H.E. Ch. Ulaan  
Minister of Finance  
Ministry of Finance  
United Nations Street 5/1  
Ulaanbaatar – 210646  
Mongolia

Excellency:

Mongolia: Index-based Livestock Insurance Project  
(Credit No. 4687-MN and Credit No. 4069-MN)  
Amendments to Amended and Restated Development Credit Agreement and to  
Additional Financing Agreement

We refer to: (a) the Amended and Restated Development Credit Agreement (IDA 4069), dated March 18, 2010, between Mongolia (the Recipient) and the International Development Association (the Association), for the above-referenced Project (the Project) (the Development Credit Agreement); and (b) the Additional Financing Agreement (IDA 4687), dated March 18, 2010, between the Recipient and the Association, providing for additional financing for the Project (the Additional Financing Agreement). We refer also to your letter dated August 28, 2012 requesting (a) amendments to the Development Credit Agreement and the Additional Financing Agreement in order to: (i) enable the establishment of an equalization (multi-year) reserve; (ii) provide for indemnity payments to be made by participating insurers; and (iii) allow for master policies to be entered into between participating insurers and banks and financial institutions; and (b) an extension of the Closing Dates; and (c) reallocation of the proceeds of the Financing.

We are pleased to inform you that the Association agrees to your request and therefore proposes to hereby make the following amendments and other revisions.

A. Development Credit Agreement

1. Section 1.02 (j) of the Agreement is amended to read as follows:

   (j) “Financial Management Manual” means the manual satisfactory to the Association adopted by the Borrower in accordance with the provision of
paragraph 3(a)(ii) of Schedule 4 to this Agreement, as revised pursuant to the provision of Section 6.01(b) of this Agreement, in order to manage the operation of the LIIP Account, the LRI Reserve Account, the Equalization Reserve Account, the Contingent Debt Facility and the Payment Account, as such manual may be further amended from time to time with the prior agreement of the Association.”

2. Section 1.02 (v) of the Agreement is amended to read as follows:

(v) “Livestock Insurance Policy Holder” means (A) an individual herder (household), or group of herders, who owns Livestock; or (B) or a commercial bank, and to whom or which a LRI insurance policy, Master Policy and/or DRP indemnity have been issued by a Participating Insurance Company, in consideration of the payment of LRI premiums and/or DRP fees.”

3. Section 1.02 is amended by the addition of two new Paragraphs (uu) and (vv) at the end thereof to read as follows:

(uu) “Equalization Reserve Account” means the account referred to in Schedule 4, Paragraph 5 (c) (iii) of this Agreement.”

(vv) “Master Policy” means an insurance policy issued, by a Participating Insurer, under terms and conditions acceptable to the Association, to a commercial bank as policy holder, the covered persons being individual herders, herder groups or individual livestock owners as provided for in the Project Implementation Manual.”

4. Section 2.02 is amended to read by the addition of a new paragraph (f) at the end thereof, to read as follows:

(f) “The Borrower shall, for the purposes of Part A of the Project, open and maintain in Togrog, or in such other currency or currencies as the Association shall otherwise agree, an account ("Equalization Reserve Account") in one or more commercial banks under terms and conditions satisfactory to the Association, including those set forth in the Project Implementation Manual. The equalization reserve account shall be used to hold underwriting gains in any year that exceed a level to be agreed between the Borrower and the Participating Insurers in the Standard Stop-Loss Reinsurance Agreement until the funds are required to meet indemnity payments to herders that, in any year, exceed a level to be agreed between the Borrower and the Participating Insurers. Deposits into, and payments out of, the Payment Account shall be made in accordance with the provisions of the Financial Management Manual.”

5. Section 2.03 is amended to read as follows:
“The Closing Date shall be March 31, 2016, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.”

6. Section 4.01 (b) (i) is amended to read as follows:

(i) “have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account, LIIP Account, LRI Reserve Account, Equalization Reserve Account and Payment Account for each fiscal year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association.”

7. Schedule 1, Paragraph 3 (b) (i) is amended to read as follows:

(i) “the Borrower has opened the LIIP Account, LRI Reserve Account, Equalization Reserve Account and Payment Account in one or more commercial banks acceptable to the Association, as provided for in paragraph 5(c) of Schedule 4 to this Agreement;”

8. Schedule 1, Paragraph 3 (b) (v) (A) is amended to read as follows:

(A) “the LRI Reserve Account or Equalization Reserve Account has been exhausted; or”

9. Schedule 4, Paragraph 3 (a) (i) is amended to read as follows:

(i) “the institutional arrangements for the implementation of the Project, including the institutional structure and governance of the LIIP Account, LRI Reserve Account, Equalization Reserve Account and Payment Account and their respective operational manuals, including: (A) financial management, audit requirements, and supervision and monitoring procedures; (B) procedures and criteria for the selection of the Participating Insurance Companies and a financial intermediary for the distributing payments, including the compliance with prudential regulations and solvency, liquidity and profitability requirements pursuant to Mongolian insurance legislation; (C) the essential provisions of the Stop-Loss Reinsurance Agreements and LRI Standard Policy Form; and (D) the allocation of tasks and responsibilities among the PIU, the Participating Insurance Companies and the selected financial intermediary, for the implementation of the Project;”

10. Schedule 4, Paragraph 5 (b) (i) is amended to read as follows:
(i) "the setting up and administration guidelines of the LIIP Account, LRI Reserve Account, Equalization Reserve Account and Payment Account;"

11. Schedule 4, Paragraph 5 (b) (iv) is amended to read as follows:

(iv) "the authorization to the Borrower by Participating Insurance Companies to pay to Livestock Insurance Policy Holders out of the LIIP Account any amounts due under the LRI in respect of a Covered Risk occurred prior to the Closing Date;"

12. Schedule 4, Paragraph 5 (c) is amended to read as follows:

(c) "maintain, in one or more commercial banks selected in accordance with the procedures and criteria set forth in the Project Implementation Manual; (i) a LIIP Account for the administration of LRI risk-loaded premiums and the Insurance Participation Fees to be contributed by Participating Insurance Companies to the LIIP Account under the Stop-Loss Reinsurance Agreements; (ii) a LRI Reserve Account for the administration of the LIIP Account’s reinsurance premiums paid by the Participating Companies to the Borrower under the Stop-Loss Reinsurance Agreements; (iii) an Equalization Reserve Account, for holding underwriting gains until needed to make indemnity payments to policy beneficiaries, as provided for in the Project Implementation Manual and (iv) a Payment Account for the channeling to Livestock Insurance Policy Holders of LRI and DRP indemnity payouts, all such accounts to be protected against set-offs, seizures and attachments in terms and conditions satisfactory to the Association. Deposits into, and payments out of, the LIIP Account, LRI Reserve Account, and Payment Account shall be made in accordance with the provisions of the Financial Management Manual;"

13. Schedule 4, Paragraph 5 (e) is deleted in its entirety and Paragraphs (f) and (g) renumbered to (e) and (f), respectively.

14. Schedule 4, the new Paragraph 5 (e) (previously Paragraph (f) is amended to read as follows:

(e) "following the occurrence of a Covered Risk, settle all Eligible Claims by payment to the Participating Insurers and provide for the timely payment of such settlements by no later than: (i) August 31 of each year at the end of each LRI Insurance Cycles; and (ii) August 31, 2010 for purposes of the Last DRP Indemnity Cycle, as set forth in the Project Implementation Manual;"

B. Additional Financing Agreement
1. The table in Schedule 2, Section IV, Paragraph A.2 is revised to read as set out in the Attachment to this letter.

2. The last paragraph of Schedule 2 is amended to read as follows:

   "4. The Closing Date is March 31, 2016."

Except as specifically amended in this letter, all terms and conditions of the Development Credit Agreement and the Additional Financing Agreement shall remain in full force and effect.

Please confirm your agreement to the foregoing amendments on behalf of the Borrower by countersigning and dating this letter, and returning one fully countersigned original of this letter to us. These amendments shall become effective as of the date of this letter, upon receipt by the Bank of a duly countersigned original of this letter by the authorized representative of the Borrower.

Sincerely,

Mara Warwick
Acting Country Director, Mongolia

CONFIRMED
MONGOLIA

By: ________________________
   Authorized Representative

Name: Ch. Ulaan
Title: Minister of Finance
Date: November 1, 2013
cc: Mr. M. Willcock  
Executive Director  
World Bank  

H.E Kh.Gantsogt  
State Secretary  
Ministry of Finance  

Mr. T. Dorjkhand  
Director General  
Department of Project Financing and Debt Management  
Ministry of Finance  

Mr. Ya. Ulziibold  
PIU Director
Prepared By and bcc: A. Morozov, Legal Associate; M. Kane, Lead Counsel (LEGES)

Cleared By and bcc: JX. Chu, Sr. Finance Officer (CTRLN)

Bcc: K. Rohland, H. Zhu, Y. Fan, X. Chen, ZJ. Niu, XL. Bai (EACCF), C. Gevers (EACMF), K. Funk, L. Melgaard, (EACCQ); Y. Dong, B. Dondog (EASFM); K. Awanyo (EASR2); G. Paniga (EACMF)
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Financing Allocated (Expressed in SDR)</th>
<th>% of Expenditures to be Financed Inclusive of taxes</th>
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<tbody>
<tr>
<td>(1) Consultants' services under Part A of the Project</td>
<td>1,120,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods and Services (Other than Consultants' Services) under Part B and E of the Project</td>
<td>440,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training, Workshops and Study Tours under Part A, B, and E of the Project</td>
<td>490,000</td>
<td>100%</td>
</tr>
<tr>
<td>4) Contingent Debt Facility for payouts under Part A.2(i) of the Project</td>
<td>1,545,000</td>
<td>100% of Stop-Loss Amounts disbursed in respect of Eligible Claims, as specified in Stop-Loss Reinsurance Agreements, and 100% DRP indemnities disbursed on or before September 30, 2010</td>
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<td>(5) Public awareness campaign under Part B of the Project (except for Goods, Training, Workshops and Study Tours)</td>
<td>350,000</td>
<td>100%</td>
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<td>(6) Consultants' Services for Project management under Part E of the Project</td>
<td>1,530,000</td>
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<td>(7) Incremental Operating Costs</td>
<td>510,000</td>
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<td>(8) Premium for government purchased reinsurance</td>
<td>315,000</td>
<td>100%</td>
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<tr>
<td><strong>Total Amount</strong></td>
<td><strong>6,300,000</strong></td>
<td><strong>100%</strong></td>
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