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

October 20th – November 2nd, 2024

Minutes of Meeting (MoM)

In October/November 2024, a KfW Mission, comprising Ms. Lidiya Prymachenko (Portfolio Manager, October 20th to November 2nd, 2024) and Mr. Matthias Bechtolsheim (Sr. NRM Expert, October 24th to October 31st, 2024), supported by Mr Christian Richter/ Head of KfW Office Beijing and Dr Erdenebayasgalan Ganjuurjav/ KfW's local representative, visited Mongolia to hold discussions on phases II - III of the "**Biodiversity and Adaptation to Climate Change Programme"** (BACCP). The site visits were accompanied by Mr. D. Battsogt / Project Director and Director General of MECC´s Protected Areas´ Policy Implementation department, Ms. U.Bayasgalan, Officer in charge of BACCP at the PAPID MECC, Mr. Boldbayar Myagmarsuren/ PIU Coordinator, Dr Alexander Gradel/ IC CTA, Mr. M. Schweter/ IC Backstopper, as well as other key IC and PIU/MECC staff. The Mission also held meetings with Hon. Ms. S. Odontuya, Minister of the MECC, Mr. E. Battulga, State Secretary of the Ministry of Environment and Climate Change (MECC) and Mr. B. Ganzorig from MoF. Parts of the mission visited Dariganga National Park (NP), Gobi Gurvansaikhan NP, Ikh Gazriin Chuluu NP and Khustai NP.

The Mission expressed its sincere gratitude for the excellent organization of the visit and stay in Mongolia. The open and constructive atmosphere as well as the outstanding hospitality and support received by all MECC officials, and all other persons are particularly appreciated.

The KfW Mission emphasized that all statements and remarks of the Mission as well as understandings reached are subject to further review and approval by KfW's management and the German Government. The results of the discussions held in Ulaanbaatar from October 28 to 30, 2024 are reflected in this document and were agreed upon by signature. The findings and agreements from the meetings are summarized as follows:

1.BACCP I

1.1 Closure of BACCP I

The KfW mission confirmed receiving the written evidence for the last payments affected under Phase I. All funds from the project have been paid out and the disposition fund is closed. The review of the final audit report covering the use of the remaining funds for the year 2023 is successfully concluded. KfW will officially inform BMZ of the closure of this phase. BACCP I may be subject to an independent impact evaluation at a later stage.

1.2 Buffer Zone Revolving Fund (BZRF) under BACCP I

Considering the external assessment carried out by SICA, the disbursement of loans from the Buffer Zone Revolving Fund is temporarily suspended until further notice. MECC informed the mission that approx. 250,000.00 EUR are still available at the BZRF bank account of the State Bank of Mongolia. MECC confirmed its interest in continuing the BZRF given the quite successful delivery mode and high interest of target groups. In view of the serious doubts on the BZRF´s initial results as per the BACCP´s intervention logic (notably the envisaged impact of

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reduced pasture degradation), KfW mission stressed the need for adjusting the current approach and the "theory of change". Furthermore, an apparent contradiction between the 2024 findings by the SICA team and the 2021 results identified by CPR Consultants was noted. A clarification in terms of methodology and interpretation – based on a dialogue between SICA and CPR Consultants – is therefore considered highly desirable. It was agreed that MECC, with the support of the Implementing Consultant (IC), will define a new intervention logic that sufficiently conforms with the BACCP´s set of objectives, namely, to provide an environmentally friendly herder loan product to support the livelihoods of herders and citizens in and around protected areas. In this respect, the focus is to contribute to reducing pasture degradation and – in particular – contributing to biodiversity conservation. The revised concept to be submitted to KfW is also to contain a proposal on meaningful and efficient M&E approach for the BZRF that adequately captures all relevant results. Possible adjustments shall also incorporate key indicators to be measured as a baseline and interim expected results of the planned interventions. In addition, it must be decided in which soums, for what period, when and how the indicators will be monitored. The on-lending agreement (OLA) and the respective BZRF guidelines, which expire in July 2025, must be amended. The revised BZRF concept of Phase I incl. proposal for amendment of the OLA and guidelines will be submitted to KfW by December 15, 2024.

The final decision on the possible expansion of BZRF with Phase II funds can only be taken after the approval of the revised BZRF concept by KfW and a positive external evaluation of the interim results.

2 BACCP II/III

2.1 Strategic framework

KfW mission and management noted a lack of strategic orientation of the BACCP as well as a strong focus on short-term measures and ad-hoc needs without a clear focus on sustainable outcomes and impacts. Decisions and decision-making processes appear not to be consistently based on longer-term strategic considerations. Furthermore, the KfW mission expressed concern that "practical" BACCP implementation is not or no longer fully aligned with the provisions of the Separate Agreement/s – which needs to be rectified soonest. Both parties agreed on the need to close these gaps. The PIU is authorized to elaborate, with the support of IC, a strategic framework paper based on the discussions that took place during the mission. This strategic framework paper must critically review and – if considered necessary – re-formulate the key activities per respective component of the Planning Matrix. It shall include an overview of the milestones for implementation and an assessment of potential risks. Where considered relevant and necessary, proposals for "sharpening" indicators (esp. with view to clearly complying with "quantity – quality – time" standards) as well as for the reformulation of components and outputs are encouraged. In essence, the document shall support to more consistently focussing on efficiently achieving the Logframe´s set of objectives as well as outlining realistic and adequate budgets for the respective components. PIU will submit the strategic framework paper to KfW by December 15, 2024, for non-objection.

The strategic framework paper should form the basis for the preparation of operational and procurement plans (OP/ PP). The OP should focus on larger, priority activities instead of small-scaled procurements to enhance the efficiency of implementation. Planning of further investments shall be based on the needs assessment of the PAAs as per their management plans. PIU will submit to KfW the draft OP and PP for 2025 by January 15, 2025. The KfW mission emphasised that any non-objection by KfW to future OPs and PPs will require prior non-objection and finalisation of the strategic framework paper outlined above.

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KfW mission pointed out that the preparation of all activities within the project should be planned and carried out transparently, with the involvement of IC, regular and comprehensive communication between PIU and IC teams – and after prior notification to KfW.

KfW mission asked MECC to prepare the road map of the strategic objectives in the field of biodiversity protection and climate change adaptation and present this document to all international donors. This document will optimize the planning of further activities.

Furthermore, MECC informed the KfW mission about the progress of the preparing the Protected Area Law and plans to submit the draft law to parliament in autumn 2024. KfW mission welcomed this plan of the ministry and considers it as an important prerequisite for the development of a new project concept.

2.2 Review Study for redesigning of Phase III and Preparation of Phase IV

Both Parties agreed that, for the BACCP´s continuation into Phases III and IV, a particular emphasis will have to be placed on enhancing the programme´s sustainability and structural impact. The KfW mission and MECC agreed to carry out a review study for BACCP by an external, independent consultant to identify strategic options for a redesign of Phases III and developing a new phase IV. The review study is to be conducted according to the Term of References (ToR) that were discussed during the mission. KfW mission requested the MECC to provide feedback on the ToR draft by November 5, 2024 and to specify on the three MECC priorities (construction, focus on individual parks and/or specific region) with regard to the ToR, considering the sustainability and structural impact that shall be achieved in the revised project´s frame. The timeline of the review study is planned for the first quarter of 2025 and will depend on the availability of the external expert. The redesigning of Phase III is likely to result in an adjustment to the existing SA, dated June 26, 2019. The results of the study will be discussed during the next KfW mission to Mongolia.

MECC requested in writing KfW for assistance in conducting the Review Study for the BACCP project and to apply for funding from the special fund provided for such purposes by the German Federal Ministry for Economic Cooperation and Development ("BMZ").

2.3 Operational arrangements

KfW noted the slow implementation progress during the last year, which was complicated by complex time-consuming bureaucratic procedures and approvals, limited communication between PIU and IC teams (let alone documentation) as well as ad-hoc changes submitted on short notice. MECC is urgently requested to ensure improved coordination between PIU and IC team. In that respect, the adequacy of delivery modes applied so far (esp. separate PIU and IC teams) needs to be critically reviewed. Irrespective of such review, key requirements in terms of improved coordination will comprise, but may not be limited to the following:

- Clearly defined roles and responsibilities
- Transparency in planning and decision-making between leadership of both PIU and IC as well as all involved key staff
- Regular coordination meetings
- Written documentation of such meetings´ outcomes and agreed partition of tasks, respective timelines etc.
- Adherence to the respective provisions in the Separate Agreement(s).

The last meeting of the Steering Committee was organized, but minutes of meeting (MoM) were only signed by some members of SC, not by KfW and IC. For the future, the KfW mission

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strongly recommended to exclude issues like PIU staff evaluation from being recorded in the MoM of SC, as those are a purely internal PIU matter.

With regard to improving the implementation of the ongoing Phase II, KfW mission and MECC agreed to reestablish regular and direct contact, incl. to resume monthly online meetings with the PIU director.

KfW mission pointed out the need to avoid frequent staff turn-over withing the PIU and to restore the composition of the PIU in accordance with provisions of Separate Agreement (SA). At the same time, the need for professional PIU leadership was emphasised by the Mission. This, in particular, refers to an adequate subject-matter professional background like in protected area mgt. and/or rural development apparently – as well as proven communication skills. In view of the large number of planned procurements for the coming year, KfW mission called for immediate actions to fill the vacant procurement officer positions. The mission strongly recommended selecting personnel with experience in international projects as well as **not** filling the position of the officer for training, research and media. MECC will inform KfW about the PIU recruiting process at the latest by the end of 2024. Both sides agreed on the necessity for a change of leadership both in the PIU and the IC Team.

KfW Mission and MECC mutually agreed that legal services for the project will be provided, if required, by a legal officer, who may be recruited within the PIU structure. Engaging a law firm to provide legal services contradicts the SA.

2.4 Role of IC

KfW mission informed MECC that already more than 60% of IC budget has been spent whilst only 40% of the entire program funds have been exhausted. MECC will request the IC team to prepare a cost-neutral amendment of the consulting contract which will ensure alignment with the provisions of SA and an adequate assignment level of international expertise. MECC emphasized the importance to ensure the expertise among the IC key experts in the relevant fields.

MECC will request the IC team to provide adequate support in the development of content-related documents and concepts in a timely manner, notably on

- the strategic framework paper,
- a sustainable pasture concept,
- an outline for livelihoods investments,
- a revised BZRF concept and
- a training concept.

The KfW mission asked that the semiannual reports submitted to MECC by the IC are reviewed withing three weeks upon receipt, with notice given to KfW upon review so that KfW can process IC payments.

2.5 Counterpart Contribution

KfW mission referred to the provision of Amendment No. 3 of the SA for BACCP dated April 24, 2020, regarding the counterpart contribution (14.8 billion MNT) and has asked MECC to provide a list of investments implemented to date and proposals for planned investments for phase II and III by December 1, 2024. The KfW mission emphasized the importance of timely including these positions in the annual planning of the Governmental budget.

KfW mission agreed to accept the restoration works at Ereen Lake as part of counterpart contribution.

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Furthermore, small-scale works like those identified as necessary at the Ikh Gazriin Chuluu administration building (e.g. missing connections to heating and water supply/ sewerage systems) would be suitable for being financed from the counterpart contribution. Such measures are comparatively minor in terms of volume and are likely to demand a disproportionate level of effort and attention if implemented by virtue of BACCP project procedures.

2.6 Procurements

2.6.1 Operational arrangements

As per Separate Agreement, IC will assist MECC in conducting tendering procedures and awarding the contracts. MECC will request the IC to prepare an endorsement letter on each tender package incl. distribution list before submitting the tender documents to Tender Evaluation Committee (TEC) or KfW. To ensure the transparency of the tender procedures, the IC representative will attend TEC meetings. With the same purpose and in alignment with the SA, PIU will provide the IC in digital form with all contracts incl. annexes that so far have been contracted by BACCP, handover acts and original inventory list of PAA equipment, including the monetary value of each of the equipment items. This rule should be applied to all further tenders launched under BACCP.

KfW mission also requested PIU to proper involve the IC in the preparation of specific trainings and workshops. The PIU will provide the IC with a list of training and workshops scheduled for the next three months by the first day of each quarter. IC will verify the purpose of the planned events, target groups and respective cost positions and prepare an endorsement letter before the preparation starts. Otherwise, KfW reserves the right to refuse funding such events.

IC will conduct a retrospective verification of the workshops on O&M hold in Tsetserleg and in Dadal Soum in October 2024. It shall be verified the purpose of these workshops, target groups, respective cost positions and achieved results. The respective IC assessment of whether the funding of these workshops can be justified in the context of the project objectives and achieved results will be submitted to KfW by December 1, 2024.

KfW mission requested that OP and PP are treated by MECC with the necessary degree of flexibility. The minor changes (e.g. adding additional positions, adjustment to the tender procedures) to the OP in the corresponding year shall be addressed by email, without holding a meeting of the Steering Committee.

2.6.2. Planning of further investments

Important investments for the PAs have taken place in 2024 (off road vehicles, ambulances, motorcycles, basic equipment, mattress, tents, notebooks, first aid kits, sleeping bags, thermos, etc.). Spot wise inspections during the field trips showed that they are properly used by the PAA staff. KfW mission noted that in 2024 only ambulance vehicles were delivered to buffer zone soums´s hospital as part of sustainable livelihood investments and requested to strengthen work in this field.

KfW mission emphasized the need that MECC provides regular operation and maintenance funds for all goods and works funded under BACCP to ensure the sustainability and functionality of their use.

2.6.3 Results of the post review

KfW has completed its post-review of selected procurements conducted in 2023 and share its comment with PIU. Recommendations from this review shall be considered in future procurements. Tenders for post review for the next year will be selected by KfW after submission of

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the respective procurement plan for 2025 for its approval. KfW stressed the need to ensure the timely translation of the tender documents into English by an external translator.

2.7 Construction

KfW mission and MECC agreed to accelerate the preparatory work for the construction of multifunctional PAA building in Great Gobi B. PIU/IC will submit to KfW for its approval a comprehensive business plan along with the revised cost breakdown, an updated road map for the proposed construction incorporating any open points that require further discussion as well as the revised O&M concept by January 31, 2025. KfW mission requested to complete the respective tender procedure in early 2025 in order to start construction in the summer of 2025.

MECC will prepare draft tender documents for the suggested 12 ranger houses by January 31, 2025 at the latest. Tendering of the ranger houses shall be done independently of the tendering of other construction measures. KfW mission expected that the construction of ranger houses will be completed in 2025.

The KfW mission requested to carry out any preparatory construction activities in compliance with the necessary safeguards' provisions and procedures.

Additional construction work under the BACCP can be discussed after successful revision of the strategic concept framework for phase II and the development for phases III and IV.

2.8 Preparation of concepts

KfW mission requested to prepare and submit for its approval only final versions of the concepts (e.g. pasture, livelihood, training) after a thorough examination of the proposed measures and verification of their alignment with the envisaged BACCP´s goals. The concept should, if possible, define a list of planned interventions, baselines and expected outcomes.

KfW mission requested to accelerate the preparation of the livelihood concept with the link to biodiversity protection and given the previous agreement that around 40% each of the budget under component 2 and 3 will be spent for livelihoods measures. The livelihood concept should cover a sufficiently large number of BZ community members and ensure that the selected activities contribute to the BACCP‘s Logframe. While preparing the livelihood concept, it is recommended to avoid an excessive number of individual measures.

The KfW mission highly recommends collaborating with GIZ in developing activities for support of livelihoods measures for local communities and preparing the training concept.

PIU will, with support by the IC team, submit to KfW for approval the livelihoods concept at the latest by January 10, 2025. The livelihoods concept´s key criteria to be observed when designing and implementing respective interventions are to comprise, but are not limited to the following:

- Broad coverage of beneficiaries
- Clear conservation linkage (i.e. plausible contribution to achieving envisaged conservation impacts
- Proven concepts
- Participatory design and implementation.

The training concept will be presented by March 31, 2025 (cf. also section 2.4) – under the assumption that the underlying training needs assessment will be provided by GIZ as scheduled. A decision on finalising the revised sustainable pasture concept will be taken once the findings of the desktop review are available. This review will be presented at the latest by February 28, 2025.

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The implementation of the approved sustainable forestry and landscape restoration concepts shall be accelerated. The start of the tendering procedure for assigning service providers for the implementation of the pilot projects shall be completed in 2024, following KfW´s non-objection to the ToR.

2.9 Proper use of funds

KfW mission highlighted that all program funds shall be used exclusively for the purposes stipulated in SA. Any procurements, distribution of the procured equipment or changes on distribution lists without prior notification of KfW and its non-objection shall be considered a misuse of funds and cannot be funded by the German Financial Contribution provided by BACCP.

During the field visits, KfW mission recorded that some park administrations had not received equipment (e.g. notebooks) as per the agreed distribution list. KfW urgently requested MECC to clarify this matter and rectify delivery of outstanding notebooks to the PAAs in accordance with the original distribution lists. MECC will send the respective documentation (incl. handover acts and original inventory list) to KfW by November 15, 2024. If such delivery is not possible, MECC will return funds for undelivered laptops to the disposition fund. In addition, an external audit by an independent chartered accountant will have to be scheduled.

KfW mission encouraged the MECC to conduct an audit of the equipment supplied to the PA over the past year. MECC will share the results of such audit with KfW by January 31, 2025.

KfW mission drew attention to a still unresolved issue regarding the vehicle that was transferred from the Western region to Ulaanbaatar in the summer of 2023. According to the Separate Agreement, this vehicle is indispensable for monitoring activities incl. field-visits on site. KfW mission urged this vehicle´s immediate transfer to its original location to ensure compliance with SA and to provide written confirmation to KfW of the re-transfer having been effected at the latest by November 20, 2024.

2.10 Monitoring

With the support of the IC team, MECC will develop a results monitoring matrix in addition to the existing progress reporting matrix. This matrix will also duly take into account relevant data from the protected areas supported by the project in terms of both progress and results.

KfW mission required regular updates of the BACCP´s impact/programme objectives, outcome/project objectives as well as outputs according to the Logframe. PIU/IC will monitor each indicator, baseline value and target value and include this information into the semi-annual reports. The report shall present the outcome results according to the following structure: 1. for a specific reporting period; 2. in general/done so far; 3. summary of planned activities for the remaining period.

MECC will implement the regular monitoring and site visits by the monitoring specialists of PIU and IC team. Such monitoring visits should take place according to a schedule agreed between the PIU and the IC, but at least once per quarter.

2.11 Environmental and Social Management (ESM)

During the field visits, at least one case of herder families was reported who have traditionally lived within PAs – and who, due to the PA´s creation, were subjected to access/ use restrictions ("legacy issue"). It is strongly recommended that responsible MECC representatives, with support by the IC, conduct an inventory of all relevant cases in the PAs supported by the project. Subsequently, remedial measures as per the established ESM framework will have to be designed and implemented.

2.12 Auditing (BACCP II)

Auditing: For the fiscal year 2023 the auditors noted no material misstatement regarding the use of the FC funds under BACCP II (cf. Independent Auditors' Reasonable Assurance Report). KfW has successfully concluded the review of the audit report for the year 2023. The report for 2024 is expected to be submitted to KfW in the first quarter of 2025.

In addition, a separate external audit on the distribution of equipment to PAA´s (cf. section 2.9) will have to be conducted, should it not be possible for the PIU to provide proof of compliance with the original distribution lists to KfW in a satisfactory manner.

2.13 Capacity Building Measures

The Mission pointed out that capacity building measures like trainings, workshops and study trips do receive particularly high attention both by KfW´s management as well as by auditing and internal revision bodies. It was therefore emphasised that all such measures need to be in full alignment with the BACCP´s set of objectives and do require an especially diligent justification. This is to include, but not to be limited to explaining the selection of participants – and how / in which respect they will benefit in professional terms from the respective measures.

It was therefore agreed that, for each calendar year, respective measures foreseen need to be compiled in one summary document that will be submitted to KfW for non-objection – upon prior scrutiny by the IC. Such document will contain all relevant information on the number of envisaged events (trainings, workshops/ seminars, study/ exchange visits etc.), their thematic orientation and link to the BACCP objectives, the number and justification of participants and a sufficiently disaggregated budget. Only those events will be eligible for BACCP funding that have been listed in such annual document – and which have received explicit non-objection by KfW.

Done in Ulaanbaatar, this 30th October of 2024

For MECC:

(Mr D. Battsogt)
Director General Protected Areas Policy
Implementation Department, MECC

For KfW Mission:

(Ms. L. Prymachenko)
Head of KfW Mission