



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to notify you that the Millennium Challenge Corporation intends to provide additional assistance to the Government of Mongolia to facilitate the development and implementation of a Millennium Challenge Compact.

If you or your staff would like to arrange a meeting to discuss this assistance, please contact Dan Petrie at (202) 521-3583 or [PetrieDB@mcc.gov](mailto:PetrieDB@mcc.gov).

The attached notification is being sent to Congress on June 16, 2020. The assistance may be provided and funds obligated on or after 15 days from the date of this notification.

In addition to the enclosed notification, we have attached supplemental information regarding the planned assistance.

Sincerely,

/s/

Emily Davis  
Vice President  
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION  
CONGRESSIONAL NOTIFICATION**

June 16, 2020

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal Year 2020 Program Funds
OBLIGATION AMOUNT:	\$1,525,150

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020, and section 610(a) of the Millennium Challenge Act of 2003, as amended (the “Act”), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to an additional \$1,525,150 under section 609(g) of the Act to provide assistance to the Government of Mongolia for the purpose of facilitating the development and implementation of a Millennium Challenge Compact with MCC.

The funds are expected to finance program administration and oversight activities necessary to further prepare the Compact for implementation.

## SUPPLEMENTAL INFORMATION - MCC 609(G) ACTIVITIES FOR MONGOLIA

### **Background**

MCC signed a five-year, \$350 million Millennium Challenge Compact with the Government of Mongolia (the “Government”) on July 27, 2018. The Compact, which has not entered into force, aims to reduce poverty through economic growth by assisting the Government in addressing one of the country’s most binding constraints to economic growth: inadequate access to water and sanitation in productive sectors and poor communities. The Compact will address the constraint of long-term water supply to the capital city of Ulaanbaatar through a **Water Supply Project**, the objective of which is to meet the projected demand for water in Ulaanbaatar for residential consumers and commercial and industrial users over the medium term in economically and environmentally sustainable ways. The Water Supply Project is composed of three activities:

- A **Downstream Wells Activity** to construct new groundwater wells with attendant transmission lines and reservoirs in the aquifers downstream from Ulaanbaatar, along with an advanced water purification plant to remove likely contaminants in the water;
- A **Wastewater Recycling Activity** to construct a new wastewater recycling plant and pipelines to provide high-quality treated wastewater that can be used instead of fresh water by water-intensive power and heating plants and industries, thereby increasing the amount of fresh water available for household consumption; and
- A **Water Sector Sustainability Activity** to support policy reforms, capacity building, and technical assistance, as well as small-scale physical improvements that reduce operating costs at the city’s primary water utility, to improve the long-term sustainability of Ulaanbaatar’s water supply.

In addition to the \$350 million that MCC has committed to the Compact, the Government has pledged to make a country contribution of up to \$111,760,000 in direct funding. Relative to the amount of Compact funding provided by MCC, Mongolia’s contribution—at 32 percent of the MCC funding amount—will be one of the largest compact country contributions ever made by an MCC partner country.

### **Preparation for Compact Implementation**

Since signing the Compact, the Government has been working diligently to complete all necessary preparations for implementation. In April 2019, the Millennium Challenge Account-Mongolia (“MCA-Mongolia”), the entity that will manage implementation of the Compact on behalf of the Government, engaged a contractor to develop detailed designs for the Downstream Wells Activity. This activity includes the advanced water purification plant that will purify new water supplies to drinking standard. This plant will bring new, advanced technologies to Ulaanbaatar’s water sector and, as such, will be complicated to construct and require specialized training in operations and maintenance. The timeline for constructing the plant will be further complicated by Mongolia’s limited construction season due to the country’s harsh winters. Constructing the advanced water purification plant is a critical component in successfully and sustainably implementing the Compact.

In March 2020, MCA-Mongolia's contractor finalized critical design work necessary for the Compact's Downstream Wells Activity and delivered the requisite report – known as the 60 percent design report – outlining key findings and analyses on the details available to date. This 60 percent design report confirmed that the full five years of the Compact are needed to complete construction, commissioning, and operations and maintenance training associated with the advanced water purification plant. After analyzing the findings and consulting with MCC, the Government proposed extending the target date for the Compact's entry into force from August 31, 2020 to March 31, 2021. The Government plans to use this additional time prior to implementation to conduct critical procurement activities related to the plant. By conducting these procurements before the Compact enters into force rather than after (as originally planned), the Government will preserve the limited time in the five-year Compact term to sustainably construct and commission the plant and other Compact infrastructure. MCC concurs with this course of action.

### **Additional Section 609(g) Funding Requirements**

In accordance with congressional notifications on January 28, 2015, and April 18, 2017, MCC has provided approximately \$11,250,000 of section 609(g) assistance to date to fund activities to develop Mongolia's Compact, including to support the Government's compact development team; to conduct feasibility studies and related environmental, social and economic assessments; to engage technical experts; and to cover necessary administrative costs related to setting up MCA-Mongolia, including recruitment and staffing, fiscal and procurement agent services, and office lease and utilities. As notified to Congress on June 11, 2018, up to \$28,060,000 of section 609(g) funding has also been made available to support pre-implementation activities, including the detailed design work for the Downstream Wells Activity, as described above. The Government has prudently budgeted and used existing resources and will continue to use remaining resources to support preparatory activities.

With the extension of the target date for entry into force to March 31, 2021, an additional \$1,525,150 is required to maintain the administrative framework that the Government has put into place to support successful Compact implementation. The funds will assist Mongolia to further prepare for Compact implementation by financing the continued operations of MCA-Mongolia and its contractors during the extended pre-implementation period. Specifically, it is planned that the funds will finance the services of a fiscal agent and a procurement agent, as well as other expenses of MCA-Mongolia, such as salaries, rent, and utilities; the implementation of IT infrastructure; and other approved administrative requirements. The additional funding will help mitigate risks related to completing the works and support the long-term sustainability of the Compact program.

Table I presents the budget for the proposed use of the assistance.

**Table I: Proposed Budget for Additional Section 609(g) Funds**

<b>Activity</b>	<b>609(g) Funding</b>
Fiscal Agent Services	\$659,344
Procurement Agent Services	\$564,158
Program Administration Expenses	\$301,648
<b>TOTAL FUNDING</b>	<b>\$1,525,150</b>

**Status of the Compact**

The Government also has been preparing the Compact’s other two activities, including completing the designs and requirements for the Wastewater Recycling Activity. Under the Water Sector Sustainability Activity, MCA-Mongolia is assessing customers’ willingness and ability to pay for water and wastewater services, and is providing technical assistance to tariff-setting efforts to ensure the water utility can sustainably recover the costs of operations and maintenance and depreciation. MCA-Mongolia has also engaged a program management consultant to assist in managing the implementation of all major infrastructure works.

In addition to preparing the technical components of the program, the Government has made significant strides in setting up the administrative framework to govern Compact implementation. The Government ratified the Compact through Parliament, and negotiated and signed the Program Implementation Agreement, which provides additional details on the governance of the program, disbursement of funds, and oversight and reporting requirements. The Government established MCA-Mongolia to manage implementation of the Compact and has staffed the entity with nearly 40 technical and administrative experts. MCA-Mongolia has a fully-staffed Board of Directors—composed of nine members from government, civil society, and the private sector—that convenes quarterly and provides guidance and oversight to MCA-Mongolia, its planned activities, and uses of funds. MCA-Mongolia also contracted a fiscal agent and a procurement agent to provide the agency with critical procurement, contracting, and financial administration services.

Mongolia, like most countries, has experienced disruptions caused by the COVID-19 pandemic. MCC is closely monitoring events and working with the Government to maintain progress while prioritizing the health and safety of MCA-Mongolia staff and other stakeholders. The Government’s request to extend the pre-implementation period is based upon operational needs that are distinct from COVID-19, but MCC and the Government agree that the request remains appropriate under current projections of the pandemic’s impact in Mongolia.

**Update on and Sustainability of Mongolia’s 2007 Compact**

The Government concluded the first compact with MCC on September 17, 2013. By the end of that compact, the Government had expended \$268,993,805, or 94 percent, of the 2007 Compact funding to increase land security, reduce impacts of noncommunicable diseases and injuries, provide enhanced vocational training, expand distribution of energy-efficient household products, and construct roads for commercial traffic. The Government and MCC expect more than two million people to benefit from the 2007 Compact’s five projects over 20 years. MCC

continues to assess the performance of the activities and report on key results and estimated benefits. MCC has concluded independent evaluations of three projects since compact closure, which showed the following:

- The Health Project aimed to strengthen the national program for prevention, early diagnosis, and management of non-communicable diseases. The project trained more than 13,000 healthcare providers, purchased equipment, implemented new clinical protocols, and funded more than 219 research and other behavior change campaign grants. The independent evaluation found knowledge of and screening for noncommunicable diseases improved, but more was needed to improve behavior and health – for example, some drug costs remained unaffordable; the supply of subsidized drugs in primary health care institutions was insufficient; and patients who did access treatment did not take medication according to protocol. Beyond the independent evaluation, MCC has learned from stakeholders that the Government continues to integrate components of the project into the country’s healthcare system, including expanding screenings for hypertension, diabetes, and cervical and breast cancers.
- Under the Energy and Environment Project, the Energy Efficient Innovation Facility Activity aimed to motivate households to purchase and use energy efficient stoves with a subsidy program, to improve health by reducing air pollution and easing energy-related economic burdens. The independent evaluation found new stoves made homes warmer with cleaner air. Participants in the stove subsidy program had 65 percent lower emissions of ambient particulate matter (“PM”) 2.5 and 16 percent lower carbon monoxide emissions compared to households with traditional stoves. Health impacts were not directly measured; however, using known dose-response functions for five air pollution-related diseases, it is estimated that PM2.5 emissions reductions would have resulted in 47 avoided deaths and 1,643 disability-adjusted life years.
- The Vocational Education Project aimed to increase employment and income among unemployed and marginally employed Mongolians through improving the quality and relevance of Technical and Vocational Education and Training (“TVET”). Its five activities worked together to reform TVET policies, create system-wide skills standards, design a competency-based training system, develop career guidance and labor market information systems, and improve learning environments by upgrading and modernizing infrastructure and equipment for 28 schools. The independent evaluation found clear improvements in the quality and relevance of education, but unclear impacts on employment and income.

MCC continues independent evaluation work to measure results of the 2007 Compact’s final two projects:

- The Property Rights Project provided peri-urban herder groups with long-term private land leases over traditional common grazing areas, registered over 19,000 urban land

parcels, digitized land records and established an electronic property registry system (“ePRS”), and upgraded land offices in Ulaanbaatar and eight regional offices. These improvements are expected to have produced land transaction savings and improved the quality of land administrative services. Following the 2007 Compact, the Government has continued to strengthen land governance by digitizing property records and extending the ePRS to the remaining regional offices. Final evaluation reports will be published in 2020.

- The North-South Road Project sought to mitigate Mongolia’s inadequate transport infrastructure in a key segment of a critical economic corridor by constructing an all-weather road and connecting Mongolian markets to key trading partners. MCC is conducting a performance evaluation of the North-South Road Project that will measure annual traffic, model vehicle operating cost savings to users of the road, and assess maintenance practices to consider how long those savings might last. Results from this evaluation are expected in 2020.