March 4, 2015

H.E. Jargaltulga Erdenebat
Minister of Finance
Ministry of Finance
Government Building 2
United Nations’ Street 5/1
Ulaanbaatar, 210646
Mongolia

MONGOLIA: IDF Grant for Strengthening Policy Analysis and Monitoring Capacity Project
IDF Grant No. TF017308

Excellency:

In response to the request for financial assistance made on behalf of Mongolia (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient, a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed two hundred seventy seven thousand United States Dollars (U.S.$277,000) (“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 the project described in the Annex (“Project”).

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out 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 official 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World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 BANK FOR RECONSTRUCTION AND DEVELOPMENT

By
Bert Hofman
Country Director, Mongolia
AGREED:
MONGOLIA

By: [Signature]

Authorized Representative

Name: Jargaltulga Erdenbat

Title: Minister of Finance, Mongolia

Date: March 31, 2015

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, 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 February 15, 2012 ("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 or in this Agreement, as follows:

(a) "Ministry of Food and Agriculture" and "MOFA" mean the Recipient’s Ministry of Food and Agriculture, or any successor thereto.

(b) "Project Implementation Unit" and "PIU" mean the unit established and to be maintained within MOFA, as provided for in Section I.A.1(b) of the Schedule 2 to the LAMP Grant Agreement.

(c) "LAMP Grant Agreement" means the grant agreement for Livestock and Agricultural Marketing Project between the Recipient and the International Development Association, acting as Trustee and Supervising Entity of the Global Agriculture and Food Security Program, dated July 3, 2013 (GAFSP Grant Number TF014820).

(d) "LAMP" means the Livestock and Agricultural Marketing Project financed by the International Development Association, acting as Trustee and Supervising Entity of the Global Agriculture and Food Security Program, through the LAMP Grant Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Recipient to improve in-house capacity and skills of its Ministry of Food and Agriculture to undertake policy analysis and to monitor its implementation. The Project consists of the following parts:

(a) **Part 1. Institutional Capacity Strengthening**

(i) Carrying out of a training and institutional needs assessment to determine the gaps in knowledge and skills and to determine appropriate organizational structure required to institutionalize the policy analysis process.

(ii) Development of a capacity development plan including the institutional framework to conduct policy analysis and monitoring within the MOFA.

(iii) Development of training modules on areas of subsidy programs for primary agriculture and food chain industries and their impacts, public expenditure
reviews, public expenditure tracking surveys, and other areas identified during stakeholder assessment.

(iv) Development of a strategy for monitoring government policies.

(v) Conducting policy analysis through orientation training program for each training module developed pursuant to sub-paragraph (a)(iii) above.

(b) **Part 2. Knowledge exchange dissemination framework**

(i) Designing a framework for the dissemination of policy and monitoring reports to government officials, parliamentarians, herders and other relevant stakeholders.

(ii) Development of a comprehensive policy communication strategy to guide the MOFA on future dissemination of government policies, reports of analysis and impacts of the policies as well as other reports emanating out of monitoring of specific government policies.

(iii) Piloting of communication strategy developed pursuant to sub-paragraph (b)(ii) above by dissemination of all reports emanating from the policy analysis carried out under Part 1 above, using the communication strategy as a guide.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the MOFA, 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”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall vest the overall responsibility for the implementation of the Project in the MOFA under the leadership of the Director General, Strategy, Policy and Planning of the MOFA.

(b) The PIU established under the LAMP shall be responsible for the day-to-day administration of the Project including monitoring, financial management and procurement activities under the Project.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators set forth in paragraph (b) of this Section. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

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

(i) Twenty MOFA staff trained in policy analysis under Part 1(v) of the Project.
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) Selection based on Consultants’ Qualifications; (B) Single-source Selection of consulting firms; (C) Selection of Individual Consultants; and (D) Single-source procedures for the Selection of Individual Consultants.

(d) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. 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 categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each 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) Consultants’ Services</td>
<td>210,800</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training and Workshops</td>
<td>66,200</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>277,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term “Training and Workshops” means the costs associated with the training and workshop participation of personnel involved in Project supported activities, including travel and subsistence costs for training participants, translation services associated with training and workshops, rental of training facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshops.
(ii) Database established and at least one report is produced each year, under Part 1(ii) of the Project.

(iii) Training manuals and reports of studies prepared under Part 1(iii) of the Project.

(iv) Capacity development plan completed under Part 1(ii) of the Project.

(v) At least five workshops for information dissemination have been carried out under Part 2(iii) of the Project.

(c) The Recipient shall, upon the World Bank's request, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five months after the Closing Date.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. Procurement

(a) General. All consultants' 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) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(ii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.25 of the Consultant Guidelines (“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 Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2016.

**Article IV**

**Recipient’s Representative; Addresses**

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

4.02. **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) 26-02-47

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

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INTBAFRAD  
Telex: 248423 (MCI)  
Facsimile: 1-202-477-6391  
Washington, D.C. 64145 (MCI)