H.E. D. Khayanyhavoraa
Minister of Finance
Ministry of Finance
Government Building 2 Corpus D
S. Danzangyn Gudamj 5/1
Ulaanbaatar, 15160

March 27, 2012

Re: Multi-Sectoral Technical Assistance Project (Credit No. 4777-MN)
Amendment to Financing Agreement

Excellency:

We refer to the Financing Agreement between Mongolia (the Recipient) and the International Development Association (the Association), for the Multi-Sectoral Technical Assistance Project, dated August 4, 2010 (the Agreement). We also refer to the letter dated December 12, 2011 of Davaakhuu Battur, State Secretary and Director of the Multi-Sectoral Technical Assistance Project, Ministry of Finance, requesting certain amendments to the Agreement.

We are pleased to inform you that, after due consideration, the Association proposes to amend the Agreement as follows:

1. Paragraph 1 of Part A of Schedule 1 to the Agreement is amended to read as follows:

   “1. Improving fiscal policy and budget preparation by: (i) strengthening the institutional capacity of MOF, NDIC, and the Development Bank of Mongolia for policy analysis, public investment planning and financing in order to ensure the government’s fiscal sustainability and compliance with the Fiscal Stability Law and the Budget Law; (ii) aligning the budgeting process to national, sectoral and local priorities, and supporting fiscal decentralization through enhancing transparency and predictability in the apportionment, transfer and management of revenues and expenditures; and (iii) improving tax policy.”

2. A new paragraph 2 is inserted after paragraph 1 of Part C of Schedule 1 to the Agreement, reading as set forth below, and the succeeding paragraphs renumbered accordingly:

   “2. Strengthening the institutional capacity of MOF in order to: (i) improve the legal and regulatory framework for the financial sector in line with international good practice; (ii) ensure effective operation of state-owned institutions, including the State Bank of Mongolia and the Development Bank of Mongolia; and (iii) monitor the financial sector risks and take prompt corrective action, as needed, jointly with BOM.”
3. Paragraph 4 (formerly, paragraph 3) of Part C of Schedule 1 to the Agreement is amended to read as follows:

"4. Strengthening human capital of BOM, MOF and other financial sector regulators through: (i) development regular training curricula for financial sector policymakers; and (ii) carrying out study tours and attending and/or hosting conferences and workshops."

4. Two new sub-paragraphs are added to paragraph 1(b) of Section II.A of Schedule 2 to the Agreement, reading as follows:

"(iv) by the Closing Date, priority laws and accompanying regulations for non-bank financial institutions sector adopted and enforced.

"(v) by the Closing Date, deposit insurance law is enacted and new deposit insurance fund is fully operational."

5. Section III.D of Schedule 2 to the Agreement is amended to read as follows:

"Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of US$100,000 or more; (b) each contract for goods procure on the basis of Direct Contracting, regardless of value; (c) each contract for technical assistance services provided by a firm estimated to cost the equivalent of US$100,000 or more; (d) each contract for technical assistance services awarded on a Single Source Selection basis, regardless of value; and (e) each contract for services provided by an individual consultant estimated to cost the equivalent of US$50,000 or more. All other contracts shall be subject to Post Review by the Association."

6. The table in paragraph 2 of Section IV.A of Schedule 2 to the Agreement is amended to read as set forth in the Attachment to this letter.

7. Paragraph 13 of the Appendix to the Agreement is amended to read as follows:

"13. “Incremental Operating Costs” means the expenditures for office rentals, office consumables, in-country travels costs, lodging and per-diems for Project staff, salaries of contractual staff (other than consultants), advertising expenses, banking charges, translation, printing and transportation costs incurred in connection with the management and coordination of Project activities, which expenditures would not have been incurred absent the Project, but excluding salaries of civil servants."
8. Two new paragraphs are added to the Appendix to the Agreement, reading as follows:

"36. "Budget Law" means the legislation approved on December 23, 2011 by the State Great Hural, to establish principles, systems, processes, and roles and responsibilities for budget planning, approval, spending, reporting, and auditing.

"37. "Development Bank of Mongolia" means the State-owned legal entity established by the Recipient for the purposes of providing loans for the implementation of public infrastructure projects."

Except as specifically amended by this letter of amendment, all other provisions of the Agreement shall remain unchanged and in full force and effect.

Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully signed original of this letter to us.

Upon receipt by the Association of the copy of this letter of amendment duly countersigned by the authorized representative of the Recipient, the above amendment to the Agreement shall become effective as of the date of countersignature.

Sincerely yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

Klaus Rohland
Country Director, Mongolia
East Asia and Pacific Region

AGREED:
MONGOLIA

By: [Signature]
Authorized Representative

Name: D. KHAYAN KHYARVAA
Title: Minister of Finance
Date: March 30, 2012
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>393,900</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Technical assistance services for BoM, MoSWL and MoF</td>
<td>4,796,100</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshops</td>
<td>2,660,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Incremental Operating Costs</td>
<td>150,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>8,000,000</strong></td>
<td></td>
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