

**MILLENNIUM CHALLENGE COMPACT**

**BETWEEN**

**THE UNITED STATES OF AMERICA**

**ACTING THROUGH**

**THE MILLENNIUM CHALLENGE CORPORATION**

**AND**

**THE GOVERNMENT OF MONGOLIA**

**ACTING THROUGH**

**THE MINISTRY OF FOREIGN AFFAIRS**

**MILLENNIUM CHALLENGE COMPACT  
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## MILLENNIUM CHALLENGE COMPACT

This MILLENNIUM CHALLENGE COMPACT (this “*Compact*”) is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Government of Mongolia (“*Mongolia*”), acting through its Ministry of Foreign Affairs (the “*Government*”) (individually, a “*Party*” and collectively, the “*Parties*”). Capitalized terms used in this Compact shall have the meanings provided in Annex VI.

### RECITALS

Recalling that the Parties successfully concluded an initial Millennium Challenge Compact, signed at Washington, DC, October 22, 2007, which entered into force on September 17, 2008, and expired by its terms on September 17, 2013, that advanced the progress of Mongolia in achieving lasting economic growth and poverty reduction, demonstrated the strong partnership between the Parties, and was implemented in accordance with MCC’s core policies and standards;

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Mongolia and that MCC assistance under this Compact supports Mongolia’s demonstrated commitment to strengthening good governance, economic freedom and investments in people;

Recalling that the Government consulted with the private sector and civil society of Mongolia to determine the priorities for the use of MCC assistance, and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that MCC wishes to help Mongolia implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the “*Program*”);

The Parties hereby agree as follows:

### ARTICLE 1. GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Mongolia (the “*Compact Goal*”). MCC intends to provide assistance in a manner that strengthens good governance, economic freedom, and investments in the people of Mongolia.

Section 1.2 Project Objective. The Program consists of the project described in Annex I (the “*Project*”). The objective of the Project (“*Project Objective*”) is to meet the projected demand for water in Ulaanbaatar for residential consumers and commercial and industrial users.

## ARTICLE 2. FUNDING AND RESOURCES

### Section 2.1 Program Funding.

Upon entry into force of this Compact in accordance with Section 7.3, MCC agrees to grant to the Government, under the terms of this Compact, an amount not to exceed Three Hundred Twenty-One Million Nine Hundred Forty Thousand United States Dollars (US\$321,940,000) (“**Program Funding**”) for use by the Government to implement the Program. The multi-year allocation of Program Funding is generally described in Annex II.

### Section 2.2 Compact CDF.

(a) Upon the signing of this Compact, MCC agrees to grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Twenty-Eight Million Sixty Thousand United States Dollars (US\$28,060,000) (“**Compact CDF**”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “**MCA Act**”), for use by the Government to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers, and other information technology or capital equipment;
- (iii) monitoring and evaluation activities;
- (iv) feasibility, design, and other project preparatory studies; and
- (v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of Compact CDF is generally described in Annex II.

(b) Each Disbursement of Compact CDF is subject to satisfaction of the conditions precedent to such disbursement as set forth in Annex IV.

(c) If MCC determines that the full amount of Compact CDF available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact CDF available under Section 2.2(a) (such excess, the “**Excess Compact CDF Amount**”); following such notice, the amount of Compact CDF granted to the Government under Section 2.2(a) shall be reduced by the Excess Compact CDF Amount, and MCC shall have no further obligations with respect to such Excess Compact CDF Amount.

Section 2.3 MCC Funding.

Program Funding and Compact CDF are collectively referred to in this Compact as “**MCC Funding**,” and includes any refunds or reimbursements of Program Funding or Compact CDF paid by the Government in accordance with this Compact.

Section 2.4 Disbursement.

In accordance with this Compact and the Program Implementation Agreement, MCC agrees to disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a “**Disbursement**”). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements shall be made available to the Government, at MCC’s sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a “**Permitted Account**”) or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest. The Government agrees to pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.6 Government Resources; Budget.

(a) Consistent with Section 609(b)(2) of the MCA Act and MCC’s Guidelines for Country Contributions, the Government shall make a contribution of One Hundred Eleven Million Seven Hundred Sixty Thousand United States Dollars (US\$111,760,000) over the Compact Term toward meeting the Project Objective of this Compact (the “**Government Contribution**”), or less as provided below. The allocation of the Government Contribution is generally described in Annex II, and a more detailed allocation shall be described in the Program Implementation Agreement, along with additional terms and conditions applicable to the Government Contribution. The Government Contribution shall be subject to any legal requirements in Mongolia for the budgeting and appropriation of such contribution, including approval of the Government’s annual budget by its legislature. The Government Contribution may be reduced with MCC approval, provided that (i) the modified contributions continue to advance the Project Objective, and (ii) no modification shall be made that reduces the amount of the Government Contribution to an amount that is less than 15 percent of MCC Funding. In addition, the Government shall provide all funds and other resources, and shall take all other actions, that are necessary to carry out the Government’s responsibilities under this Compact.

(b) The Government agrees to use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully disclosed in its annual budgets for the duration of the Program.

(c) The Government agrees to not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, MCC Funding shall be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding. The Government agrees to ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing, including but not limited to the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC's *Environmental Guidelines* and any guidance documents issued in connection with such guidelines (collectively, the "*MCC Environmental Guidelines*"); or

(d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government agrees to ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Mongolia, reasonable in amount and imposed on a non-discriminatory basis) ("*Taxes*") of or in Mongolia (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Mongolia). Specifically, and without limiting the generality of the foregoing, MCC Funding shall be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Mongolia in connection with the Program; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program, (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (iv) taxes and other similar charges on income, profits, or gross receipts attributable to work performed in connection with the Program, and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program, except in the case of this clause (iv): (1) natural persons who are citizens or permanent residents of Mongolia and (2) legal persons formed under the laws of Mongolia (but excluding MCA-Mongolia and any other entity formed for the purpose of implementing the Government's obligations hereunder).

(b) The mechanisms that the Government agrees to use to implement the tax exemption required by Section 2.8(a) for certain principal taxes are set forth in the Program Implementation Agreement. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund or reimbursement of

Taxes by the Government to MCC, MCA-Mongolia or to the taxpayer, or payment by the Government to MCA-Mongolia or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.8(a).

(c) If a Tax has been paid contrary to the requirements of Section 2.8(a) or the Program Implementation Agreement, the Government agrees to refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States dollars or the currency of Mongolia within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Mongolia) that such Tax has been paid. Failure to refund such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) No MCC Funding, proceeds thereof or Program Assets may be applied by the Government in satisfaction of its obligations under Section 2.8(c).

Section 2.9 Lower Middle Income Countries. Section 606(b) of the MCA Act restricts the amount of assistance that MCC may provide to “lower middle income countries,” a term that is defined in the MCA Act and includes Mongolia. To the extent that MCC determines, in MCC’s reasonable discretion, that the amount of Program Funding granted to the Government in this Compact might exceed the limit stipulated in Section 606(b) of the MCA Act, MCC, at any time and from time to time upon written notice to the Government, may reduce the amount of Program Funding or withhold any Disbursement of Program Funding.

### **ARTICLE 3. IMPLEMENTATION**

Section 3.1 Program Implementation Agreement. The Parties agree to enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and disbursement, and use of MCC Funding, among other matters (the “***Program Implementation Agreement***” or “***PIA***”); and the Government agrees to implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) With the prior written consent of MCC, the Government shall designate an entity, to be established through a Government resolution, as the accountable entity to implement the Program and to exercise and perform the Government’s right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of the Project and its Activities, allocating resources, and managing procurements. Such entity shall be referred to herein as “***MCA-Mongolia***” and shall have the authority to bind the Government with regard to all Program activities. Any provision of this Compact obligating MCA-Mongolia to take any action or refrain from taking any action, as the case may be, means that the Government is obligated to cause MCA-Mongolia to take such action or refrain from taking such action, as the case may be. The Government hereby also designates MCA-Mongolia to exercise and perform the Government’s right and obligation to oversee, manage, and implement the activities described in the Grant and Implementation Agreement, dated May 3, 2017, by and between the Government and MCC (the “***CDF Agreement***”). The designation contemplated by this Section



3.2(b) does not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government agrees to ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC agrees otherwise in writing.

(d) The Government agrees to take all necessary or appropriate steps to achieve the Project Objective during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objective, unless MCC agrees otherwise in writing).

(e) The Government agrees to ensure that the Program is implemented with, and that the Government carries out its obligations hereunder with, due care, efficiency, and diligence in conformity with sound technical, financial, and management practices, and in conformity with this Compact, the Program Implementation Agreement, any other Supplemental Agreement, any Implementation Letter and the Program Guidelines.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in Annex I, the Government agrees to seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.4 Accuracy of Information. The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC on this Compact is true, correct, and complete in all material respects.

Section 3.5 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program. The Government agrees to use such guidance in implementing the Program. The Parties may also issue jointly agreed-upon writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements. Both types of writings are referred to herein as “**Implementation Letters**.”

Section 3.6 Procurement and Grants.

(a) The Government agrees to ensure that the procurement of all goods, works, and services by the Government or any Provider to implement the Program shall be in accordance with MCC’s *Program Procurement Guidelines* (the “**MCC Program Procurement Guidelines**”). Accordingly, neither the Law on Procurement of Goods, Works and Services with State and Local Funds, nor any other laws or regulations of Mongolia regarding procurements

shall apply to procurements to implement the Program. The MCC Program Procurement Guidelines include the following requirements, among others:

- (i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award, and administer contracts and to procure goods, works, and services;
- (ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works, and services to be acquired;
- (iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and
- (iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, shall be paid to procure goods, works, and services.

(b) Unless MCC otherwise consents in writing, the Government agrees to ensure that any grant issued in furtherance of the Program (each, a “*Grant*”) is awarded, implemented, and managed pursuant to open, fair, and competitive procedures administered in a transparent manner acceptable to MCC. In furtherance of this requirement, and prior to the issuance of any Grant, the Government and MCC shall agree upon written procedures to govern the identification of potential Grant recipients, including, without limitation, appropriate eligibility and selection criteria and award procedures. Such agreed procedures shall be posted on the MCA-Mongolia website.

### Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government agrees to maintain, and shall use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents, and other evidence relating to the Program adequate to show, to MCC’s satisfaction, the use of all MCC Funding and the implementation and results of the Program (“*Compact Records*”). In addition, the Government agrees to furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government agrees to maintain, and agrees to use its best efforts to ensure that all Covered Providers maintain, Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government’s option and with MCC’s prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Mongolia. Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Access. Upon MCC’s request, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC (“*Inspector General*”), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or the Government to conduct any

assessment, review, or evaluation of the Program, the opportunity to audit, review, evaluate, or inspect facilities, assets, and activities funded in whole or in part by MCC Funding.

### Section 3.8 Audits; Reviews.

(a) Government Audits. Except as the Parties may agree otherwise in writing, the Government shall, on at least a semi-annual basis, conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding and the Government Contribution covering the period from signing of this Compact until the earlier of the following March 31 or September 30 and covering each six-month period thereafter ending March 31 or September 30, through the end of the Compact Term. In addition, upon MCC's request, the Government shall ensure that such audits are conducted by an independent auditor approved by MCC and selected in accordance with MCC's *Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities* (the "**Audit Guidelines**"). Audits shall be performed in accordance with such Audit Guidelines. Each audit must be completed and the audit report delivered to MCC no later than 90 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing. Any changes to the period to be audited shall be included in an audit plan developed and implemented by MCA-Mongolia in accordance with Audit Guidelines and Program Implementation Agreement and as approved by MCC (the "**Audit Plan**").

(b) Audits of Other Entities. The Government agrees to ensure that MCC financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered Provider, on the other hand, state that the United States for-profit organization is subject to audit by the applicable United States Government agency, unless the Government and MCC agree otherwise in writing; and (iii) a non-US Covered Provider (whether a for-profit or nonprofit organization), on the other hand, state that the non-US Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government agrees to use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate, and timely, corrective actions in response to audits, (ii) considers whether the results of the Covered Provider's audit necessitates adjustment of the Government's records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC shall have the right to arrange for audits of the Government's use of MCC Funding.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

Section 3.9 Intellectual Property. The Government grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or

make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

#### **ARTICLE 4. COMMUNICATIONS**

Section 4.1 Communications. Any document or communication required or submitted by either Party to the other under this Compact must be in writing and, except as otherwise agreed with MCC, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

To MCC:

Millennium Challenge Corporation  
Attention: Vice President, Compact Operations  
(with a copy to the Vice President and General Counsel)  
1099 Fourteenth Street NW, Suite 700  
Washington, DC 20005  
United States of America  
Facsimile: +1 (202) 521-3700  
Telephone: +1 (202) 521-3600  
Email: VPOperations@mcc.gov (Vice President, Compact Operations)  
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Ministry of Foreign Affairs  
Attention: Minister for Foreign Affairs  
(with a copy to the CEO of MCA-Mongolia)  
Peace Avenue – 7A  
Ulaanbaatar - 14210  
Mongolia  
Facsimile: +976-11-322127  
Telephone: +976-51-262627  
Email: minister@mfa.gov.mn

To MCA-Mongolia:

Upon establishment of MCA-Mongolia, MCA-Mongolia shall notify the Parties of its contact details.

Section 4.2 Representatives. For all purposes relevant to implementation of this Compact, the Government shall be represented by the individual holding the position of, or acting as, Minister for Foreign Affairs of Mongolia, and MCC shall be represented by the individual holding the position of, or acting as, Vice President, Compact Operations (each of the foregoing, a “*Principal Representative*”). Each Party, by written notice to the other Party, may designate one or more additional representatives of the Government or MCC, as appropriate (each, an “*Additional Representative*”) for all purposes relevant to implementation of this Compact except

Section 6.2(a). The Government hereby designates the chief executive officer of MCA-Mongolia as an Additional Representative for the Government. MCC hereby designates the Deputy Vice President for Europe, Asia-Pacific, and Latin America and the Resident Country Director for Mongolia as Additional Representatives for MCC. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

## **ARTICLE 5. TERMINATION; SUSPENSION; EXPIRATION**

### Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party thirty (30) days' prior written notice. MCC may also terminate this Compact or MCC Funding without cause in part by giving the Government thirty (30) days' prior written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC as a basis for suspension or termination (as notified to the Government in writing) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) any statement, affirmation or assurance of the Government made in this Compact, the PIA, any Supplemental Agreement, or in any certificate or other document delivered in connection with this Compact proves to have been incorrect or misleading as of the date when made;

(iii) an event or series of events has occurred that makes it probable that the Project Objective shall not be achieved during the Compact Term or that the Government shall not be able to perform its obligations under this Compact;

(iv) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(v) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(vi) an act has been committed or an omission or an event has occurred that would render Mongolia ineligible to receive United States economic assistance under Part I of

the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law;

(vii) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Mongolia for assistance under the MCA Act; and

(viii) a person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

#### Section 5.2 Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of the Program Implementation Agreement shall govern the post-suspension, post-termination or post-expiration treatment of MCC Funding, any related Disbursements, and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement or any other Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

#### Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest thereon in accordance with Section 5.4 within thirty (30) days after the Government's receipt of MCC's request for repayment. The Government agrees to not use MCC Funding, proceeds thereof or Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC's right under Section 5.3(a) to obtain a refund shall continue during the Compact Term and for a period of (i) five (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Late Payment Interest. If the Government fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Section 2.8(c) and 5.3(a)), the Government shall pay interest on such past due amount. Interest shall accrue on such past due amount at a rate equal to the then current US Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such past due amount is paid in full. Any such payment shall first be credited against interest due, and once the interest due amount is extinguished, then payments shall be credited against outstanding principal.

Section 5.5 Survival. The Government's responsibilities under this Section and Sections 2.7 (Limitations on the Use of MCC Funding), 2.8 (Taxes), 3.7 (Records; Accounting; Covered Providers; Access), 3.8 (Audits; Reviews), 3.9 (Intellectual Property), 5.2 (Consequences of Termination, Suspension or Expiration), 5.3 (Refunds; Violation), 5.4 (Late Payment Interest), and 6.4 (Governing Law) shall survive the expiration, suspension or termination of this Compact,



*provided* that the terms of Section 2.8 shall survive for only 120 days following this Compact's expiration.

## **ARTICLE 6. COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW**

Section 6.1 Annexes. Each annex to this Compact constitutes an integral part hereof, and references to "Annex" mean an annex to this Compact unless otherwise expressly stated.

Section 6.2 Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which shall enter into force upon signature, modify any Annex to, in particular, but without limitation (i) suspend, terminate or modify the Project or any Activity, (ii) change the allocations of funds as set forth in Annex II, (iii) modify the implementation framework described in Annex I, (iv) add, change or delete any indicator, baseline or target or other information set forth in Annex III in accordance with the MCC M&E Policy, or (v) add, modify or delete any condition precedent described in Annex IV or Annex V; *provided that*, in each case, any such modification (A) is consistent in all material respects with the Project Objective, (B) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1, (C) does not cause the amount of Compact CDF to exceed the aggregate amount specified in Section 2.2(a), (D) other than with respect to any reduction agreed to by MCC pursuant to Section 2.6(a)(ii), does not reduce the Government's responsibilities or contribution of resources required under Section 2.6(a), and (E) does not extend the Compact Term.

Section 6.3 Inconsistencies. In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 8, such Articles 1 through 8, as applicable, shall prevail; or

(b) this Compact and any other agreement between the Parties regarding the Program, this Compact shall prevail.

Section 6.4 Governing Law. This Compact is an international agreement and as such shall be governed by international law.

Section 6.5 Additional Instruments. Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language shall include activities, obligations, and rights undertaken by, or existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6 References to MCC Website. Unless expressly provided otherwise, any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

**Section 6.7 References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination.**

(a) Unless expressly provided otherwise, each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact to a law, regulation, policy, guideline or similar document shall be construed as a reference to such law, regulation, policy, guideline or similar document as it may, from time to time, be amended, revised, replaced, or extended, and shall include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

(b) Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to the Compact's "expiration" refers to the date on which the Compact Term ends if the Compact is not terminated earlier, which in accordance with Section 7.4 is five (5) years after its entry into force. Each reference in any of the aforementioned documents to the Compact's "termination" refers to this Compact ceasing to be in force prior to its expiration in accordance with Section 5.1.

**Section 6.8 MCC Status.** MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Compact. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government shall be immune from the jurisdiction of all courts and tribunals of Mongolia for any claim or loss arising out of activities or omissions under this Compact.

**Section 6.9 Consultations.** Either Party may, at any time, request consultations relating to the interpretation or implementation of this Compact. Such consultations shall begin at the earliest practicable date.

**ARTICLE 7.  
ENTRY INTO FORCE**

**Section 7.1 Domestic Procedures.** The Government agrees to proceed in a timely manner to complete all of its domestic requirements for this Compact to enter into force. This Compact, upon entry into force, shall prevail over the domestic laws of Mongolia, as a matter of Mongolian domestic law. The Parties understand that, consistent with Mongolian law, prior to the Government sending the letter described in Section 7.3, this Compact is to be submitted to and approved by the State Great Khural (Parliament of Mongolia).

**Section 7.2 Conditions Precedent to Entry into Force.** Each of the following conditions must be fulfilled, in each case to the satisfaction of MCC, before this Compact enters into force:

- (a) the Program Implementation Agreement is signed by the parties thereto;



(b) The Government delivers to MCC:

(i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;

(ii) a signed legal opinion from the Minister of Justice and Home Affairs of Mongolia (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC;

(iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to the Government's domestic requirements necessary for this Compact and the PIA to enter into force, which MCC may post on its website or otherwise make publicly available;

(c) MCC determines that after signature of this Compact, the Government has not engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding; and

(d) The conditions set forth in Annex V have been satisfied.

**Section 7.3 Date of Entry into Force.** This Compact shall enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC and the Government have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to MCC's satisfaction.

**Section 7.4 Compact Term.** This Compact shall remain in force for five (5) years after its entry into force, unless terminated earlier under Section 5.1 (the "***Compact Term***").

**Section 7.5 Provisional Application.** Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties shall provisionally apply the terms of this Compact; *provided that*, no MCC Funding, other than Compact CDF, shall be made available or disbursed before this Compact enters into force.

## **ARTICLE 8. ADDITIONAL GOVERNMENT COVENANTS**

**Section 8.1 Covenant regarding Government Water Sector Expenditures.** The Government agrees to maintain or increase the level of its public expenditure and investment related to water supply, wastewater collection, and wastewater treatment throughout the Compact Term.

**Section 8.2 Covenant regarding Polluter Pays Principle.** The Government agrees to enforce vigorously all laws, including Mongolia's Law on Environmental Protection, that reflect the principle that individuals and enterprises that produce pollution must pay the full social, environmental, and economic costs thereof.

**Section 8.3 Covenant regarding the WSRC.** The Government shall ensure that the Water Services Regulatory Commission ("***WSRC***") is able to operate without interference in making

final determination on all rate cases or tariff applications presented by the Ulaanbaatar Water Supply and Sewerage Authority (“*USUG*”) on the basis of the legal requirement for full cost recovery.

Section 8.4 Covenant regarding Information Sharing. The Government agrees to share with MCC all information and data necessary for the timely implementation of the Program, including the M&E Plan and, with respect to information related to the M&E Plan, periodically to release such information to the public.

**SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE**

**IN WITNESS WHEREOF**, each Party, through its duly authorized representative, has signed this Compact.

Done at Washington, DC, this 27th day of July 2018, in the English language.

FOR THE UNITED STATES OF  
AMERICA, acting through THE  
MILLENNIUM CHALLENGE  
CORPORATION

FOR THE GOVERNMENT OF  
MONGOLIA, acting through THE  
MINISTRY OF FOREIGN AFFAIRS

\_\_\_\_\_  
/s/

Name: Robert I. Blau  
Title: Vice President, Department of  
Compact Operations

\_\_\_\_\_  
/s/

Name: Damdin Tsogtbaatar  
Title: Minister for Foreign Affairs of  
Mongolia

**SIGNATURE PAGE TO MILLENNIUM CHALLENGE COMPACT  
BETWEEN THE UNITED STATES OF AMERICA  
ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION  
AND THE GOVERNMENT OF MONGOLIA  
ACTING THROUGH THE MINISTRY OF FOREIGN AFFAIRS**

## ANNEX I

### PROGRAM DESCRIPTION

This Annex I describes the Program to be funded with MCC Funding and the Government Contribution in Mongolia during the Compact Term.

#### A. PROGRAM OVERVIEW

##### 1. Background and Consultative Process.

###### (a) Background.

Mongolia concluded its first Millennium Challenge Compact on September 17, 2013. That compact, which was signed on October 22, 2007, and entered into force on September 17, 2008, included investments in property rights, health, vocational education, energy and environment, and transportation.

Given its performance on MCC's scorecard for fiscal year 2015, Mongolia was selected in December 2014 as eligible to develop this second compact. Over the following months, the Government appointed a national coordinator and established the National Secretariat for Development of the Second Compact Agreement with the Millennium Challenge Corporation (the "*National Secretariat*") within the Ministry of Foreign Affairs to lead the compact development process.

Working closely with MCC, the National Secretariat analyzed the constraints to economic growth in Mongolia and identified "costly access to water and sanitation" as one of Mongolia's most binding constraints. Mongolia's capital Ulaanbaatar is home to nearly one-half of the country's population and accounts for three-quarters of the country's registered companies and two-thirds of its economic output. Following two decades of rapid growth, Ulaanbaatar faces an imminent shortage of potable water that, as early as 2021, may begin to undermine its economy and impact the quality of life of its residents. Through extensive due diligence analysis during 2016, 2017, and 2018, MCC and the National Secretariat identified investments to develop new wellfields, introduce the recycling and reuse of wastewater, and enhance long-term sustainability in the water sector. These investments align with the Government's interest in more efficient and focused water governance.

###### (b) Consultative Process.

During the compact development process, the Government engaged in an inclusive and strategic consultative process to inform the Program's focus and design. During the preliminary analysis phase, local and national government, civil society, international development partners, and the private sector were engaged and contributed to identifying the binding constraint and an understanding of how this constraint impacts Mongolian citizens and businesses. The Government has engaged civil society, trade associations, development partners, political parties, and other relevant communities and stakeholders to seek their support, guidance, and feedback in

project design. The Government agrees to continue consultations with these stakeholders throughout the implementation of the Program.

## **2. Description of Program and Beneficiaries.**

### **(a) Program Description.**

The Program focuses on the binding constraint of “costly access to water and sanitation,” and is designed to address the problem of limited long-term sustainable supplies of water for the capital city, Ulaanbaatar. The Water Supply Project comprises three closely related investment activities: a downstream wells activity, a wastewater recycling activity, and a water sector sustainability activity.

### **(b) Intended Beneficiaries.**

The Program is expected to benefit more than 656,124 households (approximately 2,427,657 people) by the end of the Compact Term. The beneficiaries of the Water Supply Project include the entire population of Ulaanbaatar.

## **B. DESCRIPTION OF PROJECT**

Set forth below is a description of the Project and the specific activities (each, an “*Activity*”) that the Government shall implement, or cause to be implemented, using MCC Funding and the Government Contribution to advance the Project Objective.

### **1. Water Supply Project.**

#### **(a) Summary of Project and Activities.**

The Water Supply Project supports a series of strategically important investments to achieve the Project Objective: (i) the Downstream Wells Activity; (ii) the Wastewater Recycling Activity; and (iii) the Water Sector Sustainability Activity.

#### **(i) Downstream Wells Activity.**

The “*Downstream Wells Activity*” supports the development of the Biokombinat Wellfield and the Shuvuun Wellfield downstream of Ulaanbaatar. MCC Funding for this Activity funds the construction of (i) approximately 52 new wells in the two downstream wellfields, (ii) associated pumps, local collection pipelines, equalization tanks, and a transmission line to convey the water from the wellfields, (iii) an advanced water purification plant located at the western edge of the city to remove contaminants (designed to include multiple barriers to remove pathogens, volatile organic compounds, heavy metals, and other contaminants that may be present in the groundwater), and (iv) storage facilities, pumping station, and conveyance pipeline to transport finished water from the purification plant into the existing municipal water network of Ulaanbaatar.

#### **(ii) Wastewater Recycling Activity.**

The “*Wastewater Recycling Activity*” supports the recycling and reuse of a large quantity of wastewater effluent from the central wastewater treatment plant (“*CWWTP*”). MCC Funding for

this Activity funds the construction of (i) a wastewater recycling plant (located on available public land adjacent to the CWWTP) designed to treat a portion of the effluent from the CWWTP, (ii) pumping stations and associated pipelines to convey the recycled water to water storage facilities near combined heating and power plants (“**CHP**”) three and four (known as “**CHP-3**” and “**CHP-4**”), and (iii) internal piping, storage facilities, and control systems to facilitate the use of recycled wastewater for certain processes within CHP-3 and CHP-4.

(iii) Water Sector Sustainability Activity.

The “**Water Sector Sustainability Activity**” supports five interventions that address policy, legal, regulatory, and institutional issues and improve the long-term sustainability of the water sector in Ulaanbaatar.

(A) The “**Cost Recovery Sub-Activity**” supports technical assistance to the WSRC for a detailed examination of the structuring of water and wastewater tariffs, based on a detailed assessment of the willingness and ability of USUG customers to pay for improved water service. The sub-activity also supports assistance to USUG for the preparation of rate cases that reflect the goal of full coverage of costs for operations, maintenance and depreciation, as required by law.

(B) The “**Ger Area Cost Containment Sub-Activity**” supports efforts to curtail the high costs that USUG bears for providing water through the system of water kiosks throughout the ger areas of Ulaanbaatar. The sub-activity supports a variety of small-scale works intended to reduce the direct costs associated with the delivery and sale of water, including the conversion of manually operated kiosks to automatic “smart” kiosks that operate longer hours at lower cost, the extension of supply pipes in order to connect some water kiosks that are currently supplied by tanker truck to a continuous piped water supply, and the construction of additional filling stations to reduce distance and time traveled by USUG’s fleet of tanker trucks. The sub-activity also supports improvements in data sharing, planning, and coordination among USUG, municipal agencies, and district offices around expansion and the development of municipal infrastructure.

(C) The “**Utility Operations Sub-Activity**” supports the strengthening of critical operational capacities within USUG, to be identified through the implementation of AquaRating, an international assessment and benchmarking tool for utility operations developed by the International Water Association. The sub-activity includes funding support for a comprehensive partnership between USUG and an experienced water utility from a developed country that operates in similar conditions or deals with similar concerns. The sub-activity also includes targeted support for specific concerns with USUG’s ability to operate, maintain, manage and plan its asset base, as well as its ability to capture, analyze and make use of customer data.

(D) The “**Industrial Pre-Treatment and Pollution Control Sub-Activity**” supports efforts to reduce the incidence of industrial pollution in the municipal wastewater collection system before it is constructed and commissioned. The sub-activity funds technical assistance to identify and model sources of industrial pollution, strengthen pollution standards, ordinances and penalties. The sub-activity also provides technical assistance and advanced laboratory equipment to those Government and municipal

government entities responsible for monitoring, detecting and enforcing pollution regulations in Ulaanbaatar.

(E) The “*Public Awareness and Behavior Change Sub-Activity*” supports improved communication and engagement with stakeholders and the general public in an effort to improve awareness and understanding of the scarcity of water resources available to Ulaanbaatar and the actual costs of exploiting them in ways that protect environmental and social concerns.

(b) Environmental and Social Performance.

In accordance with the MCC Environmental Guidelines, the Downstream Wells Activity is categorized as a “Category A” activity in accordance with MCC Environmental Guidelines because it has the potential to have significant adverse environmental and social impacts that are sensitive and diverse, and may affect an area broader than the sites or facilities subject to physical works. The Wastewater Recycling Activity is categorized as a “Category B” activity because potential environmental and social impacts are generally site-specific, few if any of them are irreversible, and mitigation measures are more readily available. The Water Sector Sustainability Activity is categorized as a “Category C” activity because it is unlikely to have adverse environmental and social impacts.

(c) Social and Gender Integration.

The Water Supply Project conforms to the MCC Gender Policy and Gender Integration Guidelines. The Government conducted or shall conduct relevant gender assessments in conjunction with the Project, made use of sex-disaggregated data, and integrated social equity considerations into Project design. The Government completed an environmental and social baseline study and resettlement policy framework for the Wastewater Recycling Activity and a pre-feasibility level assessment of critical technical, environmental and social, and resettlement issues for the Downstream Wells Activity.

The Water Supply Project is expected to benefit all water customers by alleviating an imminent water shortage in Ulaanbaatar, but does not include any specific activities designed to address existing inequities in access or consumption. To ensure that the Cost Recovery Plan succeeds and that additional water supplies are sustainable, any changes in the tariff structure and rates must be accepted by and affordable to the residents of Ulaanbaatar. The Project includes a number of interventions within the Water Sector Sustainability Activity to mitigate the risk to social sustainability, as discussed below in paragraph (f).

(d) Donor Coordination.

International development partners have been active in assisting the Government with a range of social and economic development issues, including education, health, transportation and other infrastructure. These partners have increased their assistance in recent years; in 2016, the last year for which complete data is available, international development partners invested \$386.6 million in Mongolia. Most of that assistance has focused on infrastructure and economic support, with a strong portfolio of education and health projects, as well. In 2017, the Government of Japan, the Government of the Republic of Korea, the World Bank, and the Asian Development Bank pledged nearly \$3.0 billion in additional assistance in conjunction with a



stabilization package from the International Monetary Fund. MCC has engaged with the Asian Development Bank, the Government of Japan, and other donors active in the water sector during compact development and intends to continue to coordinate with them during compact implementation.

(e) USAID.

In 2014, the United States Agency for International Development (“**USAID**”) closed its representative office in Mongolia. Since then, USAID has maintained a small Mongolia satellite office with programmatic and financial oversight from USAID/Philippines. USAID/Mongolia is currently implementing a democracy and governance emerging leaders exchange program. USAID/Mongolia does not currently implement nor currently plan to fund any projects in the water sector. MCC intends to coordinate with USAID if any water sector-related activities are supported by USAID.

(f) Sustainability.

The Parties recognize that policy, legal, regulatory, institutional, financial, environmental, and social issues are critical to the sustainability of the Project. The Project assets shall be properly operated and maintained; this ensures sustained performance of water supply wells, ensures the proper functioning of the water purification plant and the wastewater recycling plant, and prevents deterioration in the performance of the CWWTP. The Government shall pursue full cost recovery through water and wastewater tariffs and fees and other sources. The Project includes support for strengthening USUG’s capacity through the planned water operators’ partnership with another experienced utility from the developed world and additional assistance targeted toward operations and maintenance.

The Water Sector Sustainability Activity includes a number of interventions to help mitigate social sustainability risks, including a study of the willingness and ability to pay for water among various customer groups and technical assistance to help the WSRC examine and factor equity considerations into the structure of water and wastewater tariffs as part of the Cost Recovery Plan. The Activity also includes assistance to USUG to deploy “smart card” technologies at certain water kiosks; technical assistance to help USUG, municipal agencies, and district offices improve planning and coordination around infrastructure in the ger areas in an effort to reduce the cost of water service in *ger* areas; technical assistance to USUG to capture, analyze, utilize and usage data; support for improving stakeholder engagement and public understanding of the scarcity of Ulaanbaatar’s water resources; and assistance to help the WSRC and USUG engage stakeholders.

(g) Policy, Legal and Regulatory Reforms.

The Government shall adopt water and wastewater tariffs and fees and identify funds from other sources that fully cover the costs of operations, maintenance, and depreciation of critical assets across the water sector assets. The Government shall develop, finalize, and adopt the Cost Recovery Plan. The Water Sector Sustainability Activity funds technical assistance to aid the Government in identifying and categorizing sources of the industrial pollution that pose a significant risk to the operation of the CWWTP. The Water Sector Sustainability Activity also funds assistance to the Government in reinforcing the requirement for industries to pre-treat industrial effluents through a series of ordinances and penalties, and in strengthening the capacity



of Government and municipal government entities responsible for monitoring, detecting, and enforcing pollution regulations. The Wastewater Recycling Activity funds the development and implementation of a new policy framework and standards for the use of recycled wastewater.

## C. IMPLEMENTATION FRAMEWORK

### 1. MCA-Mongolia.

#### (a) Independence and Autonomy.

MCA-Mongolia shall have operational and legal independence and full decision-making autonomy, including, inter alia, the ability, without consultation with, or the consent or approval of, any other party, to: (i) enter into contracts in its own name, (ii) sue and be sued, (iii) establish an account with a financial institution in its own name and hold MCC Funding in that account, (iv) expend MCC Funding, (v) engage contractors, consultants and/or grantees, including, without limitation, procurement and fiscal agents, and (vi) competitively engage one or more auditors to conduct audits of its accounts. The governance of MCA-Mongolia shall be set forth in more detail in the Program Implementation Agreement and the constitutive documents and internal regulations of MCA-Mongolia (or as otherwise agreed in writing by the Parties).

MCA-Mongolia shall be administered, managed and supported by a board of directors (the “*Board of Directors*”) and a management unit (the “*Management Unit*”).

#### (b) Board of Directors.

The Board of Directors shall have ultimate responsibility for the oversight, direction, and decisions of MCA-Mongolia, as well as the overall implementation of the Program. The Board of Directors shall be comprised of nine voting members and two non-voting observers. As of the date hereof, the voting members of the Board of Directors shall include representatives from the following: Ministry of Foreign Affairs, Ministry of Environment and Tourism (“*MET*”), Ministry of Construction and Urban Development, Ministry of Energy, Ministry of Finance, and the Municipality of Ulaanbaatar. The Board of Directors shall also include three non-Government members representing the private sector, civil society, and non-governmental organizations. The number of voting members and their identity may be changed through amendments to MCA-Mongolia’s constitutive documents and internal regulations, with MCC’s approval. The process of selecting the members of the Board of Directors shall be further stipulated in such internal regulations. The chief executive officer of MCA-Mongolia and MCC’s resident country director shall be non-voting observers of the Board of Directors.

#### (c) Management Unit.

The Management Unit shall report to the Board of Directors and have principal responsibility for the day-to-day operations and management of MCA-Mongolia and implementation of the Program. The Management Unit shall be led by a Chief Executive Officer and shall be composed of the directors and officers as agreed between the Parties and selected after an open, competitive, and non-discriminatory recruitment and selection process (or its equivalent). The officers shall be supported by appropriate additional staff to enable the Management Unit to execute its roles and responsibilities. Upon written notice by MCC to MCA-Mongolia, the

selection of candidates for additional positions within MCA-Mongolia shall be subject to MCC approval.

MCA-Mongolia shall develop and adopt a stakeholder engagement plan for sustaining public consultation and engagement with the private sector and civil society organizations and allowing them opportunities to provide advice and input. The stakeholder engagement plan must be consistent with the requirements of the International Finance Corporation Performance Standard 1 for the Assessment and Management of Environmental and Social Risks and Impacts and must include feedback and communication features that satisfy the stakeholder committee structures required by MCC's Guidelines for Accountable Entities and Implementation Structures.

## **2. Implementing Entities.**

Subject to the terms and conditions of this Compact, the Program Implementation Agreement, and any other related agreement entered into in connection with this Compact, the Government may engage one or more entities of the Government to assist with implementing any Project or Activity (or a component thereof) (each, an "***Implementing Entity***"). The appointment of any Implementing Entity shall be subject to review and approval by MCC. The Government shall ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an "***Implementing Entity Agreement***").

## **3. Fiscal Agent.**

Unless MCC agrees otherwise in writing, the Government shall engage an individual or firm with expertise in fiscal management to serve as fiscal agent (the "***Fiscal Agent***"), which shall be responsible for assisting the Government with its fiscal management and assuring appropriate fiscal accountability of MCC Funding. The duties of the Fiscal Agent shall include those set forth in the Program Implementation Agreement and an agreement, in form and substance satisfactory to MCC, between the Government and the Fiscal Agent.

## **4. Procurement Agent.**

Unless MCC agrees otherwise in writing, the Government shall engage one or more procurement agents (the "***Procurement Agent***") to carry out and certify specified procurement activities in furtherance of this Compact. The roles and responsibilities of the Procurement Agent shall be set forth in the Program Implementation Agreement or such agreement as the Government enters into with the Procurement Agent, which agreement shall be in form and substance satisfactory to MCC. The Procurement Agent shall adhere to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure procurements are consistent with the procurement plan by the Government pursuant to the Program Implementation Agreement, unless MCC agrees otherwise in writing.

**ANNEX II**  
**MULTI-YEAR FINANCIAL PLAN SUMMARY**

This Annex II sets forth a multi-year financial plan summary (“*Multi-Year Financial Plan Summary*”) for the Program as Exhibit A hereto. By such time as specified in the Program Implementation Agreement, the Government shall adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and any Government contribution of funds and resources (if required), the annual and quarterly funding requirements for the Program (including administrative costs) and for the Project, projected both on a commitment and cash requirement basis.

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**EXHIBIT A TO ANNEX II**  
**MULTI-YEAR FINANCIAL PLAN SUMMARY**

(in million US\$)									
Component	Compact CDF	Year 1	Year 2	Year 3	Year 4	Year 5	Program Total	Gov't Total	MCC Total
<b>1. Water Supply Project</b>									
(a) Downstream Wells Activity	16.00	18.65	26.01	81.60	82.62	73.88	298.76	59.26	239.50
(b) Wastewater Recycling Activity	2.25	12.33	20.04	27.70	23.04	10.34	95.70	52.50	43.20
(c) Water Sector Sustainability Activity	2.96	5.18	4.41	4.57	1.98	0.90	20.00		20.00
<b>Subtotal</b>	<b>21.21</b>	<b>36.16</b>	<b>50.46</b>	<b>113.87</b>	<b>107.64</b>	<b>85.12</b>	<b>414.46</b>	<b>111.76</b>	<b>302.70</b>
<b>2. Monitoring and Evaluation</b>									
(a) Monitoring & evaluation expenses	0.03	0.35	3.45	1.79	1.12	3.62	10.36		10.36
<b>Subtotal</b>	<b>0.03</b>	<b>0.35</b>	<b>3.45</b>	<b>1.79</b>	<b>1.12</b>	<b>3.62</b>	<b>10.36</b>		<b>10.36</b>
<b>3. Program Administration</b>									
(a) Accountable Entity expenses	6.55	3.28	3.34	3.49	3.54	4.93	25.13		25.13
(b) Agent expenses	0.03	2.00	2.00	2.00	2.00	2.67	10.70		10.70
(c) Audit expenses	0.24	0.16	0.17	0.17	0.18	0.19	1.11		1.11
<b>Subtotal</b>	<b>6.82</b>	<b>5.44</b>	<b>5.51</b>	<b>5.66</b>	<b>5.72</b>	<b>7.79</b>	<b>36.94</b>		<b>36.94</b>
<b>TOTAL ESTIMATED FUNDING</b>	<b>28.06</b>	<b>41.95</b>	<b>59.42</b>	<b>121.32</b>	<b>114.48</b>	<b>96.53</b>	<b>461.76</b>	<b>111.76</b>	<b>350.00</b>

## ANNEX III

### COMPACT MONITORING & EVALUATION SUMMARY

This Annex III summarizes components of the monitoring and evaluation plan for this Compact (“*M&E Plan*”). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, shall be agreed to by MCC and the Government in accordance with MCC’s *Policy for Monitoring and Evaluation of Compacts and Threshold Programs* (the “*MCC M&E Policy*”). In addition, the M&E Plan may be modified from time to time as described in the MCC M&E Policy without requiring an amendment to this Annex III. The M&E Plan shall be posted publicly on the MCC Website and updated as necessary.

#### 1. Objective

MCC and the Government agree to formulate an M&E Plan that the Government agrees to implement or cause to be implemented that explains in detail how and what MCC and MCA-Mongolia shall (i) monitor to determine whether the Project is on track to achieve its intended results (“*Monitoring Component*”), and (ii) evaluate to assess implementation strategies, provide lessons learned, compare costs to benefits, and estimate the impact of Compact interventions (“*Evaluation Component*”). The M&E Plan shall summarize all indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of the Program. The M&E Plan also shall include any monitoring and evaluation (“*M&E*”) requirements that MCA-Mongolia must meet in order to receive Disbursements, and shall serve as a communication tool so that MCA-Mongolia staff and other stakeholders clearly understand the objectives and targets the MCA-Mongolia is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, shall be made publicly available on the website of MCA-Mongolia and on the MCC Website.

#### 2. Program Logic

The program logic is an explanatory model that demonstrates how specific interventions lead to the expected outcomes, objectives, and goal of a Compact program. This model reflects the design and implementation plans of a program, noting planned activities and outputs and the sequencing of results. It also reflects the economic logic, which forms the basis of the cost-benefit analysis that produces the economic rate of return (“*ERR*”). Further, the program logic notes critical risks and assumptions related to achieving results and forms the basis of the M&E Plan.

##### 2.1 Logic Model

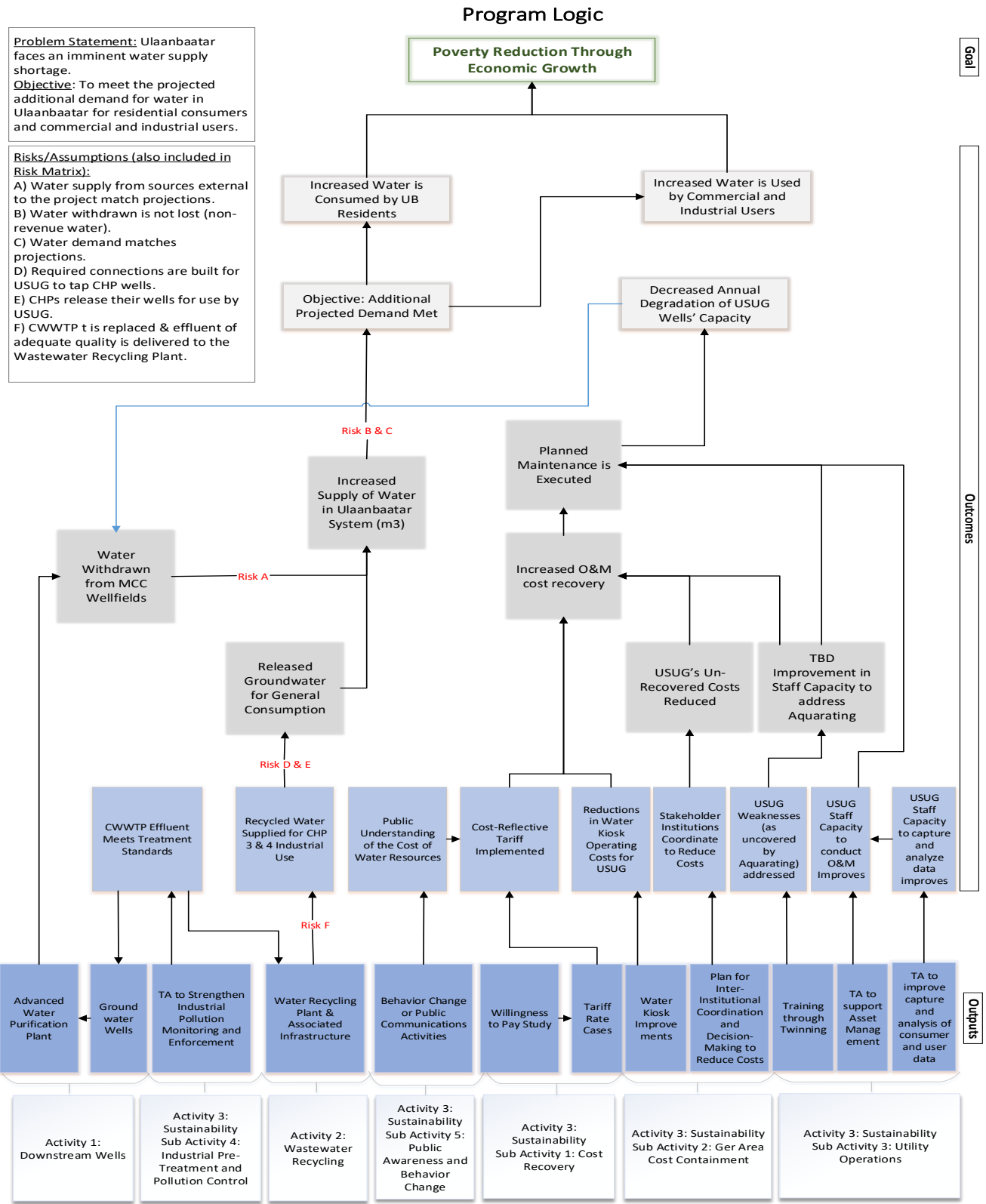
Through the Water Supply Project, the Government expects to undertake several large-scale infrastructure investments to accomplish the Project Objective.

Outputs of the Downstream Wells Activity are expected to include new wells in the Biokombinat Wellfield and Shuvuun Wellfield; an advanced water purification plant and the associated pumps, pumping stations, collection pipelines, storage facilities; and a transmission line and conveyance pipeline. Working together, these outputs should produce the expected outcome, which is an increase in the amount of water abstracted from groundwater aquifers, supplied to Ulaanbaatar, and ultimately consumed by residential consumers and commercial and industrial

users. With a safe, secure supply of additional water, commercial and industrial users should be able to increase their economic activity, ultimately contributing to economic growth.

Outputs from the Wastewater Recycling Activity are expected to include the wastewater recycling plant; pumping stations and transmission pipelines; and storage facilities and internal control valves within CHP-3 and CHP-4. Working together, those outputs should produce the desired outcome which is a stable supply of recycled wastewater to be used for certain processes within CHP-3 and CHP-4. This ultimately allows the plants to release groundwater from their proprietary wells, thereby increasing the amount of water supplied to Ulaanbaatar's residential consumers and commercial and industrial users. With a safe, secure supply of additional water, commercial and industrial users should be able to increase their economic activity, ultimately contributing to economic growth.

Outputs from the Water Sector Sustainability Activity are more diverse. Working together, the Cost Recovery Sub-Activity and the Ger Area Cost Containment Sub-Activity seek to increase USUG's revenues and reduce the excessive costs associated with water delivery in the ger areas of Ulaanbaatar. Those outputs support the desired outcome which is the adoption of water and wastewater tariffs that fully recover costs. Cost-recovery tariffs, in turn, allow the utility to fully budget and implement its operations and maintenance activities, leading to optimal performance in the new downstream wells and the ongoing withdrawal of groundwater at levels that reflect the full capacity of the infrastructure assets. Similarly, the Utility Operations Sub-Activity helps build the necessary capacity within the utility for operating new facilities, planning operations and maintenance, and maintaining assets. That leads to the desired outcome of stronger operation and maintenance of new assets, which in turn also leads to optimal performance in the new downstream wells and the ongoing withdrawal of groundwater at levels that reflect the full capacity of the infrastructure assets. The Public Awareness and Behavior Change Sub-Activity is expected to increase public understanding of the full costs associated with water supply and water service, raise awareness of feedback channels to USUG, the Ulaanbaatar Housing and Communal Services Authority (known as OSNAAUG), and other service providers, and establish public support for adjustments in water and wastewater tariffs. At the same time, the Industrial Pre-Treatment and Pollution Control Sub-Activity provides, among several outputs, assistance to MET to maintain the quality of surface water and groundwater. That output directly supports the Downstream Wells Activity and eventually leads to the desired outcomes, including the withdrawal of additional water from the wells, the increased supply of water to Ulaanbaatar, and the consumption of that water by residential consumers and commercial and industrial users. With a safe, secure supply of additional water, commercial and industrial users should be able to increase their economic activity, ultimately contributing to economic growth.



## 2.2 Risks and Assumptions

The M&E Plan shall outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the program logic. However, such assumptions and risks do not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party. The known assumptions and risks include:



- (a) the amount of water supplied from upstream aquifers, private wells and other sources does not increase (Mitigation: None);
- (b) rates of non-revenue water remain stable (Mitigation: None);
- (c) actual demand is as high as MCC has projected (Mitigation: None);
- (d) connections are constructed for USUG to tap CHP wells (Mitigation: During the Compact Term, develop clear timeline for handover of wells or use of the groundwater from the wells. If necessary, arrange high-level meetings to reinforce the importance of CHP-3 and CHP-4 providing proprietary groundwater for broader municipal use);
- (e) CHP-3 and CHP-4 release their groundwater wells for connection to the USUG system (Mitigation: Same as (d) above); and
- (f) the CWWTP is replaced and effluent of adequate quality is delivered to the wastewater recycling plant (Mitigation: Start of construction is a condition to entry into force, and construction progress is required for each Disbursement. Requirement for industrial pre-treatment plan a condition to entry into force.).

Finally, an important long-term result of the Project is an increase in production or output among Ulaanbaatar's commercial and industrial users. However, the causal links between clearly identified outputs and the longer-term outcomes are difficult to ascertain, as increases in production or output depend on a number of exogenous variables and are neither direct outcomes of nor directly attributable to the Compact investment.

## **2.3 Projected Economic Benefits and Beneficiaries**

The Government and MCC have conducted an economic analysis of the Project to determine the cost effectiveness of the planned investments. The economic analysis of the Program consists of a cost-benefit analysis (“*CBA*”), which is summarized by an estimated ERR, and a beneficiary analysis. The economic analysis of the Project is summarized below.

### ***2.3.1 Projected Economic Benefits***

The CBA model assumes the total estimated costs of the Project and its associated Activities, whether those costs are ultimately supported by the Compact or another source of funding, and the total estimated economic benefits they are expected to generate over a period of 30 years. The underlying economic logic of the CBA model follows the project logic described in Section 2.1 of this Annex III, and variables in the economic model are also used as indicators for monitoring the performance of the project during the implementation of the compact, evaluating the achievement of expected outcomes, and measuring cost effectiveness.

When making investment decisions, MCC sets a threshold of 10 percent on the estimated ERRs from each project. Using the best information available, MCC estimates the combined ERR for the Water Supply Project at 10.9 percent. The MCC Website provides further details on the calculation of this ERR, including datasets and additional disaggregated information.

The primary benefit of the Water Supply Project derives from the addition of fresh water to the water supply network in Ulaanbaatar. The Downstream Wells Activity is expected to provide additional supplies of 50 MCM per year by extracting, purifying and transporting new sources of groundwater into the city. The Wastewater Recycling Activity is expected to provide future supplies of 14.6 MCM by creating a substitute for fresh water that CHP-3 and CHP-4 currently consume. The benefits of that substitution accrue in later years, as the contamination in



downstream wellfields abates and CHP-3 and CHP-4 begin to release the groundwater from their proprietary wells for broader consumption in the city. As additional water becomes available, that water allows residential consumers to improve their general well-being and allows commercial and industrial users to expand their services, their production or their output. Without the additional water that the compact program is expected to provide, residential consumers and commercial and industrial users are expected to feel the effects of water shortages within the next three to four years. As water prices rise, their willingness to pay for and to consume additional water may vary based on the elasticity of their demand, revealing the value they place on water. The Water Sector Sustainability Activity is expected to improve the long-term sustainability of the additional water supplied through the Downstream Wells and Wastewater Recycling Activities. Such improvements are urgent, given evidence that the performance of the upstream wellfields operated by USUG has deteriorated significantly over the last decade or more. Tariff increases, operations and maintenance (“*O&M*”) planning, and cost saving infrastructure improvements are expected to allow USUG to improve the performance of long-term operation and maintenance of infrastructure assets, thereby slowing degradation of wellfield capacity

### ***2.3.2 Projected Program Beneficiaries***

The M&E Plan shall also define the persons or entities expected to benefit from the Program. Beneficiary analysis is an extension of the CBA and seeks to disaggregate the total increase in income to determine specifically which segments of society are expected to benefit from the Project. MCC considers beneficiaries of projects and activities to be those people who experience better standards of living as a result of the project or activity (as the case may be) through higher real incomes.<sup>1</sup> For definitional purposes, it is important to note that not all MCC project participants are necessarily project beneficiaries. The expected beneficiaries of this Compact over 30 years (unless otherwise noted) are shown in the following table. The text below the table provides a description of the beneficiaries.

<b>Project</b>	<b>Estimated Beneficiaries</b>
Water Supply Project	2,427,657

The Downstream Wells Activity, Wastewater Recycling Activity, and Water Sector Sustainability Activity are expected to increase water supply for the entirety of Ulaanbaatar. Beneficiaries of the Activities include the entire population of Ulaanbaatar.

Benefit distribution is based on willingness to pay and consumption. While precise data on how much each household consumes is unavailable, we do know the proportion of total consumption by type of household/business and the proportion of each household type that is poor. These were combined to estimate the proportion of the benefits that go to the poor.

In total, those below the Mongolian national poverty line of \$2.57 a day receive 7.4 percent of all benefits from the compact, or 13 percent of annual income for the average individual below in the poverty line in benefits over 30 years.

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<sup>1</sup> As used in this Compact, the term “beneficiary” has the meaning described in MCC’s *Guidelines for Economic and Beneficiary Analysis*.

### 3. Monitoring Component

As defined in the MCC M&E Policy, monitoring is the continuous, systematic collection of data on specified indicators to provide indications of progress toward objectives and the achievement of intermediate results along the way. To monitor progress toward the achievement of results of this Compact, the Monitoring Component of the M&E Plan shall identify (i) the Indicators (as defined below), (ii) the definitions of the Indicators, (iii) the sources and methods for data collection, (iv) the frequency for data collection, (v) the party or parties responsible for collecting and analyzing relevant data, and (vi) the timeline for reporting on each Indicator to MCC. It should be noted that some indicators shall continue to be tracked after the Compact Term, as necessary.

#### 3.1 Goal, Outcome, Output, and Process Indicators

The M&E Plan shall measure the results of the Program using quantitative, objective, and reliable data (“*Indicators*”).

(a) The M&E Plan shall establish baselines for every Indicator (each, a “*Baseline*”). An Indicator’s Baseline should be established prior to the start of the corresponding Project, Activity and/or sub-activity. Baselines demonstrate that the problem can be specified in measurable terms and are thus a pre-requisite for adequate intervention design. The Government shall collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

(b) The M&E Plan shall establish a benchmark for each Indicator that specifies the expected value and the time by which the result is expected to be achieved (“*Target*”).

(c) The M&E Plan shall indicate which Indicators shall be disaggregated by gender, income level, and age, and beneficiary types to the extent practical and applicable.

(d) A “*Goal Indicator*” measures the economic growth and poverty reduction that occurs during or after implementation of the program. This is typically a direct measure of local income. Measurement of the Goal Indicator is attempted in all MCC compacts and is therefore not listed in the table below.

(e) Outcome, output, and process indicators are all defined in the MCC M&E Policy.

(f) MCC’s “*Common Indicators*” (as defined in the MCC M&E Policy) also shall be included as relevant.

(g) Subject to prior written approval from MCC and in accordance with the MCC M&E Policy, the Government may add Indicators or refine the definitions and Targets of existing Indicators.

(h) MCA-Mongolia must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an “*Indicator Tracking Table*” or “*ITT*” in the form provided by MCC. No changes to Indicators, Baselines, or Targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on Indicator reporting is contained in the Reporting Guidelines. In the case that MCA-Mongolia submits a six-month disbursement request, the ITT must still be submitted quarterly.

The M&E Plan shall contain the monitoring Indicators listed in Table 1 below.

### 4. Evaluation Component

While good program monitoring is necessary for program management, it is not sufficient for assessing ultimate results. MCC therefore advocates the use of different types of evaluations as complementary tools to better understand the effectiveness of its programs. As defined in the MCC M&E Policy, evaluation is the objective, systematic assessment of a program's design, implementation and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes and to assess cost effectiveness. The Evaluation Component of the M&E Plan may contain three types of evaluation activities as necessary: (i) independent evaluations (impact and/or performance evaluations); (ii) self-evaluation; and (iii) special studies, each of which is further described in the MCC M&E Policy.

(a) Independent Evaluations. Every Project must undergo a comprehensive, independent evaluation (impact and/or performance) in accordance with the MCC M&E Policy. The Evaluation Component of the M&E Plan shall describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators. If the Government wishes to engage an evaluator, the engagement shall be subject to the prior written approval of MCC. Contract terms must be acceptable to MCC and ensure non-biased results and the publication of results.

For each independent evaluation, MCA-Mongolia is expected to review and provide feedback to independent evaluators on the evaluation design reports, evaluation materials (including questionnaires), baseline report (if applicable), and any interim and final reports, in order to ensure proposed evaluation activities are feasible and final evaluation products are technically and factually accurate.

Water Supply Project: The evaluation type is expected to be a performance evaluation that incorporates and collects quantitative data. It shall begin with a process study that assesses the fidelity of project implementation to the original project and activity design. That study supports assessing further results down the program logic chain. The evaluation shall make use of water supply and water consumption data over time to assess impacts that may be the result of the Project. It is expected to include the collection of data from households and businesses in order to assess the high level impacts, such as water consumption and industrial output.

Potential evaluation questions include the following. MCC and the Government shall agree on the final evaluation questions based on the final Project design.

- Did the Water Supply Project result in the additional demand for water in Ulaanbaatar being met? *This question links to the following outcome indicator: Additional Projected Demand Met.*
- If so, did the Water Supply Project lead to greater water consumption among residential consumers and commercial and industrial users, compared to a scenario where a water shortage occurs (the counterfactual)? What are the differential welfare effects of this water consumption for *ger* area residents and apartment residents by income profile? *This question links to the following outcome indicators: Increased Water is Consumed by Ulaanbaatar Residential Consumers, Increased Water is Used by Commercial and Industrial Users.*

- If water consumption among commercial and industrial users has increased, compared to a scenario where a water shortage occurs (the counterfactual), has the increased consumption lead to increased output and profit? *This question links to the following goal indicators: Increased Output from Water Intensive Industries, Increased Profit from Water Intensive Industries.*
- Is USUG consistently monitoring water quality standards to ensure the beneficial impact of reduced pollution in the Tuul River and cleaning/purification of the downstream aquifer? *This question links to the following outcome indicator: Water Withdrawn from MCC Wellfields.*
- Is the Wastewater Recycling activity supporting the transfer of CHP wells to USUG authority and the expansion of fresh water supply to Ulaanbaatar? *This question links to the following outcome indicator: Released Groundwater for General Consumption.*
- Are these results of the Water Supply Project likely to be sustained: can additional demand for water in Ulaanbaatar continue to be met for decades to come? Is O&M being sustained at levels and quality consistent with preventing degradation of USUG’s assets that was prevalent before the compact? Is the water tariff path consistent with full cost recovery? Is the regulator operating independently, and regularly promulgating standards and rates consistent with good regulatory practices? Does the tariff structure provide support to poorer households consistent with the social equity preferences of the Government? Is this the result of the Water Sector Sustainability Activity? *These questions link to the following outcome indicators: Decreased Annual Degradation of USUG Wells’ Capacity, Cost Reflective Tariff Implemented.*

The M&E Plan shall contain the evaluation Indicators listed in Table 1 below.

(b) Self-Evaluation. Upon completion of the Compact Term, both MCC and MCA-Mongolia shall comprehensively assess three fundamental questions: (i) Did the Project meet the Project Objective?; (ii) Why did the Project meet or not meet the Project Objective?; and (iii) What lessons can be learned from the implementation experience (both procedural and substantive)? The MCA-Mongolia staff shall draft the Compact Completion Report (“*CCR*”) in the last year of the Compact Term to evaluate these fundamental questions and other aspects of Program performance. Each MCA-Mongolia department shall be responsible for drafting its section of the CCR for its own activities, subject to cross-departmental review. After MCA-Mongolia staff drafts the CCR, relevant MCC staff shall draft a Compact performance review. Similar to the CCR, each MCC division shall be responsible for drafting its section of the document, subject to cross-department review.

(c) Special Studies. Plans for conducting special studies shall be determined jointly between MCA-Mongolia and MCC before the approval of the M&E Plan. The M&E Plan shall identify and make provision for any special studies, *ad hoc* evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Either MCC or the Government may request special studies or *ad hoc* evaluations of the Project, Activities, or the Program as a whole, prior to the expiration of the Compact Term.

The results of all evaluations shall be made publicly available in accordance with the MCC M&E Policy.

## 5. Data Quality Reviews

Data Quality Reviews (“**DQRs**”) are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs are to cover: (a) quality of data, (b) data collection instruments, (c) survey sampling methodology, (d) data collection procedures, (e) data entry, storage and retrieval processes, (f) data manipulation and analyses and (g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the Program or Project in review. The frequency and timing of DQRs must be set forth in the M&E Plan; however, MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

## **6. Other Components of the M&E Plan**

In addition to the monitoring and evaluation components, the M&E Plan shall include the following components:

(a) Data Management System. The M&E Plan shall describe the information system to be used to collect data, store, process, and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is accessible and useful to those who wish to use it.

(b) Budget. A detailed cost estimate for all components of the M&E Plan.

## **7. Responsibility for Developing the M&E Plan**

Primary responsibility for developing the M&E Plan lies with the M&E directorate of MCA-Mongolia with support and input from MCC’s M&E and economist staff. The M&E Plan must be developed in conjunction with key stakeholders, including MCA-Mongolia leadership and sector leads, the MCC resident country mission, and other MCC staff (such as cross-cutting leads), as well as external stakeholders, as applicable. While the entire M&E Plan must be developed collaboratively, MCC and MCA-Mongolia leads for the Project and each Activity are expected to guide the selection of Indicators at the process and output levels that are particularly useful for management and oversight of the Project and Activities.

## **8. Approval and Implementation of the M&E Plan**

The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement, and the MCC M&E Policy. All M&E Plan modifications proposed by MCA-Mongolia must be submitted to MCC for prior written approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

## **9. M&E Post-Compact Term**

As part of the planning process for winding up the Program at the end of the Compact Term, MCC and MCA-Mongolia shall develop a post-Compact plan for M&E designed to observe the persistence of benefits created under this Compact. This plan should describe future monitoring and evaluation activities, identify the individuals and organizations that are expected to undertake these activities, and provide a budget framework for future monitoring and evaluation. The post-Compact plan for M&E should build directly off of the M&E Plan.

**Table 1: Indicators**

The table below lists the preliminary set of monitoring and evaluation indicators linked to each result in the Project Logic. Key Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be included in evaluation reports.

**Table 1: Water Supply Project Indicators**

Indicator Level	Result	Definition	Unit	Baseline	Compact Target (2023)	ITT Indicator (Y/N)
<b>Water Supply Project</b>						
Outcome	Increased Water is Consumed by Ulaanbaatar Residential Consumers	Total Water Consumption by Ulaanbaatar Apartment & Ger Dwellers	MCM	Value: 40.92 Year: 2018	Value: 47.61	N
Outcome	Increased Water is Used By Commercial and Industrial Users	Total Water Used by Ulaanbaatar Businesses, Disaggregated by Commercial, Beverage/ Spirit Production and Cashmere/ Tannery Use	MCM	Value: 21.52 Year: 2018	Value: 25.05	N
Outcome	Objective: Additional Projected Demand Met	Projected Demand (Risk/ Assumption C) Minus External Sources, not to Exceed the Amount Withdrawn from MCC Wellfields	MCM	Value: 0 Year: N/A Source: N/A	Value: 1.634631	Y
Risk/ Assumption	Risk/ Assumption C: Demand Matches Projections	Projected Demand for Water in Ulaanbaatar (Residential, Industrial, and Energy)	MCM	Value: 84.406880 Year: 2018	Value: 93.387747	Y



Indicator Level	Result	Definition	Unit	Baseline	Compact Target (2023)	ITT Indicator (Y/N)
Risk/ Assumption	Risk/ Assumption B: Water Withdrawn is not Lost (Non- Revenue Water)	Technical Losses in the USUG System	Percentage	Value: 14% Year: 2018	Value: 14%	Y
Outcome	Increased Supply of Water in the Ulaanbaatar System	Total Supply of Water in the Ulaanbaatar System (Amount Withdrawn from Wells), Including that Provided by USUG and Private Wells	MCM	Value: 84.406880 Year: 2018	Value: 88.334631	Y
Outcome	Risk/ Assumption A: Water Supply From Sources External to the Project do not Exceed Projections	Water Capacity (Not Amount Withdrawn) from Sources External to the Project, Including USUG Wells and Private Wells	MCM	Value: 86.700000 Year: 2018	Value: 86.700000	Y
Outcome	Water Withdrawn from MCC Well Fields	Amount of Water Withdrawn From MCC- Built or MCC- Rehabilitated Wells	MCM	Value: 0 Year: N/A Source: N/A	Value: 1.634631	Y

Indicator Level	Result	Definition	Unit	Baseline	Compact Target (2023)	ITT Indicator (Y/N)
Activity 1: Downstream Wells						
Output	Advanced Water Purification Plant	Construction of the Advanced Water	Date	Value: N/A Year: N/A Source: N/A	Value: Year 5 Year: N/A Source: N/A	Y

Indicator Level	Result	Definition	Unit	Baseline	Compact Target (2023)	ITT Indicator (Y/N)
		Purification Plant				
Output	Groundwater Wells	Capacity (Annual Flowrate) of Groundwater Extraction Built by MCC (i.e. Groundwater Wells)	MCM	Value: 0 Year: 2018 Source: N/A	Value: 50 (Biokombinat = 25; Shuvuun = 25)	Y
<b>Activity 2: Wastewater Recycling</b>						
Outcome	Released Groundwater For General Consumption	Amount of Recycled Water Released by the CHP Plants to USUG	MCM	Value: 0 Year: 2018 Source: N/A	Value: 14.6	Y
Outcome	Recycled Water Supplied for CHP-3 & CHP-4 Industrial Use	Amount of Recycled Water Provided to the CHP Plants	MCM	Value: 0 Year: 2018 Source: N/A	Value: 14.6	Y
Risk/ Assumption	Risk/ Assumption E: CHP Plants Release Their Wells for Use by USUG	CHP Plants Release Their Wells for Use by USUG	Date	N/A	Year 10	Y
Risk/ Assumption	Risk/ Assumption D: Required Connections are Built for USUG to Tap CHP Wells	Required Connections are Built For USUG to Tap CHP Wells	Date	N/A	Year 10	Y
Output	Water Recycling Plant and Associated Infrastructure	Capacity of Recycling Plant and Infrastructure	Cubic meters per day	Value: 0 Year: 2018 Source: N/A	Value: 50,000	Y



Indicator Level	Result	Definition	Unit	Baseline	Compact Target (2023)	ITT Indicator (Y/N)
<b>Activity 3: Sustainability</b>						
Outcome	Decreased Annual Degradation of USUG Wells' Capacity	% Annual Degradation of USUG Well Capacity	%	Value: 1.21% Year: 2018	Value: .2%	Y
Outcome	Planned Maintenance is Executed	% Planned Versus Executed Maintenance	%	Value: TBD Year: TBD Source: TBD	Value: 100%	Y
Outcome	Increased O&M Cost Recovery	% of Operation and Maintenance Budget Recovered (Note That Maintenance is Assumed to Cover Replacement as Well, e.g. Well Motors.)	%	Value: TBD Year: TBD Source: TBD	Value: 100%	Y
<b>Sub-Activity 3.1: Cost Recovery</b>						
Outcome	Cost Reflective Tariff Implemented	Revenue From Tariff Covers USUG Costs for Operations, Maintenance and Depreciation	Date	N/A	Value: Year 6	Y
Output	Willingness to Pay Study	Study Completed	Date	N/A	Value: Entry into force	Y
Output	Tariff Rate Cases	Rate Cases Proposed	Date	N/A	Value: Entry into force	Y
<b>Sub-Activity 3.2: Ger Area Cost Containment</b>						
Outcome	Reduction in Water Kiosk Operation Costs For USUG	Cost Savings to USUG From MCC Investments in	Mongolian Tugrik	Value: TBD Year: TBD	Value: TBD Year: TBD	N

Indicator Level	Result	Definition	Unit	Baseline	Compact Target (2023)	ITT Indicator (Y/N)
		Ger Water Infrastructure		Source: TBD		
Outcome	USUG's Un-Recovered Costs Reduced	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
Outcome	Stakeholder Institutions Coordinate to Reduce Costs	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
Output	Water Kiosk Improvements	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
Output	Plan for Inter-Institutional Coordination and Decision-Making to Reduce Costs	TBD	Date	N/A	Value: TBD Year: TBD	
<b>Sub-Activity 3.3: Utility Operations</b>						
Outcome	USUG Staff Capacity to Conduct O&M Improves	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
Outcome	USUG Weaknesses (As Uncovered by AquaRating) Addressed	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
Outcome	USUG Staff Capacity to Capture and Analyze Data Improves	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	

Indicator Level	Result	Definition	Unit	Baseline	Compact Target (2023)	ITT Indicator (Y/N)
Output	Training Through Water Operators' Partnership	# Of Trips From Partner Utility To USUG (and Vice-Versa)	Number	0	TBD	Y
Output	Technical Assistance to Support Asset Management	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
Output	Technical Assistance to Improve Capture and Analysis of Customer Data	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
<b>Sub-Activity 3.4: Industrial Pre-Treatment And Pollution Control</b>						
Outcome	CWWTP Effluent Meets Treatment Standards	CWWTP Meets Mongolian National Standard 4943-2015	Date	Value: TBD Year: TBD Source: TBD	Year 5	Y
Output	Technical Assistance to Strengthen Industrial Pollution Monitoring and Enforcement	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
<b>Sub-Activity 3.5: Public Awareness And Behavior Change</b>						
Outcome	Increased Public Understanding of the Cost of Water Resources	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
Output	Public Communications Activities	TBD		Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD	
Output	Behavior Change Activities	TBD		Value: TBD Year: TBD	Value: TBD Year: TBD	

<b>Indicator Level</b>	<b>Result</b>	<b>Definition</b>	<b>Unit</b>	<b>Baseline</b>	<b>Compact Target (2023)</b>	<b>ITT Indicator (Y/N)</b>
				Source: TBD		

**ANNEX IV**  
**CONDITIONS PRECEDENT**  
**TO DISBURSEMENT OF COMPACT CDF**

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact CDF (each a “*Compact CDF Disbursement*”). Upon signature of the Program Implementation Agreement, each Compact CDF Disbursement shall be subject to the terms of the Program Implementation Agreement in addition to the terms set forth in this Annex IV.

**1. Conditions Precedent to Initial Compact CDF Disbursement.**

Each of the following must have occurred or been satisfied prior to the initial Compact CDF Disbursement:

- (a) The Government (or MCA-Mongolia) has delivered to MCC:
  - (i) an interim fiscal accountability plan acceptable to MCC; and
  - (ii) a Compact CDF procurement plan acceptable to MCC.

**2. Conditions Precedent to all Compact CDF Disbursements (Including Initial Compact CDF Disbursement).**

Each of the following must have occurred or been satisfied prior to each Compact CDF Disbursement:

- (a) The Government (or MCA-Mongolia) has delivered to MCC the following documents, in form and substance satisfactory to MCC:
  - (i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;
  - (ii) a certificate of the Government (or MCA-Mongolia), dated as of the date of the Compact CDF Disbursement Request, in such form as provided by MCC;
  - (iii) if a Fiscal Agent has been engaged, a Fiscal Agent Disbursement Certificate; and
  - (iv) if a Procurement Agent has been engaged, a Procurement Agent Disbursement Certificate.
- (b) If any proceeds of the Compact CDF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.
- (c) Appointment of an entity or individual to provide fiscal agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the fiscal agent engaged thereby is mobilized.

(d) Appointment of an entity or individual to provide procurement agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the procurement agent engaged thereby is mobilized.

(e) MCC is satisfied, in its sole discretion, that (i) the activities being funded with such Compact CDF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of this Compact and are not expected to violate any applicable law or regulation; (ii) no material default or breach of any covenant, obligation, or responsibility by the Government, MCA-Mongolia, or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement; (iii) there has been no violation of, and the use of requested funds for the purposes requested are not expected to violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date 90 days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and (v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments, or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

(f) For any Compact CDF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied, in its sole discretion, that (i) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Mongolia) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC; (ii) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for any relevant Activity related to such Compact CDF Disbursement; (iii) there has been progress satisfactory to MCC on the M&E Plan and Social and Gender Integration Plan for the Project or relevant Activity and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period); (iv) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan for the prior two quarters (or such other period as the Audit Plan may require); (v) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate, or the Procurement Agent Disbursement Certificate is not as certified; and (vi) if any of the officers or key staff of MCA-Mongolia have been removed or resigned and the position remains vacant, MCA-Mongolia is actively engaged in recruiting a replacement.

(g) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, this Compact or MCC Funding in accordance with Section 5.1 of this Compact.

**ANNEX V**  
**ADDITIONAL CONDITIONS PRECEDENT**  
**TO ENTRY INTO FORCE**

The following additional conditions must be met before this Compact enters into force:

(a) The Government has (i) removed the existing long-term debt on USUG's balance sheet, and (ii) adopted a detailed plan, acceptable to MCC, (the "***Cost Recovery Plan***") that ensures that USUG's revenues from water and wastewater tariffs and fees (and if necessary, from explicit subsidies) fully cover the costs of O&M and depreciation associated with the water supply, wastewater collection, and wastewater treatment system in Ulaanbaatar, including for ger areas, not later than the end of the year 2023. In the event that the Government expects USUG to incur additional long-term debt, the Cost Recovery Plan shall indicate how such debt shall be serviced.

(b) The Government has adopted a detailed plan acceptable to MCC that ensures that the chemical load of wastewater discharged from commercial and industrial sites into Ulaanbaatar's existing central wastewater treatment plant is reduced to the levels observed in 2013 or lower not later than the commissioning of the new CWWTP (the "***Industrial Pre-Treatment Plan***").

(c) The Government has entered into a financing agreement to cover the costs of constructing the CWWTP and submitted to MCC either (i) a fully executed copy of such financing agreement or (ii) a comprehensive summary of the terms of such agreement.

(d) The Government has submitted to MCC the detailed work plan or construction timeline for the CWWTP demonstrating that the plant is scheduled to be commissioned prior to the fourth anniversary of the Compact's entry into force.

(e) The Government has submitted to MCC the detailed designs and the process design calculations as developed by the design contractor for the construction of the CWWTP.

(f) The Government has submitted to MCC evidence that the construction of the CWWTP has commenced.



## ANNEX VI DEFINITIONS

*Activity* has the meaning provided in Part B of Annex I.

*Additional Representative* has the meaning provided in Section 4.2.

*Annex* has the meaning provided in Section 6.1.

*Audit Guidelines* has the meaning provided in Section 3.8(a).

*Audit Plan* has the meaning provided in Section 3.8(a).

*Bank* means the financial institution approved by MCC to hold MCA-Mongolia's Permitted Account.

*Bank Agreement* means an agreement, in form and substance satisfactory to MCC, between MCA-Mongolia and the Bank that sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to MCA-Mongolia's Permitted Account.

*Baseline* has the meaning provided in Annex III.

*Board of Directors* has the meaning provided in Part C of Annex I.

*CBA* has the meaning provided in Annex III.

*CCR* has the meaning provided in Annex III.

*CDF Agreement* has the meaning provided in Section 3.2(b).

*CHP* has the meaning provided in Part B of Annex I.

*CHP-3* has the meaning provided in Part B of Annex I.

*CHP-4* has the meaning provided in Part B of Annex I.

*Common Indicators* has the meaning provided in Annex III.

*Compact* has the meaning provided in the Preamble.

*Compact CDF* has the meaning provided in Section 2.2(a).

*Compact CDF Disbursement* has the meaning provided in Annex IV.

*Compact CDF Disbursement Request* means a Disbursement Request pertaining to Compact CDF.

*Compact Goal* has the meaning provided in Section 1.1.

*Compact Records* has the meaning provided in Section 3.7(a).

**Compact Term** has the meaning provided in Section 7.4.

**Cost Recovery Plan** has the meaning provided in Annex V.

**Cost Recovery Sub-Activity** has the meaning provided in Part B of Annex I.

**Covered Provider** has the meaning provided in the Audit Guidelines.

**CWWTP** has the meaning provided in Part B of Annex I.

**Detailed Financial Plan** means the financial plan developed and implemented by MCA-Mongolia for each quarter for the upcoming year and on an annual basis for each year of the remaining years of the Compact, in accordance with the Reporting Guidelines, setting forth funding requirements for the Program (including administrative costs) and for the Project, broken down to the sub-activity level (or lower, where appropriate), and projected both on a commitment and cash requirement basis.

**Disbursement** has the meaning provided in Section 2.4.

**Disbursement Period** means each quarter, or any other period of time as agreed between MCA-Mongolia and MCC, during which MCA-Mongolia submits to MCC a Disbursement Request for funding.

**Disbursement Request** means a request by MCA-Mongolia to MCC for Program Funding or Compact CDF, respectively, submitted in accordance with the Reporting Guidelines.

**Downstream Wells Activity** has the meaning provided in Part B of Annex I.

**DQRs** has the meaning provided in Annex III.

**ERR** has the meaning provided in Annex III.

**Evaluation Component** has the meaning provided in Annex III.

**Excess Compact CDF Amount** has the meaning provided in Section 2.2(c).

**Fiscal Accountability Plan** means the manual, to be developed and implemented by MCA-Mongolia (as approved by MCC) setting forth the principles, mechanisms and procedures that MCA-Mongolia shall use to ensure appropriate fiscal accountability for the use of MCC Funding, including the process to ensure that open, fair, and competitive procedures shall be used in a transparent manner in the administration of grants or cooperative agreements and in the procurement of goods, works, and services.

**Fiscal Agent** has the meaning provided in Part C of Annex I.

**Fiscal Agent Agreement** means an agreement between MCA-Mongolia and the Fiscal Agent, in form and substance satisfactory to MCC that sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions.

**Fiscal Agent Disbursement Certificate** means a certificate of the Fiscal Agent, substantially in the form provided by MCC.

**Ger Area Cost Containment Sub-Activity** has the meaning provided in Part B of Annex I.

**Goal Indicator** has the meaning provided in Annex III.

**Government** has the meaning provided in the Preamble.

**Government Contribution** has the meaning provided in Section 2.6(a).

**Grant** has the meaning provided in Section 3.6(b).

**Implementation Letters** has the meaning provided in Section 3.5.

**Implementation Plan** refers to the collective four Implementation Plan Documents, in form and substance approved by MCC, elaborating the framework for implementation of the Program.

**Implementation Plan Document** means each of (i) a Work Plan, (ii) a Detailed Financial Plan, (iii) an Audit Plan and (iv) a Procurement Plan.

**Implementing Entity** has the meaning provided in Part C of Annex I.

**Implementing Entity Agreement** has the meaning provided in Part C of Annex I.

**Indicator Tracking Table** and **ITT** have the meaning provided in Annex III.

**Indicators** has the meaning provided in Annex III.

**Industrial Pre-Treatment and Pollution Control Sub-Activity** has the meaning provided in Part B of Annex I.

**Industrial Pre-Treatment Plan** has the meaning provided in Annex V.

**Initial Compact CDF Disbursement** means the first Disbursement relating to Compact CDF.

**Inspector General** has the meaning provided in Section 3.7(c).

**Intellectual Property** means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.

**M&E** has the meaning provided in Annex III.

**M&E Plan** has the meaning provided in Annex III.

**Management Unit** has the meaning provided in Part C of Annex I.

**MCA Act** has the meaning provided in Section 2.2(a).

**MCA-Mongolia** has the meaning provided in Section 3.2(b).

**MCC** has the meaning provided in the Preamble.

**MCC Environmental Guidelines** has the meaning provided in Section 2.7(c).

**MCC Funding** has the meaning provided in Section 2.3.

**MCC Gender Policy** means the MCC Gender Policy (including any guidance documents issued in connection with such policy).

**MCC M&E Policy** has the meaning provided in Annex III.

**MCC Program Closure Guidelines** means the MCC Program Closure Guidelines (including any guidance documents issued in connection with such guidelines).

**MCC Program Procurement Guidelines** has the meaning provided in Section 3.6(a).

**MCC Website** means the MCC website at [www.mcc.gov](http://www.mcc.gov).

**MCM** has the meaning provided in Annex III.

**MET** has the meaning provided in Part C of Annex I.

**Mongolia** has the meaning provided in the Preamble.

**Monitoring Component** has the meaning provided in Annex III.

**Multi-Year Financial Plan Summary** has the meaning provided in Annex II.

**National Secretariat** has the meaning provided in Part A of Annex I.

**O&M** has the meaning provided in Annex III.

**Party and Parties** have the meaning provided in the Preamble.

**Periodic Reports** means the reports and information that MCA-Mongolia shall periodically provide to MCC, in form and substance satisfactory to MCC, as required by the Reporting Guidelines.

**Permitted Account** has the meaning provided in Section 2.4.

**Principal Representative** has the meaning provided in Section 4.2.

**Procurement Agent** has the meaning provided in Part C of Annex I.

**Procurement Agent Agreement** means the agreement that MCA-Mongolia shall enter into with the Procurement Agent, in form and substance satisfactory to MCC that sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring and review of procurements and other appropriate terms and conditions.

**Procurement Agent Disbursement Certificate** means a certificate of the Procurement Agent, substantially in the form provided by MCC.

**Procurement Plan** means the plan prepared by MCA-Mongolia for acquiring the goods, works, and consultant and non-consultant services needed to implement the Compact.

**Program** has the meaning provided in the recitals to this Compact.

**Program Assets** means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.

**Program Funding** has the meaning provided in Section 2.1.

**Program Guidelines** means collectively the Audit Guidelines, the MCC Environmental Guidelines, the MCC Guidelines for Accountable Entities and Implementation Structures, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC M&E Policy, the MCC Cost Principles for Government Affiliates Involved in Compact Implementation, the MCC Program Closure Guidelines, the MCC Gender Policy, the MCC Gender Integration Guidelines, the MCC Guidelines for Economic and Beneficiary Analysis, the MCC Standards for Global Marking, the MCC Guidelines for Country Contributions, and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs, in each case, as such may be posted from time to time on the MCC Website.

**Program Implementation Agreement and PIA** have the meaning provided in Section 3.1.

**Project** has the meaning provided in Section 1.2.

**Project Objective** has the meaning provided in Section 1.2.

**Provider** means (a) any entity of the Government that receives or uses MCC Funding or any other Program Asset in carrying out activities in furtherance of this Compact or (b) any third party that receives at least US\$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term.

**Public Awareness and Behavior Change Sub-Activity** has the meaning provided in Part B of Annex I.

**Reporting Guidelines** means the MCC Guidance on Quarterly Accountable Entity Disbursement Request and Reporting Package.

**Social and Gender Integration Plan** has the meaning provided in Part A of Annex I.

**Supplemental Agreement** means any agreement between (a) the Government (or any Government affiliate, including MCA-Mongolia) and MCC (including, but not limited to, the PIA), or (b) MCC and/or the Government (or any Government affiliate, including MCA-Mongolia), on the one hand, and any third party, on the other hand, including any of the Providers, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of, and in compliance with, this Compact.

**Target** has the meaning provided in Annex III.

***Taxes** has the meaning provided in Section 2.8(a).*

***United States Dollars or US\$** means the lawful currency of the United States of America.*

***USAID** has the meaning provided in Part B of Annex I.*

***USUG** has the meaning provided in Section 8.3.*

***Utility Operations Sub-Activity** has the meaning provided in Part B of Annex I.*

***Wastewater Recycling Activity** has the meaning provided in Part B of Annex I.*

***Water Sector Sustainability Activity** has the meaning provided in Part B of Annex I.*

***Work Plan** means the plan, in form and substance satisfactory to MCC, that MCA-Mongolia shall develop and implement for the overall administration of the Program.*

***WSRC** has the meaning provided in Section 8.3.*