throughout implementation period | To be complied. |
| LA Sch. 4 (ADF) | 10 | Industrial or Intellectual Property Rights. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation 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. | Throughout implementation period | Being complied. |
| LA Sch. 4 (ADF) | 10 | (b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in sub paragraph(a) of this paragraph. | Throughout implementation period | Being complied. |
| LA Sch. 4 (ADF) | 11 | The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party. | Throughout implementation period | Being complied. |

| | | | | |
|-----------------|----|---|----------------------------------|--|
| LA Sch. 4 (ADF) | 12 | ADB's Review of Procurement Decisions. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan. | Throughout implementation period | Being complied. |
| LA Sch. 5 (ADF) | 1 | Implementation Arrangements. The Borrower and MUB shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail. | Throughout implementation period | Being complied. |
| LA Sch. 5 (ADF) | 2 | Environment. The Borrower shall ensure, or cause MUB to ensure, that the preparation, design, construction, implementation, operation of the Project, comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) SPS; (d) the EARF; and (e) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report or (ii) subsequently agreed with ADB. | Throughout implementation period | Being complied. Developed Environmental Specifications, which is incorporated in the bidding documents. |
| LA Sch. 5 (ADF) | 3 | Land Acquisition and Resettlement. The Borrower shall ensure, or cause MUB to ensure, that all land and all rights-of-way required for the Project, are made available to the Works contractor in accordance with the schedule agreed under the related final RP and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report or (ii) subsequently agreed with ADB. | Throughout implementation period | Being complied. LARP on sewer main collector was updated on 15 Aug 2015. LARPs on facilities are being updated, same as LARP of infrastructure together with water reservoir and pipelines will be submitted by end of March 2017 to the PMO. Due diligence for landscaping in Selbe and Bayankhoshuu subcenters, and for water pipeline from KTMS to Tavan Shar will be completed upon the clarification of the detailed designs. |
| LA Sch. | 4 | Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the | Throughout implementation | Being complied. |

| | | | | |
|-----------------|---|---|----------------------------------|--|
| 5 (ADF) | | Borrower shall ensure, or cause MUB to ensure, that no physical or economic displacement takes place in connection with the Project until (a) compensation and other entitlements have been provided to affected people in accordance with the respective RP; and (b) a comprehensive income and livelihood restoration program has been established in accordance with the respective RP. | period | Sewer main collector LARPs implementation is ongoing. |
| LA Sch. 5 (ADF) | 5 | Indigenous Peoples. The Borrower shall cause MUB to ensure that the preparation, design, construction, implementation and operation of the Project and Project facilities does not have any adverse impacts on the indigenous peoples, within the meaning of SPS. In the event that the Project does have 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. | No action required | The project under Tranche 1 is classified as Category C as there are no ethnic minority communities in the area. |
| LA Sch. 5 (ADF) | 6 | Bidding documents and work contracts. The MUB shall ensure that all bidding documents and contracts for civil works contain provisions that require contractors to: (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, relevant RPs and any corrective or preventative actions set forth in the Annual Environmental Monitoring Report or subsequently agreed with ADB; (b) make available a budget for all such environmental and social measures; and (c) provide MUB with a written notice of any unanticipated environmental and social risks or impacts that arise during construction, implementation or operation of the project that were not considered in the IEE, the EMP or the relevant RPs. | Throughout implementation period | Being complied. |
| LA Sch. 5 (ADF) | 7 | Human and Financial Resources to Implement Safeguards Requirements. The Borrower shall cause MUB to make available necessary budgetary and human resources to fully implement the EMP and the relevant RPs. | Throughout implementation period | Being complied. |
| LA Sch. 5 (ADF) | 8 | The Borrower shall ensure, or cause MUB to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, the EMP, and the relevant RPs (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report or subsequently agreed with ADB; (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, the EMP, or the relevant RPs; and (d) fully reinstate pathways, other local | Throughout implementation period | Being complied. No action required for Indigenous Peoples as it was classified as Category C. |

| | | | | |
|-----------------|----|--|----------------------------------|---|
| | | infrastructure, and public facilities to at least their pre-project condition as early as possible and no later than completion of construction. | | |
| LA Sch. 5 (ADF) | 9 | The Borrower shall cause MUB to ensure that (a) the Project implementation consultants are engaged in a timely manner, including safeguards specialists; (b) a licensed environmental monitoring institute is contracted to conduct periodic environmental impact monitoring in accordance with the approved monitoring plan; and (c) the capacity-building program described in the EMP and the RPs is implemented as planned from the date of engagement of the consultants until Project completion. | Throughout implementation period | Being complied. Licensed environmental institute to be mobilized in March 2017. |
| LA Sch. 5 (ADF) | 10 | Safeguards Monitoring and Reporting. The Borrower shall cause MUB to do the following: (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission; (b) review any changes to the Project design that may potentially cause negative environmental or social impacts, and in consultation with ADB, revise environmental or social monitoring and mitigation measures as necessary to assure full safeguard compliance. MUB will provide to ADB within 60 days, justification for any proposed changes to the mitigation measures required during design, construction, and operations, if any changes to the IEE or RPs must be implemented for safety or emergency reasons; and (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, or the relevant RPs promptly after becoming aware of the breach. | Throughout implementation period | Being complied. The first environmental monitoring report was approved by ADB and disclosed on the ADB website on 26 May 2016. The second environmental monitoring report is being developed and will be sent in July 2017. Social monitoring report covering period from the beginning of the project until 1 February 2017 was submitted to ADB on 17 Feb 2017. |
| LA Sch. 5 (ADF) | 11 | Prohibited List of Investments. The Borrower shall cause MUB to ensure that no Loan proceeds are used to finance any prohibited activity included in the list provided in Appendix 5 of the SPS. | Throughout implementation period | Being complied. |
| LA Sch. 5 (ADF) | 12 | Health and Labor Standards. The Borrower shall cause MUB to ensure that works contractors engaged under the Project (i) comply with all applicable labor laws and core labor standards; (ii) use their best efforts to employ women and local people, including disadvantaged people; (iii) provide equal pay to men and women for work of equal type; (iv) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities for male and female workers at the Project site; (v) maximize female training and employment; (vi) conduct an information and education campaign on sexually transmitted diseases and HIV/AIDS for construction workers as part of the health and safety program during Project implementation; and (vii) abstain from child labor. Relevant contracts financed under the Project must include specific clauses on these under takings. | Throughout implementation period | Being complied. In preparation process in accordance with construction schedule. |
| LA Sch. | 13 | Gender and Development. | Throughout implementation | Being complied. |

| | | | | |
|-----------------|----|---|----------------------------------|--|
| 5 (ADF) | | The Borrower shall cause MUB to ensure that the social action plan (SAP) and gender action plan (GAP) in form and substance agreed with ADB are implemented in a timely manner over the Project period and, to the extent necessary, incorporated into the bidding documents, and that adequate resources are allocated for these purposes. Specific social-and gender-related measures and activities undertaken during Project implementation shall be reported in the Project Performance Monitoring Report. | period | |
| LA Sch. 5 (ADF) | 14 | The Borrower shall cause MUB to ensure that the agreed SAP includes measures to (i) facilitate and support each Subprojects' community development council (CDC) and SME development council (SDC); (ii) identify and prioritize CDC and SDC needs and sustain awareness and support to the project by the different stakeholders; (iii) mobilize and organize community members as well as the business owners affected by a Subproject into relevant CDC and/or SDC to support the development of the land use plan, local development plan, and investment plan of the Project; (iv) facilitate public awareness concerning overall strategy of urban functions development; (v) facilitate the skills mapping of the community members and matching with the demand of the SMEs as well as linking the community groups with training institutions providing vocational/technical skills training; and (vi) facilitate proper monitoring and evaluation of the different aspects of these components. | Throughout implementation period | Being complied. Ongoing support has been provided to CDCs and SDCs through development of CDCs and SDCs business plan and consulting services on implementation. Community members have been linked to other organizations conducting SME trainings. |
| LA Sch. 5 (ADF) | 15 | The Borrower shall cause MUB to ensure that the agreed GAP: (i) integrates gender inclusive design measures into road infrastructure to ensure safety, security, mobility and access; (ii) serves at least 1,000 beneficiaries of which at least 50% are women for the vocational training; (iii) assesses affordability and potential for creating subsidies on the tariff reform; (iv) ensures that the CDCs and SDCs are fully functional with at least 40% female participation; and (v) requires sex disaggregated data be reported in the Project Performance Monitoring Report. | Throughout implementation period | Being complied. 7 khoroo level CDCs and 1 subcenter CDC reactivated, with 58% women actively participating. Sex-disaggregated data on participation has been collected throughout the implementation. |
| LA Sch. 5 (ADF) | 16 | Counterpart Support. The Borrower shall cause MUB to ensure that the counterpart funding required for successful Project implementation is timely allocated and provided. The Borrower shall cause MUB to adequately staff and equip a Project implementation unit in a manner acceptable to ADB. | Throughout implementation period | Being complied. In compliance with the FFA Undertakings, the Government has constructed 50 apartment units in Bayankhoshuu and Selbe project areas. |
| LA Sch. 5 (ADF) | 17 | Good Governance. The Borrower and MUB shall (i) 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 Facility; and (ii) cooperate with any such | Throughout implementation period | Being complied. Anticorruption training/ seminar held for executing and implementing agencies in Ulaanbaatar in Oct |

| | | | | |
|-----------------|----|--|----------------------------------|---|
| | | investigation and extend all necessary assistance for satisfactory completion of such investigation. | | 2015. |
| LA Sch. 5 (ADF) | 18 | The Borrower and MUB 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. | Throughout implementation period | Being complied. Anticorruption provisions are being incorporated in bidding documents. |
| LA Sch. 5 (ADF) | 19 | The Borrower shall cause MUB assisted by Project consultants to develop a transparent mechanism, acceptable to ADB, for voluntary community-led Ger areas' subcenters redevelopment. Such mechanism, among other matters, shall proscribe terms and conditions on privates sector participation, adequate community consultation on redevelopment proposals, fair and equitable land pooling and compensation procedures for volunteering land owners, and shall be established and made operational by December 2014. | December 2014 | Being complied. Work is ongoing and assisted by IPE Global. Pilot block plans are under preparation and schemes for possible private sector participation will be ready by 3 rd quarter of 2017. |
| LA Sch. 5 (ADF) | 20 | The Borrower shall ensure that necessary implementing legislation and / or regulation governing the procedure of voluntary land pooling for purposes of redevelopment is developed and adequate public consultation, with participation of ADB , on such draft legislation / regulation is conducted by December 2014 ;and that such legislation / regulation is adopted by June 2015. Prior to adoption of such legislation / regulation, the Borrower shall cause MUB assisted by Project consultants to conduct public awareness campaign in the Project area, with CDC and SDC participation, to educate interested landowners on land pooling mechanism in order to facilitate fair dealing and to avert coercion and other unfair practices. | June 2015 | Being complied. The preparation of a block planning manual is underway and running parallel with the development of pilot sub-block plans. The manual, with suggested legal documentation needed, will be finalized by 3 rd quarter of 2017. |
| LA Sch. 5 (ADF) | 21 | Operational covenants. The Borrower shall cause MUB to ensure that the Works contractors (a) select quarries, borrow pits and spoil disposal sites appropriate to the scale of the required borrow soil and the spoil generated before construction commences; (b) endorse such sites as being consistent with the selection criteria set out in the EMP; and (c) manage the sites in accordance with the EMP prescriptions. | Throughout implementation period | Being complied and incorporated into bidding documents. |
| LA Sch. 5 (ADF) | 22 | The Borrower shall cause MUB to ensure that the heating facilities comply with relevant national standard (e.g.,MNS6298:2011) and regular ambient air quality and stack emission monitoring is conducted and reported to ADB. | Throughout implementation period | Being complied. National specifications and construction EMP are being incorporated into bidding documents. |
| LA Sch. 5 (ADF) | 23 | The Borrower shall cause MUB to ensure that the Works contractors take necessary actions to avoid interruptions to water supply, heating and other utility services during the construction under the Project. | Throughout implementation period | Being complied. National specifications and utility provisions are |

| | | | | |
|-----------------|----|--|----------------------------------|--|
| | | | | being incorporated into bidding documents. |
| LA Sch. 5 (ADF) | 24 | The Borrower shall cause the Ulaanbaatar Water Supply and Sewerage Authority (USUG) to consolidate and improve its operational sustainability by ensuring that commencing no later than 2016 fiscal year, USUG will achieve and maintain for each subsequent fiscal year, a full cost recovery operating ratio of at least 1.0 or below, where: (a) “full cost recovery operating ratio” means that ratio of full expenditure over revenues net of subsidies; (b) “full expenditure” means the sum of all expenses related to operations including administration, maintenance, current taxes and payments in lieu of taxes, and a return on equity computed at 12% of the average of the opening and closing balance of equity; (c) “debt” means any indebtedness of USUG maturing by its terms more than 1 year after the date on which it was originally incurred; (d) “equity” means the sum of total unimpaired paid-up capital, retained earnings and reserves of USUG not allocated to cover specific liabilities; and (e) “debt servicing” means the aggregate amount of all repayments (including sinking fund payments, lease payments under financial leases if any), whether or not actually paid, and interest and other charges on debt. Interest charges which are incurred in financing capital expenditure during development are excluded if they are capitalized. | Throughout implementation period | Being complied. |
| LA Sch. 5 (ADF) | 25 | The Borrower and MUB shall ensure that: (a) USUG tariffs are reviewed at least once a year and set and periodically adjusted as appropriate by at least 5% every 5 years, starting no later than 2017 fiscal year, to ensure the financial viability of the project investments; (b) commencing no later than 2016 fiscal year, USUG achieves an aggregate tariff collection rate from all customers of 80%; (c) commencing no later than 2018 fiscal year, USUG achieves an aggregate tariff collection rate from all customers of 85%; and (d) commencing no later than 2022 fiscal year, USUG achieves an aggregate tariff collection rate from all customers of 90%. Furthermore, the Borrower and MUB shall ensure that appropriate public awareness programs are conducted to educate the public on the need for a rational water supply and sewerage tariffs scheme and the importance of water conservation. | Throughout implementation period | Being complied. |
| LA Sch. 5 (ADF) | 26 | In order to facilitate and improve its operational and financial sustainability, MUB shall ensure that USUG prepares, in accordance with prudent business practice, annual business plans for the MUB’s approval commencing no later than 2015 fiscal year. | From 2015 | Being complied. |
| LA Sch. 5 (ADF) | 27 | The Borrower and MUB shall also ensure that (a) heating tariffs are reviewed at least once a year and set and periodically adjusted as appropriate by at least 10% every 5 years, starting from no later than 2017 fiscal year, to ensure the financial viability of the project investments; (b) commencing no later than 2016 fiscal | No later than 2016 fiscal year | Being complied. |

| | | | | |
|-----------------|------|--|----------------------------------|---|
| | | year, heating service providers involved in the project achieve an aggregate tariff collection rate from all customers at 85%; (c) commencing no later than 2018 fiscal year, an aggregate tariff collection rate for heating from all customers of 90% is achieved; and (d) commencing no later than 2022, an aggregate tariff collection rate for heating from all customers of 95% is achieved. The Borrower and MUB shall also ensure that appropriate public awareness programs are conducted to educate the public on the need for a rational tariffs scheme on heating services and heating conservation. | | |
| LA Sch. 5 (ADF) | 28 | Grievance Redress Mechanism. The Borrower shall cause MUB to ensure that separate safeguards grievance redress mechanisms acceptable to ADB are established in accordance with the provisions of the EMP and RP sat the PMO, within the time frames specified in the relevant EMP and RPs, to consider safeguards complaints. | Throughout implementation period | Being complied. Land Acquisition and Resettlement Plan Implementation Committee and working group established by City Mayor Order on 22 Feb 2016. |
| LA Sch. 5 (ADF) | 29 | The Borrower shall cause MUB to ensure that within 12 months following the Effective Date, a grievance redress mechanism, acceptable to ADB, is established and a task force is functioning effectively to (a) review and document eligible complaints of Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen mechanism / action; and (d) prepare periodic reports to summarize (i) the number of complaints received and resolved; (ii) chosen actions; and (iii) final outcomes of the grievances and make these reports available to ADB upon request. Eligible complaints include those related to the Project, any of the service providers, any person responsible for carrying out the Project, complaints on misuse of funds, unfair land pooling practices and other irregularities, as well as gender issues. | September 2015 | Being complied. Citizens send the complaints through http://cityhall.gov.mn/cp/index.php/homepage/smartcity-mn web or call to Hotline 1111, or fill the complaint form directly at PMO. |
| GA Art III | 3.01 | (a) The Recipient shall make the proceeds of the Grant available to MUB upon terms and conditions satisfactory to ADB and shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement, the ADB Loan Agreements, and the Project Agreement. | Throughout implementation period | Being complied. |
| GA Art III | 3.01 | The Recipient agrees that the proceeds of the Grant maybe used to pay ADB's administration fees and bank and other charges pursuant to the applicable cofinancing arrangements with UEIF. ADB shall be entitled to withdraw from the Grant Account and pay to itself, on behalf of the Recipient, the amounts required to meet payments, when due, of such administration fees, bank and other charges. | Throughout implementation period | Being complied. |
| GA Art III | 3.02 | The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule1 to the Grant Agreement, as such Schedule | Throughout implementation period | Being complied. |

| | | | | |
|------------|------|---|----------------------------------|--|
| | | maybe amended from time to time by agreement between the Recipient and ADB. | | |
| GA Art III | 3.03 | Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 4 to the Special Operations Loan Agreement. | Throughout implementation period | Being complied. |
| GA Art III | 3.04 | Except as ADB may otherwise agree, the Recipient shall cause all items of expenditure financed out of the proceeds of the Grant to be used exclusively in the carrying out of the Project. | Throughout implementation period | Being complied. |
| GA Art III | 3.05 | The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2018 or such other date as may from time to time be agreed between the Recipient and ADB. | 30 June 2018 | The Grant Closing Date remains the same. |
| GA Art IV | 4.01 | In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the Special Operations Loan Agreement. | Throughout implementation period | Being complied. |
| GA Art IV | 4.02 | (a)The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles 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 international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements ,use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest fund and statement of expenditures) 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 there of as ADB shall from time to time reasonably request. | Throughout implementation period | Being complied. 2014/2015 audit reports were submitted in June 2016. |
| GA Art IV | 4.02 | (b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting the mon ADB's website. | Throughout implementation period | To be complied. |
| GA Art IV | 4.02 | The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a) (iii) here in above, and shall authorize and require any representative of such auditors to | Throughout implementation period | To be complied. |

| | | | | |
|-----------|------|---|----------------------------------|---|
| | | 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 Recipient, unless the Recipient shall otherwise agree. | | |
| GA Art IV | 4.03 | The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents. | Throughout implementation period | To be complied if such request from ADB will be received. |
| GA Art IV | 4.04 | The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, noting its individual capacity, but as grant administrator for UEIF. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from UEIF; and (ii) that ADB does not assume any obligations or responsibilities of UEIF in respect of the Project or the Grant other than those set out in this Grant Agreement. | Throughout implementation period | Acknowledged and agreed. |
| GA Sch. 1 | 1 | Basis for Withdrawal from the Grant Account. Except as ADB may otherwise agree, the proceeds of the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table. | Throughout implementation period | Being complied. |
| GA Sch. 1 | 3 | Reallocation. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table, (a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated short fall, amounts of the Grant 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 short fall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures there under shall have been made; and (b) if the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category. | Throughout implementation period | To be complied. No reallocation yet as of to-date. |
| GA Sch. 1 | 4 | Disbursement Procedures. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook. | Throughout implementation period | Being complied. |
| PA Art II | 2.01 | (a) MUB shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices; and (b) in the carrying out of the Project and operation of the Project facilities, MUB shall perform all obligations set forth in the Loan Agreements to the | Throughout implementation period | Being complied. |

| | | | | |
|-----------|------|---|----------------------------------|-----------------|
| | | extent that they are applicable to MUB. | | |
| PA Art II | 2.02 | MUB shall make available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources as required, in addition to the proceeds of the Loans and Grant, for the carrying out of the Project. | Throughout implementation period | Being complied. |
| PA Art II | 2.03 | (a) In the carrying out of the Project, MUB shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB; and (b) except as ADB may otherwise agree, MUB shall procure all items of expenditures to be financed out of the proceeds of the Loans in accordance with the provisions of Schedule 4 to the Special Operations Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB. | Throughout implementation period | Being complied. |
| PA Art II | 2.04 | MUB shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. MUB shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made there in, in such detail as ADB shall reasonably request. | Throughout implementation period | Being complied. |
| PA Art II | 2.05 | (a) MUB shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice; and (b) without limiting the generality of the foregoing, MUB undertakes to insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods. | Throughout implementation period | Being complied. |
| PA Art II | 2.06 | MUB shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loans and Grant, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition. | Throughout implementation period | Being complied. |
| PA Art II | 2.07 | (a) ADB and MUB shall cooperate fully to ensure that the purposes of the Loans and Grant will be accomplished; (b) MUB shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement, or the accomplishment of the purposes of the Loans and Grant; and (c) ADB and MUB shall from | Throughout implementation period | Being complied. |

| | | | | |
|-----------|------|---|----------------------------------|---|
| | | time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, MUB, the Loans and Grant. | | |
| PA Art II | 2.08 | (a) MUB shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loans, Grant and the expenditure of the proceeds thereof;(ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of MUB; and (v) any other matters relating to the purposes of the Loans and Grant. | Throughout implementation period | Being complied. |
| PA Art II | 2.08 | (b) without limiting the generality of the foregoing, MUB shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period. | Throughout implementation period | Being complied. |
| PA Art II | 2.08 | (c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, MUB shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by MUB of its obligations under this Project Agreement and the accomplishment of the purposes of the Loans and Grant. | After project completion | To be complied |
| PA Art II | 2.09 | (a) MUB shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements for the Project audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors 'opinion on the financial statements, use of the Loans and Grant proceeds and compliance with the financial covenants of the Loan Agreements as well as on the use of the procedures for imprest fund and statement of expenditures) 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 close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents | Throughout implementation period | Being complied and will be turned over to PMO by 1 st Quarter 2017 after conducting a test run and fine-tuning the software. The testing was conducted and the project found to be nonsatisfactory. A new program is requested. Auditing from Capital city's auditing department is completed. The auditing 2014/2015 financial statements from ADB by "Dalai Van" was |

| | | | | |
|-----------|------|---|----------------------------------|--|
| | | and the audit there of as ADB shall from time to time reasonably request. | | completed. The auditing 2016 financial statements from ADB by “DABG” was completed. |
| PA Art II | 2.09 | (b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting the mon ADB’s website. | Throughout implementation period | To be complied. |
| PA Art II | 2.09 | (c) In addition to annual audited financial statements referred to in subsection (a) herein above, MUB shall (i) provide its annual financial statements prepared in accordance with national accrual-based financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; and (iii) furnish to ADB, no later than 1 month after approval by there levant authority, copies of such audited financial statements in the English language and such other information concerning these documents and the audit there of as ADB shall from time to time reasonably request. | Throughout implementation period | Being complied. PMO submitted 2014/2015audit reports for MUB on 21 February 2017. |
| PA Art II | 2.09 | (d) MUB shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and MUB and its financial affairs where they relate to the Project with the auditors appointed by MUB 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 MUB, unless MUB shall otherwise agree. | Throughout implementation period | To be complied, if such request from ADB will be received. |
| PA Art II | 2.10 | MUB shall enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents. | Throughout implementation period | Being complied. |
| PA Art II | 2.11 | (a) MUB shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its operations. | Throughout implementation period | Being complied. |
| PA Art II | 2.11 | (b) MUB shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel. | Throughout implementation period | Being complied. |
| PA Art II | 2.11 | (c) MUB shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound | Throughout implementation period | Being complied. |

| | | | | |
|-----------|------|---|----------------------------------|---|
| | | applicable technical, financial, business, development, operational and maintenance practices. | | |
| PA Art II | 2.12 | Except as ADB may otherwise agree, MUB shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement. | Throughout implementation period | Being complied. |
| PA Art II | 2.13 | Except as ADB may otherwise agree, MUB shall apply the proceeds of the Loans and Grant to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreements, Grant Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project. | Throughout implementation period | Being complied. |
| PA Art II | 2.14 | MUB shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. MUB shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action there on. | Throughout implementation period | To be complied, if such situation occurs. |