

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

**Re: Grant No. TF0C2460 (Virtual Cooperatives of Pastoral Livestock Communities)
Additional Instructions: Disbursement and Financial Information Letter**

Excellency:

I refer to the Letter Agreement (“Agreement”) between Mongolia (“Recipient”), and the International Bank for Reconstruction and Development/International Development Association (“Bank”), acting as administrator of the Japan Social Development Fund, for the above-referenced project. The Standard Conditions, as defined in the Letter Agreement, provide that the Recipient may from time to time request withdrawals of Grant amounts from the Grant No. TF0C2460 (“Grant”) in accordance with the Disbursement and Financial Information Letter, and such additional instructions as the Bank may specify from time to time by notice to the Recipient. The Standard Conditions also provide also provide that the Disbursement and Financial Information Letter may set out Project specific financial reporting requirements. This letter constitutes such Disbursement and Financial Information Letter (“DFIL”), and may be revised from time to time.

I. Disbursement Arrangements, Withdrawal of Grant Funds, and Reporting of Uses of Grant Funds

The *Disbursement Guidelines for Investment Project Financing*, dated February, 2017, (“Disbursement Guidelines”) are available in the Bank’s public website at <https://www.worldbank.org>, and are an integral part of the Disbursement and Financial Information Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below.

(i) Disbursement Arrangements

The table in **Schedule 1** provides the disbursement methods which may be used by the Recipient, information on registration of authorized signatories, processing of Withdrawal Applications (including minimum value of applications and advances), instructions on supporting documentation, and frequency of reporting on the Designated Account.

(ii) Withdrawal Applications (Electronic Delivery)¹

The Recipient will deliver Withdrawal Applications (with supporting documents, “Applications”) electronically through the Bank’s web-based portal “Client Connection” at

¹ Section 7.01 (c) of the Standard Conditions

<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 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 Bank by electronic means. The Recipient may exercise the option of preparing and delivering Applications in paper form on exceptional cases (including those where the Recipient encounters legal limitations), and which were previously agreed with the Bank. 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 Bank’s public website at <https://www.worldbank.org> and “Client Connection”; and (b) to cause such officials to abide by those terms and conditions.

II. Financial Reports and Audits²

(i) Financial Reports

The Recipient must prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester interim unaudited financial reports (“IFRs”) for the Project covering the semester.

(ii) Audits

Each audit of the Financial Statements must cover the period of one (1) 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 Bank 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 Bank’s public website and “Client Connection”. The Bank 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, 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 Bank by email at AskLoans@WorldBank.org using the above reference.

Yours sincerely,



Taehyun Lee
Country Manager for Mongolia
East Asia and Pacific Region

² Section 2.07 (a) and (b) of the Standard Conditions.

Attachments

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

Schedule 1 - Disbursement Provisions

Basic Information					
Grant Number	TF0C2460	Country	Mongolia	Closing Date	Section 3.03 of Article III to the Letter Agreement.
		Recipient	Mongolia		
		Name of the Project	Virtual Cooperatives of Pastoral Livestock Communities	Disbursement Deadline Date ³	Four (4) months after the closing date.
Disbursement Methods and Supporting Documentation					
Disbursement Methods ⁴	Methods	Supporting Documentation ⁵			
Direct Payment	YES	Copy of records (e.g. invoices and receipts)			
Reimbursement	YES	Statement of Expenditure (SOE) in the format provided in Attachment 2 of the DFIL			
Advance (into a Designated Account)	YES	Statement of Expenditure (SOE)] in the format provided in Attachment 2 of the DFIL, Designated Account Reconciliation Statement (Attachment 3) of the DFIL			
Special Commitments	YES	Copy of Letter of Credit (including pro forma invoice(s), if cited in the Letter of Credit)			
Designated Account(s) ⁶					
Type and Management Unit	Pooled- managed by MOFALI		Ceiling	Fixed	
Financial Institution – Name	To be established at a financial institution acceptable to the Bank		Currency	USD	
Frequency of Reporting ⁷	Quarterly or more frequently as needed		Amount	275,000	
Minimum Value of Applications ⁸					
The minimum value of applications for Reimbursement, Direct Payment and Special Commitment is USD 55,000 equivalent.					
Authorized Signatories ⁹					
Withdrawal and Documentation Applications ¹⁰					
1. The form for Authorized Signatory Letter is provided in Attachment 1 of this letter. Please send the revised Authorized Signatory Letter to the address indicate below: The World Bank 5F, MCS Plaza Building					

For notes in Schedule 1: Sections and subsections relate to the “Disbursement Guidelines for Investment Project Financing”, dated February 2017.

³ Subsection 3.7

⁴ Section 2

⁵ Subsections 4.3 and 4.4

⁶ Sections 5 and 6

⁷ Subsection 6.3

⁸ subsection 3.5

⁹ Subsection 3.1 and 3.2

¹⁰ Subsection 3.3 and 3.4

Seoul Street-4
Ulaanbaatar 210644
Mongolia

Attention: Country Manager

All Applications and its supporting documentation will be electronically sent via the Bank's system "Client Connection".

Additional Information

- (i) A pooled Designated Account in USD ("DA") will be maintained at the Bank of Mongolia for all the Bank's Projects in Mongolia and managed through TSA Multi-Currency System which handles all foreign currency transactions within the TSA.
- (ii) A segregated ledger account will be maintained for the Project to monitor receipts and uses of the funds under the DA.
- (iii) A zero-balance account will be maintained separately at a commercial bank acceptable to the Bank and subject to an agreement between MOF and the commercial Bank, which will be used to initially draw funds from the Bank. The funds received in the zero-balance account will be automatically transferred to the DA at TSA on the same day through overnight clearing and settlement process. Reconciliation statement attaching with the bank statement for both DA at TSA and zero balance account will be attached with the relevant withdrawal applications to ensure funds are transferred to the DAs at TSA immediately and fully available to finance for eligible expenditures under the Project.
- (iv) 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 Financial Management Manual. The ceiling will not be established for the sub-account but it will be within the ceiling set for the DA according to project's needs.

[Attachment 1 – Form of Authorized Signatory Letter]

Form of Authorized Signatory Letter

[Letterhead]

Ministry of Finance

[Street address]

[City] [Country]

[DATE]

The World Bank
5F, MCS Plaza Building
Seoul Street-4
Ulaanbaatar 210644
Mongolia

Attention: _____,
Country Manager and the Resident Representative for Mongolia

Dear [Country Director]:

Re: Grant No. TF0C2460_(Virtual Cooperatives of Pastoral Livestock Communities)

I refer to the Grant Agreement (“Agreement”) between the International Bank for Reconstruction/International Development Association (“Bank”), acting as [] , and Mongolia (the “Recipient”), providing the above Grant. For the purposes of Section 3.04 (b) of the Standard Conditions, as defined in the Agreement, any [¹one] 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 Grant.

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 representations and warranties, including

¹ Instruction to the Recipient when sending this letter to the Bank: 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 Recipient: 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 Recipient: 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 Recipient: 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 Recipient: Add this paragraph if the Recipient 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.*

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

**IBRD-International Bank for Reconstruction and Development/
IDA-International Development Association**

Statement of Expenditures

Payment made during the period from to

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

Yes	No
Yes	No

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													

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

Attachment 3
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: _____