

May 11, 2020

H.E. Ch. Khurelbaatar
Minister of Finance
Ministry of Finance
Government Building II
S. Danzan Street 5/1 Building D
Ulaanbaatar, 15160

Excellency:

Re: Mongolia: Employment Support Project (Credit No. 5974)
Amendment to Financing Agreement

We refer to the Financing Agreement dated July 5, 2017 (the "Financing Agreement") between Mongolia (the "Recipient") and the International Development Association (the "Association") for the Employment Support Project ("Project"). We also refer to your letter, dated April 22, 2020, requesting, on behalf of the Recipient, a restructuring of the Project, which requires certain amendments to the Financing Agreement.

We are pleased to inform you that the Association concurs with the request and hereby proposes to amend the Financing Agreement as below:

1. The Project development objective set forth in Schedule 1 to the Financing Agreement shall be amended to read as follows:

"The objective of the Project is to provide jobseekers and micro-entrepreneurs in Mongolia with improved access to labor market opportunities and to provide temporary relief to eligible workers in response to the COVID-19 crisis".

2. Schedule 1 to the Financing Agreement on Project Description shall be amended as follows:

- 2.1. The description of Part 2(a) shall be deleted in its entirety and the subsequent descriptions of Part 2 shall be renumbered accordingly.

- 2.2. The description of Part 3(a)(iii) shall be deleted in its entirety.

- 2.3. A description of Part 4 shall be added to read as follows:

"Part 4. Providing temporary relief to eligible workers in response to COVID-19

Supporting eligible Beneficiaries in making SIF Contributions to the Social Insurance Fund."

3. All references to Part 2(b) and Part 2(c) of the Project in the Financing Agreement shall be construed to refer to the renumbered Part 2(a) and Part 2(b) accordingly.
4. Paragraph 2 of Section I.A of Schedule 2 to the Financing Agreement is amended to read as follows:

“The Recipient shall:

- (a) by no later than May 30, 2020, update the Project Operations Manual in a manner satisfactory to the Association;
- (b) ensure that the Project is implemented in accordance with the Project Operations Manual, which shall include the description of: (i) institutional and implementation arrangements; (ii) procurement procedures and standard procurement documentation; (iii) reporting requirements, financial management and audit procedures; (iv) criteria for Eligible Expenditures; (v) the Project performance indicators; (vi) the Environmental and Social Management Framework; (vii) arrangements and procedures for selecting training participants; (viii) monitoring and evaluation arrangements; and (ix) eligibility criteria and the procedures for the monitoring, reporting and verification of SIF Contributions for eligible Beneficiaries; and
- (c) not amend, suspend, abrogate, repeal or waive any provisions of the Project Operations Manual without the prior written agreement of the Association.

5. A new paragraph (d) shall be added to Section I.1 of Schedule to the Financing Agreement as follows:

- “(d) maintain a technical team within the SIGO with composition, functions, staffing and resources satisfactory to the Association, which shall be responsible for, *inter alia*: (i) carrying out the monthly verification of the SIF Contributions of Beneficiaries; (ii) monitoring and reporting of the activities under Part 4 of the Project to the Ministry of Labor and Social Protection; and (iii) providing technical support to SIGO offices at the district and aimag levels.

6. A new section I. F shall be added to Section I of Schedule 2 to the Financing Agreement as follows:

“F. SIF Contributions

- 1. To facilitate the carrying out of Part 4 of the Project, the Recipient, through Ministry of Labor and Social Protection, shall make part of the proceeds of the Financing available to each eligible Beneficiary through the provision of a SIF Contribution to the Social Insurance Fund in the name of the respective Beneficiary in accordance with eligibility criteria and procedures set out in the Project Operations Manual.
- 2. Without limitation on its other reporting obligations under this Agreement, the Recipient shall, through Ministry of Labor and Social Protection, prepare, and thereafter, furnish to the Association monthly reports on the incurrence of the SIF Contribution during the respective month in form and substance acceptable to the Association.
- 3. No SIF Contributions shall be eligible for financing out of the proceeds of the Credit unless and until the monthly reports on the incurrence of the SIF Contributions referred to in the preceding paragraph 2 of this Section has been furnished to the Association.

7. The withdrawal table in Section II.A.2 of Schedule 2 to the Financing Agreement shall be deleted in its entirety and replaced with the following:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for Non-EPF Activities under Parts 1, 2(a)(iii), 2(b)(ii), and 3 of the Project	2,664,320	100 %
(2) Non-consulting services, consultants' services, Training, Micro-loans and Employment Promotion Piloting Grants for EPF Activities under Parts 2(a)(i), 2(a)(ii) and 2(b)(i) of the Project	4,695,680	100 %
(3) SIF Contributions under Part 4 of the Project	11,040,000	100% of the amount disbursed
TOTAL AMOUNT	18,400,000	

8. The following paragraphs shall be added in the Appendix to the Financing Agreement and the subsequent paragraphs shall be renumbered accordingly:

- "2. "Beneficiary" means any worker who are exempted from the Recipient's social insurance contributions under the Law on Exemption from Social Insurance Contributions and Providing Support from the Unemployment Insurance Fund adopted by the Recipient's Parliament on April 9, 2020; and the term "Beneficiaries" means collectively all such Beneficiaries.
5. "COVID-19" means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
25. "Social Insurance Fund" or "SIF" means the fund established and operating in accordance with the Recipient's Law on Social Insurance of May 14, 1994, as amended from time to time.
26. "SIGO" means the Recipient's Social Insurance General Office, established and operating within the Ministry of Labor and Social Protection, or any successor thereto.
27. "SIF Contribution" means a subsidy to be made available by the Recipient out of the proceeds of the Financing to an eligible Beneficiary in form of a contribution in the name of the Beneficiary to the Social Insurance Fund; and "SIF Contributions" means, collectively, all such SIF Contribution."

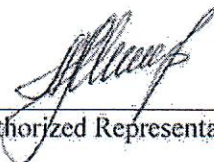
Except as specifically amended by this letter of amendment, all other provisions of the Financing Agreement shall remain unchanged and in full force and effect.

May 11, 2020

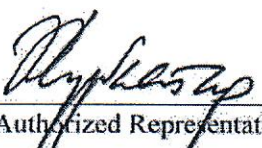
Please confirm your agreement with the amendments set out above by countersigning, dating and returning to us the enclosed copy of this letter of amendment. Upon receipt by the Association of the countersigned copy of this letter of amendment, this letter of amendment shall become effective as of the date of countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 
Authorized Representative

AGREED:
MONGOLIA

By: 
Authorized Representative
Name: Chimed Khurelbaatar
Title: Minister of Finance
Date: May 14, 2020