The World Bank  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION  

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CONFORMED COPY  
March 4, 2011  

H.E. S. Bayartsogt  
Minister of Finance  
Ministry of Finance  
Government Building - 2  
United Nations Street - 5/1  
Ulaanbaatar - 210646  
Mongolia  

Re: Trust Fund for World Bank-Korea Partnership on Poverty Reduction and 
Socio-Economic Development Grant No. TF098487  
Strengthening the National Statistical System of Mongolia Project  

Excellency:  

In response to the request for financial assistance made on behalf of Mongolia  
(“Recipient”), I am pleased to inform you that the International Development Association  
(“World Bank”), acting as administrator of grant funds provided by Republic of Korea under the  
Trust Fund for World Bank-Korea Partnership on Poverty Reduction and Socio-Economic  
Development, proposes to extend to the Recipient a grant in an amount not to exceed six hundred  
fifty thousand United States Dollars (U.S.$650,000) (“Grant”) on the terms and conditions set forth  
or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist  
in the financing of Parts C.4 and C.5 of the project described in the Annex (“Project”). This Grant  
is funded out of the abovementioned trust fund for which the World Bank receives periodic  
contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex  
to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of  
such funds.  

The Recipient represents, by confirming its agreement below, that it is authorized to enter  
into this Agreement and to carry out Parts C.4 and C.5 of the Project in accordance with the terms  
and conditions set forth or referred to in this Agreement.  

Please confirm the Recipient’s agreement to the foregoing by having an authorized  
oficial of the Recipient sign and date the enclosed copy of this Agreement, and returning it to  
the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement  
shall become effective as of the date of the countersignature; provided, however, that the offer  
of this Agreement shall be deemed withdrawn if the World Bank has not received the  
countersigned copy of this Agreement within thirty (30) days after the date of signature of this  
Agreement by the World Bank, unless the World Bank shall have established a later date for  
such purpose.  

Very truly yours,  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
/s/ Elaine Sun  

Acting Country Director, Mongolia  
East Asia & Pacific Region
AGREED:
Mongolia
By: /s/ Bayartsogt Sangajav
Title: Minister of Finance

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter dated March 4, 2011, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, in this Agreement, or in the Appendix to this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the efficiency and effectiveness of the Recipient’s national statistical system to enable it to provide relevant, timely and reliable data for evidence-based policy making in support of the Recipient’s National Development Strategy. The Project consists of the following parts:

**Part A: Improving Policy, Regulatory, and Institutional Framework and the Organizational Structure of the Statistical System**

Carry out the following activities in order to improve the policy, regulatory and institutional framework and the organization structure of the Recipient’s national statistical system:

1. Improve the Recipient’s capacity to carry out the formulation, coordination and implementation of appropriate statistical policies and programs, through, *inter alia:* (i) the review of the existing statistical legislation; and (ii) the development of relevant terms of interaction among the Recipient’s institutions and agencies for the production, use, exchange and disclosure of statistical information.

2. Improve the relationship between data users and producers, by, *inter alia:* (i) conducting an analysis on general user requirements; and (ii) designing and regularly conducting user satisfaction surveys.

3. Improve the data dissemination function and procedures to provide a wider range of users with easier access to statistics by improving the statistical publications and the NSO’s website.

4. Strengthen human resource capacity, by, *inter alia:* (i) establishing a training unit within the NSO; and (ii) establishing a national statistical training center.

5. Review and improve the organizational structure of the Recipient’s national statistical system, by, *inter alia:* (i) increasing the manpower in the divisions in the NSO...
responsible for producing/collecting data; and (ii) streamlining the existing geographically-based organizational structure for data collection at the regional levels.

Part B: Strengthening the Statistical Infrastructure

Carry out the activities in order to strengthen the statistical infrastructure including:

1. Improve and update the statistical registers.

2. Develop and improve national statistical classifications (e.g. classifications of economic activities, classification of products by activity, etc.) to be in line with international standards.

3. Develop and improve sampling methods and build institutional capacity in order to introduce sampling in place of full coverage surveys wherever feasible.

4. Develop indicators, questionnaires and techniques for seasonal adjustments and build institutional capacity therefor, in order to address seasonal variance of production and prices.

5. Improve evaluation skills and data quality by developing a quality model, policy, manual, and quality tools, and building institutional capacity therefor.

6. Improve questionnaire design procedures and develop a master questionnaire with modules for all relevant sectors.

Part C: Upgrading Statistical Operations

Carry out the activities in order to upgrade the statistical operations including, improving individual subject matter programs and methodologies, and existing data outputs, such as:

1. Implement fully the SNA to produce national accounts that are timely, reliable and in line with internationally acceptable methodologies.

2. Improve the calculation of price statistics (including PPI, CPI and other relevant indices).

3. Assist with the preparation phase of the Census Master Plan including: (i) census mapping; (ii) training of managers, supervisors and enumerators; and (iii) procurement of equipment including computer hardware and software required for the implementation of the Census Master Plan.

4. Improve the capacity in collection, processing and dissemination of economic statistics (non-observed economy statistics, industrial statistics; construction statistics; agriculture statistics; communications, transport, services and tourism statistics; foreign trade statistics for goods and services; domestic trade statistics).

5. Improve the capacity in collection, processing and dissemination of social and demographic statistics (migration and demographic statistics; environmental statistics; labor force statistics; household statistics as a whole; statistics for living standards; education statistics; health statistics)
Part D: IT Infrastructure and Equipment

Carry out the activities in order to enhance the IT infrastructure and equipment including:

1. Prepare an IT plan for the Recipient’s national statistical system to address upgrading of IT solutions and IT competencies in all data producing agencies including the NSO.

2. Establish an IT network for the Recipient’s national statistical system to effectively link the central office with the regional offices and improve information flows through: (i) upgrading the existing IT infrastructure (i.e. hardware, software, networking and peripheral equipment); and (ii) providing hardware, software, network equipment and any other equipment essential for carrying out the Project activities.

Part E: Project Management

Strengthen the NSO’s capacity for Project implementation, and monitoring and evaluation, including, inter alia, audit arrangements, reporting requirements, procurement, disbursement and financial management activities.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the NSO in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); (c) this Article II; and (d) the Subsidiary Agreement.

2.03. Institutional and Other Arrangements.

A. Institutional Arrangements

1. The Recipient shall maintain the NSC, throughout the period of implementation of the Project, headed by the chairman of the NSO, with representation from the Recipient’s executive branch, the Parliament and scientific research institutions, and assigned with adequate staff and sufficient resources, and such functions and responsibilities, satisfactory to the World Bank, as shall be required for the NSC to, inter alia: (i) ensure efficient inter-departmental (inter-ministerial) coordination of Project activities; (ii) carry out the overall guidance, support and oversight of Project implementation; and (iii) serve as a complaint handling body in the event of a procurement dispute.

2. The Recipient shall cause the NSO to:

(a) maintain throughout the period of implementation of the Project, the PCT, headed by a qualified and experienced project coordinator, and provided with sufficient resources and competent staff in adequate numbers, under terms of reference satisfactory to the World Bank, comprising, inter alia, a financial management officer and a procurement officer; which unit shall be assigned with such functions and responsibilities, satisfactory to the World Bank, as shall be required for the day-to-day implementation of the Project, including: (i) the carrying out of the financial management, procurement, training and monitoring and evaluation of Project activities; (ii) the coordination of dialogue with the
World Bank and other development partners; and (iii) the preparation of the Annual Plan, updates of the Procurement Plans, maintenance of websites, and compliance with Project reporting requirements; and

(b) maintain, throughout the period of implementation of the Project, the review and monitoring committee, within the NSO, headed by the deputy chairman of the NSO, with representation from, inter alia, the three (3) department heads of the NSO, and staff of the PCT, and assigned with adequate staff and sufficient resources, and such functions and responsibilities, satisfactory to the World Bank, as shall be required for the monitoring and evaluation of outputs and outcomes of the Project.

3. For the purposes of Section 2.05 of this Agreement, the Recipient shall cause the NSO to select and engage the services of an independent auditor acceptable to the World Bank, under terms of reference satisfactory to the World Bank.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the NSO under the Subsidiary Agreement, under terms and conditions satisfactory to the World Bank, which shall include the following undertakings:

(a) the Recipient shall extend to the NSO the proceeds of the Grant for the sole purpose of carrying out Parts C.4 and C.5 of the Project;

(b) the NSO shall ensure that the activities to be implemented under the Project are technically and financially viable, environmentally sustainable and economically justifiable;

(c) the Recipient shall require the NSO, and the NSO shall undertake, to comply with the provisions of Section 2.03, paragraphs A.2, A.3, C and D, and Sections 2.04, 2.05 and 2.06 of this Agreement;

(d) the NSO shall undertake to abide by the Anti-Corruption Guidelines, the Procurement Guidelines, and the Consultant Guidelines; and

(e) the Recipient shall have the right to suspend or terminate the Subsidiary Agreement, and/or accelerate the recovery of any outstanding amounts withdrawn there under, upon: (A) the NSO’s failure to perform any of its obligations under the Subsidiary Agreement; or (B) the World Bank’s exercising any of the remedies under Article IV of the Standard Conditions.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

3. The Recipient shall: (a) cause the NSO to perform all of the obligations of the NSO set forth in the Subsidiary Agreement in accordance with the provisions of the Subsidiary
Agreement; and (b) not take or permit to be taken any action which would prevent or interfere with such performance.

4. The Recipient shall ensure that the funds, facilities, services and other resources necessary or appropriate to enable the NSO to perform its obligations under the Subsidiary Agreement are provided promptly as needed.

C. Anti-Corruption; Governance and Accountability

1. The Recipient shall ensure, and shall cause the NSO to ensure, that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

2. The Recipient shall cause the NSO to maintain throughout the period of implementation of the Project, in a manner and substance satisfactory to the World Bank, a publicly accessible website showing, *inter alia*: (i) the Procurement Plan and the updates thereto; (ii) the status of procurement of various contracts (the summary of bidding documents, pre-qualified contractors and suppliers, proposals received, bid evaluations and awards), their performance and payment delays; (iii) a list of procurement complaints and status thereof; (iv) the Financial Statements and annual audit reports (including qualification and responses); and (v) the World Bank’s mid-term review report on the progress achieved by the Project.

D. Additional Implementation Covenants

1. The Recipient shall cause the NSO to apply in the implementation of the Project, the Project Operations Manual satisfactory to the World Bank, which shall set forth, *inter alia*:

   (a) the institutional arrangements for the implementation of the Project other than the arrangements set forth in this clause (e.g. institutional organization of the PCT, roles and responsibilities of staff);

   (b) the Financial Management Manual, satisfactory to the World Bank, providing the detailed guidelines on financial management, internal control, accounting procedures, funds flow arrangements, withdrawal application procedures, asset management, reporting and auditing arrangements;

   (c) the procedural steps for the update of the Procurement Plan, and the preparation of the Annual Plan;

   (d) an outline of the redressal mechanism and its procedural steps for the solution of any procurement controversy under the Project; and

   (e) procedures for the disclosure of information and the maintenance of the Project’s procurement/information website.

2. The Recipient shall not, and shall cause the NSO not to, amend, waive suspend or abrogate the Project Operations Manual, or any provision thereof without the prior concurrence of the World Bank.
3. The Recipient undertakes to cause the NSO to prepare, and regularly update, an Annual Plan for the Project identifying Project activities by component and sub-component, and their related expenditures and financing sources; which plan shall be submitted to the World Bank for review and comments.

4. The Recipient shall cause the NSO, throughout the implementation of the Project and for a period of ten (10) years thereafter, to enable the World Bank’s representatives: (a) to visit any facilities and sites included in the Project; and (b) examine the goods financed out of the Grant, and any documents relevant to the performance of the NSO’s obligations under the Subsidiary Agreement.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall cause the NSO to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report. The Recipient shall afford the World Bank a reasonable opportunity to exchange views with the NSO on the Project Reports.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) by the Closing Date, NSO is able to produce and disseminate reliable economic statistics that are in line with internationally accepted standards, and participate in Special Data Dissemination Standard (SDDS); and

(ii) by the Closing Date, NSO is able to produce and disseminate reliable social and demographic statistics that are in line with internationally accepted standards, and participate in Special Data Dissemination Standard (SDDS).

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions and such Report shall include the performance by the NSO of its obligations under the Subsidiary Agreement. The Completion Report shall be furnished to the World Bank not later than six (6) months before the estimated final disbursement of the Grant.

2.05. Financial Management. (a) The Recipient shall maintain, and cause the NSO to maintain, a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) Without limitation on the provisions of Section 2.04 of this Agreement, the Recipient shall cause the NSO to prepare and furnish to the World Bank, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements, and cause the NSO to have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient and/or the NSO, as the case may be, commencing with the fiscal year in which the
first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months (6) after the end of such period.

2.06. **Procurement**

(a) **General.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the Procurement Guidelines, in the case of goods;

(ii) Sections I and IV of the Consultant Guidelines in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the Procurement Plan.

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection; and (D) Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) each contract for goods estimated to cost more than the equivalent of $100,000; (b) each contract for goods procured on the basis of Direct Contracting regardless of the contract value; (c) each contract for consultants’ services provided by a firm estimated to cost more than the equivalent of $100,000; (d) each contract for consultants’ services awarded on Single-Source Selection regardless of the contract value; and (e) each contract for consultants’ services provided by individual consultants estimated to cost more
than the equivalent of $50,000. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Consultants’ services and Training and Workshops under Parts C.4 and C.5 of the Project</td>
<td>650,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>650,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countessignature of this Agreement by the Recipient.

(b) no withdrawal shall be made under this Agreement for any expenditure if a withdrawal is made for such expenditure under the Financing Agreement and/or the TFSCB Grant Agreement, and any expenditure that is financed under the Financing Agreement and/or the TFSCB Grant Agreement shall not be an Eligible Expenditure under this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2014.

**Article IV**

**Effectiveness; Termination**

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been satisfied: the Subsidiary Agreement between the Recipient and the Project Implementing Entity in relation to the Financing Agreement has been amended in a manner satisfactory to the World Bank.
4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. This Agreement and all obligations of the parties under it shall terminate if it has not been entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

5.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Government Building - 2
United Nations Street - 5/1
Ulaanbaatar - 210646
Mongolia

Facsimile:
976-11-262272

5.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
APPENDIX

Definitions

1. "Annual Plan" means the implementation plans covering the activities of each calendar year of Project implementation, to be prepared by the NSO pursuant to paragraph A.2.a of Section 2.03 of the Agreement.


3. "Category" means a category set forth in the table in Section 3.01 of this Agreement.

4. "Census Master Plan" means the 2010 Census Master Plan that is formulated by the NSO to obtain an official enumeration of the population in Mongolia including the collection of related demographic information, and which consists of five (5) major phases, namely: (i) preparation; (ii) census operation (actual field work); (iii) data processing; (iv) data dissemination; and (v) post-census evaluation.


6. "CPI" means the Consumer Price Index.

7. "Financial Management Manual" means the section of the Project Operational Manual setting out the financial administration, book keeping, recording, payment, and auditing procedures, prepared by NSO pursuant to paragraph D.1.b of Section 2.03 of this Agreement.

8. "Financing Agreement" means the financing agreement dated June 26, 2009, between the World Bank and the Recipient pursuant to which the World Bank extends the Financing to the Recipient to assist in financing the Project, as such financing agreement may be amended from time to time.

9. "IT" means information technology.


11. "NSC" means the Recipient’s National Statistical Council, established pursuant to the Recipient’s Law on Statistics of 1994 as amended, and referred to in paragraph A.1 of Section 2.03 of this Agreement.

13. "PCT" means the Project Coordination Team referred to in the paragraph A.2 of Section 2.03 of this Agreement.

14. "PPI" means the Producer Price Index.


16. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated February 17, 2011, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. "Project Operations Manual" means the manual to be adopted and applied by the NSO in the carrying out of the Project, setting out the implementation arrangements and administrative procedures to be provided by NSO pursuant to paragraph D.1 of Section 2.03 of this Agreement.

18. "SNA" means the System of National Accounts, a conceptual framework that sets the international statistical standard for the measurement of the market economy in a country.

19. "Subsidiary Agreement" means the agreement referred to in Section 2.03 (B) of this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the NSO.

20. "TFSCB Grant Agreement" means the grant agreement entered into between the World Bank on July 23, 2009, acting as administrator of the grant funds provided by the Trust Fund for Statistical Capacity Building, and the Recipient, pursuant to which a grant of four hundred thousand United States Dollars ($400,000) is extended to the Recipient as part of the Co-financing.