



**MUNICIPALITY OF
ULANBAATAR**

**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**

**QUARTERLY PROGRAM PROGRESS REPORT
July – September 2017**

**Date
Reference**

**October 2017
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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

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Development Investment Program**

**Quarterly Program Progress Report
September 2017**

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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 September 2017, the Tranche 1 is about 27.2% complete. The Tranche 1 implementation is about 10 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 in the second half of 2019.

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

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.

replacement of some PMO officers, which to a limited extent affected the PMO business process. As of 30 September 2017, the PMO is currently staffed with 18 qualified and experienced officers.

Procurement Plan – Procurement Status

7. The original procurement plan consisted of 16 contract packages² 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.

8. Based on the latest updated procurement plan the construction of the infrastructure and facilities will be implemented through 27 procurement packages including 16 ADB-financed packages and 11 EIB-financed packages.³ The consulting services (CS) will be provided through five contracts and two individual consultant (IC) contracts.⁴

9. **ADB-financed Construction Packages** – Of the eight OCR-funded contract packages: one ICB contract, SHF06, was signed on 17 July 2017 for \$6.71 million; the ICB package SRDH14 is expected to be awarded in the second half of October 2017; five packages have been bid and contract award are expected in the last quarter 2017/first quarter 2018; and contract package SEC13 is scheduled to be bid in November 2017. Of the five ADF-funded packages: one NCB package consisting of two lots, BSF05, has been awarded in September 2017 for \$2.44 million (Lot 1, \$1.24 million, Lot 2 \$1.2 million); two NCB packages have been bid, the bid evaluation reports (BER) are being finalized; and two packages are scheduled to be bid in November 2017, bidding documents are being finalized.

10. **UEIF-Financed Package** – 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 \$3.37 million turnkey contract was awarded on 13 October 2016. The detailed design by the contractor has been completed and works are about 63% complete.

11. **EIB-financed Packages** – All 11 EIB-financed contact packages including ten construction packages and one good package will be procured through NCB. As of 30 September 2017: three 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;⁵ one package for the rehabilitation of the central water treatment plant was awarded in September 2017 for \$3.04 million; four packages have been bid, BERs are being finalized; and the last package, WSC16, water supply connections in Bayankhoshuu and Selbe subcenters is yet to be bid.⁶ The EIB-financed goods package for the procurement of water supply and sewerage pipes for an estimated amount of \$1.83 million has been bid, BER is being finalized, contract award is expected in the second half of November 2017.

² Ten civil works packages, one plant and five consulting services packages.

³ The updated procurement plan was approved by ADB on 1 September 2017.

⁴ 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.

⁵ The works for these three packages are completed.

⁶ The package scope is to be finalized based on the users' decisions on the connections.

12. **Consulting Services Packages** – The implementation of the 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 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 partly completed in April 2017. The detailed design has been significantly delayed even though partly due to reasons behind the control of the consultants. Some design documents are yet to be approved by the Construction Development Center prior to final submission to PMO. CS1-PMO discussions should be held in October 2017 to agree on the deadline for CS1 submission of the remaining approved design documents and negotiate the construction supervision services. As of 30 September 2017, a total of \$3,041,942 including the advance payment have been disbursed under the CS1 contract.

CS2/CSPM – Program Management Support. The \$1.24 million CS2 contract was awarded to Egis International on 5 June 2014. As of 30 September 2017, five contract variations have been processed mainly for introducing staff changes and readjusting staff inputs; one only increased the contract price up to \$1,32 million as the result of increase in consultants' inputs. During the third quarter 2017 CS2 activities focused on expediting and monitoring procurement activities. Also, several training sessions targeting PMO staff were conducted on archiving and personal skills. Several public consultations with affected people were organized in the two program subcenters.

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, 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 Q3 2017 focused mainly on: (i) a training need assessment and design of a training program in subcenter redevelopment for key Government agencies and other program stakeholders; (ii) the draft local development plans (LDP) for Bayankhoshuu and Selbe subcenters; and (iii) the feasibility study and preparation of the block planning manual.

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 (RFP) including detailed terms of reference; RFP along with the proposed shortlist of consultants is scheduled to be submitted to ADB in November 2017.

Safeguard Components

1. Land Acquisition and Resettlement

13. 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.

14. In addition, 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 pipe replacement to increase capacity.

15. As of 30 September 2017, the RP1 preparation is 85% complete; RP2 and RP3 are about 75% complete. While the socioeconomic surveys for RP2 and RP3 have been completed, the land and property appraisal is on hold pending the resolution of the issues related to missing property documents 125 households. RP4 and RP5 are about 75% complete. In addition to the RPs two due diligence reports would be required, the diligence report for the Construction of water reservoir and supply pipes in Selbe subcenter has been completed and endorsed by ADB. The second one in Bayankhoshuu is yet to be completed pending the issuance of the final design of the heating pipes facilities expected before the end of 2017.

16. 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 September 2017, the anticipated number of AHHs stood at 843 of which 389 fully affected and 454 partly affected.

17. The overall cost of the LAR is tentatively estimated at about \$13.87 (MNT40,317,949,804) million significantly above the Appraisal estimate of \$1.02 million. The LAR estimated cost will be refined once the negotiations with the affected households are completed, agreements reached, and RPs finalized.

2. Environment

18. 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 in July 2017. The general environmental impact assessment (GEIA) covering the entire program has been updated and approved by the Ministry of Environment and Tourism (MET). The detailed environmental and impact assessment (DEIA) for Tranche 2 is being reviewed by the MET.

19. The second Environmental Monitoring report covering the June 2016-June 2017 period was submitted to ADB in July 2017. The report provides details on the occupational safeguard issues generated by the sewage collector line in Selbe and Bayankhoshuu subcenters.

3. Social and Gender Development Plans

20. The semi-annual and the Q3 2017 monitoring reports on the gender action plan (GAP) and social action plan (SAP) related to the Tranche 1 were revised to incorporate ADB's comments and submitted to ADB in July 2017.

21. A database for all consultation meetings and trainings including sex-disaggregated data has been established, updated and shared with ADB. During the reporting period, 24 community consultation and meetings were held with 569 participants with 58.2% female participation.

22. The consultant prepared the terms of reference for the HIV/AIDS awareness and prevention program targeting the construction workers and community to be implemented through the construction contracts.

Tranche 1 – Investment Cost – Financing Plan – Disbursements

23. At Appraisal, the Tranche 1 was estimated \$104.52 million. Based on the actual and estimated contract prices the Tranche 1 cost has been updated at \$106.14 million, 0.98% above the appraisal estimates. The cost increase mainly results from higher than anticipated land acquisition costs.

24. 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). At the request of the Borrower, ADB approved a reallocation the ADB loan proceeds on 16 October 2017. Overall the loan and grant allocation meet the Tranche 1 financing requirements. As of end of September 2017, the ADB ADF Loan amounted to about \$20.46 million against \$22.50 million at Appraisal; the reduction is due to the depreciation of the US dollar against the special drawing rights (SDR). As the result of the increased land acquisition cost the contribution of the MUB significantly increase from \$22.44 million at Appraisal to about \$32.54million. The less than anticipated costs of the water supply and sewerage works combined with the fluctuations of the US Dollar/Euro exchange rate reduced the EIB financing share to about \$24.43 million

25. As of 30 September 2017, the total disbursement under the ADB loans and grant combined stood at about \$10.05 million, mainly for consulting services under the ADF Loan; the current ADB and EIB low disbursement ratios (19.4% and 8.6% respectively) are likely to pick up significantly with the signing of several civil works contracts in the next six months.

Covenants

26. Most of the loan covenants due by end of September 2017 have been complied with. No significant deviance from road map and policy framework has been recorded.

Conclusions – Issues – Recommendations

27. With a completion rate of about 27.2% and an overall disbursement ratio of about 14.4% the implementation of Tranche 1 is behind schedule. The Tranche 1 construction activities are scheduled to be completed by mid 2019. The finalization of the LARPs and the delayed and lengthy procurement processes significantly contribute to the implementation delay.

28. As stated in the previous quarterly report, the lengthy procurement procedure and preparation of the resettlement plans are the main issues currently hampering the Tranche 1 Implementation. As of end of September 2017 most of the 26 works and good packages have been bid based on ADB-approved bidding documents and the evaluations of bids are almost completed.⁷ The BERs prepared by MUB Procurement Agency (MUB-PA), acting as the procurement agent, have to be reviewed and significantly amended prior seeking ADB's concurrence to the BER's conclusions and recommendations for contract award. Amending and revising the BERs to ensure consistency between the bid data and the evaluation report requires in many instances a comprehensive review of the bids. This complementary evaluation combined with a rewriting of the BER significantly delays the contract awards. Furthermore as said earlier, the MUB-PA also dealing with other MUB procurement activities may not have sufficient resources to handle the large number of Tranche 1 contract packages. The same applies to PMO procurement unit while reviewing and amending the bid evaluation reports and eventually incorporating the ADB's comments.

29. As a prerequisite to the start-up of the civil works, five LARPs have to be finalized and implemented. While the LARP preparation is well advanced, there is a risk for their implementation to be delayed as the negotiations with the affected people may take longer than anticipated. The land acquisition and resettlement activities should be completed, or at least 90% complete by April 2018 at the start of the 2018 construction season.

30. To address the delayed procurement issue the CS2 Procurement Specialist has to be replaced at the earliest to strengthen CS2 support to PMO. While capacity is not an issue, there is still a need for CS2 to provide training through mainly on-the-job guidance to PMO procurement officer.

31. Concurrently with expediting the procurement activities there is a need to finalize the five LARPs, have them approved by ADB and expedite their implementation including negotiations with the affected land and property owners. There is a need to closely monitor land acquisition cost.

32. As the bulk of the civil works under ADB financing are scheduled to start in April 2018, there is a need to expedite the mobilization of the CS1 consultants (Dohwa Engineering Co.), alternatively to recruit a new supervision consultant should the ongoing negotiations with Dohwa failed.

33. The Tranche 1 investment costs as well as the loan funds and the MUB contribution has to be closely monitored to ensure adequacy of the loans' allocations and the MUB budget with the financing requirements based on the actual contract prices.

⁷ Of the 26 goods and works packages three remain to be bid.

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A. 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. 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.

2. 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.

3. 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.

4. 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.

5. The closing date of the ADB loans and ADB-administered UEIF grant for the Tranche 1 originally scheduled on 30 June 2018 have been extended to 31 December 2019.⁸

B. Tranche 1 – Program Scope

6 The Program Tranche 1 will develop priority infrastructures, facilities and capacity building in the Selbe and Bayankhoshuu subcenters. 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 components:

- (i) Power substations were added to the original installation of power cables to meet the actual power supply needs; a separate construction package

⁸ ADB's approved the extension of the loan closing date on 16 October 2017.

- 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 subcenter 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 subcenter was added to the original 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

6. As of 30 September 2017, the Tranche 1 is about 27.2% complete (**Appendix 2**). The Tranche 1 implementation is about 10 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 in the second half of 2019 (**Appendix 3**).

D. Implementation Arrangements

7. 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.

8. 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 September 2017, the PMO is currently staffed with 17 qualified officers.

9. Following an MUB's decision⁹ the procurement activities was transferred from PMO to the MUB Procurement Agency (PA) in December 2016. However due to PA limited resources to handle the procurement activities and the lengthy process in reviewing the bid evaluation reports and incorporating ADB's comments, the procurement activities are being shared between the PA and PMO; while the evaluation of bids and the preparation of the first draft bid evaluation reports (BER) is the responsibility of the PA, incorporating ADB's comments and finalizing the BERs for final endorsement by the PA is being handled by the PMO procurement officers.

E. Procurement Plan

10. The original procurement plan consisting of 16 contract packages¹⁰ 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

⁹ 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 has been revised.

11. Based on the latest updated procurement plan, (**Appendix 4**) the construction of the infrastructure and facilities will be implemented through 26 procurement packages including 15 ADB-financed packages and 11 EIB-financed packages.¹¹ The consulting services (CS) will be provided through six consulting firm contracts and two individual consultant (IC) contracts.¹² As of 30 September 2017, four CS contracts are ongoing and two are yet to be awarded: one for improved operations and management of service providers and institutional and regulatory reform, the other for detailed design of the extension of the existing heating network in Bayankhoshuu subcenter.

1. ADB- financed Construction Packages

12. Of the eight **OCR-funded** contract packages:

- (i) One ICB Package, SHF06, design, supply and installation of heating plant in Selbe Subcenter, has been awarded; a \$6.71 million contract was signed on 17 July 2017 with (JV) Khurd & Xinzhang Gongshen Boiler LLC
- (ii) One ICB package, SRDH14, roads, heating network and associated infrastructures in Selbe Subcenter, is expected to be awarded in the second half of October 2017;
- (iii) Five (three ICB and two NCB) packages have been bid; BERs are being finalized and contracts are expected to be awarded in the fourth quarter 2017; and
- (iv) One ICB package, SEC13, electricity and telecommunications in Selbe Subcenter, is scheduled to be bid in the second half of November 2017 (**Appendix 5**).

13. Of the five **ADF-funded** packages:

- (i) One NCB package, BSF05, kindergarten and business incubator vocational training center in Bayankhoshuu and Selbe subcenters, was awarded in September 2017; consisting of two lots, one for each subcenter, Lot 1 contract was signed on 19 September 2017 with Us-Orchin LLC in the amount of \$1.24 million; The Lot 2 contract was signed on 22 September 2017 with (JV) Tomo Building LLC & BMCM LLC) on the amount of \$1.20 million.
- (ii) Two NCB packages have been bid; BERs are being finalized; and
- (iii) Two packages (one ICB, one NCB) should be bid by the end of October 2017; bidding documents are being finalized (**Appendix 5**).

2. UEIF-financed Package

14. 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. As of 30 September 2017, the construction works are

¹⁰ Ten civil works packages, one plant and five consulting services packages.

¹¹ The updated procurement plan was approved by ADB on 1 September 2017.

¹² Individual consultants were recruited at the start of Tranche 1 to facilitate the program start-up. As of 30 September 2017 all IC contracts have been completed.

about 63% complete. A contract variation entailing an additional contract price of about \$0.21 million has been approved upon ADB's endorsement.¹³

3. EIB-financed Construction and Goods Packages

15. 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 subcenters 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:

- (i) Package, WWTPR01, rehabilitation of the central waster water treatment plant, has been awarded; a \$3.04 million contract was signed on 14 September 2017 with (JV) S&A Trade LLC & Nabsan LLC;
- (ii) Package WSNR17C, rehabilitation of sewerage networks from school 14 to the central collector, is expected to be awarded and \$0.25 million contract signed in the first half October 2017;
- (iii) Four packages have been bid and BERs are being finalized; contracts are expected to be signed in the fourth quarter 2017; and
- (iv) One package, WSC16, water supply and connections in Bayankhoshuu and Selbe subcenters is yet to be bid; the package scope is to be finalized based on the users' decisions on the connections (**Appendix 5**).

16. The EIB-financed goods package for the procurement of water supply and sewerage pipes for an estimated amount of \$1.83 million has been bid; the BER is being finalized and contract award is expected in the second half of November 2017.

4. Consulting Services Packages

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

18. **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.

19. CS1 informally advised PMO of the demobilization of the design team in May 2017. The detailed design of the infrastructure and facilities is partly completed in the sense that not all design documents have been approved by the Construction Development Center. 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 continuing with the Dohwa JV contract alternatively recruiting another consulting firm to supervise the construction works. As of 30 June 2017, a total of \$3,041,942.00 million including the advance payment has been disbursed.

20. **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. Six contract variations have been processed; five cost neutral variations and variation No. 3 to increase the contract cost up to \$1,317,587.91 as the result of an increased team leader's input. A seventh cost neutral variation is being prepared to rebalance the consultant inputs to meet the actual project management requirements.

¹³ The variation is for additional fiber optic cable, extension of the pumping station and procurement of LED monitor screens for the SCADA system.

21. During the third quarter, 2017 CS2 activities focused on expediting and monitoring procurement of the contract packages. In addition, several training sessions were conducted on personal skills development of the PMO staffs. Several public consultation meetings were organized in relation to the resettlement and affected people. The drafts of the updated environmental monitoring plan, social action plan and gender action plan were prepared and delivered to PMO. The socio-economic survey among the affected people by the construction of the water reservoir is finalized and that for the water pipes is ongoing.

22. **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.

23. Communities Engagement and Development - With the help from PGs and CDCs, UN-Habitat Team continued with facilitation meetings for reactivation of former primary groups (PG) as well as the formation of new primary groups. Two more primary groups were formed in Selbe area representing 26 families. Some primary groups expanded their memberships by incorporating new member families. With this, there are now 31 PGs functioning in Selbe area representing 443 families, and 29 PGs are functioning in Bayankhoshuu area representing 466 families.

24. The membership in Business Councils has been gradually increasing. As of 30 September 2017, there are 56 members in Bayankhoshuu and 107 members in Selbe. Draft Strategy document for Sub Centers Local Businesses Development has been developed by National SME Specialist and is being reviewed by PMO. “Start Your Business” training package was organized in each of sub-center in collaboration with the SME Support Center of Ulaanbaatar Municipality. The trainings were attended by 21 and 19 micro-business owners in Bayankhoshuu and Selbe respectively.

25. **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.

26. On overall strategic capacity development plan for GADA and other stakeholders – A Training Needs Assessment report was submitted to the PMO, along with an outline of the training program on August 2. Work is now progressing on designing the program and preparing training materials. The main training program is scheduled for implementation from 15 January to 9 February 2018.

27. Draft Local Development Plan (LDP) – Work progressed with consultation and discussion of the draft LDP for Selbe and Bayankhoshuu will be submitted to PMO in early October 2017. Related to the preparation of the LDP, work on establishing geo database for Bayankhoshuu and Selbe subcenters is progressing and is almost complete. The database including population data are scheduled to be completed by 31 October 2017.

28. Feasibility Study Reports – This task now continues to focus on block planning, the preparation of a block planning manual and further studies for additional blocks. Two such reports were produced in 2016, but both sites have now been selected for inclusion into the Affordable Housing and Urban Renewal Project (AHURP). Other project sites are being sought, and one has been identified. It is not yet decided if further feasibility study reports will be required. Drafting of the block-planning manual is well underway and the document will be submitted to the PMO by 31 October 2017.

29. **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 finalizing the

terms of reference and preparing the request for proposal to be submitted to ADB along with the proposed shortlist of consultants.

30. CSBHF06A – Detailed Design of the Extension of the Heating Network in Bayankhshuu Subcenter. This new consulting services package estimated at \$65,000 has been introduced in the revised procurement plan of September 2017. The national consulting firm will be recruited through single source selection. The recruitment process is scheduled to start in November 2017.

F. Safeguard Components

1. Land Acquisition and Resettlement

31. 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..

32. **RP1** – Selbe and Bayankhoshuu subcenter – heating plant, kindergarten, business incubator and training center. Originally, the RP was for heating plant for both subcenters, however, later in the beginning of 2017 it was finally decided that in the Bayankhoshuu subcenter the heating plant will not be built as the subcenter will be connected to the central heating system. In the place of the heating plant there will be an electricity substation built. Thus RP1 is named Selbe, Bayankhoshuu subcenter heating plant, electricity substation, kindergarten, business incubator and training center. The detailed design for the electricity substation has not been prepared and approved yet, however the preliminary designs indicated that the total area needed (the right of way) for the electricity substation is about 2,500 m² and based on this requirements the RP for the electricity substation will be prepared. The RP1 preparation is about 90% complete.

33. **RP2**, Bayankhoshuu subcenter roads and infrastructure and **RP3** Selbe subcenter roads and infrastructure are about 75% complete. The socioeconomic surveys for these RPs have been finalized. The land and property appraisals are almost completed, however, the documentation related to 45 and 80 AHHs in Bayankhoshuu and Selbe, respectively, are not completed yet because these AHHs do not have official land certificates, the documentation were lost; the documentation is not with the owners as they were used as collateral, or the owners were not present at the properties after 2-3 visits. Once the issues related to the documentation completeness of these 125 AHHs are settled, the RP2 and RP3 can be completed.

34. **RP4** – KTMS-Tasgany Ovoo-Tavan Shar Water supply network and **RP5** - Bayankhoshuu subcenter – water reservoir and pipes, is about 75% complete The land and property appraisal works for these two RPs are completed. The socio-economic survey is expected to be completed in early October 2017. These two RPs are outside the Selbe and Bayankhoshuu subcenters areas and the relevant surveys were conducted separately, but not at the same time as for the RP2 and RP3. Thus there were delays in conducting and completing the socio-economic surveys. Once the socio-economic surveys are completed, the RPs can be finalized.

35. In addition to the RPs two due diligence reports would be required, one for Construction of water reservoir supply pipes in Selbe subcenter and the other for Bayannkhoshuu heating pipes and facilities for replacing existing pipes with new ones with

more capacity. The LAR due diligence report for the Construction of water reservoir and supply pipes in Selbe subcenter was completed and endorsed by ADB. The report for the Bayankhoshuu heating pipes and facilities for replacing existing pipes is pending, as the technical design has not been completed yet, it is expected the technical design will be completed before the end of 2017. Once the technical design is completed, the due diligence report can be prepared for approval and endorsement by MUB and ADB.

36. 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 September 2017, the anticipated number of AHHs is summarized in Table 1.

Table 1 – Anticipated Affected Households (AHH)

	AHH	Anticipated AHH ^a	
	At Appraisal	Fully Affected	Partly Affected
Bayankhoshuu road & infrastructure	23	124	228
Selbe road & infrastructure	52	139	211
Bayankhoshuu facilities		45	
Selbe facilities		69	
Bayankhoshuu water pipes and reservoir		8	3
KTMS-Tasgany Ovoo-Tavan Shar water pipes		4	12
Total	75	389	454

a. Tentative figures as of 30 September 2017

37. As of 30 September 2017, based on final figures for Bayankhoshuu and Selbe facilities and preliminary figures for the other RPs, the LAR cost is estimated at about \$13.87 (MNT37,782.0 million) significantly above the Appraisal estimate of \$1.02 million (Table 2).

Table 2: Estimated Costs of Land Acquisition and Resettlement Plan

No.	Resettlement Plans	Estimated Cost (MNT million)
1	RP1 – Selbe and Bayankhoshuu sub center – heating plant, kindergarten, business incubator and training center	5,852.2
2	RP2 – Bayankhoshuu sub center – roads and infrastructure	13,874.0
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	37,782.0

2. Environmental Management Plan

38. The environmental assessment and review framework (EARF) and the EMP have been finalized. The updated EARF and EMP have been posted on the ADB website in July 2017. The general environmental impact assessment (GEIA) covering the entire program has been updated and approved by the Ministry of Environment and Tourism (MET). The detailed environmental and impact assessment (DEIA) for Tranche 2 is being reviewed by the MET.

39. The second Environmental Monitoring report covering the June 2016-June 2017 period was submitted to ADB in July 2017. The report provides details on the occupational safeguard issues generated by the sewage collector line in Selbe and Bayankhoshuu subcenters.

3. Social and Gender Development Plans

40. The semi-annual and the Q3 2017 monitoring reports on the gender action plan (GAP) and social action plan (SAP) related to the Tranche 1 were revised to incorporate ADB's comments and submitted to ADB in July 2017.

41. Sex disaggregated data were reported in the quarterly and semi-annual monitoring reports. A database for all consultation meetings and trainings including sex-disaggregated data has been established, updated and shared with ADB. During the reporting period, 24 community consultation and meetings were held with 569 participants with 58.2% female participation. The set target for female participation is 50% and women participation in community activities are well ahead of the target.

42. The consultant prepared the terms of reference for the HIV/AIDS awareness and prevention program targeting the construction workers and community to be implemented through the construction contracts. The CS2 consultant delivered dissemination workshop on ADB and Mongolian Government's Safeguard Policies and Principles related to social safeguards to government officers of Songinokhairkhan, Chingeltei and Sunkhbaatar districts and PMO officers.

43. The next activities during Q4 2017 will focus on the preparation of the annual monitoring reports on the implementation of the GAP and the social action development plan for Tranche 1.

G. Project Cost

44. 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, 1.04% above the appraisal estimate. The cost increase mainly results from higher than anticipated land acquisition costs. The detailed cost estimate update is provided at Appendix 6.

Table 3 – Updated Tranche 1 Estimated Cost
 \$ million – As of 30 September 2017

Item/Output/Component	Estimated Cost	
	At Appraisal	September 2017
A. Base Cost		
1. Expanded Roads and Urban Services		
1.1 Roads Improvement	24.59	11.45
1.2 Water Supply System Improvement	12.39	28.96
1.3 Sewerage System Improvement	13.31	3.57
1.4 Heating Services Expansion	30.14	23.69
1.5 Electricity and telecommunication improvement	-	4.52
1.6 Social services improvement	-	7.77
1.7 Pilot housing	-	0.60
1.8 Land acquisition and resettlement	-	13.87
Subtotal (1)	80.43	96.96
2. More Efficient Service Providers	3.70	-
3. Increased Economic and Public Services	5.00	-
4. Institutional Strengthening and Capacity Development		
4.1 Program Management and Implementation Support	2.00	2.19
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	4.19
5. Detailed Engineering Design-Construction Supervision	-	4.09
Subtotal (A)	93.13	105.24
B. Contingencies	7.40	1.50
C. Financing Charges During Implementation	4.00	1.93
Total (A+B+C)	104.52	106.14

Source: Asian Development Bank for the estimates at Appraisal
 Project Management Office for the updated investment cost estimates

H. Project Financing

45. 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 30 September 2017, the updated financing plan reveals the following changes: (i) the ADB ADF Loan amount in dollars terms is decreased 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) the EIB Loan in dollars terms decreased to about \$24.80 million due to the depreciation of the euro against the US dollar and (iii) as the result of the increased land acquisition cost combined with reduced ADB ADF and EIB financings, the contribution of the MUB significantly increase from \$22.44 million at Appraisal to \$32.17 million.

Table 4 – Tranche 1 – Updated Financing Plan
\$ Million – As of 30 September 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	30.01
European Investment Bank	28.38	24.43
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 – PMO estimates

46. At the request of the Ministry of Finance, the ADB approved a reallocation of the loan proceeds for both loans on 16 October 2017. The revised loan allocations are detailed in **Appendix 7**. The financing requirements for the civil works and consulting services contract have been re-estimated based on updated contract price estimates and actual prices for those contract already awarded (**Appendix 8**). Table 5 summarizes the financing requirements versus current loan and grant allocations.

Table 5 – Tranche 1 – Financing Requirements vs. Loan/Grant Allocation
\$ Million – As of 30 September 2017

Financing Source	Category	Item	Allocation	Financing Requirement	Surplus/Deficit
ADB –OCR Loan					
	1A	Distribution networks	13,450,000	8,789,978	4,660,022
	1B	Other works	12,600,000	13,967,976	(1,367,976)
	Subtotal OCR		26,050,000	22,757,954	3,292,046
ADB - ADF					
	1	Works	11,142,881	9,848,433	1,294,448
	2	Detailed design and construction supervision	4,481,179	4,089,241	391,938
	3	Project Management Support and Administration	2,098,085	2,188,142	(90,057)
	4	Consulting Services	2,054,148	1,999,926	54,222
	Subtotal ADF		19,776,293	18,125,742	1,650,551
UEIF-UFPF Grant					
		Works	3,700,000	3,583,952	116,048
EIB Loan		Works	24,428,000	23,551,800	876,200

47. The surplus/deficits recorded in the above table are only tentative at this stage of procurement; they will be refined once all contract are awarded and final figures evaluated based on the actual contract prices. A reallocation of the ADB loan proceeds will be envisaged to meet the actual requirements under ADB financing.

I. Disbursements

48. The status of disbursement as of 30 September 2017 is summarized in Table 6. All ADB loans and grant combined the total disbursement stood at about \$10.05 million, mainly for consulting services under the ADF Loan; the current ADB and EIB low disbursement ratio

(20.3% and 8.6% respectively)¹⁴ are likely to pick up with the signing of several civil works contracts in the first quarter 2018.

Table 6 – Tranche 1 – Disbursements
\$ Million – As of 30 September 2017

Financing Source	Financing Amount	Disbursed As of 30 September 2017	Disbursement Ratio %
Asian Development Bank			
ADF Loan	20.50	6.65	32.4
OCR Loan	27.50	1.64	6.0
UEIF-UFPF Grant	3.70	1.76	47.6
Subtotal	51.70	10.05	20.3
Municipality of Ulaanbaatar	30.01	3.50	11.7
European Investment Bank	24.43	2.09	8.6
Total	106.14	15.64	14.8

49. The 2017-2019 contract award and disbursement projections have been prepared based on estimated contract prices and actual prices for those contracts (civil works and consulting services) already awarded. Anticipated disbursements are summarized in Table 7.

Table 7 – Tranche 1 – Anticipated Disbursements¹⁵
\$ Million – As of 30 September 2017

Financing Source	2017	2018	2019
ADB – OCR	0.00	11.13	14.72
ADB – ADF	1.79	6.00	7.13
UEIF-UFPF Grant	1.39	2.00	0.00
EIB	0.60	10.10	9.20
MUB	0.67	11.24	10.17

J. Loan Covenants – Framework Financing Agreement

50. Most of the loan covenants due by end of September 2017 have been complied with. No significant deviance from road map and policy framework has been recorded. Compliance with loan covenants is detailed in **Appendix 9**.

K. Conclusions, Issues and Recommendations

51. With a completion rate of about 27.2% and an overall disbursement ratio of about 14.4% the implementation of Tranche 1 is behind schedule. Tranche 1 is now scheduled to be completed by mid-2019. The finalization of the LARPs and the delayed and lengthy procurement processes significantly contribute to the implementation delay.

52. As stated in the previous quarterly report, the lengthy procurement procedure and preparation of the resettlement plans are the main issues currently hampering the Tranche 1 Implementation. As of end of September 2017 most of the 26 works and good packages have been bid based on ADB-approved bidding documents and the evaluations of bids are almost completed.¹⁶ The BERs prepared by MUB Procurement Agency (MUB-PA), acting as

¹⁴ As the payments under the EIB Loan are through an imprest account, the actual \$2.09 million disbursement is the initial deposit on to the imprest account which need to be replenished; however, according to the EIB regulations replenishment will be made upon EIB's approval of a new contract; two newly signed contracts are about to be submitted to EIB. Imprest account replenishment is expected in December 2017.

¹⁵ Excluding ADB loan interest during construction.

¹⁶ Of the 26 goods and works packages three remain to be bid.

the procurement agent, have to be reviewed and significantly amended prior seeking ADB's concurrence to the BER's conclusions and recommendations for contract award. Amending and revising the BERs to ensure consistency between the bid data and the evaluation report requires in many instances a comprehensive review of the bids. This complementary evaluation combined with a rewriting of the BER significantly delays the contract awards. Furthermore as said earlier, the MUB-PA also dealing with other MUB procurement activities may not have sufficient resources to handle the large number of Tranche 1 contract packages. The same applies to PMO procurement unit while reviewing and amending the bid evaluation reports and eventually incorporating the ADB's comments.

53. As a prerequisite to the start-up of the civil works, five LARPs have to be finalized and implemented. While the LARP preparation is well advanced, there is a risk for their implementation to be delayed as the negotiations with the affected people may take longer than anticipated. The land acquisition and resettlement activities should be completed, or at least 90% complete by April 2018 at the start of the 2018 construction season.

54. To address the delayed procurement issue the CS2 Procurement Specialist has to be replaced at the earliest to strengthen CS2 support to PMO. While capacity is not an issue, there is still a need for CS2 to provide training through mainly on-the-job guidance to PMO procurement officer.

55. Concurrently with expediting the procurement activities there is a need to finalize the five LARPs, have them approved by ADB and expedite their implementation including negotiations with the affected land and property owners. There is a need to closely monitor land acquisition cost.

56. As the bulk of the civil works under ADB financing are scheduled to start in April 2018, there is a need to expedite the mobilization of the CS1 consultants (Dohwa Engineering Co.); alternatively to recruit a new supervision consultant should the ongoing negotiations with Dohwa failed.

57. The Tranche 1 investment costs as well as the loan funds and the MUB contribution has to be closely monitored to ensure adequacy of the loans' allocations and the MUB budget with the financing requirements based on the actual contract prices.

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks	Note
	Number of business establishments increased by 20% (baseline: 33,140 in 2012) in targeted areas Unit production cost of water reduced by 35% (baseline: MNT5,940/ cubic meter in 2011)			No change No change
Outputs				
1. Roads and urban services are expanded within the targeted sub enters and connectivity between sub enters is improved.	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	PMO progress and completion reports	Assumption The MUB complies with ADBs safeguards policies. Risk Rising world prices of energy and construction materials significantly increase the program's investment and operation and maintenance costs.	Target data change: from 2016 to 2019 based on revised procurement plan completion date estimation. 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> Carriageway from 15 km to

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks	Note
				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 40% women participating actively</p>	PMO progress and completion reports	<p>Assumptions Urban planning and sub enter development methodologies and tools</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	(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	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.	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 MNT274.11, barely covering O&M.	USUG operating and financial reports USUG business plans	Appropriate user charges/ tariffs are not implemented by the MUB, and/or not supported by the target consumers. 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
	Target: MNT1064.52; MNT713.95) Revised performance contract between the MUB and service providers in place.			
4.3 Strengthened program implementation capacity	<p>By 2023: PMO is fully functioning with fully trained staff, at least 30% of whom are women (baseline: 0 in 2012)</p> <p>Sex-disaggregated program performance and monitoring system operational (baseline: 0 in 2012)</p> <p>Project feasibility studies, due diligence, and safeguards prepared for participating sub enters (baseline: 0 in 2012)</p>	<p>MUB reports</p> <p>PMO progress and completion reports</p>	<p>Assumption Consultants and PMO staff work effectively as a team.</p> <p>Risk Failure to appoint and retain well qualified and experienced consultants</p>	No change

Activities with Milestones for Tranche 1 (after Loan Effectiveness)	Inputs	
<p>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</p> <p>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</p> <p>3. More efficient service providers 3.1 Support improvements in operating efficiency 3.2 Construction of upgraded facilities and measurement systems completed</p> <p>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)</p> <p>Tranche 2 is prepared and approved by 2016 Tranche 3 is prepared and approved by 2017</p>	<p>Amount(\$ millions)</p> <p>Investment Program ADB MFF 163.70 MUB 96.00 Co financing60.30 Total 320.00</p> <p>Tranche 1 ADB ADF Loan 20.50 OCR Loan 27.50 UEIF-UFPF^a3.70 MUB 30.01 Co financing24.43 Total 106.14</p>	<p>The Tranche 1 investment 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 \$30.01 million mainly due to higher than anticipated LAR costs.</p>

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 = multitranches 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.

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)	63%	1.54%
Total	Imp. Progress:	27.17%

MAIN ACTIVITIES	2014				2015				2016				2017				2018				2019			
	Q1	Q2	Q3	Q4																				
SSF05 Construction of Kind'n, B. Incubator & Voc. Tr. Centre - Bayankhoshuu Subcenter																								
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																								

UPDATED PROCUREMENT PLAN

PROCUREMENT PLAN

Basic Data

Project Name: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1	
Project Number: 45007-004	Approval Number: 3098/3099/0380
Country: Mongolia	Executing Agency: Ulaanbaatar Municipal Government
Project Financing Amount: US\$ 104,520,000 ADB Financing: US\$ 50,000,000 Cofinancing (ADB Administered): US\$ 3,700,000 Non-ADB Financing: US\$ 50,820,000	Implementing Agency: N/A
Date of First Procurement Plan: 15 May 2013	Project Closing Date: 31 December 2019
	Date of this Procurement Plan: 1 September 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	Post 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 review, except for BSL09
Shopping for Works	Up to US\$ 100,000	Post review

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

2. 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	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
BEC13	Electricity and telecommunication network in Bayankhoshuu subcenter [to procured using ICB method]	2,518,000.00	NCB	Prior	1S1E	Q3 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Plant Comments: [35/10kV substation 1set; 35kV underground

							power supply cable L=4.3km; 10kV distribution facility-RP 1 set; 10/0.4kV indoor substation 2x630kVa 2 sets; 10kV underground power supply cable L=1.4km; telecom cabling 2.8km; 2 telecom substations]
BHF06	Heating network connection to Bayankhoshuu subcenter	3,600,000.00	NCB	Prior	1S1E	Q3 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works Comments: [Extension of the existing heating network DN700 mm L=3.3km]
BRDH11	Roads, heating network, and associated infrastructure in Bayankhoshuu subcenter (Phase 1)	6,977,000.00	ICB	Prior	1S1E	Q2 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works Comments: [Road B=11.6m L=2.85km; street lighting L=6.19km; drainage L=2.89km; heating pipelines L=5.19km; substation 6 sets; power line relocation L=10.06km; telecom relocation L=2.89km]
BRDH14	Roads, heating network, and associated infrastructure in Bayankhoshuu subcenter (Phase 2)	6,655,000.00	ICB	Prior	1S1E	Q2 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding

							Document: Small Works Comments: [Road B=11.6m B=20m L=3.61km; pipe culvert DN1000mm L=193.08m; street lighting L=7.05km; drainage L=3.65km; drainage canal work L=60.9m; heating pipelines L=2.39km; substation 6 sets; power line relocation L=6.93km; telecom relocation L=3.65km]
BSF05	(2 Lots) Kindergarten and business incubator and vocational training center in Bayankhoshuu subcenter Lot 1: Kindergarten in Bayankhoshuu subcenter Lot 2: Business incubator and vocational training center in Bayankhoshuu subcenter	2,678,000.00 1,318,000.00 1,360,000.00	NCB	Prior	1S1E	Q2 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works Comments: [Lot 1: kindergarten for 240 children; floor area 1,997sqm; playground 588sqm; Lot 2: BIVT center floor area 2,028sqm; open space 2,678sqm]
BSLS09	(2 Lots) Landscaping in Bayankhoshuu and Selbe subcenters	2,504,000.00	NCB	Post	1S1E	Q3 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works Comments: [Lot 1: landscaping 4.65ha; Lot 2:

	Lot 1: Landscaping in Bayankhoshuu subcenter Lot 2: Landscaping in Selbe subcenter	1,337,000.00 1,167,000.00					landscaping 3.01 ha including for both - road and square, natural stone pavement, rubber playground pavement, eco-tile pavement, solar battery for lighting, eco-toilet, children's park, planting]
SBR08	Construction work of three bridges (with 60, 30, and 24 meters) in Selbe subcenter	1,640,000.00	NCB	Prior	1S1E	Q1 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works Comments: [Bridge 60m, 30m, and 24m]
SEC13	Electricity and telecommunication network in Selbe subcenter [to procured using ICB method]	2,000,000.00	NCB	Prior	1S1E	Q3 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Plant Comments: [35/10kV substation 1 set; 35kV underground power supply cable L=1.9km; 10kV distribution facility-RP 1 set; 10/0.4kV indoor substation 2x630kWa 2 sets; 10kV underground power supply cable L=1.4km; telecom cabling 1.7km; 2 telecom substations]
SHF06	Design, supply, and installation of heating plant in Selbe	7,958,000.00	ICB	Prior	1S1E	Q3 / 2016	Prequalification of Bidders: N Domestic

	subcenter						Preference Applicable: N Bidding Document: Plant Comments: [25.2MW CFBC-type boiler (3 boilers)]
SRDH11	Roads, heating network, and associated infrastructure in Selbe subcenter (Phase 1)	8,057,000.00	ICB	Prior	1S1E	Q2 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works Comments: [Road B=11.6m L=3.625km; box culvert 1.2m x 1.5m L=52.74m; street lighting L=4.18km; drainage L=3.75km; embankment slope fixing 0.82km; heating pipelines L=4.51km; substation 8 sets; power line relocation L=7.85km; telecom cable relocation L=3.75km]
SRDH14	Roads, heating network, and associated infrastructure in Selbe subcenter (Phase 2)	6,984,000.00	ICB	Prior	1S1E	Q2 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works Comments: [Road B=11.6m L=1.92km; box culvert 1.2m x 1.5m L=41m; street lighting L=1.87km; drainage L=1.89km; drainage canal work pipe culvert L=50m; heating pipelines L=5.46km; substation 6]

							sets; power line relocation L=2.84km; telecom relocation L=1.89km]
SSF05	(2 Lots) Kindergarten and business incubator and vocational training center in Selbe subcenter	2,644,000.00	NCB	Prior	1S1E	Q3 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works Comments: [Lot 1: kindergarten for 240 children; floor area 1,997sqm; playground 506sqm; Lot 2: BIVT center floor area 2,028sqm; open space 2,344sqm]
	Lot 1: Kindergarten in Selbe subcenter	1,339,000.00					
	Lot 2: Business incubator and vocational training center in Selbe subcenter	1,305,000.00					

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

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

Package Number	General Description	Estimated Value	Recruitment 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	500,000.00	QCBS	Prior	Q2 / 2016	STP	Assignment: International Quality-Cost Ratio: 90:10 Comments: 90:10 based on original FAM

4. 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
PP01	Detailed design and construction of affordable housing pilot project in Selbe subcenter	600,000.00	1	NCB	Prior	1S1E	Q2 / 2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
CSBHF06A	Detailed design of extension of existing heating network	65,000.00	1	SSS	Prior	Q3 / 2017	BTP	Assignment: National

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
BFKA	Furniture and kitchen appliances for Bayankhoshuu kindergarten	50,000.00	1	SHOPPING	Post		
SFKA	Furniture and kitchen appliances for Selbe kindergarten	50,000.00	1	SHOPPING	Post		

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							
Package Number	General Description	Estimated Value	Awarded Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
WWOI	Design, Engineering, Supply, and Installation of Pump Equipment, SCADA System, Construction and Commissioning of Pumping Stations and Water Treatment Plant	3,700,000.00	3,370,000.00	ICB	Q1 / 2016	03-OCT-16	

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 Subcenter 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	

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				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments
BCM01: Sewage collector main in Bayankhoshuu subcenter	1,440,577.00	1	NCB	EIB-financed [L=4116m, DI pipes D450mm and D500mm]
BCM02: Works of sewage collector main in Bayankhoshuu subcenter	1,170,000.00	1	NCB	EIB-financed [L=2250m, DI pipes D600mm]
BSDF07: (2 Lots) Flood protection and embankment (combined for culverts and embankment Bayankhoshuu and Selbe subcenters)	1,719,000.00	2	NCB	EIB-financed [Lot 1: open channel L=23.km; Lot 2: open channel L=2.1km, culvert L=500m]
BSPE01: Water supply and sewage pipes in Bayankhoshuu and Selbe subcenters (Phase 1)	1,831,000.00	1	NCB	EIB-financed [steel pipe DN200mm-250mm and SRTP DN160mm-315mm L=11.07km; DI pipe DN200mm-250mm L=18.55km]
BSWR10: (2 Lots) Construction of water reservoirs and supply pipes in Bayankhoshuu and Selbe subcenters	4,422,000.00	2	NCB	EIB-financed [Lot 1: water reservoir V=1000m3, 2 pump stations, 3.3 km pipeline (SRTP 2xDN200mm L=1854.5m DN250 L=1483.5m; Lot 2: water reservoir V=1000m3, 1 pump station, 3.1 km pipeline (SRTP 2xDN200mm L=1620m DN250mm L=1527m)]
SCM03: Sewage collector main in Selbe subcenter	1,048,407.00	1	NCB	EIB-financed [L=2183m; DI pipes D400mm]
WSC16: Water supply and sewage connections in Bayankhoshuu and Selbe subcenters	4,000,000.00	1	NCB	EIB-financed
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	3,090,417.00	1	NCB	EIB-financed [supply and installation work including DI pipes DN600mm L=1685m; HDPE pipe DN900mm L=4010m]
WSNR17B: Extension of water supply main from Tasgan water reservoir to Western area water reservoir	2,633,333.00	1	NCB	EIB-financed [supply and installation work including HDPE pipes DN600mm L=7012m]
WSNR17C: Rehabilitation of sewerage network from school 14 to the central connector on the main road	230,833.00	1	NCB	EIB-financed [rehabilitation work of sewerage pipeline DI pipe DN400mm L=540m]
WWTPR01: Rehabilitation of the central wastewater treatment plant	3,187,500.00	1	NCB	EIB-financed [rehabilitation of aeration tanks; precast repair of 20 corridors of 5 aeration tanks; improvement of the concrete structure of 5 aeration tanks; and improvement of the air blowers, network and pumps, and renewal of the reservoir]

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Comments
None				

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]

2. The eligibility of bidders shall be as defined under section I of the Procurement Guidelines; accordingly, no bidder or potential bidder should be declared ineligible for reasons other than those provided in section I of the Guidelines, **as amended from time to time.**

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 on the basis of 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.

BIDDING AND CONTRACT AWARD SCHEDULE

As of **15 October 2017**

**ADB FINANCING
OCR Loan**

No.	Package Number	Contract Package	BASIC DATA		BID SUBMISSION DEADLINE		CONTRACT SIGNING			
			Estimated Amount (US\$)	Procurement Method	Anticipated	Actual	Anticipated	Actual	Actual Contract Price (\$)	
1	SBR08	Three bridges in Selbe Sub-Centre	1 640 000	NCB		13-Feb-17	10-Nov-17			BER being revised to incorporate ADB first set of comments.
2	BRDH11	Roads, heating network, and associated infrastructure in Bayankhoshuu Sub-Center (Phase 1)	6 977 000	ICB	26-Jun-17 28-Jun-17	6-Jul-17	10-Nov-17			Bidder have been requested to clarify. Clarifications expected on 17 October 2017.
3	BRDH14	Roads, heating network, and associated infrastructure in Bayankhoshuu Sub-Center (Phase 2)	6 655 000	ICB	26-Jun-17 28-Jun-17	18-Jul-17	10-Nov-17			BER being finalized- Clarifications expected on 16 October 2017.
4	SRDH11	Roads, heating network, and associated infrastructure in Selbe Sub-Center (Phase 1)	8 057 000	ICB	28-Jul-17	9-Aug-17	1-Dec-17			BER being finalized based on the clarifications provided by bidders.
5	SRDH14	Roads, heating network, and associated infrastructure in Selbe Sub-Center (Phase 2)	6 984 000	ICB	28-Jul-17	9-Aug-17	5-Oct-17		6 406 741	BER approved by ADB on 11 October 2017. Negotiations expected on 19 October 2017.
6	BHF06A	Heating Network connection to Bayankhoshuu Sub-Center	3 600 000	NCB	6-Oct-17	13-Oct-17				Bids (2) under evaluation.
7	SEC13	Electricity and Telecommunication Network in Selbe Sub-Center	2 000 000	ICB	1-Dec-17					ADB approved turnkey contract. Procurement through ICB required. BDs to be prepared based on BEC 13 BDs.
8	SHF06 (OCR)	Design, Supply and Installation of Heating Plant in Selbe Sub-Centre	7 958 000	ICB	15-Nov-16	30-Nov-16		17-Jul-17	6 710 530	ADB approved revised BER on 30 June 2017. Contract signed on 17 July 2017.

**ADB FINANCING
ADF Loan**

No.	Package Number	Contract Package	BASIC DATA		BID SUBMISSION DEADLINE		CONTRACT SIGNING			
			Estimated Amount (US\$)	Procurement Method	Anticipated	Actual	Anticipated	Actual	Actual Contract Price (US\$)	
9	BSF05 (ADF)	Kindergarten and Business Incubator Vocational Training Center in Bayankhoshuu Sub-Centers	Lot 1: 1,318,000	NCB	27-Jun-17	6-Jul-17	22-Sep-17	19-Sep-17	1 241 750	Contract signed on 19 Sept.2017
			Lot 2: 1,360,000				22-Sep-17	22-Sep-17	1 284 732	Lot 2: Contract negotiations on 8 September 2017. Contract signed on 22 September 2017
10	SSF05 (ADF)	Kindergarten and Business Incubator Vocational Training Center in Selbe Sub-Centers	Lot 1: 1,339,000 Lot 2: 1,305,000	NCB	9-Oct-17	9-Oct-17	31-Dec-17			Bid evaluation on ongoing
11	AHURP-PP01	Affordable Housing Pilot Project in Selbe Sub-Center	600 000	NCB	24-Mar-17	7-Apr-17	31-Dec-17			BER is being revised to incorporate ADB's comments. Of the three originally received only two bids would remain valid. Italian contractor withdrew.
12	BEC13	Electricity and Telecommunication Network in Bayankhoshuu Sub-Center	2 518 000	ICB	13-Nov-17					BDs submitted to ADB. Revised Bidding documents sent to ADB 12 October 2017.
13	BLS09 (ADF)	Landscaping in Bayankhoshuu and Selbe Sub-centers	Lot 1: 1 337 000 Lot 2: 1 167 000	NCB	1-Dec-17					Bidding documents being prepared.
14	BFKA/SFKA	Furniture and kitchen appliances for kindergarten in Byankhoshuu and Selbe subcenters	100 000	Shopping						

ADB FINANCING
Grant

No.	Package Number	Contract Package	Basic Data		Bid Submission Deadline		Contract Signing			
			Estimated Amount (US\$)	Procurement Method	Anticipated	Actual	Anticipated	Actual	Actual Contract Price (US\$)	
25	WVOI (Grant 0380-MON)	Design, Engineering, Supply and Installation of Pump Equipment, SCADA system, construction and commissioning of Pumping Stations and Water Treatment Plant	3 700 000	NCB	27-May-16	16-Jun-16		13-Oct-16	3 700 000	Variation 1 being processed. Draft VO1 sent to ADB on 31 May 2017

EIB FINANCING
CIVIL WORKS PACKAGES

No.	Package Number	Contract Package	Basic Data		Bid Submission Deadline		Contract Signing			
			Estimated Amount (US\$)	Procurement Method	Anticipated	Actual	Anticipated	Actual	Actual Contract Price (US\$)	
15	BSWR10	Construction of water reservoirs and supply pipes in Bayankhoshuu and Selbe sub-centers	Lot 1: 2,748,000	NCB		17-Jul-17	27-Oct-17		2 186 986	Lot 1: BER approved. Negotiations on 13 October 2017.
			Lot 2: 1,674,000			17-Jul-17	10-Nov-17			Lot 2: BER is being finalized.
16	WSC16	Water supply and sewage connections in Bayankhoshuu and Selbe sub-center	4 000 000	NCB	1-Dec-17		10-Jan-18			On hold pending decisions from communities. Block development - IPE consultants to act.
17	WWTPR01	Rehabilitation of the Central Wastewater Treatment Plant	3 187 500	NCB		7-Aug-17	30-Sep-17	14-Sep-17	3 035 087	Negotiations held on 12 Sep. 2017. Contract signed on 14 Sep. 2017
18	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	10-Aug-17	30-Aug-17	15-Dec-17			Bids (4) submitted on 30 Aug. 2017. Bid evaluation ongoing. BER being finalized.
19	WSNR17B	Extension of water supply main from Tasgan water reservoir to Western area water reservoir	2 633 333	NCB	15-Aug-17	10-Aug-17	15-Dec-17			Bids (3) submitted on 10 Aug. 2017. Bid evaluation ongoing. BER being finalized.
20	WSNR17C	Rehabilitation of sewerage network from school 14 to the central collector on the main road	230 833	NCB	15-Aug-17	15-Aug-17		11-Oct-17	236 187	Bids (3) submitted on 10 Aug. 2017. BER approved. Contract signed on 11 October 2017
21	BSDF07A	Flood Protection and Embankment (combined for culverts and embankment) Bayankoshuu and Selbe subcenters.	Lot 1: 756,000	NCB	15-Aug-17	15-Aug-17	1-Nov-17			Lot 1 Lot2: BERs being finalized. Contracts expected to be signed on 1 November 2017.
			Lot 2: 963,000							
22	NCB-BCM1	Sewage collector main in Bayankhoshuu sub-center	1 440 577	NCB		6-Apr-15		4-Mar-16	1 440 577	Completed contracts
23	NCB-BCM2	Works of sewage collector main in Bayankhoshuu sub-center	1 170 000	NCB		6-Apr-15		21-Jul-16	1 031 008	
24	NCB-SCM	Sewage collector main in Selbe sub-center	1 048 407	NCB		6-Apr-15		4-Mar-16	1 048 406	

GOODS
EIB FINANCING

No.	Source of Funding		Basic Data		Bid Submission Deadline		Contract Signing			
	Package Number	Contract Package	Estimated Amount (US\$)	Procurement Method	Anticipated	Actual	Anticipated	Actual	Actual Contract Price (US\$)	
26	BSPE	Water Supply and Sewage Pipes in Bayankhoshuu and Selbe Sub-Centers	1 831 000	NCB	3-Jul-17	17-Jul-17	1-Nov-17			BER being finalized, expected to be approved by 20 October 2017.

Tranche 1 – Investment Costs – Updated Estimates
 (\$ million)

	Estimated Costs \$ million	
	At Appraisal	As of 30 September 2017
A. Base Cost		
1. Expanded Roads and Urban Services		
1.1 Roads improvements	24.59	11.45
1.2 Water supply system improvement	12.39	25.26
1.3 Sewerage system improvement	13.31	3.57
1.4 Heating system expansion	30.14	23.69
1.5 Electricity and telecommunications improvement	-	4.52
1.6 Land acquisition and resettlement	-	13.87
Subtotal (1)	80.43	84.89
2. More efficient service providers	3.70	3.70
3. Increased economic and public services	5.00	8.37
4. Institutional strengthening and capacity development		
4.1 Program management implementation support	2.00	2.19
4.2 Strengthening service providers	0.50	0.50
4.3 Subcenter development and community engagement	1.50	1.50
Subtotal (4)	4.00	4.19
5. Detailed engineering design-construction supervision	-	4.09
Subtotal (A)	93.13	105.24
B. Contingencies	7.40	1.50
C. Financing charges during implementation	4.00	1.93
Total (A+B+C)	104.53	106.14

Investment Costs – Updated Estimates

**CIVIL WORKS AND GOODS
ADB FINANCING - OCR**

No.	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price	Road Improvement	Water Supply System Improvement	Sewerage System Improvement	Heating Services Expansion	Electricity and Telecom	Social Services	Housing
1	SBR08	Three bridges in Selbe Sub-Centre	1 640 000	Bridges	1 640 000,00		1 640 000						
2	BRDH11	Roads, heating network, and associated infrastructure in Bayankhoshuu Sub-Center (Phase 1)	6 977 000	Roads Sewerage Water Supply Heating Plants Heating Networks	2 095 795,50 857 141,20 381 136,20 - 3 642 927,10		2 095 796	381 136	857 141	3 642 927			
3	BRDH14	Roads, heating network, and associated infrastructure in Bayankhoshuu Sub-Center (Phase 2)	6 655 000	Roads Sewerage Water Supply Heating Plants Heating Networks	2 840 015,10 936 544,30 292 880,70 - 2 585 559,90		2 840 015	292 881	936 544	2 585 560			
4	SRDH11	Roads, heating network, and associated infrastructure in Selbe Sub-Center (Phase 1)	8 057 000	Roads Sewerage Water Supply Heating Plants Heating Networks	2 950 757,00 1 019 552,60 430 659,80 - 3 656 030,60		2 950 757	430 660	1 019 553	3 656 031			
5	SRDH14	Roads, heating network, and associated infrastructure in Selbe Sub-Center (Phase 2)	6 984 000	Roads Sewerage Water Supply Heating Plants Heating Networks	1 895 031,70 867 559,40 256 974,00 - 3 964 434,90	1 921 769,88 761 255,06 227 681,12 1 906 994,86 1 589 040,44	1 921 770	227 681	761 255	1 906 995 1 589 040			
6	BHF06A	Heating Network connection to Bayankhoshuu Sub-Center	3 600 000	Heating Networks	3 600 000,00					3 600 000			
7	SEC13	Electricity and Telecommunication Network in Selbe Sub-Center	2 000 000	Elect - Telecom.	2 000 000,00						2 000 000		
8	SHF06	Design, Supply and Installation of Heating Plant in Selbe Sub-Center	7 958 000	Heating Plant	7 958 000,00	6 710 530,00				6 710 530			
Subtotal							11 448 337	1 332 358	3 574 493	23 691 083	2 000 000		

ADB FINANCING - ADF

No.	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price	Road Improvement	Water Supply System Improvement	Sewerage System Improvement	Heating Services Expansion	Electricity and Telecom	Social Services	Housing
9	BSF05	Kindergarten and Business Incubator Vocational Training Center in Bayankhoshuu Sub-Centers	1 318 000,00		1 318 000,00	1 241 750,33						1 241 750	
			1 360 000,00		1 360 000,00	1 284 731,67						1 284 732	
10	SSF05	Kindergarten and Business Incubator Vocational Training Center in Selbe Sub-Centers	1 339 000,00		1 339 000,00							1 339 000	
			1 305 000,00		1 305 000,00							1 305 000	
11	BSLS09	Landscaping in Bayankhoshuu and Selbe Sub-centers	1 337 000,00		1 337 000,00							1 337 000	
			1 167 000,00		1 167 000,00							1 167 000	
12	AHURP-PP01	Affordable Housing Pilot Project in Selbe Sub-Center	600 000		600 000,00								600 000
13	BEC13	Electricity and Telecommunication Network in Bayankhoshuu Sub-Center	2 518 000		2 518 000,00						2 518 000		
14	BFKA/SFKA	Furniture and kitchen appliances for kindergaten in Bayankhoshuu and Selbe subcenters	100 000		100 000,00							100 000	
Subtotal							-	-	-	-	2 518 000	7 774 482	600 000

Investment Costs – Updated Estimates Civil Works and Goods

ADB FINANCING - GRANT

No.	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price	Road Improvement	Water Supply System Improvement	Sewerage System Improvement	Heating Services Expansion	Electricity and Telecom	Social Services	Housing
15	WWOI	Design, Engineering, Supply and Installation of Pump Equipment, SCADA system, construction and commissioning of Pumping Stations and Water Treatment Plant	3 700 000		3 700 000,00	3 370 000,00		3 700 000					
3 700 000							Subtotal	3 700 000					

EIB FINANCING - CIVIL WORKS

	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price	Road Improvement	Water Supply System Improvement	Sewerage System Improvement	Heating Services Expansion	Electricity and Telecom	Social Services	Housing
16	BSWR10	Construction of water reservoirs and supply pipes in Bayankhoshuu and Selbe sub-centers	2 748 000 1 674 000		2 748 000 1 674 000	2 186 985,54		2 186 986 1 674 000					
17	WSC16	Water supply and sewage connections in Bayankhoshuu and Selbe sub-center	4 000 000		4 000 000			4 000 000					
18	WWTPR01	Rehabilitation of the Central Wastewater Treatment Plant	3 187 500		3 187 500	3 035 087,05		3 035 087					
19	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		3 090 417			3 090 417					
20	WSNR17B	Extension of water supply main from Tasgan water reservoir to Western area water reservoir	2 633 333		2 633 333			2 633 333					
21	WSNR17C	Rehabilitation of sewerage network from school 14 to the central collector on the main road	230 833		230 833	236 178,32		236 178					
22	BSDF07A	Flood Protection and Embankment (combined for culverts and	756 000 963 000		756 000 963 000			756 000 963 000					
23	NCB-BCM1	Sewage collector main in Bayankhoshuu sub-center	1 440 577		1 440 577	1 440 577,00		1 440 577					
24	NCB-BCM2	Works of sewage collector main in Bayankhoshuu sub-center	1 170 000		1 170 000	1 031 008,00		1 031 008					
25	NCB-SCM	Sewage collector main in Selbe sub-center	1 048 407		1 048 407	1 048 406,00		1 048 406					
22 942 067							Subtotal	-	22 094 992	-	-	-	-

EIB FINANCING -GOODS

	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price	Road Improvement	Water Supply System Improvement	Sewerage System Improvement	Heating Services Expansion	Electricity and Telecom	Social Services	Housing
26	BSPE	Water Supply and Sewage Pipes in Bayankhoshuu and Selbe Sub-Centers	1 831 000		1 831 000			1 831 000					
1 831 000							Subtotal	-	1 831 000	-	-	-	-
Expanded Roads and Urban Services						Total cost	11 448 337	25 258 350	3 574 493	23 691 083	4 518 000		
More Efficient Service Providers						Total cost		3 700 000					
Increased Economic and Public Services						Total cost						7 774 482	600 000

**Investment Costs – Updated Estimates
 Consulting Services**

No.	Package Number	Contract Package	Estimated Amount (\$)	Actual Amount (\$)
1	CS1/CSDD	Detailed Engineering design, tendering and construction supervision	4 187 700	4 024 241
	CSBHF06A	Detailed design of extension of the Bayankhoshuu subcenter heating system	65 000	
Subtotal (1)			4 252 700	4 024 241
2	CS2/CSPM	Program management support services	1 250 000	1 278 575
	ICS1-3	Three international consultants	125 000	124 074
	ICS4-9	Six national consultants PMO support	37 000	35 493 750 000
Subtotal (2)			1 412 000	2 188 142
3	CSO1	Improved operations and management of service providers and institutional and regulatory reform	500 000	
4	CS3/CSCE	Community engagement and SME development	700 000	699 936
	CS4/CSSD	Improved urban planning and subcenter development	800 000	799 990
Subtotal (4)			1 500 000	1 499 926

REALLOCATION OF ADB LOAN PROCEEDS

Loan 3098-MON

No.	Item	Original Allocation (US\$)	ADB Disbursement Percentage	Proposed Reallocation (US\$)	ADB Disbursement Percentage	Revised Allocation (US\$)
1	Works	23,500,000		2,550,000		26,050,000
1A	Heat distribution networks**	4,949,010	55.00% of total expenditure claimed	8,500,990	64.10% of total expenditure claimed*	13,450,000
1B	Other works (excluding heat distribution networks)	18,550,990	69.60% of total expenditure claimed	(5,950,990)	55.50% of total expenditure claimed*	12,600,000
2	Interest and commitment charges	2,240,000	100.00% of total amount due	(790,000)	100.00% of total amount due	1,450,000
3	Unallocated	1,760,000		(1,760,000)		0
	Total	27,500,000		0		27,500,000

Loan 3099-MON(COL)

No.	Item	Original Allocation (SDR)	ADB Disbursement Percentage	Proposed Reallocation (SDR)	ADB Disbursement Percentage	Revised Allocation (SDR)
1	Works	7,414,000	100% of total expenditure claimed	497,000	100% of total expenditure claimed*	7,911,000
2	Detailed design and construction supervision	2,810,000	100% of total expenditure claimed	388,000	100% of total expenditure claimed*	3,198,000
3	Project Management Support and Administration	1,293,000	100% of total expenditure claimed	192,000	100% of total expenditure claimed*	1,485,000
4	Consulting Services	1,293,000	100% of total expenditure claimed	177,000	100% of total expenditure claimed*	1,470,000
5	Interest Charges	446,000	100% of total amount due	32,000	100% of total amount due	478,000
6	Unallocated	1,286,000		(1,286,000)		0
	Total	14,542,000		0		14,542,000

Financing Requirements

CIVIL WORKS AND GOODS ADB FINANCING - OCR

No.	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price Excl.VAT	VAT	Category	Financing %	ADB Financing	MUB Financing
1	SBR08	Three bridges in Selbe Sub-Centre	1 640 000	Bridges	1 640 000			1B	55,50%	827 455	812 545
2	BRDH11	Roads, heating network, and associated infrastructure in Bayankhoshuu Sub-Center (Phase 1)	6 977 000	Roads	2 095 796			1B	55,50%	1 057 424	1 038 371
				Sewerage	857 141			1B	55,50%	432 467	424 675
				Water Supply	381 136			1B	55,50%	192 301	188 836
				Heating Plants	-			1B	55,50%	-	-
				Heating Networks	3 642 927			1A	64,10%	2 122 833	1 520 094
3	BRDH14	Roads, heating network, and associated infrastructure in Bayankhoshuu Sub-Center (Phase 2)	6 655 000	Roads	2 840 015			1B	55,50%	1 432 917	1 407 098
				Sewerage	936 544			1B	55,50%	472 529	464 015
				Water Supply	292 881			1B	55,50%	147 772	145 109
				Heating Plants	-			1B	55,50%	-	-
				Heating Networks	2 585 560			1A	64,10%	1 506 676	1 078 884
4	SRDH11	Roads, heating network, and associated infrastructure in Selbe Sub-Center (Phase 1)	8 057 000	Roads	2 950 757			1B	55,50%	1 488 791	1 461 966
				Sewerage	1 019 553			1B	55,50%	514 411	505 142
				Water Supply	430 660			1B	55,50%	217 287	213 372
				Heating Plants	-			1B	55,50%	-	-
				Heating Networks	3 656 031			1A	64,10%	2 130 469	1 525 562
5	SRDH14	Roads, heating network, and associated infrastructure in Selbe Sub-Center (Phase 2)	6 984 000	Roads	1 895 032	1 766 251	155 519	1B	55,50%	980 269	941 501
				Sewerage	867 559	696 687	64 568	1B	55,50%	386 661	374 594
				Water Supply	256 974	208 370	19 311	1B	55,50%	115 645	112 036
				Heating Plants	-	1 745 248	161 747	1B	55,50%	968 613	938 382
				Heating Networks	3 964 435	1 454 262	134 779	1A	64,10%	932 182	656 859
6	BHF06A	Heating Network connection to Bayankhoshuu Sub-Center	3 600 000	Heating Networks	3 600 000			1A	64,10%	2 097 818	1 502 182
7	SEC13	Electricity and Telecommunication Network in Selbe Sub-Center	2 000 000	Elect - Telecom.	2 000 000			1B	55,50%	1 009 091	990 909
8	SHF06	Design, Supply and Installation of Heating Plant in Selbe Sub-Centre	7 958 000	Heating Plant	7 958 000	6 710 530	0,00	1B	55,50%	3 724 344	2 986 186

Total Cat.1 **22 757 954** **19 288 317**
Total Cat.1A **8 789 978**
Total Cat.1B **13 967 976**

Financing Requirements

CIVIL WORKS AND GOODS
ADB FINANCING - ADF

No.	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price Excl.VAT	VAT	Category	Financing %	ADB Financing	MUB Financing
9	BSF05	Kindergarten and Business Incubator Vocational Training Center in Bayankhoshuu Sub-Centers	1 318 000		1 318 000	1 137 958	103 792	1	100,00%	1 137 958	103 792
			1 360 000		1 360 000	1 195 930	88 802	1	100,00%	1 195 930	88 802
10	SSF05	Kindergarten and Business Incubator Vocational Training Center in Selbe Sub-Centers	1 339 000		1 339 000			1	100,00%	1 217 273	121 727
			1 305 000		1 305 000			1	100,00%	1 186 364	118 636
11	BSLS09	Landscaping in Bayankhoshuu and Selbe Sub-centers	1 337 000		1 337 000			1	100,00%	1 215 455	121 545
			1 167 000		1 167 000			1	100,00%	1 060 909	106 091
12	AHURP-PP01	Affordable Housing Pilot Project in Selbe Sub-Center	600 000		600 000			1	100,00%	545 455	54 545
13	BEC13	Electricity and Telecommunication Network in Bayankhoshuu Sub-Center	2 518 000		2 518 000			1	100,00%	2 289 091	228 909
14	BFKA/SFKA	Furnitue and kitchen appliances for kindergaten in Bayankhoshuu and Selbe subcenters	100 000		100 000			1	100,00%	90 909	9 091
Total										9 848 433,41	953 140

Financing Requirements

CIVIL WORKS AND GOODS ADB FINANCING - GRANT

No.	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price Excl.VAT	VAT	Category	Financing %	ADB Financing	MUB Financing
15	WVOI	Design, Engineering, Supply and Installation of Pump Equipment, SCADA system, construction and commissioning of Pumping Stations and Water Treatment Plant	3 700 000		3 700 000	3 583 952	0,00		100,00%	3 583 952	

Total 3 583 952

EIB FINANCING - CIVIL WORKS

No.	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price Excl.VAT	VAT	Category	Financing %	EIB Financing	MUB Financing
16	BSWR10	Construction of water reservoirs and supply pipes in Bayankhoshuu and	2 748 000		1 930 393	1 930 393			100,00%	1 930 393	256 593
			1 674 000		1 674 000			100,00%	1 674 000		
17	WSC16	Water supply and sewage connections in Bayankhoshuu and Selbe sub-center	4 000 000		4 000 000				100,00%	4 000 000	
18	WWTPR01	Rehabilitation of the Central Wastewater Treatment Plant	3 187 500		3 187 500	2 778 494	256 593		100,00%	2 778 494	256 593
19	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		3 090 417				100,00%	3 090 417	
20	WSNR17B	Extension of water supply main from Tasgan water reservoir to Western area water reservoir	2 633 333		2 633 333				100,00%	2 633 333	
21	WSNR17C	Rehabilitation of sewerage network from school 14 to the central collector on the main road	230 833		230 833	236 178	17 248		100,00%	236 178	17 248
22	BSDF07A	Flood Protection and Embankment (combined for culverts and	756 000		756 000				100,00%	756 000	
			963 000		963 000			100,00%	963 000		
23	NCB-BCM1	Sewage collector main in Bayankhoshuu sub-center	1 440 577		1 440 577				100,00%	1 440 577	
24	NCB-BCM2	Works of sewage collector main in Bayankhoshuu sub-center	1 170 000		1 170 000				100,00%	1 170 000	
25	NCB-SCM	Sewage collector main in Selbe sub-center	1 048 407		1 048 407				100,00%	1 048 407	

Subtotal 21 720 800 530 433

EIB FINANCING -GOODS

No.	Package Number	Contract Package	Estimated Amount (US\$)	Scope of Works	Estimated Amount	Actual Contract Price Excl.VAT	VAT	Category	Financing %	EIB Financing	MUB Financing
26	BSPE	Water Supply and Sewage Pipes in Bayankhoshuu and Selbe Sub-Centers	1 831 000		1 831 000				100,00%	1 831 000,00	

Subtotal 1 831 000,00
Total EIB financing 23 551 799,78

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 Borrowers 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 Borrowers shall enable ADB' representatives to in respect 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 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 here of 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. Dalai Van Audit LLC audited the 2014 and 2015 financial statements. 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 the mon 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) here in above, 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 or 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 short fall, 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 short fall, 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 the render 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 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. Not with standing any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the Subsidiary Loan Agreement, inform 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 up on the parties there to in accordance with its terms.	December 2014	Complied. Relending agreement signed on 11 December 2014.
LA Sch. 2 (OCR) LA	8 (OCR)	Not with standing any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for Works that relate to the EIB- financed components of a Sub project until the Borrower has	December 2014	Complied. EIB Loan Agreement has been signed on

Sch.3 (ADF)		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	The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively. 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.	Throughout implementation period	Being complied.
LA Sch. 4 (ADF)	3,4	Goods and Works. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the method of procurement set forth below: International Competitive Bidding. The method of procurement is subject to, among other things, the detailed arrangements and the hold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or the hold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.	Throughout implementation period	Being complied. The PMO will seek ADB approval for any change in the Procurement Plan.
LA Sch. 4 (ADF)	5	National Competitive Bidding. 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.	Throughout implementation period	Being complied. The Procurement Plan is being revised to include NCB packages for approval by ADB.
LA Sch. 4 (ADF)	6	Conditions for Award of Contract. The Borrower shall not award any Works contract for a Sub project, 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	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 Sub project, which involves in voluntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final RP for such Sub project 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 with in 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 perspective 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 contract or 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 for thin 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.5	4	Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the	Throughout implementation	Being complied.

(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 Borrowers 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 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 EE, 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 people risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, other 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 RP 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 was delivered in August 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 equally to men and women for work of equal type; (iv) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities formal and female worker and 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 finance 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. 5 (ADF)	13	Gender and Development. The Borrower shall cause MUB to ensure that the social action plan (SAP) and gender action plan (GAP) inform 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 the purposes. Specific social-and gender-related measures and activities undertaken during Project implementations shall be reported in the Project Performance Monitoring Report.	Throughout implementation period	Being complied.
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 in to 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 concern in gover all 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 in to road infrastructure to ensure safety, security, mobility and access; (ii) serves at least 1, 000 beneficiaries of which at least 50 % are women forth vocational training; (iii) assesses affordability and potential for creating subsidies on the tariff reform; (iv) ensures that the CDC sand SD Carefully 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,	Throughout implementation period	Being complied. Anticorruption training/ seminar held for executing and implementing

		fraudulent, collusive or coercive practice relating to the Project and Facility; and (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.		agencies in Ulaanbaatar in Oct 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 their cords 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 private's 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.	23	The Borrower shall cause MUB to ensure that the Works contractors take necessary actions to avoid	Throughout implementation	Being complied. National

5 (ADF)		interruptions to water supply, heating and other utility services during the construction under the Project.	period	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 and 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	No later than 2016 fiscal year	Being complied.

		fiscal year, to ensure the financial viability of the project investments; (b) commencing no later than 2016 fiscal 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 co financing 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 Schedule 1 to the Grant Agreement, as such Schedule maybe amended from time to time by agreement between the Recipient and ADB.	Throughout implementation period	Being complied.
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 on 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	Throughout implementation period	To be complied.

		Project with the auditors appointed pursuant to subsection (a) (iii) herein above, 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 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 Projector 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	Throughout implementation period	Being complied.

		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 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	Throughout implementation period	Being complied.

		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 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	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

		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.		2014/2015 financial statements were completed. The auditing 2016 financial statements from were 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 on the 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 the relevant 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 2014/2015 audit 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	Throughout implementation period	Being complied.

		and renewals thereof, all in accordance with sound 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.