



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to obligate up to \$750,000 to facilitate the development and implementation of a Millennium Challenge Compact with the Government of Mongolia.

The attached notification is being sent to the Congress on January 28, 2015. Obligation of funds may be incurred on or after 15 days from the date of this notification.

In addition, we have attached supplemental information that further describes the planned use of the funds.

Sincerely,

/s/

Paul Weinberger
Vice President
Congressional and Public Affairs

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

January 28, 2015

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal Year 2015 Program Funds
OBLIGATION AMOUNT:	\$750,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2015, this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$750,000 under Section 609(g) of the Millennium Challenge Act of 2003, as amended, for the purpose of facilitating the development and implementation of a Millennium Challenge Compact (“Compact”) with the Government of Mongolia.

MCC plans to finance initial administrative expenses required to ensure prompt and comprehensive completion of compact development preliminary analysis activities, including without limitation completion of an economic constraints analysis and initial sector analyses for identified binding constraints.

SUPPLEMENTAL INFORMATION

MCC 609(g) Initial Engagement Expenses for Mongolia

Background

MCC's Board of Directors selected Mongolia as eligible to develop a compact program on December 10, 2014. After graduating to lower middle income ("LMIC") status in FY 2013, Mongolia has passed MCC's scorecard criteria for two consecutive years and has shown improvement on the Control of Corruption indicator. It also remains a strong democracy in its region. Rapid growth in the mining sector has fostered recent economic growth; however, 27 percent of the population live below the national poverty line, on par with countries such as Honduras or Nicaragua. The country successfully implemented its first compact, which focused on strengthening property rights, reducing non-communicable diseases, bolstering vocational education, reducing air pollution, and constructing an all-weather road to link markets (see additional information below).

Planned 609(g) Expenses

MCC's compact development process begins with a diagnostic analysis intended to identify a country's binding constraints to economic growth (the "Constraints Analysis"). Timely completion of the Constraints Analysis and agreement on binding constraints, as well as completion of related public consultations and initial sector assessments, represents a critical, initial milestone in MCC's compact development process.

MCC intends to use 609(g) funding to finance initial administrative expenses necessary to ensure timely completion of a comprehensive Constraints Analysis and related analyses. Such expenses may include, without limitation: initial salaries for critical, dedicated technical experts, such as economists, social, gender and private sector experts, monitoring and evaluation expertise, and a designated national coordinator; support for public consultations; and related administrative expenses ("Initial Engagement Expenses").

Early support for the Initial Engagement Expenses will ensure that Mongolia and MCC have access to the technical expertise needed to conduct a rigorous Constraints Analysis, as well as related analyses, thereby setting the stage for robust project proposal(s) and facilitating the development of an MCC compact.

Update and Sustainability of First Compact

First Compact Update

In October 2007, the Government of Mongolia and MCC signed a five-year, \$284.9 million compact to increase economic growth and reduce poverty. The Mongolian government collaborated with key stakeholders, including the private sector and civil society, to identify country-led priorities for MCC investments. As a result, the Mongolian government developed a compact plan focused on investments in land tenure, health, vocational education, and

transportation. The compact was amended in 2010 to include investments in energy and the environment. Ultimately, the final compact's five projects were:

- Property Rights Project: to increase the security and capitalization of land assets held by lower-income Mongolians and increase peri-urban herders' productivity and incomes.
- Health Project: to increase the adoption of behaviors which reduce non-communicable diseases and injuries ("NCDI") and improve early detection, treatment and control of NCDIs.
- Vocational Education Project: to increase employment and income among unemployed and marginally employed Mongolians.
- Energy and Environment Project: to reduce air pollution in the capital city, Ulaanbaatar, through financial incentives for the adoption of energy efficient technologies and network upgrades.
- North-South Road Project: to provide more efficient transport for trade and access to services.

Expected outcomes from the first Compact include increased employment rates of technical and vocational education and training ("TVET") graduates; increased annual salary of TVET graduates; decreased travel time from Choir to Sainshand by more than half, from 5 hours to just over 2 hours; decreased prevalence of high salt intake and high blood pressure; increased focus on the prevention and treatment of cardiovascular disease, stroke, adult onset diabetes, hypertension, cervical cancer, and breast cancer; decreased estimated health costs from air pollution in Ulaanbaatar; increased immovable property values of land plots in the underdeveloped districts of Ulaanbaatar and eight regional centers; and increased herder incomes and more productive and sustainable use of pasture land.

Property Rights Project: The \$27.8 million Property Rights Project was designed to address the complex and costly process of obtaining land ownership by improving the property registration system and helping poor households obtain titles to land in underdeveloped urban districts. The project also facilitated the leasing of pastureland near cities to herder groups in peri-urban areas and invested in infrastructure and training to improve livestock productivity and herder incomes in peri-urban areas. Over the next 20 years, this project is expected to increase household income by \$13.9 million and benefit 112,760 people. The project formalized 19,357 land plots, established or upgraded 11 land administration offices, designed and installed an electronic property registration, converted paper records on property rights into digital form, mapped 67,273 urban parcels, dug 346 wells, and awarded 387 leases to herder groups in peri-urban areas.

Health Project: The \$38.97 million Health Project was designed to address Mongolia's rapidly increasing rates of NCDIs and injuries and overemphasis on treatment-based approaches by strengthening the national program for prevention, early diagnosis and management of NCDIs. The project also sought to address major causes and risks of NCDIs, which cause premature adult death and disability and ultimately affect labor force productivity and the economic well-being of Mongolians. Over the next 20 years, this project is expected to benefit more than 1.7 million people. The project trained 15,604 health staff, supported 35 health care workers in a Masters in Public Health program to develop a new cohort of public health and NCDI advocates, provided two mammography machines, improved screening methodologies and procedures, approved and

distributed 7 clinical guidelines and 4 clinical standards, and established a catheterization laboratory, CT scan, intensive care and rehabilitation units for stroke and heart attack patients, including 40 state-of-the-art hospital beds.

Vocational Education Project: The \$47.3 million Vocational Education Project was designed to improve and modernize Mongolia’s vocational education system by supporting reforms to TVET training policy and operational framework, implementing professional development programs for TVET instructors, updating curricula based on competency-based training standards, establishing a labor market information system, and providing state-of-the-art equipment. Over the next 20 years, this project is expected to benefit 170,000 people. The project created a new labor market information and career guidance system and quality improvements in six priority trades benefitting 50 vocational colleges and 17,480 students. More than 100 employers engaged in establishing new skill standards, updating curricula in 28 trades, competency-based assessment, expanded apprenticeship opportunities, industrial workshops and faculty-industry exchanges. MCC helped train hundreds of teachers in new technical skills and teaching methodologies, as well as provide new technical equipment including multimedia resource centers. In addition, to help the Mongolian system align with best international practices in TVET, three Mongolian TVET schools were established as model “Centers of Excellence” (“CoEs”) in their respective fields of mining, construction and health, and linked with two equivalent Australian institutions. Finally, the project constructed, rehabilitated, and equipped 18 technical and vocational education facilities and established three centers of excellence (featuring mining, construction, and health).

Energy and Environment Project: The \$45.3 million Energy and Environment Project was designed to reduce high levels of air pollution in Ulaanbaatar through financial incentives for underdeveloped urban district residents to adopt energy-efficient and lower-emission technologies, through upgrades to the electrical network and through limited tariff subsidies in support of the country’s first on-grid commercial wind farm in Mongolia. Over the next 20 years, this project is expected to benefit 343,570 people. The project upgraded 10 heat-only boiler sites and provided subsidies for 103,255 stoves, more than 20,000 ger insulation sets, more than 5,000 ger vestibules, and 99 energy efficient homes. The project also upgraded the Nalaikh substation, installed a fiber optic cable for the wind farm, and installed a dispatch training simulator.

North-South Road Project: The \$88.4 million North-South Road Project was designed to address the inadequate transport infrastructure for trade and associated inaccessibility of services in the critical economic corridor of the country by constructing an all-weather road in a key segment of the corridor and connecting Mongolian markets to key trading partners. Over the next 20 years, this project is expected to benefit 168,900 people. The entire road was completed within the Compact timeframe. A total of 176 kilometers of roads was completed and access roads were built to connect two local towns with approximately 5,000 residents each to the main road.

Sustainability

The Government of Mongolia has committed to making adequate funding available to properly maintain the North-South road network along with other sustainability measures, including the finalization of the gas management system for the Stroke and Cardiac Unit at Hospital N.3. The Government of Mongolia has adopted MCC’s practices regarding open and transparent

procurement processes, as well as an adherence to international environmental standards, one example of which is the new prohibition on construction using products containing asbestos. Furthermore, to ensure continued monitoring and evaluation of the projects funded through the 2007 Compact, the Government of Mongolia has continued to liaise with MCC's monitoring and evaluation ("M&E") team on the execution of the post-compact M&E Plan.