ADDENDUM 1

TO THE AGREEMENT FOR ADVISORY SERVICES

This addendum is made the [Day] day of [Month Day Year] 2015, between the MINISTRY OF HUMAN CAPACITIES OF HUNGARY (the “Client” or “MoHC”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the “Bank”) (jointly referred to as “the Parties”) to the Agreement for Advisory Services on Hungary: Policy Advice Support to the Implementation of the National Social Inclusion Strategy – Extreme Poverty, Child Poverty, the Roma 2011-2020 (NSIS) between the Parties dated March 17, 2015. The Addendum is made in accordance with Article 12 of the Standard Terms and Conditions of the Agreement.

The Parties agree to amend the Agreement as follows (revisions are included in italics and bold):

1. Article 6 is hereby amended to read as follows:

“This Agreement shall expire on December 11, 2015 unless it shall earlier be renewed with the mutual agreement of the Client and the Bank.”

2. Components A and B under Section A of the Schedule are hereby amended to read as follows:

“COMPONENT A: TARGETING AND MONITORING FOR RESULTS ON SOCIAL INCLUSION

The Bank will provide support to the Ministry of Human Capacities on the targeting and results-based monitoring of social inclusion programs supported by EU funds.

As part of the Advisory Services, the Bank will carry out the following activities:

1. Prepare a study describing methodological approaches towards (i) developing a set of indicators that should be collected to track progress on social inclusion at the subregional level, and (ii) leveraging this approach towards the development of a tracking / monitoring tool that could combine locally available social exclusion data with project information from EU co-funded social inclusion projects. As part of this activity, the Bank will also provide technical assistance to the Client in the revision of the category of children with disadvantages and children with multiple disadvantages.

2. Design a draft results and impact map of social inclusion, which draws on project information from the Prime Ministers’ Office (PMO), includes layers of geospatial information (such as local-level indicators) and linkages with the map of at-risk-of-poverty estimates at the Local Area Unit 1 (LAU1) level prepared by the Bank in collaboration with the Hungarian Central Statistical Office under a separate arrangement financed by the European Commission.

COMPONENT B: DEVELOPMENT OF A LOCAL FRAMEWORK FOR THE IMPLEMENTATION OF THE NATIONAL SOCIAL INCLUSION STRATEGY (NSIS)

The Bank will support the efforts of the MoHC to develop a robust framework for 2014-2020 for local social inclusion activities by developing a local project planning and implementation handbook, which will provide practical tools for the 2014-2020 local planning process based on four criteria: (1) need to link to the NSIS; (2) evidence based, (3) vertical integration with the national level, including with any relevant development plans and strategies; and (4) informed by the priorities and technical expertise from a broad set of governmental and nongovernmental stakeholders at municipal, district, and national level.

As part of the Advisory Services, the Bank will carry out the following activities:
1. Prepare a study providing recommendations for improving the planning and implementation framework of social inclusion interventions at the local level in Hungary. The study will build on a snapshot of Hungary's macro-economic situation and the most prominent equal opportunity challenges the country is currently facing, followed by the presentation of the equal opportunity planning, implementation and monitoring framework. This will be followed by an institutional "gap analysis" on the key challenges that arise in the context of the planning and implementation of equal opportunity plans, detailing the roles and responsibilities of the various stakeholders at central, district and local level, followed by an assessment of the key challenges that municipalities encountered during the planning and initial implementation phases of the Local Equal Opportunity Programs (LEPs). The study will also cite experiences both inside and outside of Hungary. The report will conclude with a comprehensive set of recommendations on how to tackle the most pressing identified challenges.

2. Prepare a draft project planning and implementation handbook for social inclusion to be used by local-level stakeholders. The draft handbook will provide practical guidance and hands-on instruments that may empower local stakeholders to actively and effectively shape the local social inclusion landscape within the overall guiding framework of the LEPs, including tools for: (i) conducting needs assessment and developing a monitoring framework, the types of information sources local municipalities can draw on to collect the data for the needs assessment, and examples of ways in which local stakeholders can contribute to the data collection and needs assessment process; (ii) taking stock of existing activities, and identifying gaps and opportunities for synergies in the context of the priority areas of the NSIS, and the outcome of the needs assessment; and (iii) identifying and managing funds that could fund addressing social exclusion.

In carrying out these advisory activities, the Bank Personnel will work in close cooperation with the Ministry of Human Capacities (MHC), the Ministry for National Economy (MfNE), the Central Statistical Office of Hungary (CSO), MHC's background institution, the Türel István Institute for Training and Research (TKKI), other relevant governmental institutions as well as local level stakeholders.

The Bank will collaborate with local authorities in one or more of the most disadvantaged micro-regions ("LHH") to validate the feasibility of applying the draft project planning and implementation handbook with stakeholders at local levels to refine the tools and guidance. LHHs participating in the validation exercise will be selected along a set of priority factors jointly determined by the Bank and MHC.

Following acceptance of the outputs under Components A and B by the MHC, the Bank will organize a dissemination workshop in Budapest with representatives from the relevant institutions involved and a dissemination workshop in one of the most disadvantaged micro-regions (LHH) in Hungary. The list of invitees will be determined jointly between the Bank and the Client.

Any change to the foregoing scope of work shall be set out in writing in a letter signed by the Client and the Bank, setting out the additional work to be undertaken and the fees in respect thereof."

3. Section B of the Schedule is hereby amended to read as follows:

"Timetable. Except as the Client and the Bank may otherwise agree, the Bank shall endeavor to perform the Reimbursable Advisory Services in accordance with the following tentative timetable:

A. Targeting and Monitoring for Results on Social Inclusion

<table>
<thead>
<tr>
<th>Output</th>
<th>Expected time of completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1 Study on methodological</td>
<td>8.5 months</td>
</tr>
<tr>
<td>Output</td>
<td>Expected time of completion</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------</td>
<td>----------------------------</td>
</tr>
<tr>
<td>A draft social inclusion results and impact map</td>
<td>8.5 months after Effectiveness date</td>
</tr>
</tbody>
</table>

B. Developing a Local Implementation Framework of the NSIS

A progress report in English and Hungarian will be submitted within 15 business days following the end of each calendar quarter. The progress reports shall include a description of activities completed or in progress in the quarterly reporting period and next steps planned for the following reporting period. The progress reports shall be in the format provided as Attachment to this Schedule. The format may be modified upon mutual agreement between the Bank and the Client.

For the purposes of the delivery of reports and outputs described in the table above, the Bank shall submit English version of the reports and outputs along the timeline indicated in this Agreement and shall submit the Hungarian version of the final reports and outputs within a maximum of 15 business days following the English version.

Each final output will be subject to an approval process by the Client following submission by the Bank. The Client will have 10 working days for review, after which it shall be considered approved unless modifications are requested. If modifications are requested, the Bank will have 10 working days to submit a revised output.”

4. Section C of the Schedule is hereby amended to read as follows:

“Bank Personnel. The following is an indicative list of the persons likely to be involved in carrying out the Reimbursable Advisory Services: one Lead Economist, one Human Development Sector Leader, two Social Development Specialists and one Social Protection Specialist.”

5. Paragraph 2 of Section D of the Schedule is hereby amended to read as follows:

“2. In carrying out the Advisory Activities, the Client shall facilitate contact between Bank Personnel and the staff of the Client, the Ministry for National Economy (MfNE), the CSO, the PMO, and other relevant stakeholders. Unless otherwise agreed, the Client shall provide to the Bank, not later than 4 weeks after the effectiveness of this Agreement, requested available data to allow the Bank to carry out the services in accordance with the table in Section A of this Schedule. The Client shall also facilitate the collaboration
between the Bank Personnel and local authorities in one or more of the most disadvantaged micro-regions with the purpose of validating the feasibility of applying the “project planning and implementation handbook”.

All the other articles and provisions of the Agreement shall remain unchanged.

This Addendum shall become effective as of the day and year first above written, once it has been duly signed by both Parties.

IN Witness WHEREOF, the Parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the day and year first above written.

MINISTRY OF HUMAN CAPACITIES OF HUNGARY

By: Katalin Langerné Victor
Authorized Representative
Deputy State Secretary for Social Inclusion

Date: 2015. 11. 09.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: Elisabetta Capannelli
Authorized Representative
Country Manager

Date: 29. 10. 2015