March 28, 2014

H.E. Batbayar N.  
Minister of Economic Development  
Ministry of Economic Development  
Government Building II  
United Nation’s Street- 5/1  
Ulaanbaatar 15015  
Mongolia

Re: Mongolia-Australia Partnership for Sustainable Development Trust Fund (TF016382)  
Additional Financing for the Mining Infrastructure Investment Support Project  
(IDA Credit No. 4888-MN)

Excellency:

Pursuant to the Financing Agreement (the “Financing Agreement”) dated May 24, 2011, as amended to the date of this Agreement, between Mongolia (the “Recipient”) and the International Development Association (the “Association”) related to the Mining Infrastructure Investment Support Project (the “Project”), the Association agreed to provide to the Recipient a credit in the amount equivalent to sixteen million Special Drawing Rights (SDR 16,000,000), and the Recipient declared its commitment to the objectives of the Project and agreed to carry out the Project in accordance with the terms and conditions of the Financing Agreement.

The Recipient has now requested the Association to provide additional financing to implement certain scaled-up activities under the Project. In response to the Recipient’s request, the Association proposes to extend to the Recipient a grant in an amount not to exceed two million one hundred thousand United States Dollars (U.S.$2,100,000) (the “Grant”) from the Mongolia-Australia Partnership for Sustainable Development Trust Fund (the “Trust Fund”), administered by the International Bank for Reconstruction and Development and the International Development Association (the “World Bank”), on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex.

This Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions from the Government of Australia (the “Donor”). In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this 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 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.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Klaus Rohland
Country Director, Mongolia
East Asia and Pacific Region

AGREED
MONGOLIA

By:

Authorized Representative

Name: Batbayan Nyamjav
Title: Minister for Economic Development
Date: 30.04.2014

Enclosures:


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

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. The capitalized terms not defined in this Agreement or the Standard Conditions shall have the meanings ascribed to them in the Financing Agreement, unless the context requires otherwise.

Article II - Project Execution

2.01. **Project Objectives and Description.** (a) The objectives of the Project are to facilitate investments in infrastructure to support mining and downstream processing activities, regardless of funding source, and to build local capacity to prepare and transact infrastructure projects.

(b) The Project consists of the parts described in Schedule I of the Financing Agreement, as may be amended from time to time, and the following additional scaled-up activities (the “Activities”) under Part 3 of the Project:

(i) Establishment of a ground water management and information unit comprising full time professionals in adequate numbers and having terms of reference agreed with the World Bank.

(ii) Establishment and equipping of adequate number of river basin councils (RBCs) in the South Gobi Region to serve as focal points for key stakeholders in selected river basins with a river basin administrator (RBA), and to act as the coordinating body through which all relevant stakeholders and actors of the South Gobi Region will be represented to voice and protect their interest in groundwater use and management.

(iii) Establishment and equipping of adequate number of RBAs to carry out the daily groundwater management tasks in their respective basins.

(iv) Provision of technical advisory services and capacity building activities for the RBCs and RBAs to be established.

(v) Provision of technical advisory services, including assessment of the legal/institutional framework related to water resources management, including preparation and implementation of groundwater management plans and conducting groundwater investigations.

(vi) Execution of groundwater assessment and management studies.

2.02. **Project Execution Generally.** The Recipient shall carry out the Project in accordance with the provision of Section I (Implementation Arrangements: Institutional Arrangements, Project Manual, Anti-Corruption, Safeguards) and Section II (Project Monitoring, Reporting and

2.03. **Other Arrangements.** The Recipient shall carry out the Project through the Ministry of Finance which shall coordinate with the Water Monitoring and Regulation Division of the Ministry of Environment and Green Development, as appropriate.

2.04. **Donor 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. **Procurement**

(a) **General.** All goods, 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 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**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services 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 and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C)
National Competitive Bidding (subject to the additional provisions described in the Appendix to this Annex).

(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) Least-Cost Selection; (C) Selection based on the Consultants’ Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; (F) Single-source procedures for the Selection of Individual Consultants; and (G) Selection under a Fixed Budget.

(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 Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and non-consulting services</td>
<td>240,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td>1,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshops</td>
<td>160,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Incremental Operating Costs</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,100,000</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 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 September 30, 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 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  
    United Nations’ Street 5/1  
    Ulaanbaatar, 15160  

    Facsimile:  
    976-51-262272

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

    Cable:  
    INDEVAS  
    Washington, D.C.

    Telex:  
    248423 (MCI) or 64145 (MCI)

    Facsimile:  
    1-202-477-6391
Appendix
Related to Section 2.05(c)(ii) of the Annex to this Agreement

Additional Procedures - National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provisions included in Section 1 of the Procurement Guidelines, goods and works to be procured under National Competitive Bidding procedures shall be subject to the following additional procedures:

A. Applicable Procurement Procedure

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:

B. Participation in Bidding and Preferences

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

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

(vii) 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.

C. Advertising, Time for Bid Preparation

Invitations to bid shall be advertised in at least one widely circulated national newspaper, allowing sufficient time, normally a minimum of 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.

D. Standard Bidding Documents

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.

E. Assessment of Bidder’s Qualification

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.

F. Evaluation Criteria

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.
G. Bid Opening and Bid Evaluation

(i) 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.

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

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.
(ix) 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.

H. Suppliers, Contractors and Subcontractors

(i) 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.

(ii) 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.

I. Publication of Award of Contract

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.

J. Complaints by Bidders and Handling of Complaints

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.