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KfW Development Bank

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»» **German Financial Cooperation with Mongolia**
Programme on Biodiversity and Adaptation to Climate Change II, EUR 19.5 million
No.: 2016 67 054
Separate Agreement to the Financing and Project Agreement dated 22nd June 2018

Dear Sir or Madam

In accordance with the Financing and Project Agreement entered into between the State of Mongolia, represented by the Ministry of Finance (MOF) ("Recipient"), and KfW ("KfW") dated 22nd June 2018 the following shall be determined by separate agreement:

Pursuant to Article 1.2:

the details of the Programme as well as the goods and services to be financed from the Financial Contribution;

Pursuant to Article 2.1:

the disbursement procedure, in particular the evidence proving that the disbursed Financial Contribution is used for the stipulated purpose;

Pursuant to Article 6.2: the details pertaining to Article 6.1 (Programme Implementation).

We propose that the following be agreed upon:

I. Programme Design

1. Details of the Programme

- 1.1 Phase II of the Programme on Biodiversity and Adaptation to Climate Change (BACCP II) concerns the extension of support to the network of protected areas (PAs) in Mongolia. Designed as an open Programme, it aims at strengthening the sustainable and effective management of selected PAs and larger adjacent/connecting areas (incl. buffer zones and eco-corridors, here referred to as "clusters"), while also supporting sustainable and alternative livelihoods of local communities. For details of the intervention logic (including required activities and underlying assumptions), see the "Results Matrix" in Annex 1.
- 1.2 BACCP II complements the on-going Phase I of the Programme (BMZ No. 2012 65 511, under implementation since 2015) by extending support to the Western and possibly South-Western parts of the country. BACCP II intends to focus on promoting effective connectivity and sustainable conservation management of selected larger geographic areas. This is to be achieved through the grouping of state and local PAs, with active partnership by local governments (aimag and soum level). Investments into these larger geographic zones/clusters will be based on pre-defined criteria. Annex 8 contains an overview of the location, characteristics and criteria-based ranking of the proposed clusters. According to this ranking, clusters 1, 2, 3 and 7 will be subject to additional funding under component 2 of the Programme (see below). Whilst in their majority Programme measures are expected to take place in the four mentioned clusters, individual PAs (including local PAs) can also become eligible for targeted support under component 3 of the Programme provided they meet the following two selection criteria:
- Outstanding ecological value of the proposed areas - documented by the occurrence of at least two species of fauna/ flora featuring on the IUCN Red List with at least "Endangered" status and/or international recognition of the area's value, e.g. as Ramsar Site, International Bird Area (IBA) or similar.
 - The potential of the proposed support measures to serve as pilot schemes for subsequent "up-scaling" into the PA system - e.g. with innovative concepts on sustainable financing, improved pasture management, tourism management or similar.
- 1.3 In addition to the costs of the implementation consultant, the following Programme activities shall be financed from the Financial Contribution:

Component 1: Management planning and delivery of basic equipment for the entire PA network

Activities to be funded under Component 1 include but are not limited to: participatory development/ updating of management plans for PA, buffer zones (BZ) and clusters, respectively; development of an M&E system; conducting relevant baseline studies, and procurement of basic equipment for PA administrations and BZ councils. Activities under this Component are expected to be of benefit for the entire PA system of Mongolia and may therefore be carried out on a country wide basis.

Component 2: Implementation of management and business plans in 4 larger intervention areas (clusters)

Measures eligible for funding under this Component include but are not limited to: development/rehabilitation/upgrading of key PA infrastructure and procurement of related equipment; measures for fire and pest prevention and preparedness; promotion of sustainable land-use forms in restricted use zones and buffer zones; funding of social infrastructure in the BZ, promotion of alternative livelihoods.

For larger intervention areas to initially qualify for Programme support, a prior Memorandum of Understanding (MoU) will have to be concluded among the relevant stakeholders. To achieve this by virtue of a moderated consultative process, consultancy services from the "Study and Advisory Fund" available to KfW shall be deployed prior to Programme implementation. A sample MoU is attached as Annex 9 to this agreement. If stakeholders in one cluster fail to achieve agreement as per the MoU requirements, respective Programme support may be re-directed to other intervention zones – as prioritised in Annex 8.

Funding for Component 2 shall focus on the Western and South-Western regions of Mongolia.

Component 3: Implementation of management and business plans in up to 7 individual PAs selected on the basis of pre-defined criteria

The same activities as those listed under Component 2 may be funded under Component 3. Individual PAs intending to qualify for Programme support under Component 3 will have to clearly and unequivocally demonstrate that their submission meets the eligibility criteria of outstanding ecological value and potential for system-wide replicability. Eligibility will be assessed by the Steering Committee. Also, the respective proposal will require KfW's non-objection. Selection of these individual PA is not geographically restricted.

Component 4: Capacity development and public awareness measures for the entire PA network.

Activities eligible for funding under this Component may include policy dialogue, capacity building for the different stakeholders of the PA system, public relations work, strategy development.

- 1.4. The main target group of the Programme is the rural population in the intervention areas (PAs, buffer zones, LPAs and corridor areas). These groups will participate in the planning and implementation of activities and directly benefit from the sustainably managed natural resources and job opportunities in the PA network and the emerging tourism sector.
- 1.5. The design of the Programme is based on the feasibility study carried out by Unique Consultants in May-June 2017 and made available to KfW, the Recipient and the PEA in July 2017 as well as on the agreements made between KfW and the Ministry of Environment and Tourism (MET, as the Programme Executing Agency, PEA) during the Programme appraisal in the Minutes of Meeting dated August 28, 2017, which form an integral part of this agreement (Annex 2).

2. Time Schedule

- 2.1 The Programme is conceived for an implementation period of five years, which will require the deployment of at least 4 supplementary staff within the existing PIU for procurement and accounting tasks as well as for technical matters (buffer zones issues, M&E, and issues related to the Programme's Environmental and Social Management Framework, ESMF, cf. the relevant ESMF provisions in the Minutes of Meeting in Annex 2 of this Agreement as well as the ESMF sections of the feasibility study). The implementation period will be divided into three phases:
 - Start-up/inception phase of 6 months: implementing procedures, launching of training Programmes and organising for improvement of PA plans,
 - Implementation phase of 48 months.
 - Consolidation phase of 6 months: completion of activities, evaluation of experiences, final accounting of expenditures.

3. Total Cost and Financing

The estimated total Programme cost ("Total Cost") underlying the Programme appraisal is approximately EUR 24.25 million / MNT 67,900 billion (at the exchange rate of 1 EUR equal to 2,800.00 MNT). The Financial Contribution amount is EUR 19.5 million. The Mongolian side is expected to support the Programme with

counterpart funding in the amount of MNT 13,330 billion. This contribution is to be additional to the regular budget provided by the MET to the PAs. MET will make timely provisions to integrate the required contribution in the budget application process for the budget years 2019 to 2024. MoF and MET shall provide regular updates to KfW in conjunction with the Mongolian mid-term planning cycle (approx. March, June, September of each year) in order to ensure the full financing of the Programme.

Out of the Financial Cooperation (FC) Contribution the following shall be financed: Local costs for measures for protection and conservation of biodiversity and the improvement of livelihoods in selected conservation areas as well as foreign exchange costs for consulting measures, incl. those related to the Environmental and Social Management Framework as well as for external mid-term/ final reviews. Recurrent expenditures (e.g. salaries of PA staff/employees and other operating costs) will not be financed out of the FC contribution.

The composition of Total Costs and the Financing Plan are contained in Annex 3.

4. Changes in the Programme Design

Any major changes in the Programme design shall require KfW's prior consent, including any major change regarding the procurement and payment procedures. The PEA shall inform KfW thereof immediately, stating the reasons, the planned measures and the consequences of the change (including on Total Cost). Execution of such measures may commence only on the basis of revised planning and upon KfW's consent.

II. Programme Implementation

1. Responsibilities and Time, Cost and Financing Schedule

1.1 The Ministry of Environment and Tourism (MET) as PEA shall be responsible for the implementation, supervision and monitoring of the Programme.

For efficiency purposes, Phases I and II of the Programme shall have the same National Programme Director. He/she will oversee the general implementation of the Programme on behalf of the Minister of Environment and Tourism and the Steering Committee. Specific tasks will remain as stipulated in the Separate Agreement agreed for BACCP I in November 2013 and include:

- Signing the agreements for the implementation of particular projects (e.g. preliminary agreement upon authorisation by the Steering Committee),
- Initiating the annual internal and external audits,
- Signing the disbursement requests to KfW,

- Submitting semi-annual technical and financial Progress Reports to the Minister and KfW,
- Signing cooperation agreements with other projects or organisations,
- Initiating appropriate measures in case of difficulties in Programme implementation, which cannot be handled at the operational level.

1.2 To the extent that they are implemented in parallel, both phases of the Programme will be supported by the same PIU. However, once implementation of Phase II begins, the PIU of Phase I will be enlarged – compared to the composition foreseen in the Separate Agreement of Phase I – by at least one accounting/financial and one procurement management officer in addition to one technical/buffer zone management officer and one environmental and social management officer who will oversee the ESMF issues pertinent to the Programme.

With regard to the PIU's overall composition, the following adjustments in terms of additional staff compared to the provisions made in the Separate Agreement for Phase I are foreseen:

- 1 Programme Coordinator (Head of PIU, conservation/NRM specialist, in charge of the daily operations), same as in Phase I
- 2 Financial Officers (one additional officer compared to Phase I)
- 2 Procurement Officers (one additional officer compared to Phase I)
- 1 Technical/ buffer zone and M&E Management Officer (new position)
- 1 ESMF expert (new position)
- 1 Officer for Administration and Office Management (same as in Phase I)
- 1 Driver (same as in Phase I).

The PIU will be responsible for the day to day work of Programme implementation. The full-time PIU staff shall be employed by the PEA and be paid out of Mongolian Funds. The functions of the PIU will be the same as those stipulated in Sections II.1.3. and II.1.4 of the Separate Agreement for BACCP Phase I and include:

- General management and implementation of the Programme
- Implementation and monitoring of the different management plans foreseen under components 2 and 3 of the Programme
- Administering the disposition fund, financial management and accounting
- Allocation and monitoring of Programme funds based on approved budget plans and the timely submission of financial reports to the recipient and the donor according to agreed schedules

- Preparation of annual work plans which shall comprise programme tasks and expected results, staff deployment, programme costs and financial forecasts
- Ensuring that by applying the ESMF potential negative environmental and social impacts are minimized, whilst striving to enhance benefits for local communities and the environment;
- Preparation of reports.

The PIU will ensure presence in Ulaanbaatar as well as in the focal region of Western Mongolia either by deploying additional PIU staff to the region or by assigning additional personnel to the respective PA administrations – either case to be funded from Mongolian resources. MET will provide offices for the PIU and the Programme's implementation consultant in close distance to the offices of the Ministry.

- 1.3 The Steering Committee shall continue to be charged with the orientation and supervision of Programme implementation, as stipulated in the Separate Agreement agreed for BACCP I. The Committee will decide on funding proposals related to Components 1, 2 and 3.
- 1.4 Thematic Working Groups shall continue to perform their functions as stipulated in the Separate Agreement agreed for BACCP Phase I.
- 1.5 The detailed time, cost, and financing schedule, regularly updated for the proper technical and financial implementation of the Programme, shall be prepared as soon as possible by the PEA in cooperation with the Consultant and submitted to KfW. Such schedule is to show, by deadlines and amounts, the intended chronological interrelation of the Programme activities and the resulting financial requirements. If any deviation from such schedule becomes necessary during the implementation of the Programme, KfW shall be furnished with a revised schedule.

2. Environmental, Social and Health & Safety Compliance

- 2.1 The PEA shall at all times carry out its business and operations in compliance with all applicable national environmental, occupational health and safety and social laws and regulations.
- 2.2 The PEA shall be responsible for the preparation, implementation and operation of the Programme in compliance with the World Bank's environmental and social standards and the World Bank Group's General and sector-specific EHS Guidelines. In particular, the PEA shall:
 - a) ensure that, with support by the Consulting Team (cf. para II.3), an ESMF, a Stakeholder Engagement Framework (SEF), a Process Framework for

Alternative Livelihoods (PFAL) and an Ethnic Minorities Process Framework (EMPF) are bindingly set up for the Programme – in line with the Programme’s orientation and suited to its requirements – at the latest by December 2019 and submitted to KfW for No-Objection;

- b) ensure that the measures and actions as set out above in the ESMF, the SEF, the PFAL and the EMPF are implemented diligently and completely;
- c) ensure that – after KfW’s No-Objection – the agreed environmental and social documents (ESMF, SEF, PLAL, EMPF) are made publically available in a timely manner in the respective Programme areas. As a minimum, an easily understandable summary of the main environmental and social findings and mitigation measures (including the stakeholder engagement process - e.g. Non-Technical Summary) and relevant environmental and social information of the Programme components shall be published in an accessible and culturally appropriate manner. Such information shall be accessible to the affected stakeholders for an adequate time to allow Programme affected people to voice concerns and suggestions. If appropriate, respective documents will also be disclosed on the PEA’s website.

2.3 The PEA shall comply with the Fundamental Conventions of the International Labour Organization (ILO).

2.4 The PEA shall ensure that occupational and public health and safety provisions (specifically the ESMPs to be established along the requirements of the ESMF) are consistent with national requirements and international good practice standards as well as with WB/IFC General EHS Guidelines and IFC PS 2, and put forward to contractors, subcontractors, and to suppliers, in particular those for major supply items.

2.5 The PEA shall develop and implement a grievance mechanism satisfactory to KfW, which is accessible to the general public and in particular to Programme affected persons, and to the workforce engaged in Programme implementation.

3. Assignment of a Consultant

3.1 The Implementation Consultant (IC) shall support the PEA with the execution and operation of the Programme. The IC team is expected to include:

- Chief Technical Advisor (CTA, international programme management and conservation/ NRM specialist, procurement expertise),
- Deputy Chief Technical Advisor (DCTA, buffer zone development / NRM specialist, long-term),

- Buffer Zone Coordinator (long-term, national),
- ESMF Specialist to support the MET/ PIU in establishing and properly implementing the ESMF provisions (as laid out in para II.2)
- Interpreter and driver (both national, long-term),
- Short-term expertise and backstopping, national and international levels (including some unallocated expert months to respond to emerging needs during implementation).

The duties of the consultant shall be performed as stipulated in the Separate Agreement agreed for BACCP I in November 2013 and include:

- Supporting the PEA/PIU in Programme planning and implementation,
- Assisting the PEA/PIU in executing tender procedures (preparation of tender documents, assessment of proposals, preparation of contracts, etc.) and procurement,
- Confirming proper delivery of goods and services,
- Supporting the administration of the disposition fund, financial management & accounting, co-signing the requests for disbursement to KfW,
- Supporting the evaluation of project proposals submitted by PAs, clusters and others,
- Providing technical consulting services on relevant topics,
- Supporting the monitoring & supervision of the implementation of selected management plans,
- Co-signing, together with the Head of the PIU (cf. para II.1.1), the contracts for implementation of particular projects,
- Providing support in preparing progress reports and implementation of training activities.

Details will be defined in the ToR of the Consultant.

The Consultant team will be located in the PIU Office in Ulaanbaatar, but will also ensure a continuous presence by designated team member(s), like the Buffer zone Expert, in the Western Region.

The Consultant shall support the PEA in designing and implementing the tender procedures and the award of contracts in conformity with KfW guidelines for tendering of goods and services and in compliance with the environmental and social standards as set out in Section II.2.

3.2 Consulting services for BACCP II are to be awarded on the basis of competitive bidding to independent, qualified consultants. It is agreed that KfW will assist the PEA, free of charge, with selecting and contracting the consultants and also during the performance of the consulting services. For this purpose, an Agency Contract between the PEA and KfW is herewith agreed upon. Accordingly, KfW is authorised by the PEA to:

- conclude the Consulting Contract and its eventual amendments on its behalf and
- make down and interim payments to the Consultant in accordance with the agreed disbursement procedure and with the provisions set forth in the Consulting Contract.

In all other respects, the PEA will be in charge of executing and supervising the Consulting Contract. If and as required, KfW will continue to advise and assist the PEA within the limits of its possibilities.

On behalf of the PEA, KfW will assign an expert (Tender Agent) to assist with the procedure for the selection of consultants. The costs incurred for the Tender Agent will be covered by a special fund that is provided for such a purpose by the German Federal Ministry for Economic Cooperation and Development (BMZ). Specifically, the Tender Agent will assist the PEA with the following services on the basis of the "Guidelines for the Assignment of Consultants in Financial Cooperation with Partner Countries":

- Drafting of the Terms of Reference for the consulting services including a draft consulting contract (standard KfW consulting contract)
- Conducting the prequalification and "short listing" of the qualified bidders
- Conducting the tender including a justified proposal for the contract award
- Submission of a draft consulting contract negotiated with the Consultant.

4. Award of Contracts for Goods and other Services

4.1 The contracts for goods and all other services shall be awarded in cooperation with the IC.

a) Small scale contracts for supplies, works and consulting services up to the equivalent of EUR 5,000 can be awarded by direct assignment / purchase provided that financial and technical adequacy of the contract is given. The procedure has to be documented by the PIU.

b) Supply, work and consulting contracts with a value between EUR 5,000 and EUR 100,000 shall be awarded by inviting at least three quotes or by national

tendering. The procedure had to be determined, justified and documented by the PIU. Exceptions from this regulation (e.g. discretionary award) require a special written explanatory statement by the Programme and prior non-objection by KfW. The explanatory statements have to be archived together with the related tender documents for later evaluations until the conclusion of the FC Programme.

c) Contracts for supplies or works exceeding a value of EUR 100,000 shall be awarded by way of international or national competitive bidding. The choice of bidding shall comply with the Guidelines contained in Annex 5 of this Agreement and requires prior approval by KfW. Consulting contracts exceeding EUR 100,000 shall be awarded by way of international competitive bidding. KfW's rights of information and approval in the context of tenders for supplies and works are prescribed in Annex 5 and for consulting services in Annex 4. Exceptions to the prescribed procedures for awarding contracts require a special explanatory statement by the Programme and prior non-objection by KfW. Furthermore, additional information in the form of a checklist shall be documented by the PIU with support of the Implementation Consultant and presented to KfW. The checklist will be provided by KfW at the beginning of Programme implementation.

- 4.2 Tender documents shall be submitted to KfW for comment in due course prior to publication of the invitation to tender.
- 4.3 The bidding period shall be fixed in a way that allows the bidders sufficient time to prepare their bids (i.e. 45 days for tender documents and 30 days for pre-qualification).
- 4.4 The remaining details concerning the awarding procedure and contractual provisions are explained in the "Guidelines for the Assignments of Consultants in Financial Cooperation with Developing Countries" (Annex 4) and the "Guidelines for Procurement of Goods, Works and associated Services in Financial Cooperation with Partner Countries" (Annex 5), which form an integral part of this Agreement.
- 4.5 In the pre-qualification notice or - if no pre-qualification is conducted - in the tender documents, the PEA shall obligate the bidders to submit together with the pre-qualification documents or together with the bid a declaration of undertaking (Annex 5).
- 4.6 When concluding contracts for goods and services to be financed from the Financial Contribution, the PEA shall also observe the following principles:
 - a) As no import duties may be financed from the Financial Contribution pursuant to Article 1.3 of the Financing and Project Agreement, such import duties, if part of the contract value, shall be stated separately in the contracts for the goods and services and in the invoices.

- b) If payments due under the contracts for goods and services are to be made from the Financial Contribution, said contracts shall include a provision stipulating that any reimbursements, guarantee or similar claimable payments and any insurance payments shall be made for account of the PEA to account at KfW, Frankfurt am Main, IBAN: DE53 5002 0400 3800 0000 00, BIC: KFWIDEFF, with KfW crediting such payments to the account of the PEA. If such payments are made in local currency they shall be remitted to a special account of the PEA in Mongolia, which may be drawn on only with the consent of KfW. Such funds may be re-utilised for the execution of the Programme with KfW's consent.
- c) The PEA ensures that the respective partner to a supply and service contract provides the guarantees required according to the relevant guidelines (Annex 4 and 5) in the amount and at the time stipulated there, and that these guarantees remain in place until the complete fulfilment of all claims under the supply and service contracts secured by such guarantees.

4.7 Prior to the conclusion of a contract for goods and services KfW shall be furnished for comment with the draft contract as agreed upon, duly endorsed by the consultants. The same applies to any subsequent modifying or amending agreements.

5. **Special Implementation Agreements**

5.1 Not applicable

6. **Provisions for the Proper Operation of the Programme**

- 6.1 All activities implemented under Components 1-3 of the Programme shall be planned, implemented and evaluated with full stakeholder participation (incl. communities).
- 6.2 Clusters to be supported under Component 2 of the Programme will be selected on the basis of a criteria-based prioritization (see Annex 8) and under the provision that an MoU has been signed by relevant stakeholders (see Annex 9). PAs funded under Component 3 will have to meet pre-defined selection criteria as mentioned under I.1.
- 6.3 All project proposals as well as management plans developed/updated or implemented under this Programme shall include an operation and maintenance concept (O&M), outlining on a time schedule a) required measures for O&M, b) responsibilities, c) staff inputs and d) costs and financing sources to ensure the medium- and long-term sustainability of the proposed investments. The plans shall also be screened and handled along the provisions of the ESMF and associated frameworks. For all management plans the E&S documentation as required by the provisions of the ESMF and associated frameworks shall be submitted to KfW.

As part of monitoring, the PEA shall periodically update the cost and financing plan and ensure that any financing gaps shall be covered in due course. The PEA shall inform KfW about any risks related to the proper operation and maintenance of the protected areas without any delay.

- 6.4 The PEA will be responsible for supervising the occupational health and safety and environmental/social performance of contractors and sub-contractors as well as the labour conditions.

III. List of Goods and Services and Disbursement Procedure

1. List of Goods and Services

- 1.1 The list of the goods and services to be financed from the Financial Contribution shall be prepared on the basis of the contracts concluded for such goods and services. If the value of the contract exceeds EUR 100,000 KfW shall be furnished with an original or a copy of each of said contracts and of any pertinent amending contracts. For contracts not exceeding EUR 100,000 KfW shall be furnished with a list of all contracts concluded containing the following data: contract date and value, designation of good/service, contractor, reference number, amount to be financed from the financial contribution.
- 1.2 If any Programme measures are to be executed on force account and no contracts have been concluded, KfW shall receive, in lieu of the contracts, a schedule of the measures planned, broken down by main cost categories ("schedule of force-account measures"). Costs incurred for general administration in connection with force-account work must not be included in said schedule of force-account measures.
- 1.3 KfW shall inform the PEA on request of the amounts of the Financial Contribution that it has reserved for financing (list of goods and services).

2. Disbursement Procedure

Disbursement shall be governed by the regulations as stipulated in Annex No. 6 (Disbursement Procedure) which forms an integral part of this Agreement.

IV. Reporting and Other Provisions

1. Reporting

- 1.1 Until further notice, the PEA shall report to KfW, supported by the Consultant, on the progress of the Programme (progress reports), as well as on the development of all other important general conditions, including environmental and social performance, topics of occupational health and safety and labour conditions, community relations and grievances which may have occurred. The reporting requirements are further

defined in Annex 7. Reports shall be provided in English. The following reports shall be submitted to KfW:

- a. Inception Report: The first report on the state of affairs shall be submitted six months after the start of the Programme. The Inception Report shall outline the nature and volume of the Programme's key components as well as the detailed plan of operations for the subsequent 24 months period. As and if applicable, it shall also include proposals for revising the Results Matrix (cf. Annex 1), the programme management manual (like procedures for Programme implementation, prescriptions for financial management and all kinds of procurements etc.) as well as the composition of the Steering Committee and its terms of reference/statutes.
- b. Progress Reports: Semi-annual reports on the progress of the Programme shall be submitted to KfW in digital form. Progress Reports shall include annual work/operational and procurement plans as appropriate, detailed information on the progress towards the achievement of outputs and outcomes (as per defined indicators, see Annex 1) and related challenges effecting their achievement as well as distribution lists of procurements per PA/cluster (for further reporting requirements see Annex 7). Progress Reports shall be submitted by the 15th of July (for the period 1st of January – 30th of June) and the 15th of January (for the period 1st of July – 31st of December) for the duration of the contract period.
- c. Final Report: At the time of the physical completion of the Programme, a final report on the measures carried out shall be submitted in which the PEA shall report on the further development of the Programme. The structure of the final report will be agreed with KfW 3 months before Programme completion.
- d. Other reports: Other reports on special subjects or issues may be requested from MET by KfW on special occasions.
- e. Technical Reports, like Management plans and business plans for protected areas, thematic and topographic maps, climate and further environmental data shall be made available to all interested partners of the Programme.

- 1.2 In addition to the requirements under paragraph 1.1, the PEA shall report on all circumstances that might jeopardise the achievement of the overall objective, the Programme purpose and the results.

With regards to environmental and social matters, including occupational and community health & safety and labor issues as well as impacts on adjacent population (cf. para II.2), the PEA shall notify KfW promptly of any event, incident or accident in relation to the execution of the Programme that

- (i) has, or is likely to have a direct or potentially material adverse effects
- (ii) has attracted or is likely to arouse substantial adverse attention of outside parties or to create substantial adverse media/press reports, or
- (iii) gives, or is likely to give rise to material potential liabilities.

The PEA shall also inform KfW of details of any measures taken to mitigate or remedy the effects or cause of such events.

- 1.3 If the PEA has charged the Consultant to write the progress reports and/or the final report, the PEA shall comment on the reports or acknowledge its approval of the content by countersigning the reports.
- 1.4 After completion of the Programme, the PEA shall report on its further development (see Annex 7 for details). KfW shall in due course inform the PEA about the end of the reporting period.

2. Other Provisions

- 2.1 The PEA shall send KfW all such documents as are necessary for KfW to give the comments and approvals mentioned above or in the enclosed guidelines early enough to allow reasonable time for examination.
- 2.2 The PEA shall set up Project sign boards that will contain at least the following message:

"A development project of the Mongolian Ministry of Environment and Tourism, co-financed by the Federal Republic of Germany through KfW."

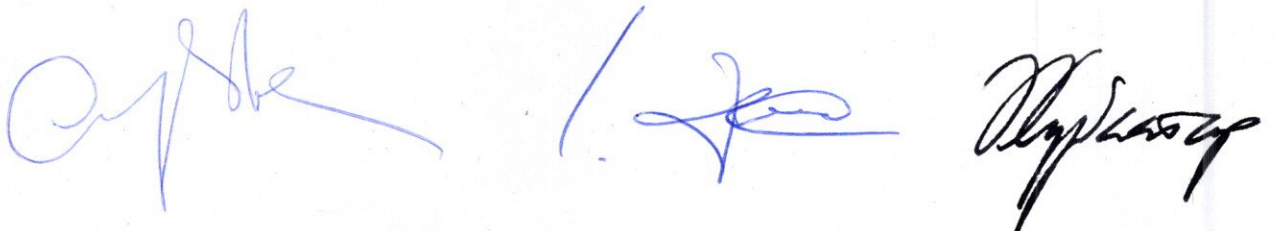
A project seal provided by the German Embassy shall be placed on the project sign board.
- 2.3 The above provisions may be amended or modified in writing at any time by mutual consent if this should appear useful for the implementation of the Project or the execution of the Financing and Project Agreement. In all other respects, the provisions of Articles 5.2, 7 and 8 of the Financing and Project Agreement shall apply to this Agreement accordingly.

Please confirm your consent to the above Agreement by signing in a legally binding form and returning the enclosed copies.

Please forward a copy of the present letter in due course to the consultant.

Yours sincerely,


KfW



Annexes

- Annex 1: Results Matrix
- Annex 2: Minutes of Meeting of the Appraisal Mission, August 28, 2018
- Annex 3: Total Cost and Financing
- Annex 4: Guidelines for the Assignment of Consultants in Financial Cooperation with Partner Countries
- Annex 5: Guidelines for the Procurement of Goods, Works and associated Services in Financial Cooperation with Partner Countries
- Annex 6: Disbursement Procedure
- Annex 7: Content and Form of Reporting to KfW
- Annex 8a-c: Overview of the location and characteristics of the proposed cluster
- Annex 9: Sample MoU for the formation of clusters

Read and agreed: 22nd June 2018

Ulaanbaatar, 

Ministry of Finance



Ministry of Environment and Tourism