

EXECUTION VERSION
MCC COMPACT DEVELOPMENT FUNDING AGREEMENT
MCC AND GOVERNMENT ADMINISTERED

GRANT AND IMPLEMENTATION AGREEMENT

BETWEEN

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE GOVERNMENT OF MONGOLIA

ACTING THROUGH THE MINISTRY OF FOREIGN AFFAIRS

**FOR THE DEVELOPMENT AND FACILITATION OF IMPLEMENTATION OF A
MILLENNIUM CHALLENGE COMPACT**

Dated May 3, 2017

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

TABLE OF CONTENTS

		<u>Page</u>
ARTICLE 1.	MCC GRANT.....	2
Section 1.1	MCC Grant.....	2
Section 1.2	Financial Plan.....	2
ARTICLE 2.	IMPLEMENTATION FRAMEWORK.....	2
Section 2.1	CDF Implementation Documents	2
Section 2.2	Procurement	3
Section 2.3	Fiscal Accountability	4
ARTICLE 3.	DISBURSEMENT OF GRANT FUNDING	5
Section 3.1	Disbursement Process for MCC-Contracted Activities	5
Section 3.2	Disbursement Process for Government-Contracted Activities	5
Section 3.3	Conditions Precedent to the Initial Disbursement for Government-Contracted Activities	7
Section 3.4	Conditions Precedent to Each Disbursement of Government-Contracted Activities	7
ARTICLE 4.	GOVERNMENT REPRESENTATIONS, WARRANTIES, AND COVENANTS	8
Section 4.1	Government Representations and Warranties.....	8
Section 4.2	Government Responsibilities and Covenants	8
ARTICLE 5.	REPORTS; RECORDS AND AUDITS	12
Section 5.1	Reports	12
Section 5.2	Government Books and Records	12
Section 5.3	Accounting	13
Section 5.4	Access; Audits	13
ARTICLE 6.	TERM; TERMINATION AND SUSPENSION OF THE GRANT	13
Section 6.1	Term	13
Section 6.2	Termination and Suspension.....	13
Section 6.3	Refunds	15
ARTICLE 7.	GENERAL.....	15
Section 7.1	Governing Law; Consultations	15
Section 7.2	Representatives	15
Section 7.3	Communications	16

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

Section 7.4	Counterparts	16
Section 7.5	Relationship Between the Parties.....	16
Section 7.6	MCC Status.....	16
Section 7.7	Publicity; Information and Marking	16
Section 7.8	No Assurance of Future Assistance	17
Section 7.9	Amendment.....	17
Section 7.10	Severability	17
Section 7.11	Non-Waiver of Remedies	17
Section 7.12	Survival	17
Section 7.13	Language.....	18
Section 7.14	Interpretation.....	18
Section 7.15	References to MCC Website.....	18
Section 7.16	References to Laws, Regulations, Policies, and Guidelines	18
Section 7.17	Grant Reference	18
Section 7.18	Entire Agreement	18
<u>Exhibit A:</u>	Index of Definitions	
<u>Annex I:</u>	Description of the Assistance	
<u>Annex II:</u>	Compact Development Funding Grant Financial Plan	
<u>Annex III:</u>	Roles and Responsibilities of the Government for MCC-Contracted Activities	

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT
MCC AND GOVERNMENT ADMINISTERED
GRANT AND IMPLEMENTATION AGREEMENT

This GRANT AND IMPLEMENTATION AGREEMENT (this “*Agreement*”), dated May 3, 2017, is made between the Millennium Challenge Corporation, a United States Government corporation (“*MCC*”), and the Government of Mongolia (the “*Government*”), acting through the Ministry of Foreign Affairs (the “*Ministry*”). The Government and MCC are referred to herein as the “*Parties*” and each, individually, a “*Party*.” Except as otherwise expressly provided herein, capitalized terms used in this Agreement will have the respective meanings given to such terms in Exhibit A.

RECITALS

WHEREAS, the Board of Directors of MCC has determined that Mongolia is eligible for assistance from MCC, and the Parties are seeking to enter into a second Millennium Challenge Compact to advance economic growth and poverty reduction in Mongolia (a “*Compact*”);

WHEREAS, in June 2015, the Parties signed an initial engagement agreement to facilitate the development of a Compact and provide the Government with limited funds to support and assemble a team that will be responsible for management of the compact development process;

WHEREAS, the Government submitted to MCC project proposals in December 2016 (the “*Project Proposals*”) which request assistance for certain projects to increase bulk water supply from groundwater for Ulaanbaatar, and improve water service delivery in the city’s ger areas;

WHEREAS, based on the Project Proposals, the Parties wish to facilitate the development and implementation of the proposed Compact (the “*Objective*”) and to engage in certain activities described herein;

WHEREAS, MCC wishes to make a grant to the Government to support such activities under the authority of Section 609(g) of the Millennium Challenge Act of 2003, as amended (funding under Section 609(g) of the Millennium Challenge Act of 2003 shall be referred to as “*Compact Development Funding*” or “*CDF*”); and

WHEREAS, management of the Grant and any procurements and contracts under the Grant may be performed by MCC, or subject to MCC’s approval, the Government, or its Permitted Designee (as defined in Section 4.2(b)(i));

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the Parties hereby agree as follows:

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

ARTICLE 1.

MCC GRANT

Section 1.1 MCC Grant. MCC hereby grants to the Government, under the terms of this Agreement, an amount not to exceed ten million five hundred thousand U.S. Dollars (US\$10,500,000) (the “**Grant**”) to fund the activities described in more detail in Annex I (each, an “**Activity**” and, collectively, the “**Activities**”).

Section 1.2 Financial Plan. The Grant funding will be allocated among the Activities as generally described in Annex II or as otherwise agreed in accordance with Section 7.9 of this Agreement.

ARTICLE 2.

IMPLEMENTATION FRAMEWORK

Section 2.1 CDF Implementation Documents. The framework for implementation of each of the Government-contracted activities, as described in Annex I (the “**Government-Contracted Activities**”) will be further elaborated in a set of documents, in form and substance approved by MCC, consisting of (i) the CDF Detailed Financial Plan, and (ii) one or more Government Service Provider Contracts (collectively, the “**CDF Implementation Documents**”). MCC may review the CDF Implementation Documents, or any portion thereof and, as necessary, request the Government submit clarifications or adjustments.

(a) CDF Detailed Financial Plan. The Permitted Designee will develop, adopt, and implement a detailed financial plan in accordance with the MCC Reporting Guidelines, setting forth funding requirements for each of the Government-Contracted Activities (including administrative costs), broken down to the sub-activity level (or lower, where appropriate), and projected both on a commitment and cash requirement basis (as supplemented or otherwise modified from time to time, the “**CDF Detailed Financial Plan**”).

(b) [Reserved.]

(c) Service Provider Contracts. Consistent with the Activities in Annex I, each of MCC or the Permitted Designee, as the case may be, may procure and manage the services of one or more providers of goods, works, or services to implement each of the Activities.

(i) Government Service Provider Contracts. The Permitted Designee will procure and manage the services of one or more providers of goods, works or services for each of the Government-Contracted Activities (each a “**Government Service Provider**”), and the Permitted Designee will enter into one or more contracts, in a form acceptable to MCC, with the Government Service Providers implementing the Government-Contracted Activities (“**Government Service Provider Contracts**”). The Permitted Designee will be the primary point of contact for each Government Service Provider throughout the term of each Government Service Provider Contract. Any and all instructions to the Government Service Provider will be

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

made by and through the Permitted Designee unless otherwise provided in such Government Service Provider Contract. No Government Service Provider Contract may be assigned by the Permitted Designee without the prior written approval of MCC.

(ii) **MCC Service Provider Contracts.** MCC will procure and manage the services of one or more providers of goods, works or services for each MCC-contracted activity (as defined in Annex I, the “**MCC-Contracted Activities**”) and in accordance with the U.S. Government’s Federal Acquisition Regulation. MCC will enter into one or more contracts with each service provider (each a “**MCC Service Provider**”) implementing the MCC-Contracted Activities (“**MCC Service Provider Contracts**”). MCC will be the primary point of contact for each MCC Service Provider throughout the term of each MCC Service Provider Contract. All instructions to the MCC Service Provider will be made by and through MCC, unless otherwise provided in such MCC Service Provider Contract.

(iii) For the purposes of this Agreement, (A) MCC Service Providers and Government Service Providers will be collectively referred to herein as “**Service Providers**” and (B) MCC Service Provider Contracts and Government Service Provider Contracts will be collectively referred to herein as “**Service Provider Contracts.**”

Section 2.2 Procurement.

(a) MCC Program Procurement Guidelines. The Permitted Designee will comply with the “Program Procurement Guidelines” provided by MCC or posted on the MCC Website (the “**MCC Program Procurement Guidelines**”) in the procurement (including solicitation) of goods, works and services and the award and administration of contracts for each of the Government-Contracted Activities; *provided that* the provisions in the MCC Program Procurement Guidelines relating to the procurement plan and general procurement notice will not apply to procurements under this Agreement.

(b) Procurement Agent. Except as MCC otherwise agrees, any reference in this Agreement to the “**Procurement Agent**” will be deemed a reference to (i) any interim service provider approved by MCC to provide procurement agent services until such time as the Permitted Designee delivers to MCC a true and complete copy of a duly-executed procurement agent agreement or other instrument in form and substance satisfactory to MCC (the “**Procurement Agent Agreement**”), and the party named as procurement agent therein has mobilized or (ii) thereafter, the Service Provider named in the Procurement Agent Agreement. For the avoidance of doubt, MCC in its sole discretion may permit the Procurement Agent to be a procurement management unit within a Permitted Designee until such time as MCA-Mongolia is created, and thereafter within MCA-Mongolia.

(c) Interim Procurement Operations Manual. Unless MCC has agreed to act as the Procurement Agent, prior to undertaking any procurements for the Government-Contracted Activities, the Government will develop, adopt and implement a manual (as approved by MCC), as may be updated from time to time, describing applicable procedures for executing procurement functions, including but not limited to preparing procurement documents,

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

conducting procurements, and administering contracts (the “*Interim Procurement Operations Manual*”). The provisions of the Interim Procurement Operations Manual will apply as relevant to the procurements the Permitted Designee will undertake, and will include basic forms for procurement notices and recordkeeping, and processes to ensure adequate MCC oversight and approval of procurement documents and actions.

Section 2.3 Fiscal Accountability.

(a) Fiscal Agent. Except as MCC otherwise agrees, any reference in this Agreement to the “*Fiscal Agent*” will be deemed a reference to (i) any interim service provider approved by MCC to provide fiscal agent services until such time as the Permitted Designee delivers to MCC a true and complete copy of a duly executed fiscal agent agreement or other instrument in form and substance satisfactory to MCC (the “*Fiscal Agent Agreement*”), and the party named as fiscal agent therein has mobilized or (ii) thereafter, the Service Provider named in the Fiscal Agent Agreement. For the avoidance of doubt, MCC in its sole discretion may permit the Fiscal Agent to be a financial management unit within a Permitted Designee until such time as MCA-Mongolia is created, and thereafter within MCA-Mongolia. Except as MCC otherwise agrees, the Fiscal Agent will be responsible for, among other things, (A) ensuring and certifying that Disbursements are properly authorized and documented in accordance with established control procedures set forth in the Fiscal Agent Agreement and Bank Agreement(s) as applicable, (B) instructing a Bank to make Disbursements from a Permitted Account or requesting Disbursement be made directly to a provider as payment for goods, works or services in accordance with MCC’s Common Payment System (as defined in Exhibit A) or any alternate payment system approved by MCC, as the case may be, and in each case, following applicable certification by the Fiscal Agent, (C) providing applicable certifications for Disbursement Requests, (D) maintaining proper accounting of all financial transactions involving Grant funding, and (E) producing reports on Disbursements in accordance with established procedures set forth in the Interim Fiscal Accountability Plan.

(b) Interim Fiscal Accountability Plan. Except as MCC otherwise agrees, the Permitted Designee will develop, adopt and implement a manual (as approved by MCC), as may be updated from time to time, setting forth the principles, mechanisms and procedures (the “*Interim Fiscal Accountability Plan*”) that will be used to ensure appropriate fiscal accountability for the use of the Grant funding for the Government-Contracted Activities, including the process to ensure that open, fair, and competitive procedures will be used in a transparent manner in the administration of grants or cooperative agreements and in the procurement of goods, works and services. The Interim Fiscal Accountability Plan will also include, among other things, requirements with respect to: (i) budgeting, (ii) accounting, (iii) financial transactions (receipts and payments), (iv) opening and managing permitted accounts, and (v) reporting.

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

ARTICLE 3.

DISBURSEMENT OF GRANT FUNDING

Section 3.1 Disbursement Process for MCC-Contracted Activities.

(a) [Reserved.]

(b) Subject to Section 3.1(a) and except as otherwise agreed in writing by the Parties, MCC will make disbursements of the Grant from time to time for the MCC-Contracted Activities, directly to each MCC Service Provider that has entered into an MCC Service Provider Contract with MCC (each, an “*MCC Service Provider Disbursement*”). The Government hereby consents to the MCC-Contracted Activities and any related MCC Service Provider Disbursement.

Section 3.2 Disbursement Process for Government-Contracted Activities.

(a) The Government or its Permitted Designee may request disbursements of the Grant (each, a “*Disbursement*”) for the Government-Contracted Activities by submitting a written request to MCC substantially in the form of the “Disbursement Request” provided by MCC or posted on the MCC Website (each, a “*Disbursement Request*”), duly completed, not later than 20 days (or such other period of time as may be agreed by MCC) prior to the commencement of each Disbursement Period. Unless otherwise agreed by MCC, the Government may submit only one Disbursement Request for each quarter (such quarter, or any other period of time as agreed by MCC, the “*Disbursement Period*”).

(b) Approval of Disbursement Requests; Release of Proceeds.

(i) Upon receipt of a Disbursement Request, MCC will determine the appropriate aggregate amount of the Disbursement permitted for the applicable Disbursement Period based on, among other things, (A) progress achieved under the CDF Implementation Documents, (B) the amount of funds required to complete the Activities described in the Disbursement Request during such Disbursement Period, and (C) the satisfaction, waiver, or deferral of the conditions precedent applicable to the requested Disbursement.

(ii) MCC may, in its sole discretion, reject any Disbursement Request completely, or reject or reduce the amount of any Disbursement requested thereunder, based on among other things, (A) any modification made to the CDF Implementation Documents or (B) any of the conditions precedent in Sections 3.3 and 3.4 of this Agreement has not been satisfied, waived, or deferred.

(iii) Subject to MCC’s approval of a Disbursement Request, the proceeds of the Disbursement approved thereunder may be transferred, at MCC’s sole election, (A) to a Permitted Account, or (B) directly to a Government Service Provider as payment for goods, works or services in accordance with MCC’s common payment system or any alternate payment system approved by MCC. Payments to Government Service Providers and other expenditures of

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

Grant funding during the relevant Disbursement Period (including amounts transferred directly to a Service Provider) will be made only as authorized by the Government and certified by the Fiscal Agent, or as otherwise agreed by the Parties, in accordance with the approved CDF Detailed Financial Plan and the standards and procedures set forth in the Interim Fiscal Accountability Plan approved by MCC.

(c) Permitted Accounts.

(i) From time to time as authorized or directed by MCC, the Government will establish (or cause to be established) bank accounts, denominated in Mongolian Tugrik or in U.S. Dollars, and on terms and at a financial institution acceptable to MCC, that are necessary or otherwise appropriate to fulfil the terms of this Agreement (any such account, a “**Permitted Account**”). Before any Grant funding is deposited into a Permitted Account, the Government will enter, or ensure that its Permitted Designee enters, into a bank agreement, in form and substance satisfactory to MCC, with the financial institution approved by MCC to hold such Permitted Account (each a “**Bank**”), which sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to such Permitted Account (each a “**Bank Agreement**”). The terms and operation of the Permitted Accounts will be set forth in the Interim Fiscal Accountability Plan and the Bank Agreement.

(ii) Unless otherwise authorized by MCC, no other funds will be commingled in a Permitted Account other than the Grant funding and any accrued interest thereon. Any funding contribution from the Government (the “**Government Contribution**”) will be kept in a separate Permitted Account and no other funds will be commingled in such Permitted Account other than the Government Contribution and any other interest accrued thereon. MCC will have the right, among other things, to view any Permitted Account statements and activity directly on-line, and where such viewing is not feasible, the Government will provide copies of such statements to MCC upon its request.

(iii) The Government will ensure that Grant funding held in a Permitted Account accrues interest or other earnings in accordance with the applicable Bank Agreement. On a quarterly basis and upon the termination or expiration of this Agreement or the relevant Bank Agreement, the Government will ensure the transfer of all interest accrued on Grant funding held in a Permitted Account to MCC.

(iv) The Government will provide in writing to MCC and the Fiscal Agent the account name, designated account number and wire transfer instructions for transfers to Permitted Accounts (the “**Account and Wire Transfer Information**”) no later than ten business days prior to the date on which the initial deposit is to be made to a Permitted Account. In the event that any Permitted Account or the related Account and Wire Transfer Information changes during the term of this Agreement, the Government will provide to MCC and the Fiscal Agent the new information as soon as practicable, but in no event later than ten business days prior to the requested date for the next Disbursement.

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

Section 3.3 Conditions Precedent to the Initial Disbursement for Government-Contracted Activities. MCC's approval of the initial Disbursement Request will be subject to the satisfaction of each of the following conditions (except as such conditions may be waived or deferred by MCC in its sole discretion):

(a) Evidence of Tax Exemption Mechanism. MCC is satisfied that the Government has entered into a tax exemption agreement or such other mechanism acceptable to MCC to establish or give effect to Section 4.2(k), and such mechanisms are in full force and effect.

(b) Procurement Agent Services. Designation 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;

(c) Fiscal Agent Services. Designation 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 the Fiscal Agent Agreement, duly executed and in full force and effect, and the Fiscal Agent engaged thereby is mobilized;

(d) Interim Fiscal Accountability Plan. Adoption of an Interim Fiscal Accountability Plan acceptable to MCC; and

(e) Satisfaction of each of the conditions set forth in Section 3.4.

(f) Initial Disbursements to a Permitted Account. Prior to an initial Disbursement of any Grant funding to a Permitted Account, a true and complete copy of each Bank Agreement, duly executed and in full force and effect as of the date of the related Disbursement Request.

Section 3.4 Conditions Precedent to Each Disbursement of Government-Contracted Activities. MCC's approval of each Disbursement Request will be subject to the satisfaction of each of the following conditions (except as such conditions may be waived or deferred by MCC in its sole discretion):

(a) Delivery of a completed Disbursement Request, together with the periodic reports required under Section 5.1 of this Agreement, in each case in form and substance satisfactory to MCC, covering the related Disbursement Period;

(b) Each of the Government's representations and warranties set forth in Section 4.1 of this Agreement are true and correct on and as of the date on which the Disbursement Request is submitted and as though made on and as of such date;

(c) No material breach of any responsibility, covenant or obligation under this Agreement or any other related agreement (including the Bank Agreement, the Fiscal Agent Agreement, the Procurement Agent Agreement and any Service Provider Contract) by any Permitted Designee has occurred and is continuing on and as of the date of the Disbursement Request; and

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

(d) If requested by MCC, delivery of a certificate from each of the Government, the Permitted Designees, the Procurement Agent and/or the Fiscal Agent, in each case in form and substance satisfactory to MCC.

ARTICLE 4.

GOVERNMENT REPRESENTATIONS, WARRANTIES, AND COVENANTS

Section 4.1 Government Representations and Warranties. The Government hereby represents and warrants to MCC that:

(a) Power; Authorization. The Government has, and each Permitted Designee has the power and authority to execute, deliver, and perform its obligations under this Agreement, and under each other agreement, certificate, or instrument contemplated hereby, as applicable, and none of such actions violate or will violate any other obligation of any Permitted Designee. The signatory of this Agreement is duly empowered to act on behalf of and bind the Government with respect to the obligations contained herein.

(b) No Conflict. This Agreement does not, and will not, conflict with any international agreement or obligation binding on the Government or any of the laws of Mongolia.

(c) Information. The information provided to MCC by or on behalf of the Government in connection with this Agreement, including, without limitation, information provided to MCC in the course of reaching this Agreement, is true, correct and complete in all material respects.

Section 4.2 Government Responsibilities and Covenants.

(a) Principal Responsibility. The Government is responsible for overseeing and managing the implementation of the Government-Contracted Activities.

(b) Permitted Designee.

(i) Subject to the prior written approval of MCC, the Government may designate one or more entities to implement and perform some or all of the Government's obligations or to exercise any rights of the Government under this Agreement (each such entity, a "***Permitted Designee***"), *provided that* such a designation will not relieve the Government of any obligations and rights under this Agreement, for which the Government will retain full responsibility.

(ii) The Government intends to establish a Permitted Designee in accordance with the "Guidelines for Accountable Entities and Implementation Structures" provided by MCC or posted on the MCC Website ("***MCA-Mongolia***," or such other name as the Government may choose and MCC may approve). The Government hereby designates the National Secretariat for Development of the Second Compact Agreement between the Government of Mongolia and the

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

US Millennium Challenge Corporation (the “*National Secretariat*”) to manage the implementation of the Activities, including entering into and managing the Government Service Provider Contracts until such time as MCA-Mongolia: (A) is formed, (B) is approved by MCC to perform the functions and responsibilities herein, and (C) executes this Agreement. MCC hereby acknowledges and consents to the designation of the National Secretariat as contemplated by this Section 4.2(b)(ii). The Government hereby confirms to MCC that the National Secretariat has the authority to enter into obligations and act on behalf of the Government with regard to all Activities.

(c) No Violation of Law. The Government agrees that in the event that any law or regulation of Mongolia makes unlawful or otherwise prevents or hinders the performance of any of its obligations under this Agreement, any Service Provider Contract, any other related agreement, or any transaction contemplated hereby, MCC may in its sole discretion immediately terminate this Agreement in accordance with Section 6.2.

(d) Liens. The Government will ensure that neither the Grant nor any asset acquired with Grant funding will be subject to any impoundment, rescission, sequestration, liquidation, lien, attachment, enforcement of judgment, pledge, or encumbrance of any kind (each a “*Lien*”), except with MCC’s prior written approval. In the event any Lien not so approved is imposed, the Government will promptly seek the release of such Lien and, if such Lien is imposed by a final non-appealable court order, will pay any amounts due in order to obtain such release; *provided that* the Government will not apply any Grant funding or other funds received from MCC (or assets acquired with funds provided by MCC) to satisfy any such obligation.

(e) Insurance; Guaranties. The Government will cause all assets acquired with Grant funding to be insured (including, without limitation, through self-insurance) and will arrange such other appropriate insurance to cover against risks or liabilities associated with the Activities and the transactions contemplated thereby, including by requiring Service Providers to obtain adequate insurance and to post adequate bonds or other guaranties as relevant. In the event of loss or damage to any assets acquired with Grant funding, if the insurance acquired by the Government is insufficient to fully replace the asset, the Government shall be liable to cover any additional costs. With MCC’s prior consent, Grant funding may be used to pay the costs of obtaining such insurance. The Permitted Designee will be named as the payee on any such insurance and the beneficiary of any such guaranty or bonds. If not already named as an insured party, the Government or its applicable Permitted Designee and MCC (if it so requests) will be named as additional insureds on any such insurance. The Government will ensure that any proceeds from claims paid under such insurance or guaranty will be used to replace or repair any lost, stolen or damaged assets acquired with Grant funding; *provided that* at MCC’s election, such proceeds will be deposited in an account as designated by or as otherwise directed by MCC.

(f) Autonomy. The Government will ensure that (i) no decision of any Permitted Designee is modified, supplemented, unduly influenced or rescinded by any governmental authority, except by a non-appealable judicial decision or as otherwise approved by MCC, and (ii) the authority of any Permitted Designee will not be expanded, restricted, or otherwise

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

modified, to the extent such decision or authority is related to this Agreement or the Compact, except in accordance with this Agreement or as approved by MCC.

(g) Further Assurances. The Government will promptly do and perform such other and further acts, and take all necessary and appropriate actions, including using its best efforts to obtain all necessary approvals and consents to otherwise effectively carry out the obligations of the Government set forth in this Agreement.

(h) Performance Liabilities. No Grant funding or any other funding received from MCC (or assets acquired with funds provided by MCC) will be used to pay any damages, including without limitation any indemnification-related payments, incurred or owed by any Permitted Designee under any agreement between the Government, or its Permitted Designee, on the one hand, and any Service Provider or other third party.

(i) Government Resources.

(i) The Government will provide all funds and other resources, and will take all actions, that are necessary to carry out the Government's responsibilities and obligations under this Agreement, and to ensure timely and efficient completion of the Compact development process.

(ii) The Government will use its best efforts to ensure that the amount of Grant funding it receives or is projected to receive in each of its fiscal years is fully accounted for in its annual budget.

(iii) Unless the Government discloses otherwise to MCC in writing, Grant funding will be in addition to the resources that the Government would otherwise receive or budget for the Activities.

(j) Use of Funds.

(i) The Government will ensure that the Grant and any assets or services funded by the Grant, in whole or in part, will be used solely in furtherance of this Agreement and the Activities.

(ii) The Government also will ensure that no Grant funding will be used for any purpose that would violate United States law or policy, as specified in this Agreement or as further notified to the Government in writing by MCC or by posting at www.mcc.gov (the "**MCC Website**"), 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;

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

(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 provided by MCC or posted on the MCC Website; 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.

(k) Taxes.

(i) Unless the Parties specifically agree otherwise in writing, the Government will ensure that all Grant 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, the Grant will 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 Activities; (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 Activities, (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Activities, and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Activities and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Activities except (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).

(ii) MCC and the Government understand that, with respect to Taxes and other charges that may apply in Mongolia on the Activities or on the Service Providers, the provisions contained in the Agreement between the Government of the United States and the Government of Mongolia Concerning Economic, Technical, and Related Assistance, which entered into force on September 8, 1992, will be in effect.

(iii) The Government and MCC may, at MCC's discretion, enter into one or more agreements setting forth the mechanism for implementing this Section 4.2(k), including one or more mechanisms to effect the exemption of Taxes required by Section 4.2(k)(i), which may include (i) exemptions from payment of such Taxes that have been granted in accordance with applicable law; (ii) refund or reimbursement of such Taxes by the Government to MCC, MCA-Mongolia, or to the taxpayer, or (iii) payment by the Government to MCA-Mongolia or

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

MCC, for the benefit of the Activities, or of an agreed amount representing any collectible Taxes on the items described in Section 4.2(k)(i).

(iv) If a Tax has been levied and paid contrary to the requirements of this Section 4.2(k) or any agreement that may be entered into pursuant to this Section 4.2(k), then the Government will refund to MCC (or to another party as designated by MCC) the amount of such Tax in U.S. Dollars within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the date on which the Government is notified in writing, in accordance with procedures agreed by the Parties, of such Tax levy and payment; *provided, however*, the Government will not apply any Grant funding or any assets, goods, or property (real, tangible, or intangible) purchased or financed in whole or in part (directly or indirectly) by Grant funding in satisfaction of its obligations under this paragraph.

(l) Other Government Obligations. The Government will cooperate with MCC and the MCC Service Providers in facilitating the implementation of all MCC Service Provider Contracts in accordance with this Agreement and will comply with each of the obligations and responsibilities set forth in Annex III.

ARTICLE 5.

REPORTS; RECORDS AND AUDITS

Section 5.1 Reports.

(a) Unless otherwise agreed by MCC, the Permitted Designee will provide to MCC the periodic reports required by the “MCC Guidance on Quarterly MCA Disbursement Request and Reporting Package” provided by MCC or posted on the MCC Website (the “**MCC Reporting Guidelines**”), in each case timely delivered and in form and substance satisfactory to MCC.

(b) In addition to the reports required by Section 5.1(a), the Permitted Designee will provide to MCC within 30 days of a written request by MCC, or as otherwise agreed by MCC and the Permitted Designee in writing, such other reports or documents as MCC may request from time to time as related to any component of the CDF Implementation Documents, the Interim Fiscal Accountability Plan, the Interim Procurement Operations Manual, or in connection with any Activity or Disbursement.

Section 5.2 Government Books and Records. The Government will maintain, and will use its best efforts to ensure that any Permitted Designee and Covered Providers maintain, accounting books, records, documents and other evidence relating to this Agreement adequate to show to MCC’s satisfaction the use of all Grant funding (collectively, the “**Records**”). Records must be maintained for at least five years after the end of the term of this Agreement or for such longer period, if any, required to resolve any litigation, claims or audit findings or any statutory requirements. The Government will furnish or cause to be furnished to MCC upon MCC’s request all such Records.

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

Section 5.3 Accounting. The Government will maintain, and will use its best efforts to ensure that any Permitted Designee and Covered Providers maintain, 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 (a) prescribed by the International Accounting Standards Board or (b) then prevailing in Mongolia.

Section 5.4 Access; Audits. Upon MCC's request, the Government at all reasonable times will permit, or cause to be permitted, authorized representatives of MCC, an authorized Inspector General of MCC (the "*Inspector General*"), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Agreement, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review or evaluation of the Activities, the opportunity to audit, review, evaluate or inspect facilities, assets, and activities funded in whole or in part by MCC. The Permitted Designee will make provision for such audit, review, assessment, evaluation or inspection in each contract with a Provider. Any audit conducted in connection with this Agreement or any transaction contemplated hereby will be prepared in accordance with the "Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities" (the "*MCC Audit Guidelines*") provided by MCC or posted on the MCC Website.

ARTICLE 6.

TERM; TERMINATION AND SUSPENSION OF THE GRANT

Section 6.1 Term. Unless otherwise agreed in writing between the Parties, whether or not the entire amount of the Grant has been disbursed and fully expended, this Agreement will terminate on the earlier of (a) the date on which all of the Activities have been fully performed and final payment has been made with respect to such performance in accordance with this Agreement, (b) the date on which either Party terminates this Agreement in accordance with Section 6.2, (c) the fifth anniversary of the date of this Agreement, or (d) the date of termination of the Compact.

Section 6.2 Termination and Suspension.

(a) Either Party may terminate this Agreement in its entirety by giving the other Party 30 days' written notice; *provided that* the Government may not terminate this Agreement with respect to any activity for which a Disbursement has already been issued or approved by MCC or for which a period longer than 30 days may be required under the applicable Service Provider Contract, in which case this Agreement may be terminated by the Government upon the passage of such longer period as specified in such Service Provider Contract.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Agreement or the Grant, 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 (whether in writing to the Government or by posting on the MCC Website) has occurred, which circumstances include but are not limited to the following:

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

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

(ii) an event or series of events has occurred that MCC determines makes it improbable that the Activities can be performed, that the Government will be able to perform its obligations under this Agreement or that the Compact will be entered into;

(iii) a use of the Grant or continued implementation of this Agreement would violate applicable law or United States Government policy, whether now or hereafter in effect;

(iv) the Government or any other person or entity receiving Grant funding or using assets acquired in whole or in part with Grant funding is engaged in activities that are contrary to the national security interests of the United States of America;

(v) 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 the Foreign Assistance Act of 1961 or any other provision of law;

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

(vii) a person or entity receiving Grant funding or using assets acquired in whole or in part with Grant funding is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

(c) All Disbursements will cease upon expiration, suspension, or termination of this Agreement; *provided that* Grant funding may be used, in compliance with this Agreement, to pay for (i) reasonable expenditures for goods, works or services that are properly incurred under or in furtherance of this Agreement before expiration, suspension, or termination of this Agreement, *provided that* the request for such expenditures is submitted within 90 days after such expiration, suspension or termination, and (ii) reasonable expenditures (including administrative expenses) properly incurred in connection with the winding up of the Activities within 120 days after the expiration, suspension or termination of this Agreement.

(d) Subject to Section 6.2(c), upon the expiration, suspension, or termination of this Agreement, (i) any amounts of the Grant not disbursed by MCC will be automatically released from any obligation in connection with this Agreement without any action from the Government or MCC, and (ii) any amounts of the Grant disbursed by MCC to the Government but not expended before such expiration, suspension, or termination of this Agreement, plus accrued interest thereon will be returned to MCC within 30 days after the Government receives MCC's request for such return, and the Government will ensure that such amount will be returned promptly to such account(s) designated by MCC.

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

(e) MCC may reinstate any suspended or terminated portion of the Grant under this Agreement if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which the Grant was suspended or terminated.

Section 6.3 Refunds.

(a) If any Grant funding, any interest or earnings thereon, or any asset acquired in whole or in part with Grant funding is used for any purpose in violation of the terms of this Agreement, then MCC may require the Government to repay to MCC in U.S. Dollars the value of the misused portion of the Grant, interest, earnings, or asset, plus interest within 30 days after the Government's receipt of MCC's request for repayment. The Government will not use any Grant funding, proceeds thereof, any other funds received from MCC, or any assets acquired with Grant funding or with any such other funds to make such payment.

(b) If the Government fails to pay any amount under this Agreement when due (including amounts under Section 4.2(k)(iii) and 6.3(a)), interest will be paid on such unpaid amount. Interest will accrue on such unpaid 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 amount is paid in full. Any such payment will first be credited against interest due, and once the interest due amount is extinguished, then payments will be credited against outstanding principal.

(c) Notwithstanding any other provision in this Agreement or any other agreement to the contrary, MCC's right under this Section 6.3 for a refund will continue during the term of this Agreement and for a period of (i) five years thereafter or (ii) one year after MCC receives actual knowledge of such violation, whichever is later.

ARTICLE 7.

GENERAL

Section 7.1 Governing Law; Consultations.

(a) This Agreement will be governed by and construed in accordance with the laws of the State of New York, without giving effect to any conflict of law principles.

(b) Any dispute with regard to this Agreement will be resolved between the Parties through consultations.

(c) In matters arising under or relating to this Agreement, neither Party will be deemed to have submitted to the jurisdiction of the courts of or in the State of New York or any other court or judicial body.

Section 7.2 Representatives. For all purposes relevant to this Agreement, the Government will be represented by the individual holding the position of, or acting as, the Minister of Foreign Affairs, and MCC will be represented by the individual holding the position of, or acting as, the

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

Vice President for Compact Operations (each of the foregoing, a “*Principal Representative*”). Each Party may, by written notice to the other Party, designate one or more additional representatives (each an “*Additional Representative*”) for all purposes other than signing amendments to this Agreement. MCC hereby designates the Deputy Vice President for Compact Operations Europe, Asia, Pacific, and Latin America as an Additional Representative. A Party may change its Principal Representative to a new representative of equivalent or higher rank upon written notice to the other Party.

Section 7.3 Communications. Any document or communication required or submitted by either Party to the other under this Agreement must be submitted in writing and, except as otherwise agreed with MCC, in English to such Party’s Principal Representative, and, if applicable, to such Party’s Additional Representative(s), at such address as may be provided from time to time.

Section 7.4 Counterparts. Except as the Parties may otherwise agree in writing from time to time, this Agreement and any related notice, certificate, instrument, agreement, or other document may be executed using counterpart signatures and, each when so executed and delivered, will be an original instrument, but such counterparts together will constitute a single agreement. A signature delivered by facsimile or electronic mail will be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying related notice, certificate, instrument, agreement or other document on the basis of the signature’s legal effect, validity or enforceability solely because it is in facsimile or electronic form. Such signature will be accepted by the receiving Party as an original signature and will be binding on the Party delivering such signature.

Section 7.5 Relationship Between the Parties. Nothing in this Agreement will be construed to constitute or create a partnership, agency relationship, joint venture or equity or similar interest between the Parties. Neither Party has the power or authority to act on behalf of the other Party, except as expressly authorized by the other Party in writing.

Section 7.6 MCC Status. MCC is a United States Government corporation acting on behalf of the United States Government in the implementation of this Agreement and the Activities. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Agreement. The Government hereby 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 Agreement, and agrees it will 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 will 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 Agreement.

Section 7.7 Publicity; Information and Marking. The Government will give appropriate publicity to this Agreement as a program to which the United States of America, through MCC,

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

has contributed, including by posting this Agreement, in English, as MCC may request, on an agreed website, identifying the Grant activity sites and marking assets acquired with the Grant, all in accordance with the MCC Standards for Global Marking, as applicable, of which MCC has informed the Government in writing or by posting on the MCC Website; *provided that* any press release or announcement regarding MCC or the fact that MCC is making the Grant or any other publicity materials referencing MCC will be subject to MCC's prior written approval. MCC may post this Agreement on the MCC Website. MCC may freely use any information it receives in any report or document provided to it in connection with this Agreement.

Section 7.8 No Assurance of Future Assistance. Nothing contained in this Agreement will be construed as creating an obligation on the part of MCC to provide any further funding or assistance other than the Grant, including without limitation the provision of any funding for the Compact or any other project or program in Mongolia.

Section 7.9 Amendment.

(a) This Agreement may be amended or modified by written agreement of the Principal Representatives.

(b) Notwithstanding Section 7.9(a), the Government hereby acknowledges and agrees the Parties may, by written agreement of the Principal Representative or any Additional Representatives, (i) modify any Annex to this Agreement in order to modify any Activity described in Annex I, or (ii) modify the designation or allocation of funds among the Activities, as identified in the initial allocation of Grant funding as set forth in Annex II; *provided that* any such modification (A) is consistent in all material respects with the Objective of this Agreement, (B) does not cause the amount of the Grant to exceed the aggregate amount specified in Section 1.1, (C) does not cause the Government's responsibilities or contribution of resources to be less than specified in this Agreement, and (D) does not extend the term of this Agreement beyond the fifth anniversary of the date of this Agreement. Any such modification pursuant to this Section 7.9(b) will not be deemed an amendment of this Agreement pursuant to Section 7.9(a).

Section 7.10 Severability. If one or more provisions of this Agreement is held to be unenforceable, such provision(s) will be excluded from this Agreement and the balance of this Agreement will be interpreted as if such provision(s) were so excluded and will be enforceable in accordance with its terms.

Section 7.11 Non-Waiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with this Agreement will be construed as a waiver of such right or remedy.

Section 7.12 Survival. The Government's obligations under Sections 4.1, 4.2, 6.2, 6.3, 7.1, 7.2, 7.3 and 7.6, this Section 7.12 and Article 5 survive the expiration, suspension or termination of this Agreement.

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

Section 7.13 Language. This Agreement is prepared in English and in the event of any ambiguity or conflict between this English version and any other version translated into any language for the convenience of the Parties, this English version will prevail.

Section 7.14 Interpretation. Any reference to the term “including” in this Agreement will be deemed to mean “including, without limitation,” except as expressly provided otherwise. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) the words “herein,” “hereof” and “hereunder,” and words of similar import, will be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (c) all references herein to Articles, Sections, Exhibits and Annexes will be construed to refer to Articles and Sections of, and Exhibits and Annexes to, this Agreement, and (d) any approval right granted to MCC herein will only be satisfied upon the prior written approval of MCC. The section headings used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

Section 7.15 References to MCC Website. Each reference in this Agreement, or any other agreement entered into in connection with this Agreement, to a document or information available on, or notified by posting on, the MCC Website will be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 7.16 References to Laws, Regulations, Policies, and Guidelines. Each definition of or reference to in this Agreement, or any other agreement entered into in connection with this Agreement, a law, regulation, policy, guideline or similar document, unless otherwise expressly set forth herein, will 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 will 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.

Section 7.17 Grant Reference. In the event that the Permitted Designee undertakes the procurement or implementation of any Government-Contracted Activities, MCC will send a Grant reference number to the Government and its Permitted Designee. The Grant reference number sent by MCC should appear on all subsequent notices, requests, reports or other correspondence in connection with the Grant funding.

Section 7.18 Entire Agreement. This Agreement will constitute the entire agreement of the Parties with respect to the subject matter hereof and the transactions contemplated hereby, superseding and extinguishing all prior agreements, understandings, negotiations and representations and warranties, whether oral or written, relating to the subject matter hereof.

SIGNATURE PAGE FOLLOWS ON NEXT PAGE

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

IN WITNESS WHEREOF, MCC and the Government, each acting through its duly authorized representative, have caused this Agreement to be executed in their names and delivered as of the date first written above.

MILLENNIUM CHALLENGE
CORPORATION

THE GOVERNMENT OF MONGOLIA,
ACTING THROUGH THE MINISTRY OF
FOREIGN AFFAIRS

/ s /

/ s /

By: _____
Name: Kyeh Kim
Title: Vice President (Acting), Department of
Compact Operations

By: _____
Name: Tsend Munkh-Orgil
Title: Minister for Foreign Affairs of
Mongolia

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

EXHIBIT A

INDEX OF DEFINITIONS

The following compendium of capitalized terms that are used herein is provided for the convenience of the reader. To the extent that there is a conflict or inconsistency between the definitions in this Exhibit A and the definitions elsewhere in the text of this Agreement, the definition elsewhere in this Agreement will prevail over the definition in this Exhibit A.

***Account and Wire Transfer Information** has the meaning provided in Section 3.2(c)(iv).*

***Activity and Activities** has the meaning provided in Section 1.1 and include both Government-Contracted Activities and MCC-Contracted Activities.*

***Additional Representative** has the meaning provided in Section 7.2.*

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

***Bank** has the meaning provided in Section 3.2(c)(i).*

***Bank Agreement** has the meaning provided in Section 3.2(c)(i).*

***CDF** has the meaning provided in the Recitals.*

***CDF Detailed Financial Plan** has the meaning provided in Section 2.1(a).*

***CDF Implementation Documents** has the meaning provided in Section 2.1.*

***Compact** has the meaning provided in the Recitals.*

***Compact Development Funding** has the meaning provided in the Recitals.*

***Common Payment System** refers to a payment system using the U.S. Department of Treasury's International Treasury System, which allows Permitted Designees to make payments directly from the U.S. Treasury to vendors.*

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

***Disbursement** has the meaning provided in Section 3.2(a).*

***Disbursement Period** has the meaning provided in Section 3.2(a).*

***Disbursement Request** has the meaning provided in Section 3.2(a).*

***Fiscal Agent** has the meaning provided in Section 2.3(a).*

***Fiscal Agent Agreement** has the meaning provided in Section 2.3(a).*

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

***Government-Contracted Activities** has the meaning provided in Section 2.1.*

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

Government Contribution has the meaning provided in Section 3.2(c)(ii).

Government Service Provider has the meaning provided in Section 2.1(c)(i).

Government Service Provider Contracts has the meaning provided in Section 2.1(c)(i).

Grant has the meaning provided in Section 1.1.

Inspector General has the meaning provided in Section 5.4.

Interim Fiscal Accountability Plan has the meaning provided in Section 2.3(b).

Interim Procurement Operations Manual has the meaning provided in Section 2.2(c).

Lien has the meaning provided in Section 4.2(d).

MCA-Mongolia has the meaning provided in Section 4.2(b)(ii).

MCC has the meaning provided in the Preamble.

MCC Audit Guidelines has the meaning provided in Section 5.4.

MCC-Contracted Activities has the meaning provided in Section 2.1(c)(ii).

MCC Program Procurement Guidelines has the meaning provided in Section 2.2(a).

MCC Reporting Guidelines has the meaning provided in Section 5.1(a).

MCC Service Provider has the meaning provided in Section 2.1(c)(ii).

MCC Service Provider Contracts has the meaning provided in Section 2.1(c)(ii).

MCC Service Provider Disbursement has the meaning provided in Section 3.1(b).

MCC Website has the meaning provided in Section 4.2(j)(ii).

Ministry has the meaning provided in the Preamble.

Mongolian Tugrik means the lawful currency of Mongolia from time to time.

National Secretariat has the meaning provided in Section 4.2(b)(ii).

Objective has the meaning provided in the Recitals.

Party and Parties has the meaning provided in the Preamble.

Permitted Account has the meaning provided in Section 3.2(c)(i).

Permitted Designee has the meaning provided in Section 4.2(b)(i).

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT
MCC AND GOVERNMENT ADMINISTERED

Principal Representative has the meaning provided in Section 7.2.

Procurement Agent has the meaning provided in Section 2.2(b).

Procurement Agent Agreement has the meaning provided in Section 2.2(b).

Project Proposals has the meaning provided in the Recitals.

Provider has the meaning provided in the MCC Audit Guidelines.

Records has the meaning provided in Section 5.2.

Service Provider has the meaning provided in Section 2.1(c)(iii).

Service Provider Contracts has the meaning provided in Section 2.1(c)(iii).

Taxes has the meaning provided in Section 4.2(k)(i).

U.S. Dollars or *US\$* means the lawful currency of the United States of America from time to time.

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT
MCC AND GOVERNMENT ADMINISTERED
ANNEX I

DESCRIPTION OF THE ASSISTANCE

The Grant will be utilized to further develop the proposed Compact. With regard to the Ulaanbaatar Water Sector Infrastructure Activity and Ulaanbaatar Water Sector Operational Support Activity, as further described below, the Grant will fund preparatory activities that will help assess the expected impact and feasibility of the proposed interventions.

1. MCC-Contracted Activities

(a) Ulaanbaatar Water Sector Infrastructure Activity

Grant funding may be used to develop a proposed interventions that may include:

- (i) investments in bulk water supply from groundwater sources; and
- (ii) industrial water recycling.

(b) Ulaanbaatar Water Sector Operational Support Activity

Grant funding may be used to develop proposed interventions that may include institutional and policy reform and regulatory strengthening activities to support water sector effectiveness and increase inclusive and equitable water service delivery. This includes development of a gender and social inclusion strategy for the Water Supply and Sewerage Authority of Ulaanbaatar, as well as tools for urban service area growth planning and management.

To develop these proposed interventions, Grant funding may be used to support feasibility studies, environmental and social baseline studies and impact assessments, social and gender assessments, resettlement policy frameworks and action plans, economic analysis, and preliminary engineering designs.

(c) Program Administration

In furtherance of the preparation and development of the proposed Compact, the Grant will support payments for a Recruitment Firm for hiring and other activities to expedite recruitment for the accountable entity.

2. Government-Contracted Activities

(a) Program Administration

In furtherance of the preparation and development of the proposed Compact, the Grant will support payments for goods and activities aimed at developing and setting up a compact implementation framework, including (i) a Fiscal Agent, and (ii) a Procurement

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

Agent. Grant funding may also be used to support administrative set-up expenses for the accountable entity.

The above allocation between the MCC-Contracted Activities and the Government-Contracted Activities is subject to change.

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

ANNEX II

COMPACT DEVELOPMENT FUNDING GRANT FINANCIAL PLAN

Activity	Budget (US\$)	Budget (US\$)
	MCC-Contracted Activities	Government-Contracted Activities
Ulaanbaatar Water Sector Infrastructure Activity	US\$ 8,250,000	
Ulaanbaatar Water Sector Operational Support Activity	US\$ 500,000	
Program Administration	US\$ 250,000	US\$ 1,500,000
Total Estimated MCC Contribution	US\$ 9,000,000	US\$ 1,500,000
TOTAL ESTIMATED MCC CONTRIBUTION (MCC AND GOVERNMENT-CONTRACTED ACTIVITIES)	US \$10,500,000	

ANNEX III

**ROLES AND RESPONSIBILITIES OF THE GOVERNMENT FOR MCC-
CONTRACTED ACTIVITIES**

The Government will participate in the following aspects of the implementation of the Activities and will have the following obligations and responsibilities in respect of each MCC-Contracted Activity:

1. Review and comment on the terms of reference/scope of work for each MCC Service Provider procurement within an agreed timeframe.
2. Facilitate and cooperate in obtaining all permits, consents, and approvals necessary or advisable for the successful and timely performance of all aspects of each Activity as may be determined by MCC, and assist in the identification and contracting of appropriate office space by each MCC Service Provider at such MCC Service Provider's expense.
3. Verify the services performed by an MCC Service Provider and, to the extent available, provide such other documents, data or information as may be requested from time to time by MCC (including in connection with MCC's determination of the acceptability of an invoice) or any MCC Service Provider, and provide a prompt response to any such request for verification or information within five (5) business days.
4. If requested by MCC, ensure a qualified representative of the Government with the relevant technical expertise is available to assist any MCC Service Provider or any MCC technical expert in the performance of the services.
5. Coordinate, as requested, meetings with related agencies, in order to review relevant deliverables provided by any MCC Service Provider and the performance of such MCC Service Provider in connection with the fulfillment of the applicable Activities.
6. Inform each MCC Service Provider of, and as appropriate, facilitate access by each MCC Service Provider to, relevant donor, industry and technical meetings in such MCC Service Provider's field.
7. In connection with the mobilization of each MCC Service Provider:
 - (a) Perform an introduction and orientation for the MCC Service Provider at the commencement of each Activity start-up and perform weekly consultations with the MCC Service Provider in order to promote efficient information sharing and effective collaboration;
 - (b) Participate in the monitoring of the MCC Service Provider's performance and the progress of each Activity; prepare regular reviews of Activity progress, reports and deliverables

MCC COMPACT DEVELOPMENT FUNDING AGREEMENT

MCC AND GOVERNMENT ADMINISTERED

of the MCC Service Provider; review and comment on work plans, reports and other major deliverables;

(c) If requested by MCC, submit to MCC, within two weeks of receipt of such request, or such other time as MCC may specify, a memorandum reviewing and commenting on the MCC Service Provider's major deliverables;

(d) In a timely manner, respond to the MCC Service Provider's reasonable and appropriate requests for contact information and for organizing meetings with local private sector, civil society, and public agencies as needed to facilitate the tasks called for in the terms of reference/scope of work; and

(e) Participate in regular tripartite meetings (which may be conference calls) every 15 days or at such intervals as may be requested by either Party, with the MCC Service Provider and MCC, in order to review the progress and any issues associated with the fulfillment of the Activities (including review of major draft revisions and final work product).

8. Ensure that any applicable ministries, agencies, or other entities of the Government required for the successful implementation of the Grant enter into such further agreements or memoranda of understanding as may be requested by MCC to specify the responsibilities of such Government entities with respect to the Objective of this Grant.