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Mongolian-German Financial Cooperation
Biodiversity and Adaptation to Climate Change
Phases II/III and IV
KfW Monitoring Mission

August 26 – September 5, 2025

Minutes of Meeting

From August 26 until September 5, 2025, a KfW Mission, comprising Ms. Stephanie Küch (Head of Division), Ms. Lidiya Prymachenko (Project Manager), Mr. Matthias Bechtolsheim (Sr. NRM Expert) visited Mongolia to hold discussions on the "**Biodiversity and Adaptation to Climate Change Programme"** (BACCP). The site visits were accompanied by U.Bayasgalan of Ministry of Environment and Climate Change (MECC), Mr. M. Tulga /the Programme Coordinator/Head of PIU, Dr./ IC CTA, Dr Erdenebayasgalan Ganjuurjav/ KfW's local representative as well as other key IC and PIU/MECC staff. The Mission also held meetings with Mr. Zolbayar, State Secretary of MECC, Ms. Ts. Uranchimeg, Director General of the MECC/PIU Director, Mr. Amarbayasgalan and Mr. Ganzorig from MoF and D. Erdenetuya from MoED. During the field visits, the KfW Mission met the representatives of Munkhkhairkhan NP, Great Gobi "B" SPA, and Khar Us Lake NP, Myangan Ugalzat NP.

KfW mission expresses its sincere gratitude for the excellent organization of the visit and kind hospitality extended during the stay in Mongolia. KfW mission appreciates the open and constructive atmosphere, as well as the outstanding hospitality and support received by all officials and all other persons met.

KfW mission emphasized that all statements and remarks in this document are subject to further review and approval by KfW's management and the German Government. The findings and agreements from the meetings are summarized as follows:

1. BACCP Phase III/IV

MECC and KfW mission acknowledged the importance of timely conducting the Review Study and engaged in an intensive discussion regarding the initial results presented in the first report of the review study mission. Based on this discussion, the MECC an KfW agreed on the following:

Conceptual outlook

- A redesigning of phases III and development of phase IV towards a combined project conceptualization and execution is possible in principle The details of the new project concept as well as respective administrative and legal arrangements will be developed in the second phase of the Review Study and the subsequent Feasibility Study.
- The overall strategic objectives of BACCP III and IV will remain a) to further strengthen the management efficiency and effectiveness of Mongolia´s protected area network and b) to foster sustainable livelihoods in the selected PAs neighborhood based on the sustainable management and use of natural resources, and in close collaboration with the PAs administrations.

- The revised concept of BACCP III and IV will focus on developing a selected number of flagship-protected areas/ and surrounding buffer zone / landscapes with the aim of serving as model PA's and attracting further international interest and support.
- Pre-selection of PAs flagships will be based on the following criteria: a) global biodiversity significance; b) outstanding universal value natural / mixed natural / cultural; c) nomination or potential international nomination in categories of international distinctions, e.g. UNESCO World Heritage Site/ MAB or similar; d) importance for climate change resilience in Mongolia; e) important potential for tourism development nature/culture sites - strong place identity of local communities; f) accessibility; g) cluster of protected areas that together establish key corridors for wildlife migration. The exclusion criterium is unclear land-use development with mining activities.
- Considering the fact that the Mongolian Nature Legacy Foundation (MNLF) together with MECC is also planning a "flagship area approach", the specific selection of such sites will have take place in close coordination between MECC, KfW and MNLF. The draft concept will be available by January 2026.
- It is proposed that a selected PA in Mongolia be managed under a new model in which a capable non-governmental organization (NGO) takes over the full responsibility for the PA´s operations and management plan implementation. This initiative would be designed as a flagship project – demonstrating innovative, sustainable and independent conservation management in Mongolia. This approach aims at ensuring long-term sustainability of the selected PA, free from political interference and shifts in government priorities.
- KfW mission proposed to consider one intervention site in the Gobi Desert region as a potential candidate for a PA flagship area.
- Key interventions will primarily be conducted in, but not be limited to the following areas: investment in management systems (including enhanced patrolling effectiveness and efficiency), visitor infrastructure, wildlife protection, establishment of key corridors for wildlife migration, nature-based tourism as well as buffer zone development.
- MECC and KfW mission agreed on the importance of involving local and civil society organizations in the implementation of specific project activities, provided that these organizations have established close cooperation with the relevant flagship protected areas' administrations and meet the eligibility criteria for the specific assignment like e.g. longstanding involvement in the area, trustful stakeholder relationship (to be specified in the next study phase).

Delivery mode

- Due to the substantial delays, lack of implementation dynamics as well as the envisaged complex and specific conceptual demands of phase III and IV, the MECC and KfW mission agreed to involve a non-governmental "Implementing Partner" into the project implementation arrangement, i.e. without a ministerial PIU. Nonetheless,

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details of contract arrangements, issues like waiving of tax and customs obligation for such IP etc. need still to be clarified during the following study phases.

- In such a setting, the project funds (excl. consulting services for International Consultant/IC) would be handled through a local account in the IP´s name. Funds will be disbursed by KfW as per project progress. Such fund flow shall comply with the KfW's disposition fund disbursement procedure. Reimbursement to the IC would be handled through the KfW's direct disbursement procedure.
- The disposition fund will be audited annually by an independent auditor in accordance with the KfW´s standard Terms of Reference applicable for such an assignment as in the previous phases.
- MECC would supervise the IP according to pre-defined and agreed milestones and ensure as well as document that the project funds have been used for the stipulated purpose.
- The implementation of phases III and IV will be supported by an IC in accordance with the Terms of Reference to be defined in the next phase of the feasibility study. The selection of the IC will be carried out through an international open tender procedure and will include advance tendering for Phase IV.
- Once concept and delivery mode for a combined phase III and IV have been clarified and agreed upon, MECC will confirm to the Eco Consult that the existing consulting contract will expire once phase II has been completed. MECC and KfW mission encourage the Eco Consult to then participate in the tender process for phases III and IV.
- KfW mission and MECC agreed that the amount of the counterpart contribution stated in the Separate Agreement for Phase II, will be adjusted as part of general revision of Phase III. The total amount of the counterpart contribution for phase III and IV both from the Mongolian Government and IP will be detailed in the following studies.
- From the Ministry of Finance´ side, a quadrilateral Separate Agreement (MoF, MECC, KfW, IP) for phase III and IV is advocated. The KfW mission agreed to explore this option and analyze its compatibility with German Financial Cooperation rules, regulations and guidelines. MECC is responsible for clarifying all relevant legal and administrative aspects on the Mongolian side before the start of the KfW appraisal mission.

Next preparation steps for Phase III and IV

- MECC will examine the prerequisites necessary for the inclusion of Implementing Partner in the project implementation arrangement and report them to KfW by the end of September 2025.
- For its part, KfW will clarify with the German Government whether it is possible and advisable to include provisions regarding the IP delivery mode in the intergovernmental agreement as suggested by Ministry of Finance of Mongolia.

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- Subject to a positive decision on the prerequisites for the involvement of the Implementing Partner, the second part of the review study will continue. This will be resulting in the development of viable implementation arrangements and stakeholder analysis (incl. IP).
- Further details regarding the Results Matrix, target groups, risks assessment, detailed roles and responsibilities of stakeholders, selection of flagships protected areas, investments lines etc. will be elaborated in the following feasibility study planned for the first half of 2026.
- MECC will fully support an external expert in conducting the review and feasibility studies.
- MECC and KfW will prepare the appraisal mission to verify the results of the feasibility study and refine the details of the new project concept. The appraisal mission is to take place in 2026.

2. BACCP Phase II

General arrangements

2.1 KfW mission noted the slow implementation progress during the last year, which was complicated by necessary restructuring the PIU and IC teams, conducting external audits, frequent staff turnover and complex, time-consuming bureaucratic procedures and approvals. It was pointed out that the high level of staff fluctuations had a particularly detrimental effect on project planning and implementation.

2.2 Furthermore, KfW mission repeatedly emphasized that – for project administration and implementation (including procurement rules etc.) – provisions of the Financing/ Separate Agreements MUST TAKE PRECEDENCE over Mongolian domestic rules and regulations in the case of doubt.

2.3 KfW mission requested that MECC seek immediate approval from the Ministry of Finance for the revised PIU structure that was approved at the last meeting of the Steering Committee in April 2025. It was agreed that, prior to recruiting new PIU members, candidates must be able to demonstrate adequate qualification and experience in the required fields of expertise. To this end, the respective CV's will be shared with KfW for non-objection.

2.4 KfW mission requested MECC to instruct the IC team to fill vacant that will be complementary to the PIU team and guarantee the proper implementation of the planned activities.

2.5 KfW mission welcomed the re-establishment of regular and direct communication between the PIU and IC teams. Continuation of the team building activities is encouraged.

2.6 Given the significant number of planned procurements and construction projects for the upcoming year, the KfW mission emphasized the need for immediate action to fill the vacant procurement officer's position within the PIU team soonest.

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Additionally, the mission urged to ensure effective monitoring of construction activities and recommended to hire a construction expert within the IC team.

2.7 MECC and KfW mission agreed to remove the funds for phase III (8 m. EUR) from the current budget presentation for BACCP II/III. KfW mission informed the Ministry of Finance about the proposal to separate project funds of phase II and III during its meeting.

2.8 KfW mission informed MECC that already more than 70% of IC budget provided for phase II and III has been spent whilst less than 50% of the entire program funds have been exhausted. KfW mission requested MECC to analyze remaining funds in relation to the necessary tasks until completion of the implementation period and take this into account when planning further activities.

Livelihood concept and BZRF

2.9 It was agreed that the livelihood concept in its final version will be submitted to KfW at the latest by October 15, 2025. The finalisation of the livelihood concept notwithstanding, both sides agreed that "quick-win"/ "no-regret" measures for the livelihood support in and around protected areas could be initiated immediately, provided they conform with the criteria outlined below.

2.10 All livelihood measures to be supported by the project should preferably build on proven pilot initiatives that can be further expanded and/or replicated, whereby a significant contribution of the beneficiaries (in kind or otherwise) should be ensured. For proposed activities to gain approval, the following questions will have to be answered positively with sufficient confidence:

- Can it be expected that the supported activity/ intervention can be sustainably operated reliably beyond the project's lifespan and deliver the envisaged results in the long term?
- How many target group/ community members will benefit from the proposed intervention – and is the "coverage" considered broad enough?
- To what extent does the proposed activity/ intervention contribute meaningfully to the project's conservation objective?

2.11 MECC will immediately complete the revision of the Buffer Zone Revolving Fund concept and extend the on-lending agreement with the State Bank Mongolia to ensure proper utilization of the remaining funds. KfW will be provided with the respective update by October 15, 2025.

Counterpart contribution

2.12 KfW mission requested MECC with the support of the IC team to check the provided list of investments executed as counterpart contribution that was presented to the KfW mission with view to consistency and completeness. The verification must be carried out based on the official data available. The result of the verification will be presented to KfW by November 25, 2025.

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Planning of further investments

2.13 Due to implementation delays, only a few important investments for the PAs have been made since the last monitoring mission. Spot wise inspections during the field trips showed that conducted investments have been properly used by the PAA staff and environmental agencies, with adequate documentation.

2.14 During the field visits KfW mission identified certain shortcomings in the quality of the purchased equipment (e.g. power banks, motorcycles, etc.). Therefore, KfW mission requested MECC to ensure high quality in further procurements.

2.15 KfW mission noted that, during the last monitoring period, no livelihood investments have been implemented and emphasized the need to accelerate works in this area.

2.16 KfW mission requested MECC in collaboration with the IC team to review the existing legal basis related to the transfer of greenhouses and irrigation facilities to the respective beneficiaries at community level to find an appropriate solution how this transfer can be completed.

2.17 Due to the lack of practical use of purchased telescopes witnessed in some agencies, it is recommended to transfer such equipment to eco-cabinets of schools participating in the project, which can be stipulated in relevant agreements between schools and PAs/Environmental agencies. The legal basis for such transfer will be developed by MECC in collaboration with the IC team.

2.18 KfW mission requested MECC to consider proposals for purchasing additional basic equipment and conducting minor renovation works proposed by the parks administrations and environmental agencies for their administrative buildings and finance them as a counterpart contribution.

Procurement issues and construction

2.19 KfW mission stressed that the planned preparatory works for the construction of the multifunctional PAA building in Great Gobi B SPA (GGB) and of the ranger houses construction works have been seriously delayed. Accordingly, it was agreed to accelerate those preparatory works. The final version of the tender documents for the multifunctional PAA building in Great Gobi B SPA will be submitted to KfW by September 30, 2025. The final version of the tender documents for ranger houses will be submitted to KfW by October 1, 2025. Prior review by KfW will be applied for both constructions packages.

2.20 The tendering process incl. contract signing must be completed by November 30, 2025, so that the contractors for GGB and Ranger Houses can be effectively secured. The construction works should start in March/April 2026, as soon as meteorological conditions permit. If the tender process is not finalized by November 30, 2025, these construction works are at risk of becoming entirely excluded from phase II investment support.

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2.21 KfW mission expects full completion of construction works for the ranger houses and Gobi B SPA in 2026. If some interior furnishings or handover activities cannot be completed by the end of 2026, MECC must seek a no-cost extension, providing a detailed timeline plan. Activities during the non-cost extension should essentially be restricted to completion of small construction works (e.g. furnishings) and handing-over activities to / preparing the ground for phase III/IV.

2.22 KfW mission was presented a comprehensive business plan for the multifunctional PAA building in Great Gobi B SPA, which has to be considered ambitious. In that respect, the KfW mission recommended – with regard to the building´s operational responsibility – to consider all possible alternative options in that respect.

Preparation of Operational and Procurement Plan for 2026

2.23 MECC will prepare the Operation and Procurement plan for 2026 by November 15, 2025.

2.24 Both documents are planned to be approved at the next meeting of the Project Steering Committee which is scheduled to be held in December 2025.

Proper use of funds

2.25 KfW mission drew attention to the outstanding issue of 8 laptops that were initially financed from the project funds but were not delivered to the PAAs. MECC confirmed that the procurement was completed. KfW requested the submission of hand over certificates by September 30, 2025. Otherwise, KfW will deduct the respective amount from the next replenishment of the requested funds as the respective expenditure has not been used according to the stipulated purpose.

2.26 MECC informed KfW mission that, despite previous agreements during the last KfW monitoring mission, one vehicle has not been transferred – as planned and promised by MECC – from Ulaanbaatar to the Western region. Given the justification provided in the meantime, the KfW mission agreed that PIU can keep the car in Ulaanbaatar for the purpose of monitoring activities incl. field-visits on site (incl. for construction supervision). MECC will also facilitate a deployment schedule between the PIU and IC teams on the sharing of the IC vehicle located in Khovd. The appropriate car usage schedule between the IC and PIU teams will be agreed upon.

Monitoring

2.27 KfW mission requires regular updates of the BACCP's impact/program objectives, outcome/project objectives, and outputs in accordance with the Logframe. The progress monitoring reports must be submitted to KfW not later than 6 weeks after the reporting period.

2.28 The Monitoring and Evaluation concept developed jointly by PIU and IC was presented during the visit. It was highly commended and acknowledged by the mission, who proposed to consider the adoption/ expansion of such a system within

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MECC at least for all projects under the auspices of the Protected Areas Dept./ PAD, as such a move is likely to also constitute an important step towards facilitating meaningful and efficient donor coordination.

2.29 KfW mission encouraged the MECC to actively use the information of the monitoring and evaluation data base to increase the project´s visibility. Free access to the information of the data base is desirable.

2.30 KfW mission was made to understand that the SMART system for the entry and processing of PA patrol data is currently operated in parallel through both the MECC/PAD as well as through WWF (i.e. with separate servers). It was strongly recommended to MECC to consider the establishment of a harmonised/ synchronised system that at least allows for the full exchange and flow of data between both servers.

Done in Ulaanbaatar, this 3rd September of 2025

For MECC:

Uranchimeg Tserendorj

Director General of the MECC/PIU Director

For KfW Mission:

Lidiya Prymachenko

Portfolio Manager