

AGREEMENT

BETWEEN

THE GOVERNMENT OF

THE REPUBLIC OF AUSTRIA

AND

THE GOVERNMENT OF MONGOLIA

ON

FINANCIAL CO-OPERATION

The Government of the Republic of Austria, represented by the Federal Minister of Finance, and the Government of Mongolia, represented by the Minister of Finance, hereunder called the "Contracting Parties",

- desiring to promote further the close and friendly relations existing between the two countries,
- desiring to extend and deepen the co-operation,

have agreed as follows:

Article 1

1.1. The Contracting Parties will endeavour, within the framework of their respective existing laws, regulations and policies as well as their international obligations to promote and expand financial co-operation.

Article 2

2.1. For the purpose of promoting and expanding financial co-operation, the Austrian Federal Minister of Finance is prepared to support the provision of concessional credits, refinanced by Oesterreichische Kontrollbank Aktiengesellschaft (OeKB), Vienna, through commercial banks under the Export Financing Scheme. An indicative financial framework amount of up to EUR 40.000.000,- (Euro forty million) is envisaged for the financing of projects pursuant to Article 4 of the present Agreement.

Article 3

3.1. Austrian concessional financing is principally offered as tied aid financing in the form of pre-mixed credits subject to a minimum concessionality requirement.

3.2. The terms and conditions of the tied aid credits will be set in accordance with international obligations such as the "Arrangement on Officially Supported Export Credits" under the auspices of the OECD and the Debt Limits Framework of the IMF, as applicable. Accordingly, the concessionality level will be at least 35 % for tied aid credits. The indicative terms and conditions as per January 15, 2016 include a repayment period of eighteen (18) years, which includes a five (5) year grace period, an interest rate of zero (0) percent per annum as well as a reduction of guarantee charges and other financing costs.

3.3. The Contracting Parties note that the terms and conditions are subject to change due to the annual resetting of the discount rate under the auspices of the OECD or possible modifications of the relevant IMF- discount rates, and may be further subject to change due to the OECD country risk classification.

Article 4

4.1. A project list shall be worked out starting from the date of the entry into force of the present Agreement, periodically updated and exchanged between the Contracting Parties.

4.2. The eligibility of projects to be financed under the present Agreement, will be appraised taking into consideration the ex-ante guidance/experiences gained under the "Helsinki" tied aid disciplines and national allocation criteria, as applicable.

4.3. Based on experiences under the "Helsinki" tied aid disciplines with respect to financially non viable projects, the following projects/sectors will be considered for concessional financing:

- Infrastructure
- Municipal water and sanitation
- Waste and sewage
- Traffic safety and railways
- Education and vocational training
- Health and civil protection (such as municipal/local fire fighting and emergency warning)
- Agriculture

Article 5

5.1. Project procurement is to be made in accordance with the Mongolian laws and regulations.

Article 6

6.1. Loan agreements, refinanced by OeKB are negotiated and concluded directly between commercial banks as lenders and the Government of Mongolia represented by the Ministry of Finance as borrower.

Article 7

7.1. Projects to be financed and included under the present Agreement shall be agreed upon through exchange of letters between the Ministry for Finance of Mongolia and the Federal Ministry of Finance of the Republic of Austria.

It shall be effected in a consecutive manner during a period of up to 24 months starting from the date of the entry into force of the present Agreement. Projects under negotiation before the entry into force of the present Agreement may also be included.

Article 8

8.1. Tied aid loans, extended under the present Agreement, are to be utilized for the purchase of Austrian goods and services, which may include up to 50 % goods and services originating outside Austria.

Article 9

9.1. The Government of Mongolia represented by the Ministry of Finance hereby irrevocably and unconditionally guarantees the fulfillment of all payments resulting from the present Agreement and irrevocably waives any claim to immunity it might be entitled to in respect of payments guaranteed under the present Agreement.

Article 10

10.1. Goods and services, procured under concessional loans officially supported by the Austrian export financing system, shall be exempt from the value added taxes and import tax within the territory of Mongolia.

10.2. Tax exemptions to be applied to payments by the borrower under concessional loans officially supported by the Austrian export financing system shall be regulated by the "Convention between the Republic of Austria and Mongolia with respect to taxes on income and on capital" dated July 3, 2003.

Article 11

11.1. The Contracting Parties shall review the progress of the present Agreement, discuss updates and agree on any other matters arising on an annual basis or whenever deemed necessary.

Article 12

12.1. In order to evaluate the use of the concessional loans, under the present Agreement and the sustainability of the corresponding projects, the Government of Mongolia will facilitate the provision of all necessary documentation for evaluation, auditing and monitoring of the projects.

Article 13

13.1. Any disputes between the Contracting Parties concerning the interpretation and/or implementation of the present Agreement shall be settled amicably through diplomatic channels.

Article 14

14.1. The present Agreement will enter into force on the first day of the month following the month in which the Contracting Parties have notified each other of the fulfillment of all procedures necessary in their respective country.

14.2. The present Agreement shall remain in force for a maximum period of two (2) years.

14.3. The present Agreement may at any time be terminated by one Contracting Party with a six month notice period from the date of notice of the termination. The termination shall not affect the obligations of the Contracting Parties under Articles 4 and 8 already entered into pursuant to the present Agreement.

Done at Vienna on 6 June 2016 and at Ulan Bator on 10 June 2016 in duplicate in the German, Mongolian and English languages, all three texts being equally authentic. In case of divergent interpretations of German and Mongolian texts, the English text shall prevail.

For the Government of the
Republic of Austria
represented by the
Federal Minister of Finance

Johann Georg Schelling m.p.

For the Government of Mongolia
represented by the
Minister of Finance

Bolor Bayarbaatar m.p.