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

Re: Mongolia: Japan PHRD TA Program to Support Disaster Reduction and Recovery
Grant for Improving Disaster Risk Management in Mongolia
PHRD Grant No. TF011184

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 Japan (“Donor”) under the Policy and Human Resources Development Technical Assistance Program to Support Disaster Reduction and Recovery, proposes to extend to the Recipient, a grant in an amount not to exceed two million seven hundred thirty thousand United States Dollars (U.S.$2,730,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Grant Agreement”), which includes the attached Annex, to assist in the financing 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 from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Grant Agreement), the World Bank’s payment obligations in connection with this Grant Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Grant Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Grant 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 Grant Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy and the countersigned copy of the letter agreement between the World Bank and the Municipality of Ulaanbaatar (“Project Agreement”), this Grant Agreement shall become effective as of the date of the countersignature of this Grant Agreement or of the Project Agreement, whichever is later.
Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
David I
Acting Country Director, Mongolia
East Asia & Pacific Region

AGREED:
MONGOLIA

By
Authorized Representative

Name  D. KHAYAN KHYARVAA
Title  Minister of Finance
Date:  June 13, 2012

Enclosures:

(2) Disbursement Letter of the same date as this Grant Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
PHRD Grant No. TF011184
ANNEX

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.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objectives of the Project are to improve the disaster preparedness of Ulaanbaatar and to reduce the impact of "dzud" on rural livelihoods. The Project consists of the following parts:

Part A. Managing Urban Disaster Risk in Mongolia

A.1. Urban Risk Management and Preparedness in Ulaanbaatar

A.1.1. Carrying out of a detailed disaster risk assessment for Ulaanbaatar, including the mapping of risk areas, the review of existing zoning regulations and land use plans, and the dissemination of information.

A.1.2. Design and development of a database on hazards and vulnerabilities with a GIS system, including demonstration workshops and training for potential users of the database.

A.1.3. Design of the Ulaanbaatar Disaster Risk Management Plan, and capacity building for key actors, including design of pilot demonstration works.

A.2. Monitoring and Evaluation

A.3. Project Management

Part B. Managing Climatic Risk in Rural Mongolia

B.1. Dzud Management System

B.1.1. Development of an information system for dzud forecasting and monitoring, including carrying out of an initial diagnostic and implementation of recommendations on roles and responsibilities, data collection, and data sharing and consolidation into mapping tools.
B.1.2. Analysis of options and design of a new emergency feed and fodder supply system, including the strengthening of food and fodder production, state procurement, storage and distribution systems, and associated capacity building.

B.2. Monitoring and Evaluation

B.3. Project Management and Administration

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall:

(a) carry out Part B of the Project through the Sustainable Livelihoods Program Office within the Ministry of Finance in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) 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 (iii) this Article II; and

(b) cause Part A of the Project to be carried out by the Municipality of Ulaanbaatar (MUB) in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) the Anti-Corruption Guidelines; (iii) this Article II; and (iv) the agreement dated the same date as this Agreement between the World Bank and MUB, as such agreement may be amended from time to time (“Project Agreement”).

2.03. Institutional and Other Arrangements. (a) The Recipient shall maintain, throughout the period of Project implementation, the Sustainable Livelihoods Program Office within the Ministry of Finance, responsible for implementing Part B of the Project.

(b) The Recipient shall vest in MUB all responsibility for the execution of Part A of the Project. To that end, the Recipient shall cause MUB to maintain, throughout the period of Project implementation, the Project Management Unit responsible for implementing Part A of the Project.

(c) To facilitate the carrying out of Part A of the Project, the Recipient shall on-grant part of the proceeds of the Grant not exceeding the aggregate amount of one million three hundred sixty five thousand United States Dollars (U.S.1,365,000) to MUB under terms and conditions approved by the World Bank.

2.04. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of Part B of the Project and cause MUB to monitor and evaluate the progress of Part A of the Project, and prepare and cause MUB to 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 one (1) month after the end of the period covered by such report.

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

(i) For Part A of the Project:
(A) vulnerability of Ulaanbaatar to natural disaster, particularly to floods, is reduced; and
(B) disaster preparedness and effective response at the Municipality of Ulaanbaatar is strengthened.

(ii) For Part B of the Project:
(A) information system for dzud forecasting and monitoring is strengthened; and
(B) design for strengthened emergency feed and fodder system agreed by Government.

(c) The Recipient shall 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 six (6) months after the Closing Date.

2.06. 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 not later than one (1) month after the end of each calendar semester, covering the semester, 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. Procurement

(a) General. All goods, works, non-consulting services, and 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 1 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, works 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, Works and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding (subject to the additional procedures described in the Attachment to this Annex).

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts which are 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, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Single-source Selection of consulting firms; (C) Least Cost Selection; (D) Selection Based on Consultants' Qualifications; (E) Selection under a Fixed Budget; (F) Selection of Individual Consultants; and (G) 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) 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 Allowed (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Training and Workshops, and Management Fee under Part A of the Project</td>
<td>1,365,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services, Training and Workshops, and Operating Costs under Part B of the Project</td>
<td>1,365,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,730,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this Section:

(a) the term “Training and Workshops” means reasonable expenditures incurred by the Recipient for in-country training, workshops and seminars, including office supplies, training materials, costs for translation of training materials, interpretation equipment, consumables, domestic travel costs including lodging and per diem for trainers and trainees, and the costs of renting training facilities;

(b) the term “Management Fee” means the expenses incurred by the Project Management Unit for Project management services directly related to the Project, based on an annual budget for such costs approved *ex-ante* in writing by the World Bank, including: (i) operation, maintenance and rental of vehicles; (ii) rent, operation and maintenance of office; (iii) capacity building for the Project Management Unit,
including tuition for in-country staff training; (iv) transportation and travel, including per diem allowances for Project staff in travel status; (v) office supplies, utilities and office administration, including translation, printing and advertising; (vi) goods for Project management, including office equipment and software; (vii) communication costs; (viii) public awareness raising costs; (ix) reasonable bank charges; (x) meeting costs; (xi) insurance premiums; (xii) auditing; and (xiii) staff salaries but excluding salaries of the Recipient’s and MUB’s civil servants; and

(c) the term “Operating Costs” means operating costs required for the Project including consumable materials and supplies, office administration and rental costs, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, but excluding salaries of the Recipient’s civil servants.

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, 2014.

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 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 Corpus D
S. Danzangyn Gudamj 5/1
Ulaanbaatar, 15160
Mongolia

Facsimile:
(976-11) 32-02-47

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

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
<table>
<thead>
<tr>
<th>Cable:</th>
<th>Telex:</th>
<th>Facsimile:</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEVAS</td>
<td>248423 (MCI) or 64145 (MCI)</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In order to ensure economy, efficiency, transparency and broad consistency with the provisions included in Section I of the Guidelines, goods and works shall be procured in accordance with the following paragraphs.

Applicable Procurement Procedure

(i) Bidding shall be conducted in accordance with the Open Bidding Procedure, as defined in Chapter Two of the Public Procurement Law of Mongolia enacted on December 1, 2005 (as amended through June 16, 2011) and related provisions, subject to the following:

Participation in Bidding and Preferences

(ii) Government-owned enterprises in Mongolia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.

(iii) A bidder declared ineligible by the World Bank, based on a determination by the World Bank that the bidder has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing a World Bank-financed contract, shall be ineligible to be awarded a World Bank-financed contract during the period of time determined by the World Bank.

(iv) A firm which has been engaged by the Recipient to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods or works resulting from or directly related to the firm’s consulting services for such preparation or implementation. This provision does not apply to the various firms which together are performing the contractor’s obligations under a turnkey or design and build contract.

(v) Prospective bidders shall be permitted to request bidding documents either in person or by mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee for the bidding documents which shall not exceed the cost of reproduction and delivery of such documents.

(vi) Interested foreign bidders from eligible countries shall be allowed to participate without being required to associate or form joint ventures with local bidders. Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders. Mongolian bidders and goods of Mongolian origin shall be given no preference over foreign bidders, either in the bidding process or in the evaluation of bids.

(vii) Prior registration shall not be a requirement for any bidder to participate in bidding.

(viii) Pre-qualification of contractors shall not be required, except in the case of large or complex works and with the prior written concurrence of the World Bank.
Advertising, Time for Bid Preparation

(ix) Invitations to bid shall be advertised in at least one (1) widely circulated national newspaper, allowing sufficient time, normally a minimum of thirty (30) days, for the preparation and submission of bids. Bidding documents may be distributed electronically provided that the World Bank is satisfied with the adequacy of such electronic system.

Standard Bidding Documents

(x) Standard bidding documents, acceptable to the World Bank, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand, by mail or by courier.

Assessment of Bidder’s Qualification

(xi) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder’s qualifications shall be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidder’s qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Recipient and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated substantially responsive bid shall be assessed first.

The evaluation of a bidder’s qualifications shall only take into account the bidder’s capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction or manufacturing facilities and financial capacity. In carrying out the post-qualification assessment, the Recipient shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder’s qualifications and shall provide a reasonable time period (that is, a minimum of seven days) to the bidder to provide his response.

Evaluation Criteria

(xii) Evaluation criteria to be used in the evaluation of bids shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used in bid evaluation. The evaluation of bids shall be done in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid.

Bid Opening and Bid Evaluation

(xiii) Bids shall be opened in public, immediately upon the stipulated deadline for submission of bids. Bidder’s representatives and the project’s beneficiaries from the concerned local community who choose to attend shall be allowed to attend. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded in the Bid Opening Record. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened. Immediately after completion of the bid opening proceedings, a copy of the Bid Opening Record shall be posted at a prominent location, accessible to the public, outside the
office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the Bid Opening Record shall be promptly provided to all bidders who submitted bids. With respect to all contracts which are subject to the World Bank’s prior review, the Recipient shall provide the World Bank a copy of the Bid Opening Record.

(xiv) All bids shall not be rejected or new bids invited without the World Bank’s prior written concurrence.

(xv) No bid shall be rejected merely on the basis of a comparison with the owner’s estimated cost or budget ceiling without the World Bank’s prior written concurrence.

(xvi) A bid containing material deviations from or reservations to the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of non-material, minor deviations or reservations.

(xvii) Bidders shall be requested to extend the validity of their bids only under exceptional circumstances and, in all such cases, the Recipient shall communicate such request in writing to all bidders before the date of expiry of their bids. In such a case, bidders shall not be requested nor permitted to amend the price or any other condition of their bid. Bidders shall have the right to refuse to grant such an extension of the validity of their bids without forfeiting their bid securities, but bidders granting such extension shall be required to provide a corresponding extension of their bid security.

(xviii) In the case of contracts of more than eighteen (18) months’ duration, the bidding documents and the resultant contract shall provide for price adjustment, based on a formula acceptable to the World Bank, which shall be disclosed to the bidders in the bidding documents.

(xix) The bid of a bidder which refuses to accept arithmetical corrections made by the Evaluation Committee during the evaluation of its bid shall be rejected.

(xx) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify its bid as originally submitted.

(xxii) There shall be no post-bidding negotiations with the lowest evaluated bidder or any other bidder. No bidder shall be required, as a condition for the award of contract, to change his bid price or otherwise materially alter his bid after it has been submitted.

Suppliers, Contractors and Subcontractors

(xxii) The World Bank shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank.

(xxiii) Bidding documents and contracts under National Competitive Bidding procedures financed by the World Bank shall include a provision requiring suppliers, contractors and
subcontractors to permit the World Bank to inspect their accounts and records relating to the bid submission and the performance of the contract by the suppliers, contractors and/or subcontractors as the case may be, and to have them audited by auditors appointed by the World Bank, if so required by the World Bank. The deliberate and material violation by the suppliers, contractors or subcontractors of such provision may amount to obstructive practice which is subject to sanctions under the Guidelines.

**Publication of Award of Contract**

(xxiv) The Recipient shall publish the following information on contract award on an accessible website when it becomes operational or on another means of publication acceptable to the World Bank: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, price it offered as well as the duration and summary scope of the contract award. This publication shall be updated quarterly.

**Complaints by Bidders and Handling of Complaints**

(xxv) The provisions of Chapter Seven of the Public Procurement Law of Mongolia on the settlement of disputes shall apply to all World Bank-financed contracts awarded under national competitive bidding procedures.