

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.