H.E. D. Khayanhyarvaa  
Minister of Finance  
Ministry of Finance  
Government Building 2 Corpus D  
S. Danzangyn Gudamj 5/1  
Ulaanbaatar, 15160

Excellency:

IDA Credit No. 5039- MN  
(Ulaanbaatar Clean Air Project)  
Additional Instructions: Disbursement

I refer to the Financing Agreement (“Agreement”) between the International Development Association (“Association”), and Mongolia (“Recipient”) for the above-referenced project, dated April 4, 2012. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of IDA Credit 5039-MN (“Financing”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Financing:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four months after the Closing Date specified in the Financing Agreement. Any changes to this date
will be notified by the Association.

(iii) **Disbursement Conditions (subsection 3.8).** Please refer to the conditions specified in the Financing Agreement.

II. Withdrawal of Financing Proceeds

(i) **Authorized Signatures (subsection 3.1).**
A letter in the Form attached (Attachment 2) should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
5F, MCS Plaza Building  
Seoul Street-4  
Ulaanbaatar 210644  
Mongolia  
Attention: Country Director, Mongolia

(ii) **Applications (subsections 3.2 - 3.3).** Please provide completed and signed (a) applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank  
5F, MCS Plaza Building  
Seoul Street-4  
Ulaanbaatar 210644  
Mongolia  
Attention: Loan Department

(iii) **Electronic Delivery (subsection 3.4).** The Recipient may deliver Applications to the Association through the Association’s Client Connection, web-based portal, by completing Form 2380, which is accessible through Client Connection (http://clientconnection.worldbank.org). Officials of the Recipient may deliver Applications electronically on behalf of the Recipient if they: (a) have been designated in writing by the Recipient, pursuant to the terms of subparagraph (i) of this Section, to sign and deliver Applications by electronic means and to receive secure identification devices (“Tokens”) from the Association, (b) are registered as users of Client Connection, and (c) have received from the Association Tokens for such purpose. This constitutes an additional means of delivering Applications to the Association. The Recipient may continue to exercise the option of preparing and delivering Applications in paper format. The Association reserves the right, and may in its sole discretion, temporarily or permanently, to disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating authorized signatories to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms its agreement to abide by and to cause the authorized signatories to abide by the Terms and Conditions of Use of Secure Identification Device in connection with Use of
Electronic Means to Process Applications for Withdrawal and Supporting Documentation ("Terms and Conditions of Use of Tokens") provided in Attachment 2. The Recipient also represents and warrants to the Association (and such representations and warranties, including without limitation, the representations and warranties contained in the Terms and Conditions of Use of Tokens, shall be relied upon by the Association) that the Recipient shall deliver the Terms and Conditions of Use of Tokens to each authorized signatory and shall cause each authorized signatory to be bound by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications is: USD 50,000.

(vi) Advances (sections 5 and 6).

- Type of Designated Account(s) (subsection 5.3): Segregated.
- Currency of Designated Account(s) (subsection 5.4): United States Dollars (USD).
- Financial Institution at which the Designated Account(s) Will Be Opened (subsection 5.5): In a financial institution(s) acceptable to the Association.
- Ceiling (subsection 6.1): USD 500,000.

III. Reporting on Use of Financing Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- For requests for Reimbursement:
  
  o Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts that are subject to the Association's prior review in the form attached (Attachment 5); and
  o Statement of Expenditures in the form attached (Attachment 4) for all other expenditures / contracts.

- For reporting eligible expenditures paid from the Designated Account:
  
  o Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts that are subject to the Association's prior review in the form attached (Attachment 5);
  o Statement of Expenditures in the form attached (Attachment 4) for all other expenditures / contracts; and
  o A designated account reconciliation (Attachment 6) and related bank statement.

- For requests for Direct Payment: Records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices
(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account

IV. Other Instructions

1) For the category 1 “Subsidies”, payment of the subsidies are made upon Households (HHs) meeting the following conditions: (i) signed purchase agreement between HHs and the Project agreeing to purchase and use the stove for purposes intended, hand over the old stove, and monitoring and verification; (ii) HH counterpart contribution paid in full; and (iii) verification of installation of the stove in the HH.

2) To facilitate payment for the category “subsidies”, further advances may be made from the DA to a sub-account to be opened at the same commercial bank where the DA is maintained.

3) For disbursement of the “management fee”, the following arrangements should be followed:
   (a) the annual budget for “management fee” should be approved by the Recipient, subject to the Bank’s no objection;
   (b) PMU maintains an operating account (OA) into which further advances less than 25% of the approved annual budget may be transferred from the DA. The OA may be a pooled account shared among other projects managed by PMU;
   (c) actual uses of the advance deposited in OA should be reported and reconciled with the DA on monthly basis, and the Statement of Expenditures (SOE) for management fee should report the total PMU management expenses and the cost shared by the project according to the approved annual budget;
   (d) by closure of the project, the OA unused advance allocated to the project must be refunded to the Bank.

V. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Association’s public website at http://www.worldbank.org and its secure website “Client Connection” at https://clientconnection.worldbank.org. Print copies are available upon request. From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information.

If you have not already done so, the Association recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Association by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Junxue Chu, Senior Finance Officer at loa-eap@worldbank.org using the above reference.
Yours sincerely,

Corali Gevers
Country Manager
East Asia and Pacific Region

Attachments

1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
4. Form of Statement of Expenditures
5. Form of Payments Against Contracts Subject to the Bank’s Prior Review
6. Form of Designated Account Reconciliation Statement

cc: Governor
Municipality of Ulaanbaatar
Governor Office of the Capital City
Sukhbaatar Square-11
Ulaanbaatar-46
Mongolia
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Attention: [Country Director]

Dear [Country Director]:

Re: Financing No. 5039-MN
(Ulaanbaatar Clean Air Project)

I refer to the Financing Agreement ("Agreement") between Mongolia ("Recipient") and the International Development Association ("Association") dated ______, providing the above Financing. For the purposes of Section 2.03 of the General Conditions, as defined in the Agreement, any [one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal [and applications for a special commitment] under this Financing.

For the purpose of delivering Applications to the Association, [each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting [individually] [jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the Association.

[This confirms that the Recipient is authorizing such persons to accept Tokens and to deliver the Applications and supporting documents to the Association by electronic means. In full recognition that the Association shall rely upon such representations and warranties, including without limitation, the representations and warranties contained in the Terms and

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1 Instruction to the Recipient when sending this letter to the Association: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. Please delete this footnote in final letter that is sent to the Association.

2 Instruction to the Recipient: Stipulate if more than one person needs to jointly sign Applications, if so, please indicate the actual number. Please delete this footnote in final letter that is sent to the Association.

3 Instruction to the Recipient: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the Association.

4 Instruction to the Recipient: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the Association.
Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens"), the Recipient represents and warrants to the Association that it will deliver to each such person a copy of the Terms and Conditions of Use of Tokens and will cause such persons to abide by those terms and conditions.

This Authorization replaces and supersedes any Authorization currently in the Association records with respect to this Agreement.

[Name], [position] Specimen Signature: ____________________

[Name], [position] Specimen Signature: ____________________

[Name], [position] Specimen Signature: ____________________

Yours truly,

/ signed /

[Position]
Terms and Conditions of Use of Secure Identification Devices
in connection with Use of Electronic Means
to Process Applications and Supporting Documentation

January 20, 2010

The World Bank (Bank)\(^6\) will provide secure identification devices (Tokens) to permit the Borrower\(^7\) to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

A. Identification of Users.

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide Tokens to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.

2. Each Signatory must register as a user on the Bank’s Client Connection (CC) website (https://clientconnection.worldbank.org) prior to delivery of Tokens. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Distribution, Initialization and Return of Tokens.

1. The Bank will physically deliver a Token to each Signatory in a manner to be determined by and satisfactory to the Bank.

2. At the time of delivery of a Token to a Signatory, the Signatory will receive a copy of these Terms and Conditions of Use for purposes of initializing the Token.

3. The Bank will verify that the Token, Temporary Password and Terms and Conditions of Use have been duly delivered to and received by the CC User.

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\(^6\) “Bank” includes IBRD and IDA.

\(^7\) “Borrower” includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.
4. Promptly upon receipt of the Token and Terms and Conditions of Use, the Signatory will access CC using his/her account name and CC Password and register his/her Token and set a personal identification number (PIN) to be used in connection with the use of his/her Token, after which the Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the Token, the Signatory will be a “Token User”. The Bank will maintain in its database a user account (Account) for each Token User for purposes of managing the Token of the Token User. Neither the Borrower nor the Token User will have any access to the Account.

5. Prior to first use of the Token by the Token User for delivering Applications, the Borrower shall ensure that the Token User has received training materials provided by the Bank in use of the Token.

6. Tokens shall be promptly returned to the Bank upon request of the Bank.

C. Management of Tokens.

1. Tokens will remain the property of the Bank.

2. Use of the Token is strictly limited to use in the delivery of Applications by the Token User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the Token is prohibited.

3. The Bank assumes no responsibility or liability whatsoever for any misuse of the Token by the Token User, other representatives of the Borrower, or third parties.

4. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in delivery of a Token to each Token User) that each Token User is provided, understands and will abide by, these Terms and Conditions of Use, including without limitation the following:

   Security

4.1. The Token User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.

4.2. The Token User shall not allow anyone else to utilize a Token to deliver an Application to the Bank.

4.3. The Token User shall always logout from CC when not using the system. Failure to logout properly can create a route into the system that is unprotected.

4.4. If the Token User believes a third party has learned his/her PIN or has lost his/her Token he/she shall immediately notify clientconnection@worldbank.org.
4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of any lost, stolen or compromised Tokens, and take other reasonable steps to ensure such Tokens are disabled immediately.

**Care of Tokens**

4.6. Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Token.

4.7. Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care Tokens are available at http://www.rsa.com.

5. **Replacement**

5.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Tokens will be replaced at the expense of the Borrower.

5.2. The Bank reserves the right, in its sole discretion, not to replace any Token in the case of misuse, or not to reactivate a Token User's Account.

6. **Reservation of Right to disable Token**

6.1. The Borrower shall reserve the right to revoke the authorization of a Token User to use a Token for any reason.

6.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a Token, de-activate a Token User's Account or both.
Statement of Expenditures (SOE)

Payments made during the period from ________________ to ________________

For expenditures against the contracts not subject to the Bank Prior Review

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Category No. (**)</th>
<th>Currency and Total Amount of Contract</th>
<th>Currency and Total Amount of Invoice Covered by Application (Net of Retention)</th>
<th>Eligible % from Schedule I of Loan/Credit Agreement</th>
<th>Amount Eligible for Financing (4 x 5)</th>
<th>Currency and Amount Paid from Special Account (if Applicable)</th>
<th>Exchange Rate (Col. 7 divided by Col. 6)</th>
<th>Remarks</th>
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**TOTALS**

Supporting documents for this SOE retained at ____________________________ (insert location)

(*) A separate SOE form should be used for retroactive financing

(**) Items should be grouped by category; or alternatively, a separate SOE form may be used for each category
Statement of Expenditures (SOE)

Payments made during the period from _____________ to _____________ (*)

Date: ____________________________
Application No.: ____________________________
Loan: ____________________________

For expenditures against the category (3) “Management Fee”

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Category No. (**)</th>
<th>Approved Annual Budget</th>
<th>Reported actual expenses</th>
<th>Financing % by the project</th>
<th>Expenses shared by the project (4x5)</th>
<th>Amount paid in US$</th>
<th>Amount paid from IDA DA (in US$)</th>
<th>Total Management expenses year to date</th>
<th>Remarks</th>
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**TOTALS**

Supporting documents for this SOE retained at ____________________________
(insert location if not submitted to World Bank)

(*) A separate SOE form should be used for retroactive financing
## Payments Made during Reporting Period

**Against Contracts Subject to the Bank’s Prior Review**

<table>
<thead>
<tr>
<th>Contract Number</th>
<th>Supplier</th>
<th>Contract Date</th>
<th>Contract Amount</th>
<th>Date of WB's Non Objection to Contract</th>
<th>Amount Paid to Supplier during Period</th>
<th>WB's Share of Amt Paid to Supplier during Period</th>
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DESIGNATED ACCOUNT RECONCILIATION STATEMENT

LOAN/ CREDIT/ PPF/ COFINANCED NUMBER ________________
ACCOUNT NUMBER ________________ WITH (BANK) ________________

1. TOTAL ADVANCED BY WORLD BANK (OR COFINANCED) $______________
2. LESS: TOTAL AMOUNT RECOVERED BY WORLD BANK - $______________
3. EQUALS PRESENT OUTSTANDING AMOUNTADVANCED TO THE SPECIAL ACCOUNT (NUMBER 1 LESS NUMBER 2) = $______________

4. BALANCE OF SPECIAL ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE ________________ $______________
5. PLUS: TOTAL AMOUNT CLAIMED IN THIS APPLICATION NO. ________________ + $______________ *
6. PLUS: TOTAL AMOUNT WITHDRAWN AND NOT YET CLAIMED REASON: (e.g. outstanding balance in sub-account and OA) + $______________ *
7. PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK STATEMENTS
   APPLICATION NO. AMOUNT *
   ________________
   ________________
   ________________
   SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED + $______________
8. MINUS: INTEREST EARNED - $______________ *
9. TOTAL ADVANCE ACCOUNTED FOR (NO. 4 THROUGH NO. 9) = $______________

10. EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 9:


11. DATE: ________________ SIGNATURE: ________________

   TITLE: ________________