H.E. S. Bayartsogt  
Minister of Finance  
Ministry of Finance  
Government Building 2  
United Nations Street 5/1  
Ulaanbaatar – 210646  
Mongolia

Subject: JSDF Grant Agreement for the Community-Led Infrastructure Development for the Urban Poor in Ulaanbaatar Project (TF053820)  
Letter of Amendment

Excellency,

We refer to the Japan Social Development Fund Grant Agreement, dated March 29, 2005 entered between Mongolia (the “Recipient”) and the International Development Association, as administrator of the grant funds provided by Japan (the “Association” or “IDA”), for purposes of providing financing for the captioned Community-Led Infrastructure Development for the Urban Poor in Ulaanbaatar (the “Project”), as amended (the “Grant Agreement”).

We also refer to the three letters addressed to the Association: (i) dated August 3, 2009 from H.E. G. Munkhbayar, Governor of the Capital City and Mayor of Ulaanbaatar, requesting reallocation of the proceeds of the subject Grant to finance the rehabilitation and construction of flood protection drains / drainage works; (ii) dated November 5, 2009 from H.E. G. Munkhbayar, Governor of the Capital City and Mayor of Ulaanbaatar, reiterating the contents of his aforementioned letter and requesting an extension of the Closing Date of the Grant; and (iii) dated November 20, 2009 from you, endorsing the earlier requests of H.E. G. Munkhbayar.

We are pleased to inform you that after due consideration, the Association has agreed to reallocate the proceeds of the subject Grant (from Category (2) to a new Category (3)) to finance the construction of an incomplete part of the Tolgoi drainage (the Tolgoi drainage was constructed under the Netherlands Trust Fund for the Environment in Mongolia - TF054416). Therefore, the Association proposes to amend the Grant Agreement as follows:

1. A new Part D shall be added under Section 1 of the Annex to the Grant Agreement, after Part C (“Monitoring and Evaluation”) titled “Complete Construction of Tolgoi Drainage for Flood Protection” to read as follows:

“Part D. Complete Construction of Tolgoi Drainage for Flood Protection

Carrying out of construction works relating to the fourth part of the Tolgoi Drainage in order to complete the Tolgoi Drainage.”

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2. A new clause (c) shall be added under Section 1.3 of the Annex to the Grant Agreement, after clause (b) "Community-led Infrastructure Plans" and before clause (d) (previously clause (c)) "Ger areas" titled "Displaced Person" to read as follows:

"(c) "Displaced Person" means a person who, on account of execution of Part D of the Project, has experienced, or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and "Displaced Persons" means, collectively, all such Displaced Persons."

The numbering of all subsequent clauses under Section 1.3 shall be adjusted accordingly in alphabetical order.

3. A new clause (i) shall be added under Section 1.3 of the Annex to the Grant Agreement, after clause (h) "Procurement Plan" and before clause (j) "Sub-grant" to read as follows:

"(i) "Resettlement Plan" means the Recipient's abbreviated resettlement plan dated March 23, 2010, and duly adopted by the Recipient through the Municipality of Ulaanbaatar, which sets out the plan and procedures governing land or other asset acquisition from, resettlement and rehabilitation of and compensation to Displaced Persons as a result of carrying out Part D of the Project, as well as reporting and monitoring arrangements to ensure compliance with the said plan, as such plan may be amended from time to time with the prior approval of the Association."

4. A new Section 2.4 shall be added to the Annex to the Grant Agreement to read as follows:

"2.4. For purposes of Part D. of the Project, the Recipient shall, through the Municipality of Ulaanbaatar:

(a) take measures to avoid or minimize the acquisition of land or assets of the people and communities at or near the site of the fourth part of the Tolgoi drainage; and

(b) where the acquisition of land or assets or the displacement of the people and the communities at or near the site of the fourth part of the Tolgoi drainage is unavoidable under the proposed construction plans, ensure that the relevant people and or communities, before carrying out the construction works which would result in such acquisition or displacement, make available to such people and or communities, compensation and rehabilitation measures in accordance with the Resettlement Plan".

5. The table under Section 4.2 of the Annex to the Grant Agreement shall be revised to read as follows:

| Category | Amount of the Grant Allocated | % of Expenditures to |
(1) Consultants' Services
427,100
100%

(2) Sub-grants under Part A.4 of the Project
1,115,000
100% of Sub-grant amount disbursed

(3) Construction Works Re. Toluoi Drainage
350,000
100%

TOTAL.
1,892,100

Except as specifically amended hereby, all other provisions of the Grant Agreement shall remain the same and in full force and effect.

It is the Association's policy to make publicly available the Grant Agreement and any information related thereto, including this Amendment. By confirming its agreement below, the Recipient consents to disclosure of this Amendment after it has become effective.

Please confirm your acceptance to the foregoing, on behalf of the Recipient, by signing and dating the two originals, retaining one original for your records and returning the other original to the Association. This Amendment will become effective as of the date of the countersignature.

Sincerely,

/s/ Klaus Rohland
Country Director, Mongolia
East Asia & Pacific Region

CONFIRMED and AGREED on behalf of MONGOLIA

/s/ S. Bayartsogt

Authorized Representative

Name:

Title:

Date: