

April 27, 2020

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

**OFFICIAL
DOCUMENTS**

Excellency:

**Re: IDA Credit No. 6588-MN
(Mongolia Third Sustainable Livelihoods Project - Additional Financing)
Additional Instructions: Disbursement and Financial Information Letter (DFIL).**

I refer to the Financing Agreement (“Agreement”) between Mongolia (“Recipient”) and the International Development Association (“Association”) for the above-referenced project, dated April 27, 2020. The General Conditions, as defined in the Financing Agreement, provide that the Association may issue additional instructions regarding the withdrawal of the proceeds of IDA Credit 6588-MN (“Financing”), and specify certain financial management reporting and audit requirements. This letter (“Disbursement and Financial Information Letter” or “DFIL”), as revised from time to time, constitutes such additional instructions.

I. Disbursement Arrangements, Withdrawal and Reporting of Loan Proceeds.

The *Disbursement Guidelines for Investment Project Financing* dated February 2017, (“Disbursement Guidelines”) are available in the Association’s public website at <https://www.worldbank.org> and its secure website “Client Connection” at <https://clientconnection.worldbank.org>. The Disbursement Guidelines are an integral part of the DFIL, and the manner in which the provisions in the guidelines apply to the Credit is specified below.

(i) Disbursement Arrangements:

- **General Provisions** (Schedule 1). The table in Schedule 1 sets out the disbursement methods which may be used by the Recipient^{4/}, [and conditions^{5/}], information on registration of authorized signatures^{6/}, processing of withdrawal applications (including minimum value of applications and processing of advances), instructions on supporting documentation, and frequency of reporting on the Designated Account^{7/}.

(ii) Electronic Delivery. Section 10.01 (c) of the General Conditions:

The Recipient will deliver Withdrawal Applications (with supporting documents) electronically through the Association’s web-based portal “Client Connection” at <https://clientconnection.worldbank.org>. This option will be effected after the officials designated in writing by the Recipient who are authorized to sign and deliver Withdrawal Applications have registered as users of “Client Connection”. The designated officials will deliver Applications electronically by completing the Form 2380, which is accessible through “Client Connection”. By signing the Authorized Signatory Letter, the Recipient confirms that it is

authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the Association by electronic means. The Recipient may exercise the option of preparing and delivering Withdrawal Applications in paper form on exceptional cases (including those where the Borrower encounters legal limitations), and which were previously agreed with the Association. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation, available in the Association's public website at <https://worldbank.org> and "Client Connection"; and (b) to cause such official to abide by those terms and conditions.

II. Financial Reports and Audits.

(i) Financial Reports. The Recipient must prepare and furnish to the Association not later than [forty-five (45)] days after the end of each calendar quarter, interim unaudited financial reports ("IFR") for the Project covering the quarter.

(ii) Audits. Each audit of the Financial Statements must cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period must be furnished to the Association not later than six (6) months after the end of such period.

III. Other Important Information

For additional information on disbursement arrangements, please refer to the Loan Handbook available on the Association's website (<http://www.worldbank.org/>) and "Client Connection". The Association recommends that you register as a user of "Client Connection". From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the [Grant] [Credit], and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, or if you have any queries in relation to the above, please contact the Association by email at AskLoans@WorldBank.org using the above reference.

Yours sincerely,



Andrei Mikhnev
Country Manager for Mongolia

Attachments

1. Form of Authorized Signatory Letter
2. Statement of Expenditure (SOE)
3. Designated Account Reconciliation Statement

Schedule 1 : Disbursement Provisions

Basic Information			
Grant/Credit Number	Country Recipient	Name of the Project	Closing Date
	Mongolia	Mongolia Third Sustainable Livelihoods Project - Additional Financing	Section III.B.2. of Schedule 2 to the Financing Agreement. Four months after the closing date.
			Disbursement Deadline Date <i>Subsection 3.7 **</i>
Disbursement Methods and Supporting Documentation			
Disbursement Methods <i>Section 2 (**)</i>	Methods	Supporting Documentation <i>Subsections 4.3 and 4.4 (**)</i>	
Direct Payment	Yes	Copy of records	
Reimbursement	Yes	Statement of Expenditure (SOE in the format provided in Attachment 2 of the DFIL for category 1, and budget execution report for category 2)	
Advance (into a Designated Account)	Yes	Statement of Expenditure (SOE in the format provided in Attachment 2 of the DFIL, budget execution report for category 2 and Designated Account Reconciliation Statement (Attachment 3) of the DFIL	
Special Commitments	Yes	Copy of Letter of Credit	
Designated Account (Sections 5 and 6 **)			
Type	Ceiling	Currency	Amount
Segregated	Variable	USD	
Financial Institution - Name	To be established at a financial institution acceptable to the Association		
Frequency of Reporting <i>Subsection 6.3 (**)</i>	Monthly		
Minimum Value of Applications (subsection 3.5)			
The minimum value of applications for Reimbursement, Direct Payment and Special Commitment is USD480,000 equivalent.			
Authorized Signatures (Subsection 3.1 and 3.2 **) The form for Authorized Signatories Letter is provided in Attachment 1 of this letter Withdrawal and Documentation Applications (Subsection 3.3 and 3.4 **)			
The World Bank 5F, MCS Plaza Building Seoul Street-4 Ulaanbaatar 210644 Mongolia Attention: Loan Operation (WFACS)			
Additional Information Instructions			

The Designated Account for SLP3 project will continue to be used by the PIU established under MOF. In case the DA is moved into the Treasury Single Account System within the Government Financial Management Information System (GFMIS), the Recipient shall inform the Association of such a change and the DA arrangement will be revised accordingly.

A subaccount in Mongolian tugriks will be opened with the Treasury for all transactions in Mongolian tugriks, including PIU operating and non-operating expenses in accordance with the Government's financial regulations. The MOF ultimately will be responsible for managing the subaccounts. Specific project payment approval procedures will be documented in the FMM. The ceiling will not be established for the subaccount but it will be within the ceiling set for the DA according to project's needs.

Performance Based Financing proceeds will be transferred in lump sum from DA to the general LDF account at the State Treasury managed by MOF. Further transfers will be made to each eligible soum and/or aimag's local LDF account from the general LDF account. In any given year during the project implementation, the World Bank will reimburse and finance up to a percentage (agreed and reflected in PIM) of the qualifying soum LDF expenditures of the preceding year based on the relevant soums' LDF performance and budget execution reports. Detailed arrangement please refer to the PIM.

*** Sections and subsections relate to the "Disbursement Guidelines for Investment Project Financing", dated February 2017.*

Attachment 1 – Form of Authorized Signatory Letter

[Letterhead]
Ministry of Finance
[Street address]
[City] [Country]

[DATE]

The World Bank Office
Level 16, China World Tower 2
No. 1 Jianguomenwai Avenue
Beijing, China

Attention: Mr. **Martin Raiser**, Country Director, China

Re: Loan No. _____ - ____ (*[Name of the project]*)

I refer to the Loan Agreement (“Agreement”) between the International Bank for Reconstruction and Development (the “Bank”) and *[name of recipient]* (the “Recipient”), dated _____, providing the above Loan. For the purposes of Section 2.02 of the General Conditions as defined in the Agreement, any ¹[one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal [and applications for a special commitment] under this Loan.

For the purpose of delivering Applications to the Bank, ²[each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting ³[individually] ⁴[jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the Bank.

⁵ [This confirms that the Recipient is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the Bank by electronic means. In full recognition that the Bank shall rely upon such

¹ Instruction to the Borrower: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. *Please delete this footnote in final letter that is sent to the Bank.*

² Instruction to the Borrower: Stipulate if more than one person needs to *jointly* sign Applications, if so, please indicate the actual number. *Please delete this footnote in final letter that is sent to the Bank.*

³ Instruction to the Borrower: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Bank.*

⁴ Instruction to the Borrower: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Bank.*

⁵ Instruction to the Borrower: Add this paragraph if the Borrower wishes to authorize the listed persons to accept Secure Identification Credentials and to deliver Applications by electronic means; if this is not applicable, please delete the paragraph. *Please delete this footnote in final letter that is sent to the Bank.*

representations and warranties, including without limitation, the representations and warranties contained in the *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation* ("Terms and Conditions of Use of SIDC"), the Recipient represents and warrants to the Bank that it will cause such persons to abide by those terms and conditions.]

This Authorization replaces and supersedes any Authorization currently in the Bank records with respect to this Agreement.

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

Yours truly,

/ signed /

[Position]

Attachment 2 -- Statement of Expenditures

IDA-International Development Association

Statement of Expenditures

Payment made during the period from to

Yes	No
Yes	No

The following expenditures have been incurred during the retroactive financing period (please tick)

The following expenditures have been incurred before the closing date of the loan/credit/grant (please tick)

Financier
Loan/Credit/Grant#
Application#
Category#
Page#

ONLY for the Designated Account													
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Item No.	Supplier's Name	Brief Description of the expenditure	Prior Review Contract? (Yes or No)	Contract# (Client Connection# for Prior Review contracts)	Contract currency and amount (original+ amendment)	Invoice number	Date of payment	Total amount of Invoice covered by Application (net of retention)	% Financed by the Bank	Eligible Amount (col 9x10)	Exchange rate	Date of Withdrawal from the Designated Account	Amount Withdrawn from the Designated Account (Col11/12)
Total													

(insert location)

Supporting documents for this SOE are retained at _____
 A separate form should be used for each category

DESIGNATED ACCOUNT RECONCILIATION STATEMENT

LOAN/CREDIT/GRANT/PPF/COFINANCIER NUMBER _____
 ACCOUNT NUMBER _____ WITH (BANK) _____

1. TOTAL ADVANCED BY WORLD BANK (OR COFINANCIER) \$ _____
 2. LESS: TOTAL AMOUNT RECOVERED BY WORLD BANK - \$ _____
 3. EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO
 THE SPECIAL ACCOUNT (NUMBER 1 LESS NUMBER 2) = \$ _____

4. BALANCE OF SPECIAL ACCOUNT PER ATTACHED BANK
 STATEMENT AS OF DATE _____ \$ _____
 PLUS: Balance of operating accounts +USD equivalent _____
 5. PLUS: TOTAL AMOUNT CLAIMED IN THIS
 APPLICATION NO. _____ + \$ _____ *
 6. PLUS: TOTAL AMOUNT WITHDRAWN AND NOT YET CLAIMED
 REASON: _____ + \$ _____ *
 7. PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS
 NOT YET CREDITED AT DATE OF BANK STATEMENTS

<u>APPLICATION NO.</u>	<u>AMOUNT *</u>
_____	_____
_____	_____

- SUBTOTAL OF PREVIOUS
 APPLICATIONS NOT YET CREDITED + \$ _____
 8. MINUS: INTEREST EARNED - \$ _____ *
 9. TOTAL ADVANCE ACCOUNTED FOR (NO. 4 THROUGH NO. 9) = \$ _____

10. EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 9:

11. DATE: _____ SIGNATURE: _____
 TITLE: _____