H.E. Nyamjav Batbayar  
Minister of Economic Development  
Ministry of Economic Development  
Government Building II  
United Nations’ Street - 5/1  
Ulaanbaatar 15160  
Mongolia

MONGOLIA: IDF Grant for Strengthening Corruption Prevention and Monitoring Project  
IDF Grant No.TF013945

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 ninety three thousand five hundred and fifty United States Dollars (U.S.$293,550) ("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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World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.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Klaus Rohland  
Country Director, Mongolia
AGREED:

MONGOLIA

By: [Signature]

Authorized Representative

Name: Batbayar N.

Title: Minister for Economic Development

Date: 11/11/2013

cc: Mr. Navaansuren Ganbold
Commissioner General
Independent Authority Against Corruption
Seoul Street-41
Ulaanbaatar-14250
Mongolia

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

(3) 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


Article I
Standard Conditions; Definitions


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) "AID" means the annual assets and incomes declarations by Mongolian public officials referred to in the Anti-Corruption Law 2006 (as hereinafter defined).

(b) "Anti-Corruption Law 2006" means the Law of Mongolia on Anti-Corruption, adopted by Mongolia on July 8, 2006.

(c) "Col" means the annual conflicts of interest declarations of Mongolian public officials referred to in the Law on Conflict of Interest 2012 (as hereinafter defined).

(d) "Law on Conflict of Interest 2012" means the Law on Regulating Public and Private Interests in Public Service and Preventing Conflicts of Interest, adopted by Mongolia on January 19, 2012.

(e) "IAAC" means the Independent Authority Against Corruption, an independent agency under the Recipient's parliament, established in January 2007 under the Anti-Corruption Law 2006.

(f) "MCI" means the Mongolia Corruption Index, a quantitative measure used to monitor corruption, referred to in the Anti-Corruption Law 2006.

(g) "PMU" means the Project Management Unit, to be established and maintained in accordance with Section 2.03(b) of this Agreement.

(h) "Training and Workshops" means the costs associated with the training and workshops participation of personnel involved in implementation of the Project, including travel and subsistence costs for training participants, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training and workshops in connection with the Project.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to build capacity of the IAAC to: (a) effectively implement the AID and the Col; and (b) improve the methodology, analysis, and usage of the IAAC's corruption perception surveys. The Project consists of the following parts:
(a) **Part 1:** Capacity building of the IAAC’s staff on the AID and the COI regulations through comprehensive training and learning from international good practices; technical assistance in oversight and analyses of the AID and the COI and in outreach; and assistance in communication to public officials and the general public on the AID and the COI, including through the IAAC’s website and a hotline.

(b) **Part 2:** Improving inter-agency cooperation through the provision of technical assistance, workshops on inter-agency collaboration and related procedures, study tour for senior management of the IAAC, Office of the Prosecutor General, tax authority, asset registration, procurement agencies on national and municipal levels, to enable them to observe inter-agency cooperation in practice, and to establish a working relationship with counterparts in such country.

(c) **Part 3:** Strengthening corruption monitoring and evaluation through the provision of technical assistance to focus on the MCI methodology and improvement of analyses, data examination and interpretation, and dissemination of survey findings, public outreach and media engagement.

(d) **Part 4:** Provide Project implementation monitoring and support, including Grant audit.

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 IAAC, 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 IAAC. The IAAC will implement the Project through its Prevention and Public Awareness Raising Department and its Monitoring and Evaluation Department.

(b) No later than thirty (30) days from the date of countersignature of this Agreement by the Recipient, the Recipient shall cause the IAAC to establish the PMU to be led by the Head of Prevention and Public Awareness Department, and with representatives of the Monitoring and Evaluation Department and the Administration Department of the IAAC, for overall management, day-to-day implementation, monitoring and evaluation of the Project, and for coordination of activities within these departments of the IAAC and collaboration with other agencies.

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 the indicators set forth below 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 above in paragraph (a) consist of the following:
(i) A functional system of AID/Col is operational.

(ii) Survey instruments for the 2013 corruption perception survey are revised.

(iii) Increased usage of the MCI.

(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 (5) 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 goods, 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) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) 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

(iii) 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 1.18 of the Procurement Guidelines and 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 and III of the
Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services.**
Goods shall be procured under contracts awarded on the basis of Shopping.

(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) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(e) **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) Goods</td>
<td>20,800</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td>170,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshops</td>
<td>72,750</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Audit</td>
<td>30,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>293,550</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 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 three years after the date of countersignature of this Agreement by the Recipient.

**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 its Minister of Economic Development.

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

   Ministry of Economic Development  
   Government Building II  
   United Nations’ Street - 5/1  
   Ulaanbaatar 15160  
   Mongolia
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) or 64145 (MCI)  
Facsimile: 1-202-477-6391