

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 11 June 2025¹

MONGOLIA

GRCF3 W2 – PROJECT NCC

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

CVD	Cardiovascular Diseases
DALY	Disability Adjusted Life Years
E&S	Environmental and Social
EDGE	Excellence in Design for Greater Efficiencies
EIRR	Economic Internal Rate of Return
EPC	Electronic Power Control
ESAP	Environmental and Social Action Plan
ETI	Expected Transition Impact
FIDIC	International Federation of Consulting Engineers
FTP	Fund Transfer Pricing
GBVH	Gender Based Violence and Harassment
GCAP	Green City Action Plan
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gas
GrCF	Green Cities Framework
HIF	Health Insurance Fund
IFI	International Financial Institution
LCP	Low Carbon Pathways
MNT	Mongolian Tugrik
NCC	National Cardiovascular Centre
NDC	Nationally Determined Contribution
PIP	Priority Investment Programme
PIS	Project Implementation Support
PIU	Project Implementation Unit
PP&R	EBRD's Procurement Policies and Rules
PPAD	Procurement Policy and Advisory Department
PR	Performance Requirement
PSD	Project Summary Document
RAROC	Risk Adjusted Return of Capital
TC	Technical Cooperation
TCSH	Third Central State Hospital
TI	Transition Impact

CURRENCY CONVERSION

(as of 31.01.2025)

USD 1 = MNT 3,451.70

EUR 1 = USD 1.0397

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Mongolia (the “Borrower”) are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Borrower of up to *USD 34.9 million (EURO 33.5 million equivalent)* for the benefit of the Ministry of Health of Mongolia.

The operation will enable the Government of Mongolia to construct a new energy efficient cardiovascular facility in Ulaanbaatar, Mongolia (“Project”). The expected transition impact of the Project will come from “Green” quality by improving energy performance of the new healthcare facility buildings and also from the “Inclusive” quality by enhancing access to high quality cardiovascular services for the local population. The Project qualifies for 100 per cent GET as the buildings achieve energy performance class A+ level and is a follow-on project under the Green Cities Framework.

Pre-signing and post-signing TC support for the Individual Procurement Advisory support and Project Implementation Support are proposed to be financed by an international donor or the EBRD Shareholder Special Fund (“SSF”).

I am satisfied that the operation is consistent with the Bank’s Strategy for Mongolia, the Green Economy Transition Approach 2021-2025, the Infrastructure Sector Strategy, the Equality of Opportunity Strategy, the Strategy for the Promotion of Gender Equality, and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

MONGOLIA – Project NCC - DTM 55677 Framework: Green Cities 3 - Window II - DTM 55845	
Transaction / Board Decision	<p>Board approval² is sought for a sovereign loan of up to USD 34.9 million (EUR 33.5 million) in favour of Mongolia to construct a new energy efficient cardiovascular healthcare facility with a capacity of around 120 beds in the capital city Ulaanbaatar, Mongolia (“the Project”).</p> <p>The proposed investment will address Ulaanbaatar’s priority environmental challenges as identified in the Ulaanbaatar Green Cities Action Plan (“GCAP”), which was approved by the city in December 2019. The Project is a follow-on investment proposed under the Green Cities Framework 3 Window II (“GrCF3 W2”).</p>
Client	Mongolia is the Borrower. The Ministry of Health of Mongolia is the beneficiary.
Main Elements of the Proposal	<p><u>Transition impact</u></p> <p>Primary Quality - Green. The Project enhances energy efficiency in the new hospital buildings with improved approaches for indoor environment, energy and water efficiency while integrating climate change adaptation solutions into the design.</p> <p>Secondary Quality – Inclusive. The Project expands access to high-quality cardiac care in Mongolia, reducing reliance on overseas treatment while expanding teaching, training, and telemedicine to strengthen regional healthcare networks and improve access for underserved rural populations.</p> <p><u>Additionality</u></p> <p><i>Financing Structure:</i> The Bank will reduce the funding gap for financing new public healthcare facilities in Mongolia. <i>Risk mitigation:</i> The Project will adapt public health infrastructure to the effects of climate change and contribute to mitigation activities. <i>Standard-setting:</i> The Project aims to build a sustainable energy efficient cardiovascular hospital. <i>Gender SMART:</i> the Bank will help set higher standards for gender equality.</p> <p><u>Sound banking</u> – The transaction is a sovereign loan to Mongolia. The Bank’s Standard Terms and Conditions apply.</p>
Key Risks	<p><u>Borrower’s creditworthiness:</u> Mongolia is a creditworthy borrower, rated B+/positive by S&P, B+/stable by Fitch, and B2/stable by Moody’s. Mongolia’s economy remains sensitive to commodity prices and demand shocks, however, abundant mineral resources ensure its high medium-term growth potential.</p> <p><u>Cost overrun risk:</u> The Bank’s PP&R will be used to mitigate risks of overruns and ensure the expected completion timing is met. [REDACTED]</p>
Strategic Fit Summary	The Project promotes energy efficiency and climate resilience in buildings. It is a follow-on project under Green Cities Framework. It is aligned with (i) the Green Economy Transition Approach 2021-2025, (ii) the Infrastructure Sector Strategy, (iii) the Country Strategy for Mongolia, (iv) the Equality of Opportunity Strategy, (v) Strategy for the Promotion of Gender Equality and is considered aligned with the goals of the Paris Agreement.

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	<p>A sovereign loan of up to USD 34.9 million (EUR 33.5 million) to Mongolia (the “Borrower” or the “Client”) for the benefit of the Ministry of Health (the “MoH” or the “Project Executing Agency”). The Project will be implemented by the MoH. The EBRD loan will be co-financed by a [REDACTED]government contribution.</p> <p>The Project will be the third follow-on investment in Ulaanbaatar, following the adoption of the GCAP in December 2019. The Project is presented under the GrCF3 W2, addressing the critical environmental challenge of air quality through climate mitigation measures focused on energy efficiency.</p>
Existing Exposure	To Mongolia: EUR 284 million of sovereign portfolio (7 projects). Operating assets are EUR 110 million.
Maturity / Exit / Repayment	The loan tenor is 18 years [REDACTED].
Potential AMI eligible financing	None.
Use of Proceeds – Description	The loan proceeds will be used to finance construction of a healthcare facility in Ulaanbaatar, Mongolia.
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	<ul style="list-style-type: none"> • Mongolia as the Borrower. • Ministry of Health as the Project Executing Agency. • The Third Central State Hospital (“TCSH”) as the Project Company.
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign loan.
Other material agreements	None.
Associated Donor Funded TC and Blended Concessional Finance	<p>A. Technical Cooperation (TC)</p> <p>Pre-signing: TC 1: Individual Procurement Advisor to assist the Project Executing Agency with advance procurement of the PIS consultant, with estimated costs of up to EUR 50,000, to be proposed for funding to international donors or the SSF.</p> <p>Post-signing: TC 2: Project Implementation Support to assist the Project Executing Agency and the PIU with the Project’s implementation [REDACTED] to be proposed for funding to international donors or the SSF.</p> <p><i>Client contributions:</i> The Client plans to make a financial contribution for the Project sourced from state budget funds, financial aid from the Grand Duchy of Luxembourg or other donors to cover the operating and administrative costs of the PIU, procurement of medical equipment for the new hospital, and the fees of the Construction Supervision.</p>

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Cardiovascular disease (CVD) remains the leading cause of mortality in Mongolia, significantly impacting public health and economic development. Reducing mortality from cardiovascular diseases and cancer is one of clear objectives included in the country's Long-Term Development Policy (Vision 2050). In line with this goal, the Ministry of Health intends to build a new, dedicated healthcare facility in Ulaanbaatar to provide advanced cardiac care to patients in the city and countrywide.

The National Cardiology Center ("NCC") at the Third Central State Hospital ("TCSH") serves as the primary referral centre for advanced cardiac care and mitigating outbound medical tourism by treating thousands of patients domestically. Despite these efforts, gaps in advanced medical infrastructure, long waiting times, and limited capacity compel many Mongolians to seek costly treatment abroad. This highlights the urgent need for substantial investment in NCC's infrastructure, technology, and workforce to address the escalating CVD burden and reduce reliance on foreign healthcare. Implementation of the Project aims to address the issue.

The new healthcare facility in Ulaanbaatar is characterised by high energy performance and its design meets the requirement of national energy performance class A+ which is three classes above the minimum national requirements. Additionally, the Project aligns with the green building certification EDGE. The Project will be a follow-on project under the Ulaanbaatar GCAP. It will help the city deliver on the Ulaanbaatar GCAP actions items related to energy efficiency in buildings with the goal to achieve energy certification for both retrofitted and new buildings. The Project also integrates climate resilience measures, aligning with Mongolia's NDC³ adaptation priorities for public health by "Strengthen[ing] the readiness and capacities of health institutions and organizations to respond to public health risks induced by climate change".

To date, the Bank has provided finance in the health sector mostly through loans to private sector counterparties, while the two precedents in the public sector are Turkey Hospital Equipment Emergency Response project and Mongolia Darkhan Hospital Project.

In contrast to loans to private borrowers, loans to public sector entities, including EBRD's sovereign member states, shall be *"for the reconstruction or development of infrastructure...necessary for private sector development and the transition to a market-oriented economy."*

The Project involves the construction of a hospital building and therefore the development of a physical health care asset traditionally thought of as infrastructure. Under Article 11.1(v) of the AEB, such infrastructure must also advance private sector development and transition to a market-oriented economy. The Project, which is to a large extent similar to the Darkhan Hospital Project, will help advance private sector development through the following:

- Enhanced access to quality healthcare will significantly boost the productivity of the workforce, reduce absenteeism, and foster a more resilient and efficient labour force.

³ Mongolia's NDC available at <https://unfccc.int/sites/default/files/NDC/2022-06/First%20Submission%20of%20Mongolia%27s%20NDC.pdf>

Improved healthcare infrastructure not only alleviates the economic burden of disease but also creates a more stable and attractive environment for private sector investment. A healthier workforce contributes to increased labour participation and overall efficiency, benefiting industries across the economy by driving higher output and competitiveness.

- The construction and operation phases of the Project will generate substantial demand for local suppliers, contractors, and service providers. This will stimulate private sector activity in sectors such as construction and medical equipment. Furthermore, private sector suppliers - including those providing catering, pharmaceuticals and IT services - along with businesses serving project employees and customers (such as cafes and shops) will require additional staff, creating new job opportunities and further bolstering the local economy.
- The Project will have a knowledge transfer element through the introduction of nature-based solutions such as green roofs, rain gardens, solar panels, and energy-efficient building materials, within the facility's design. These innovations, which are not yet widely utilised in the country, will set a new benchmark for sustainable building practices. Local construction companies who participate in the construction of the facility will gain valuable expertise in these innovative practices. This will enable them to compete in future projects that require green-building certifications such as EPC A+ and sustainable solutions, strengthening their ability to meet the growing demand for eco-friendly construction in local market.
- With the expansion of training facilities, the NCC is projected to substantially increase the number of training of professionals [REDACTED]. The increasing number of skilled professionals will directly address the rising demand for specialised cardiovascular care. By ensuring a steady supply of highly trained talent, the NCC will support the expansion and innovation of private healthcare providers, ultimately driving improvements in patient care and contributing to the overall growth of the private sector.
- Additionally, the Project will achieve an energy performance class A+, three levels above the national requirements. It will contribute to Mongolia's climate change mitigation targets [REDACTED]. Such considerable energy savings would result in increased energy availability for the private sector.

The Project aligns with the Infrastructure Sector Strategy 2025-2029, supporting climate action and resilience by promoting “low-carbon/zero carbon infrastructure, by pursuing energy efficiency” and “high-standard, risk-based project preparation that considers both current and future climate change impacts and vulnerabilities related to natural disaster and other physical hazard”. The Project also advances Critical Action 5, "Deepening Climate Action in Cities," by integrating Nature-Based Solutions, including green roofs and rain gardens to enhance well-being and improve rainwater management. It contributes to Critical Action 2, "Broaden Access to High-Standard, Affordable Services," by “creating improved access to public services to promote economic development and social inclusion.” This objective aligns with the Bank's Equality of Opportunity Strategy.

The Project aligns well with the Country Strategy for Mongolia as it focuses on “increased energy and resource efficiency and climate resilience”. The Project aims to promote sustainable building practices and encourage the development of green buildings. This makes the Project consistent with the Bank's Green Economy Transition Approach 2021-2025 and its “green buildings” thematic area aim to “accelerate the decarbonisation of buildings”.

This Project also contributes to many UN Sustainable Development Goals (SDGs), namely: *SDG 3: Good Health and Well-being, SDG5: Gender Equality, SDG 6: Clean Water and Sanitation, SDG 7: Affordable and Clean Energy, SDG 9: Industry, Innovation and Infrastructure, SDG 11: Sustainable Cities and Communities, SDG 12: Responsible Consumption and Production, SDG 13: Climate Action, and SDG 17: Partnerships for the Goals.*

1.2 TRANSITION IMPACT

The GrCF3 represents a strategic and multi-project approach seeking to help identify and address climate and environmental challenges in selected cities in our countries of operation. The primary goal is to achieve significant climate and environmental improvements as well as promote the **Green** transition quality within the relevant cities. In addition to the environmental objective, the GrCF3 also promotes sustainable cities through inclusive, resilient, well-governed and smart urban development. Depending on which area can generate the strongest and most relevant transition impact, **Well-governed, Inclusive, Resilient, Competitive or Integrated** will be pursued and presented as the secondary transition quality for sub-Projects under the framework. Relevant follow-on sub-Projects might have only one quality (Green). These transition objectives are supported by the development and implementation of a city-specific Green City Action Plan (“GCAP”). This aims to identify climate and environmental challenges, facilitate better coordination and buy-in among stakeholders as well as help prioritise and develop the best ways to address the climate and environmental challenges through targeted investment, services and policy instruments.

The Project will primarily help to promote the **Green** transition quality. A follow-on project under the Ulaanbaatar GCAP⁴, it will finance the construction of a new public healthcare facility. The building will achieve a national energy performance class A+ (three levels above the minimum requirement). The Project will be one of the first in its kind in the country designed with improved approaches for indoor environment, energy and water efficiency and set a new benchmark for sustainable public health infrastructure in Mongolia. The Project is expected to achieve substantial energy efficiency benefits, including a [REDACTED] reduction in primary energy consumption, a [REDACTED] decrease in water usage compared to baseline levels, and a [REDACTED] reduction in fossil fuel energy consumption through the integration of solar panels, thus the Project is eligible for inclusion under EBRD Green Cities. The Project’s design also incorporates Nature-Based Solutions. This includes green roofs and rain gardens, to reduce the heat island effect and mitigate heavy rainfall and flooding. Additionally, it features the planting of drought-resistant species, enhancing biodiversity and attracting local fauna to support a resilient ecosystem. The Project will address the critical environmental challenge of air quality through climate mitigation measures. It will also help the City deliver the GCAP action which focuses on energy efficiency in buildings, with the goal to achieve energy certification for both retrofitted and new buildings. In addition to sustainable and energy-efficient building standards, the Project will address further priorities identified in the GCAP, namely biodiversity, and adaptation of the built environment.

The Project will support the **Inclusive** objective by addressing Mongolia’s critical need for equitable access to high-quality cardiac care through the construction of a up to 120-bed facility for the NCC. Cardiovascular disease (CVD) is the leading cause of mortality in Mongolia, threatening public health and imposing severe economic costs, reducing workforce productivity and placing financial strain on households and businesses. Despite the urgent need, access to specialised cardiac care remains limited, particularly for rural populations

⁴ Available at https://ebrdgreencities.com/assets/Uploads/PDF/Ulaanbaatar-GCAP_Eng.pdf

outside the capital, forcing many patients to seek costly treatment abroad. The new facility will directly address this gap by significantly enhancing the NCC's capacity to provide advanced cardiac treatments domestically. Additionally, it will expand teaching and training, and strengthen regional healthcare networks through expanded telemedicine programmes to improve access for underserved rural populations. Designed in line with universal design standards and best practices, the facility will ensure accessibility for all, including people with disabilities, the elderly, and caregivers. By expanding timely, high-quality cardiac care, the Project will reduce income loss, keep caregivers in the workforce, and ease financial strain on households and employers. Beyond individual health, investing in cardiac care will strengthen Mongolia's economy by fostering a healthier, more productive workforce. The Project is also **Gender SMART**, supporting TCSH in developing and implementing an Equal Opportunities Action Plan, aligned with Mongolia's National Gender Equality Action Plan. This will increase female leadership, attract more men to nursing, and encourage women into male-dominated fields.

Delivery risks: Delivery risks to transition impact relate to: (i) physical implementation of the Project, and (i) implementation of the ESAP actions and recommendations. These risks are mitigated by provision of donor-funded technical assistance to the PIU to close the experience and capacity gaps in procurement, E&S reporting and to ensure tight construction supervision.

1.3 ADDITIONALITY

Identified triggers	Description
No triggers identified	n/a
Additionality sources	Description of additionality sources
Financing Structure: - EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions , e.g. a longer grace period. Such financing is necessary to structure the project - EBRD investment is needed to close the funding gap . At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them.	- EBRD will provide a loan with an 18-year tenor[REDACTED]. As the Mongolian banking sector is still maturing, long-term financing options, particularly those with extended grace periods, are not readily available from commercial banks. - EBRD's investment in the construction of a healthcare facility is a vital intervention that complements the efforts of other IFIs while addressing critical gaps in Mongolia's healthcare infrastructure. Although the Government's strategic objective is to attract private investment to finance healthcare infrastructure, the Government did not manage to find an investor for the Project. EBRD will fill in the funding gap and complement parallel investment by other IFIs, which is gradually increasing, thereby contributing to the development of a more resilient healthcare system in Mongolia.
Risk mitigation: - EBRD helps the client to mitigate carbon transition risks and take climate action, such as to move along a low carbon transition pathway. - EBRD helps the client to mitigate physical transition risks and take climate action, such as to identify and manage physical climate risks and build resilience to them.	- The Project will contribute to Mongolia's climate change mitigation targets by delivering primary energy demand reduction [REDACTED] and reducing GHG emissions[REDACTED]. - The Project site is exposed to physical climate risks, such as flash floods and extreme temperature events. To mitigate these risks a set of adaptation measures has been introduced in the Project's design. This includes advanced indoor temperature and air quality control systems, shading elements, water efficient equipment and rainwater harvesting systems, landscaping with drought resistant plants, permeable surfaces (e.g. rain gardens). See Green Assessment (Annex 1) for more details.
Standard-setting: helping projects and clients achieve higher	- The Project aims to construct a state-of-the-art cardiovascular healthcare facility with enhanced energy efficiency. Its design meets

<p>standards:</p> <ul style="list-style-type: none"> - Client seeks/makes use of EBRD expertise over energy and resource efficiency and climate resilience financing via provision of energy and climate audits, minimum performance standards of technologies, climate-related strategies and policies, monitoring, reporting and verification (MRV) systems etc. - Client seeks/makes use of EBRD expertise on best international procurement standards. <p>GENDER SMART: Client seeks/makes use of EBRD expertise for the adoption of gender standards and/or equal opportunities action plans</p>	<p>the national energy performance Class A+ standard, which is three levels above the minimum Class C requirement. Additionally, the project aligns with the green building certification EDGE at the Certified level. The Project will promote sustainable building practices, reduce the hospital's energy demand, and encourage the development of green buildings in the healthcare sector. The Project includes design features that increase the climate resilience of the assets and the users.</p> <ul style="list-style-type: none"> - Application of the EBRD PP&R with the support of a dedicated PPAD Project Implementation Advisor helps the Borrower implement the Project efficiently and achieve most economically advantageous long-term outcomes. - The healthcare sector in Mongolia is female-dominated, with women comprising the majority of the workforce. However, despite their significant presence, women remain underrepresented in senior leadership and decision-making roles. [REDACTED] This reflects a broader gender disparity, where women play a critical role in service delivery but have limited representation in specialist and top-level positions. In line with the recommendations set out as part of the Project's feasibility study, the PIS Consultant will support the TCSH in developing and implementing an Equal Opportunities Action Plan ("EOAP"), aligned with the National Gender Equality Action Plan of the Sub-committee of the National Committee on Gender Equality ("NCEG") of the Ministry of Health. Through the Project Implementation Support contract, a consultant will support the development of specific recommendations for TCSH to implement inclusive, gender-responsive recruitment policies and create targeted outreach programmes that will increase female representation in leadership positions, promote male participation in nursing, and support women entering traditionally male-dominated specialties like cardiothoracic surgery.
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1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Macro-economic risk	Mid / High	Mongolia's political environment is dynamic and determined by multi-party democratic competition. The country's economic growth (7.4 per cent in 2023) is highly reliant on its mineral exports and is likely to continue in the medium term supported by expanding mining projects. Its public debt remains high (47 per cent of GDP in 2023) but manageable provided the Government adheres to its prudent fiscal policy (the fiscal balance was positive in 2023) and retains access to capital markets. Recent upgrades in Mongolia's external credit rating by S&P and Fitch Ratings, from B to B+, reflect the country's improved economic performance and fiscal discipline.
Implementation risk	Mid / High	The MoH completed four construction projects financed by IFI's in the past five years. However, its capacity to manage greenfield construction remains limited. A dedicated PIU will be established under the MoH, and international consultants will support the PIU with procurement, reporting and construction supervision. The experienced management teams at the NCC and the TCSH are well-positioned to provide essential healthcare expertise and guidance throughout the implementation phase. Application of EBRD PP&R and the Bank's prior review of the key procurement

		documentation should ensure selection of experienced and creditworthy contractors. A feasibility study, detailed design, and detailed environmental studies of the new hospital were prepared and the construction technical conditions have been issued. Land is allocated and confirmed suitable for the Project.
Cost over-run risk	Mid / Mid	The project costs have been estimated by an independent consultant as part of the feasibility study prepared in 2020, which was updated in December 2024. A comprehensive review of project costs was conducted by an independent consultant as part of the Bank's due diligence completed in December 2024. Based on current market practices, the proposed budget is considered sufficient.[REDACTED].

2. MEASURING / MONITORING SUCCESS

As a sub-project under GrCF3, the Project will be monitored individually. Information collected at sub-project level will be aggregated and used to inform framework level monitoring.

Primary quality: Green						
Obj. No.	Monitoring Indicator	Details for Specific Sub-Project	Baseline (Sub-project)	Target (Sub-project)	Due date (Sub-project)	TC-related?
1.1	Annual energy savings (GJ/yr)	The project is expected to result in primary energy savings [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Water saved (m3/year)	The project is expected to result in annual water savings [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Energy Intensity (kWh/m2y)	The project is expected to result in energy intensity reduction [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary quality: Inclusive							
Obj. No.	Monitoring Indicator	Details	Details for Specific Sub-Project	Baseline (Sub-project)	Target (Sub-project)	Due date (Sub-project)	TC-related ?
2.1	Number of beneficiaries with improved access to services	The sub-Projects will create new economic opportunities (e.g. by enabling reallocation of time towards economic activities or education) through increased access to services and infrastructure. Typically, this will be an increase by not less than 10 per cent for the relevant target group.	New hospital facility will provide quality cardiac healthcare and expand treatment [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Number of stakeholders with practices improved (e.g. inclusive infrastructure	Relevant stakeholders will develop and adapt new or substantially improved policies and practices to promote gender equality, human capital	The new facility will be constructed following Universal Design Standards, aligned with international best	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	services/design , inclusive HR policies and practices, equal opportunities, inclusive procurement practices)	development and equal opportunities for all, on topics such as infrastructure service delivery and design (accessibility, safety and security, etc.), HR policies and practices, support for equal opportunities and/or inclusive procurement approaches.	practices, resulting in accessible, safe, and inclusive healthcare spaces that enhance physical access, navigation, and user experience for people with disabilities, the elderly, and caregivers.				
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Additional Indicators							
Objective	FW level aggregate indicator	Indicator (sub-Project)	Details (sub-Project)	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	TC-related
Gender SMART		Recommended policy or strategy agreed by relevant stakeholder(s)	The Project will support TCSH to adopt and implement an Equal Opportunities Policy and Action Plan, aligned with the National Gender Equality Action Plan of the sub-committee of the National Committee on Gender Equality of the Ministry of Health.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Outputs/ operational delivery	Number of project preparation products approved	Project implementation support completed: PIU established	The PIU is established and contracted.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

The Bank will extend the loan to Mongolia. This will be the Bank's eighth sovereign project in the country.

3.2 PROJECT IMPLEMENTING AGENCY

The Project will be implemented by the MoH through a dedicated PIU. It will be established by the MoH and funded by the Client. It will oversee the Project implementation and reporting until physical completion of the Project. The Government of Mongolia will also finance and procure medical, and hospital equipment required for the Project's facilities to operate fully. Upon commissioning the new hospital facility will be handed over to the Project Company.

3.3 PROJECT COMPANY

TCSH is a state-owned legal entity and is a tertiary-level state general hospital. Currently, the hospital has a 400-bed capacity and employs over 1,000 medical and civil service staff. In 2022 the hospital registered 260,607 outpatient exams, 23,886 admissions, and 7,809 surgeries. The TCSH is funded from the Health Insurance Fund ("HIF") and also generates revenue from its operations such as resident doctor training, and other medical services which are not covered by HIF.

The TCSH is the current owner of the land plot allocated for the Project. Upon the commissioning of the new hospital the TCSH will become the asset holder of the new facilities, thus, will be responsible for its maintenance and operation.

4. MARKET CONTEXT

The healthcare system of Mongolia is organised in line with the administrative structure of the country with secondary and tertiary healthcare services offered through regional and district general hospitals. The HIF consolidates resources from the state budget and mandatory insurance contributions from individuals and employers. Acting as a single purchaser, the HIF contracts healthcare services from both public and private providers. Since 2022, all state hospitals, including tertiary care facilities such as the TCSH, have adopted a fee-for-service model.[REDACTED]

To meet Mongolia's growing need for specialised cardiac care and reduce the dependency on treatment abroad, substantial investment in the NCC's infrastructure and capabilities is critical. Expanding its facilities, acquiring advanced medical equipment, and increasing the number of trained professionals will be key to addressing the country's escalating CVD burden effectively. The NCC is Mongolia's primary referral centre for cardiovascular treatment, operating semi-independently within the TCSH but without legal independence. It also serves as a key hub for training healthcare professionals in specialised cardiac care.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL AND ECONOMIC ANALYSIS

[REDACTED]5.2 Sensitivity Analysis

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B. The construction of a 120-bed cardiovascular healthcare facility within the city of Ulaanbaatar is associated with a number of environmental and social (E&S) risks which are readily understood and addressed through standard mitigation measures. The facility will be constructed next to the existing TCSH complex within a mix of residential, commercial, and institutional developments. The land allocated for the new facility is owned by the TCSH and no additional land will need to be acquired for completion of the Project. The design of the facility has been supported Luxembourg Development Agency ("LuxDev") and will meet best practices in terms of sustainable and energy efficient building standards. Environmental and social due diligence for this project included a review of the environmental impact assessment undertaken for national permitting purposes and an independent technical assessment of the facility conducted for the Bank.

Key E&S issues for this facility are mainly focused on the siting, the design, and the construction elements. The Bayangol District in Ulaanbaatar, where the facility will be located, is one of the most densely populated areas in the city and the construction of this relatively large structure will result in a number of local disturbances, albeit temporary in nature. These can be managed through the implementation of good construction management practices. The

project developers will be required, through an Environmental and Social Action Plan (“ESAP”), to develop a Construction Environmental and Social Management Plan. This plan will include a number of different elements including community health safety and security, emergency preparedness and response, hazardous materials management, occupational health and safety management and traffic management. The implementation of the requirements and recommendations of the national environmental impact assessment will also be included as ESAP actions.

During due diligence it was noted that there is a yurt-like structure on the proposed site. The owner of this structure has been identified, and agreement has been reached on the steps required for removal and relocation of the structure.

During the operational phase of the facility, hospital management will be required to implement an operational phase E&S management system aligned with good international practice such as ISO 9001 (quality), 14001 (environmental management), 45001 (health & safety) and 27001 (information security management). The ESAP will also include a number of requirements around PR2 and 4 compliances including the development of Gender-Based Violence and Harassment (“GBVH”) policies and implementation of fire safety measures aligned with best international practices. These actions are reflected within the ESAP. The ESAP has been agreed with the Client. The Client will be required to provide annual E&S reporting on the implementation of the ESAP and any other E&S matters arising during the year.

6.2 INTEGRITY

Integrity due diligence was undertaken on the Ministry of Finance, the MoH, the TCSH, the NCC and other relevant parties, including senior management and officials of the aforementioned parties relevant to the Project. The integrity review did not identify any adverse information with respect to the TCSH and NCC, and their management team [REDACTED].

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

ANNEXES TO OPERATION REPORT

ANNEX 1	GREEN ASSESSMENTS
ANNEX 2	IMPLEMENTATION PROGRESS OF GREEN CITIES FRAMEWORKS
ANNEX 3	PROJECT IMPLEMENTATION
ANNEX 4	PROJECT EIRR

ANNEX 1 - GREEN ASSESSMENTS

SUMMARY

- The Project entails a sovereign loan to Mongolia for the construction of energy efficient cardiovascular facilities in Ulaanbaatar, Mongolia.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100 per cent **GET.**
- Climate-related financial risks have been assessed [REDACTED].

PARIS ALIGNMENT ASSESSMENT

For Direct finance projects

Alignment with the mitigation goals of Paris Agreement - General screening

The project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The projects activity is included in the 'MDBs' aligned list' under the category *Buildings (education, healthcare, housing, offices, retail, etc.)*
- There are no activities included in the 'non-aligned list'.
- Applicable additional or specific conditions associated with the 'aligned' project/economic activity have been met. Please refer to the below specific assessment

Alignment with the mitigation goals of Paris Agreement – specific assessment

- NDC review: The Mongolia NDC notes the need to improve energy efficiency in buildings, and the economic activity is not excluded.⁵
- Low Carbon Pathway (LCP) review. Consistency with LCPs and other credible benchmarks: the newly constructed NCC building is designed in line with international energy management best practices and exceeds the minimum requirements of the applicable energy performance standards, achieving EPC A+ class, three classes above the minimum requirement for new buildings of EPC C. Further, the external due diligence also confirmed that the Project aligns with requirements of green building certification EDGE at Certified level.
- Carbon lock-in tests: In accordance with the Bank's Paris Agreement alignment methodology (buildings guidance), fulfilment of the criteria under the LCP review indicates that the risk of carbon lock-in is low, as the assets being financed are unlikely to displace future investment in lower-carbon options. Moreover, the building will be connected to the district energy network and purchase electricity and heat from the Combined Heating Plant, which might be decarbonised, therefore the risk of carbon lock-in is further reduced.
- Economic assessment: not required. The GHG emissions associated with the use of proceeds do not exceed the threshold for assessment.

Alignment with the adaptation goals of Paris Agreement

The project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed through adequate design and operational measures integrated in the Project, as well as relevant measures being undertaken outside of the Project boundaries.

GET ATTRIBUTION

⁵ Mongolia NDC available at <https://unfccc.int/sites/default/files/NDC/2022-06/First%20Submission%20of%20Mongolia%27s%20NDC.pdf>

The Project is attributed 100 per cent GET. This share has been calculated in line with Annex 5.2 of the GET Handbook: in non-EU countries with EPC regulations in place, the minimum energy performance one EPC class above national requirements (subject to minimum EPC class B) is eligible for 100 per cent GET. The Project is set to achieve EPC A+, which is three classes above the minimum national requirement of EPC C. In addition to GET climate change mitigation, the Project is also eligible for GET climate change adaptation and environment, based on the expected benefits illustrated below. The Project aligns with international best practices in buildings standards.

The expected impacts of the transaction are:

- Primary energy savings [REDACTED]
- Installation of [REDACTED] on-site solar PV [REDACTED]
- GHG emissions reduction [REDACTED]
- Water savings [REDACTED]
- Based on the measures illustrated in the BB2 paragraph above, the Project is considered "adapted" based on the EBRD GET adaptation tracking methodology, because it integrates climate resilient design elements resulting in increased resilience to flood, heavy rainfall, water stress, wildfires and extreme heat, including through the implementation of nature-based solutions (e.g. green roofs and rain gardens). The Project is also expected to result in increased health and well-being in a context of climate change, based on evidence that increasing temperatures and air pollution have been exacerbating cardiovascular diseases.
- Improvement of the site's ecosystem through green roofs and landscaping of the associated grounds using a selection of drought resistant species (including native ones), which are expected to attract fauna and contribute to create a biodiverse local ecosystem in a densely built-up area – an approach in line with international best practice. The planted area represents approximately 60 per cent of the Project site, significantly exceeding the local regulations' minimum requirement of 25 per cent.
[REDACTED]

ANNEX 2 - IMPLEMENTATION PROGRESS OF GrCF, GrCF2 and GrCF3

[REDACTED]

ANNEX 3 - PROJECT IMPLEMENTATION

Procurement classification – *Public [sovereign]*

[REDACTED] The Client's procurement and implementation capacity has been assessed by the Feasibility Study Consultant. Moreover, the Client's capacity was assessed as a part of the Project due diligence by the PIA using the EBRD capacity assessment toolkit (simplified). All categories, i.e. legal framework, organisation of procurement function, support & control systems, staffing, record keeping, procurement planning, procurement cycle, general assessment of the Client, as well as the project risks were assessed.

[REDACTED]

The MoH, the Project Implementing Agency, has a previous experience of implementing IFI funded projects. In particular, the construction of Songinokhairkhan District Hospital financed by ADB that was completed in 2021. With EBRD's financing, the MoH is implementing the Darkhan Hospital project which was signed in April 2024. Currently, in the Darkhan Hospital project, most of the PIU staff have been selected, and the selection of the PIS consultant is ongoing with contracting expected in Q2 2025. [REDACTED]. For the Project NCC, the MoH will appoint a dedicated interim project manager to coordinate the advance selection of the PIU staff as well as the PIS consultant, with the assistance of a Bank TC funded individual procurement advisor.

Contracts risk assessment

-Moderate low

[REDACTED]

For the Darkhan Hospital project, one contract based on the FIDIC Yellow Book, where the contractor responsible for the detailed design and construction of the project infrastructure is envisaged. Considering the MoH's certain experience with contract management under FIDIC standards as well as the support from the PIS consultant and Construction Supervision Engineer, the contract risk is assessed as moderate low.

Project implementation arrangements:

The MoH will be a Project Implementing Agency based on the financing documents. It will establish a PIU with overall responsibility for the Project implementation. To mitigate the lack of capacity with the MoH, a PIS consultant will be mobilised to assist the PIU in, among others, prepare and manage the tender for works, coordinate the integration of medical equipment into the NCC hospital, assist with E&S related activities, loan reporting and overall project implementation matters. An individual procurement advisor will be contracted by the Bank to support the MoH in selecting the PIS consultant as well as the PIU staff. Moreover, a Construction Supervision Consultant will assist the PIU in supervising construction works and will act as the FIDIC Engineer.

Procurement arrangements:

The Project is classified as public sector for procurement purposes.

The Works contract will be financed from the loan proceeds and will be procured via the electronic portal ECEPP using a single-stage procurement method with

prequalification in accordance with the Bank's Procurement Policies and Rules Section III Article 3 and using the Bank's Standard Procurement Documents for Works. The contract will be subject to prior review by the Bank.

[REDACTED]

Project Implementation Support consultant contract will be procured via ECEPP in accordance with the EBRD PP&R Section III Article 3, using a single stage open competitive process.

The PIU staff will be funded and selected by the Client.

All EBRD financed contracts will be subject to the Bank's prior review.

[REDACTED]

ANNEX 4 - PROJECT EIRR

[REDACTED]