

PROGRAM IMPLEMENTATION AGREEMENT

BETWEEN

THE UNITED STATES OF AMERICA,

ACTING THROUGH

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE GOVERNMENT OF MONGOLIA,

ACTING THROUGH THE MINISTRY OF FOREIGN AFFAIRS

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1. GENERAL RESPONSIBILITIES OF THE GOVERNMENT.....	1
Section 1.1 Definitions.....	1
Section 1.2 Role of the Government.....	1
Section 1.3 Role of MCA-Mongolia.	3
ARTICLE 2. IMPLEMENTATION FRAMEWORK	5
Section 2.1 Implementation Plan.....	5
Section 2.2 Fiscal Accountability Plan.	6
Section 2.3 M&E Plan.	7
Section 2.4 Environmental and Social Performance Plans.	7
Section 2.5 Social and Gender Integration Plan.	7
Section 2.6 MCC Program Procurement Guidelines and MCC Approval of Grants.....	8
Section 2.7 Notice to Providers; Incorporation.	8
Section 2.8 Reports; Notices.	8
Section 2.9 Transactions Subject to MCC Approval.....	9
Section 2.10 Role of Certain Entities in Implementation.	11
Section 2.11 Publicity and Transparency.....	12
Section 2.12 Branding and Enforcement.	13
Section 2.13 Tax Exemption Implementation.....	14
Section 2.14 Government Contribution.	14
Section 2.15 Government Covenants.	14
ARTICLE 3. DISBURSEMENT OF MCC FUNDING.....	15
Section 3.1 Disbursement Process.....	15
Section 3.2 Conditions Precedent to Disbursement of Compact CDF..	16
Section 3.3 Conditions Precedent to the Initial Disbursement of Program Funding.	16
Section 3.4 Conditions Precedent to Each Disbursement of Program Funding.....	17
Section 3.5 Authorized Expenditures.	19
ARTICLE 4. ENTRY INTO FORCE OF THIS AGREEMENT; CONSEQUENCES OF COMPACT TERMINATION, SUSPENSION AND EXPIRATION	19
Section 4.1 Entry into Force of this Agreement.....	19
Section 4.2 Consequences of Compact Termination, Suspension, or Expiration.	19
ARTICLE 5. GENERAL PROVISIONS	21
Section 5.1 Representatives.....	21
Section 5.2 Communications.....	21
Section 5.3 Assignments by the Government..	21
Section 5.4 Amendment; Waivers.	21
Section 5.5 Attachments.	21
Section 5.6 Inconsistencies.	22

Section 5.7 Termination of this Agreement 22
Section 5.8 Survival 22
Section 5.9 Information Provided to MCC 22
Section 5.10 Governing Law 22
Section 5.11 Signatures 22

ANNEX I: DEFINITIONS

ANNEX II: ADDITIONAL CONDITIONS PRECEDENT TO FUNDING

ANNEX III: GOVERNMENT CONTRIBUTIONS

ANNEX IV: PRINCIPLES FOR MANAGEMENT OF THE GOVERNMENT
CONTRIBUTION

ANNEX V: TAX SCHEDULES

PROGRAM IMPLEMENTATION AGREEMENT

PREAMBLE

This PROGRAM IMPLEMENTATION AGREEMENT (this “*Agreement*”) is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Government of Mongolia, acting through its Ministry of Foreign Affairs (“*Mongolia*” or the “*Government*”) (individually, a “*Party*” and collectively, the “*Parties*”).

Recalling that the Millennium Challenge Compact between the United States of America, acting through MCC, and the Government signed on July 27, 2018 (the “*Compact*”), sets forth the general terms on which MCC agrees to grant to the Government an amount not to exceed Three Hundred Fifty Million United States Dollars (US\$350,000,000) for a Program to reduce poverty through economic growth in Mongolia;

Recalling that the Government has designated MCA-Mongolia to carry out certain rights and obligations of the Government under the Compact and related agreements; and

Recognizing that the Parties wish to specify further the terms for implementing the Compact and the Program;

The Parties hereby agree as follows:

ARTICLE 1.

GENERAL RESPONSIBILITIES OF THE GOVERNMENT

Section 1.1 Definitions.

Capitalized terms used in this Agreement and not defined in this Agreement have the meanings provided in the Compact. All other capitalized terms have the meanings provided in Annex I.

Section 1.2 Role of the Government.

(a) Government Responsibilities. The Government shall promptly take all necessary or appropriate actions to carry out all of its obligations under the Compact, this Agreement, and any other Supplemental Agreement (including any post-Compact Term activities, audits or other responsibilities), and to delegate its rights and responsibilities to entities, including MCA-Mongolia, adequate to enable them (each a “*Permitted Designee*”) to oversee and manage the implementation of the Program on behalf of the Government.

(b) Government Undertakings. The Government hereby affirms as follows:

(i) Impoundment; Liens or Encumbrances. The Government shall ensure that (A) no Program Asset is subject to any impoundment, rescission, sequestration, liquidation or to any provision of law now or hereafter in effect in Mongolia that would have the effect of allowing any such impoundment, rescission or sequestration and (B) no Program Asset is subject to any 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 shall promptly seek the release of such Lien and, if such Lien is required by a final and non-appealable court order, shall pay any amounts due in order to obtain such release; ***provided, however,*** that the Government shall not use MCC Funding, the Government Contribution, or any Program Assets to satisfy any such obligation.

(ii) Disposal of Program Assets Consisting of Real Property. The Government shall ensure that no Program Asset consisting of real property is (A) subject to any lease or sub-lease arrangement, in whole or in part or (B) sold, donated or otherwise disposed of, in whole or in part; except, in each of the foregoing cases, with MCC’s prior written approval. In addition, any Program Asset consisting of real property that is retained by MCA-Mongolia, subject to the terms of MCC’s *Program Closure Guidelines*, after the expiration or termination of the Compact shall be subject to a reversionary interest of MCC for a period of five (5) years commencing on the last day of the Closure Period; and if at any time during that five-year period, the Government wishes to sell the real property or use it for a purpose that is not related to the Program or does not continue to further the Project Objective, the Government shall compensate MCC for its interest in the real property by paying to MCC an amount equal to the fair market value of MCC’s reversionary interest in the real property determined at such time.

(iii) Environmental and Social Performance. Unless MCC and the Government agree otherwise in writing, the Government shall ensure that the Project and Activities undertaken, funded or otherwise supported in whole or in part (directly or indirectly) by MCC Funding under the Compact comply with the MCC *Environmental Guidelines*, including the environmental and social performance standards set forth in the *Performance Standards on Environmental and Social Sustainability* of the International Finance Corporation (as in effect from time to time, the “*IFC Performance Standards*”) that have been incorporated by reference into the MCC Environmental Guidelines. The Government also shall ensure that the Project and Activities comply with all Mongolian environmental laws and regulations, licenses and permits, except to the extent such compliance would be inconsistent with the Compact. Where there is a difference between Mongolian environmental laws and regulations and the standards required by the Compact, the Government shall ensure that the stricter standard is followed. Unless MCC agrees otherwise in writing, the Government shall fund all necessary costs of environmental and social mitigation measures (including, without limitation, costs of resettlement) not specifically provided for, or that exceed the MCC Funding specifically allocated for such costs in the Detailed Financial Plan for any Project or Activity.

(iv) Gender and Social Inclusion. Unless MCC and the Government agree otherwise in writing, the Government shall ensure that the Project and Activities undertaken, funded, or otherwise supported in whole or in part (directly or indirectly) by MCC Funding

comply with the MCC *Gender Policy* and the MCC *Gender Integration Guidelines*. Where there is a difference between Mongolian gender and social inclusion laws and regulations and the standards required by the Compact, the Government shall ensure that the stricter standard is followed.

Section 1.3 Role of MCA-Mongolia.

(a) Designation of MCA-Mongolia.

(i) Pursuant to Section 3.2(b) of the Compact, the Government has designated Millennium Challenge Account-Mongolia, an independent legal entity with legal personality (“*MCA-Mongolia*”), as the primary agent of the Government to implement the Program and to exercise and perform the Government’s right and responsibility to oversee, manage and implement the Program, including without limitation managing the implementation of the Project and Activities, allocating resources and managing procurements (the “*Designated Rights and Responsibilities*”). The Parties note that the Government remains ultimately responsible for the performance of the Government’s obligations under or in relation to the Compact and this Agreement.

(ii) The Government shall ensure that MCA-Mongolia is and remains throughout the Compact Term duly organized, sufficiently staffed, and empowered to exercise the Designated Rights and Responsibilities.

(iii) The “Accountable Entity” referenced in the Program Guidelines shall be deemed to refer to MCA-Mongolia, and all obligations assigned to the “Accountable Entity” in the Program Guidelines shall be obligations of MCA-Mongolia.

(b) Additional Government Undertakings with Respect to MCA-Mongolia. The Government hereby affirms to MCC as follows:

(i) Power and Authorization. MCA-Mongolia has the power and authority to (A) bind the Government to the full extent of the Designated Rights and Responsibilities, (B) execute and deliver each agreement, certificate, or instrument contemplated by this Agreement, the Compact, any other Supplemental Agreement or the Program Guidelines, and (C) perform its obligations under this and each such other agreement, certificate, or instrument contemplated by this Agreement, the Compact, any other Supplemental Agreement, any Implementation Letter or the Program Guidelines.

(ii) Government Responsibilities. MCA-Mongolia (A) shall carry out the Designated Rights and Responsibilities (including all obligations specified as MCA-Mongolia obligations in the Compact, this Agreement, the CDF Agreement, or any other Supplemental Agreement) with due care, efficiency and diligence in conformity with sound technical, financial and management practices, and in conformity with the Compact, this Agreement, the CDF Agreement, any other Supplemental Agreement and the Program Guidelines, (B) except as provided in Section 2.10 or with respect to an Implementing Entity, shall not assign, delegate or

otherwise transfer any of the Designated Rights and Responsibilities without the prior written consent of MCC, and (C) shall not undertake any activities, duties or responsibilities other than the Designated Rights and Responsibilities without the prior written consent of MCC.

(iii) Government Representations. MCA-Mongolia shall confirm each representation that it makes on behalf of the Government in any agreement, certificate, or instrument delivered by MCA-Mongolia with all necessary Permitted Designees before providing such representation to MCC.

(iv) Autonomy. The Government shall ensure that (A) no decision of MCA-Mongolia is modified, supplemented, unduly influenced, or rescinded by any governmental authority, except by a final and non-appealable judicial decision and (B) the authority of MCA-Mongolia shall not be expanded, restricted, or otherwise modified, except in accordance with the Compact and this Agreement.

(v) Governance of MCA-Mongolia. MCA-Mongolia shall adopt internal rules and regulations or bylaws (the “**Bylaws**”), and a human resources manual (the “**HR Manual**”), in each case, in form and substance satisfactory to MCC, that shall provide the framework for the operations and administration of, and the general terms and conditions for, the employment of all staff of MCA-Mongolia. MCA-Mongolia shall conduct its operations and management in accordance with the Governing Documents (including the Bylaws) and the Governance Guidelines, and unless otherwise agreed with MCC, shall review and update the HR Manual on, at minimum, an annual basis.

(vi) Funded Agreements; General Provisions Annex. MCA-Mongolia shall provide the Fiscal Agent (and MCC if it so requests) a copy of each agreement that is funded (directly or indirectly) with MCC Funding or the Government Contribution (each, a “**Funded Agreement**”), regardless of whether MCC has approval rights with respect to such agreement. Unless otherwise instructed by MCC, MCA-Mongolia shall include in each Funded Agreement (A) a covenant that the counterparty to such agreement (each, a “**Counterparty**”) shall comply with (i) the General Provisions Annex and (ii) any instruction received by such Counterparty from MCC regarding the performance by such Counterparty of the terms of the General Provisions Annex, notwithstanding any other instruction given by MCA-Mongolia; and (B) a right for MCA-Mongolia to terminate such Funded Agreement if such Counterparty fails to comply with the General Provisions Annex or any such instruction of MCC.

(vii) Insurance; Performance Guaranties. MCA-Mongolia shall, to MCC’s satisfaction, cause all Program Assets to be insured (including, without limitation, through self-insurance) and shall arrange such other appropriate insurance to cover against risks or liabilities associated with the operations of the Program, including by requiring Providers to obtain adequate insurance and to post adequate performance bonds or other guaranties. With MCC’s prior consent, MCC Funding may be used to pay the costs of obtaining such insurance. MCA-Mongolia (or, as appropriate and with MCC’s prior approval, another entity) shall be named as the payee on any such insurance and the beneficiary of any such guaranty or bonds. If not already named as the insured party, MCA-Mongolia (and MCC, if it so requests) shall be named

as additional insureds on any such insurance. The Government shall promptly notify MCC of the payment of any proceeds from claims paid under such insurance or guaranty, and shall ensure that such proceeds are used to replace or repair any lost or damaged Program Assets; **provided, however,** that, at MCC's election, such proceeds shall be deposited in a Permitted Account as designated by MCA-Mongolia or as otherwise directed by MCC.

(viii) MCA-Mongolia Indemnity. If MCA-Mongolia is held liable under any indemnification or other similar provision of any agreement, then the Government shall pay such indemnity in full on behalf of MCA-Mongolia and shall not use MCC Funding, the Government Contribution, or any Program Assets to satisfy such obligation. In addition, the Government shall indemnify and hold harmless each member and Observer of MCA-Mongolia's Board of Directors, each member of any Stakeholders Committee and each of MCA-Mongolia's Key Staff and employees from any claim, loss, action, liability, cost, damage or expense incurred by such person in the performance of his or her duties on behalf of MCA-Mongolia, **provided, however,** that the Government shall have no obligation to indemnify any such person if and to the extent that any such claims, losses, actions, liabilities, costs, damages or expenses are attributable to the fraud, gross negligence, or willful misconduct of such person; and **provided, further,** that the Government shall not use MCC Funding, the Government Contribution, or any Program Assets to satisfy its obligations under this Section 1.3(b)(viii).

ARTICLE 2.

IMPLEMENTATION FRAMEWORK

Section 2.1 Implementation Plan. The Parties agree that the framework for the Program's implementation shall be further elaborated in a set of documents, in form and substance approved by MCC, consisting of (i) a Work Plan, (ii) a Detailed Financial Plan, (iii) an Audit Plan, and (iv) a Procurement Plan (each, an "**Implementation Plan Document**" and collectively the "**Implementation Plan**"). MCA-Mongolia shall submit its proposed Implementation Plan for review and approval by MCC before the initial Disbursement of Program Funding and at least on an annual basis thereafter (or in such other interval as may be required by the Program Guidelines). MCC shall review the proposed Implementation Plan and as necessary may request MCA-Mongolia to submit clarifications or adjustments. MCA-Mongolia shall submit an updated Implementation Plan or updated Implementation Plan Document during any quarter in which significant changes or modifications are made to the Program, or when MCA-Mongolia determines that the expected results, targets, and milestones for the specified year are not likely to be achieved; **provided, however,** that an updated Detailed Financial Plan shall be submitted each quarter. In such instances, MCA-Mongolia shall submit to MCC for approval a proposed revised Implementation Plan or an updated Implementation Plan Document (as applicable) on the same date as the next Periodic Report is due. MCA-Mongolia shall ensure that the implementation of the Program is conducted in accordance with the Implementation Plan.

(a) Work Plan. MCA-Mongolia shall develop and implement a work plan, in form and substance satisfactory to MCC, for the overall administration of the Program (the "**Work**

Plan”). In addition, the Government shall develop, adopt, and implement such other work plans relating to the Project and/or Activities as MCC may request from time to time.

(b) Detailed Financial Plan. The Multi-Year Financial Plan Summary for the Program, which is set forth in Annex II to the Compact, shows the estimated annual contribution of MCC Funding and the Government Contribution to administer, monitor, and evaluate the Program, and to implement the Project (the “**Multi-Year Financial Plan**”). Except as MCC agrees otherwise in writing, MCA-Mongolia shall develop and implement for each quarter for the upcoming year and on an annual basis for each year of the remaining years of the Compact Term and the Closure Period, a detailed financial plan in accordance with the Reporting Guidelines, setting forth funding requirements for the Program (including administrative costs) and for the Project, broken down to the sub-Activity level (or lower, where appropriate) and projected both on a commitment and cash requirement basis (each, a “**Detailed Financial Plan**”).

(c) Audit Plan. MCA-Mongolia shall develop and implement a plan, in accordance with Audit Guidelines, for the audit of the expenditures of the entities that are subject to audit pursuant to the Audit Guidelines (the “**Audit Plan**”). The Audit Plan shall be in form and substance satisfactory to MCC and shall be developed no later than sixty (60) days before the end of the first period to be audited, and shall be updated any time there is a material change to the audit context, such as a change in auditor.

(d) Procurement Plan. MCA-Mongolia shall prepare periodic procurement plans for acquiring the goods, works, and consultant and non-consultant services needed to implement the Compact (each, a “**Procurement Plan**”). Each Procurement Plan shall be prepared and updated in accordance with the MCC Program Procurement Guidelines. In addition, no later than six months after the Compact is signed, MCA-Mongolia shall develop and implement a bid challenge system (the “**BCS**”) that provides suppliers, contractors, and consultants that are interested parties the ability to seek review of procurement actions and decisions. The organization, rules, and procedures of such BCS shall be subject to MCC approval. Upon MCC’s approval of the BCS, MCA-Mongolia shall publish the BCS on the MCA-Mongolia website.

Section 2.2 Fiscal Accountability Plan. Except as MCC agrees otherwise in writing, MCA-Mongolia shall develop and implement a manual (as approved by MCC) setting forth the principles, mechanisms, and procedures (the “**Fiscal Accountability Plan**”) that MCA-Mongolia shall use to ensure appropriate fiscal accountability for the use of MCC Funding or Government Contribution, including the process to ensure that open, fair, and competitive procedures shall be used in a transparent manner in the administration of grants or cooperative agreements and in the procurement of goods, works and services. The Fiscal Accountability Plan shall also include, among other things, requirements with respect to (a) budgeting, (b) accounting, (c) cash management, (d) financial transactions (receipts and payments), (e) opening and managing Permitted Accounts, (f) personnel and payroll, (g) travel and vehicle use, (h) asset and inventory

control, (i) audits, and (j) reporting. The Fiscal Accountability Plan may be revised periodically, subject to review and approval by MCC.

Section 2.3 M&E Plan. Unless MCC agrees otherwise in writing, no later than ninety (90) days after the Compact enters into force, MCA-Mongolia shall develop and implement an M&E Plan that shall serve as the primary governing document for monitoring and evaluation activities for the Program over the Compact Term. The M&E Plan shall be developed, implemented, and updated in accordance with the MCC *Policy for Monitoring and Evaluation of Compacts and Threshold Programs*.

Section 2.4 Environmental and Social Performance Plans. In accordance with Section 1.2(b)(iii), MCA-Mongolia shall ensure that activities undertaken, funded, or otherwise supported in whole or in part (directly or indirectly) by MCC Funding or Government Contribution comply with the MCC Environmental Guidelines, including the IFC Performance Standards that are incorporated by reference therein. Specifically, MCA-Mongolia shall: (i) develop and adopt an Environmental and Social Management System covering all Compact Activities; (ii) cooperate with or complete, as the case may be, any ongoing Environmental and Social Impact Assessments, and if necessary, undertake and complete any additional environmental and social assessments and analyses, such as Environmental and Social Management Plans, environmental and social audits, Resettlement Policy Frameworks, and Resettlement Action Plans required under the laws of Mongolia, the MCC Environmental Guidelines, this Agreement, the Compact, any other Supplemental Agreement or the Program Guidelines, or as otherwise required by MCC, each in form and substance satisfactory to MCC; (iii) ensure that Project or Activity-specific Environmental and Social Management Plans are developed and all relevant measures contained in such plans are integrated into project design, the applicable procurement documents and associated finalized contracts, in each case in form and substance satisfactory to MCC; and (iv) implement to MCC's satisfaction appropriate environmental and social mitigation measures identified in such assessments or plans or developed to address environmental and social issues identified during Compact implementation.

Section 2.5 Social and Gender Integration Plan. In accordance with Section 1.2(b)(iv), MCA-Mongolia shall ensure social and gender inclusion across the Project and Activities, address human trafficking, and ensure compliance with the MCC *Gender Policy* and the MCC *Gender Integration Guidelines*. Specifically, MCA-Mongolia shall: develop a comprehensive social and gender integration plan ("***Social and Gender Integration Plan***") that, at a minimum, (i) identifies approaches for regular, meaningful and inclusive consultations with women and other vulnerable and/or underrepresented groups; (ii) sets forth strategies for consolidating the findings and recommendations of Project-specific social and gender analyses into final Project designs; (iii) specifies actions to be taken during the Compact Term to meet the social inclusion and gender equality objectives for the Project; (iv) specifies outputs, responsibilities, and timelines related to specified actions; (v) ensures through monitoring and coordination during Compact implementation; and (vi) ensures that final Activity designs, construction tender documents and implementation plans are consistent with and incorporate the outcomes of the social and gender

analyses. MCA-Mongolia shall, on an annual basis, review and update the Social and Gender Integration Plan as needed to reflect lessons learned and Project-specific analysis.

Section 2.6 MCC Program Procurement Guidelines and MCC Approval of Grants. In accordance with Section 3.6 of the Compact:

(a) MCA-Mongolia shall comply with the MCC Program Procurement Guidelines in the procurement (including solicitation) of all goods, works, and services and the award and administration of contracts in furtherance of the Compact. In addition, the Government shall ensure that any bid challenges are conducted in accordance with the MCC Program Procurement Guidelines and the BCS; and

(b) Unless MCC otherwise consents in writing, MCA-Mongolia shall ensure that grants awarded to any non-Government entity in furtherance of the Program are awarded and administered pursuant to an open, fair, and competitive procedure administered in a transparent manner.

Section 2.7 Notice to Providers; Incorporation. MCA-Mongolia shall notify all Providers (and all other entities or individuals receiving MCC Funding or Government Contribution in connection with the Program) of the requirements of Section 2.7 of the Compact and paragraphs (b), (c), and (d) of Section 3.8 of the Compact, and shall ensure the inclusion of such requirements in all agreements with a Provider if MCC is not a party to such agreements.

Section 2.8 Reports; Notices.

(a) Unless MCC agrees otherwise in writing, MCA-Mongolia shall periodically provide to MCC, in form and substance satisfactory to MCC, the reports and information required by the Reporting Guidelines (each, a “*Periodic Report*”). MCA-Mongolia shall provide the Periodic Reports to MCC on the schedule specified in the Reporting Guidelines, and the Periodic Reports shall be consistent with the Reporting Guidelines in all respects.

(b) On October 30 of each year of the Compact Term (or within thirty (30) days of any written request by MCC), MCA-Mongolia shall provide to MCC an annual supplemental report containing the following information:

(i) the progress made by the Government toward achieving the Compact Goal and Project Objective;

(ii) additional information on accomplishments not presented in the Periodic Reports;

(iii) developments in Compact implementation related to the consultative process, donor coordination, and lessons learned; and

(iv) any report or document required to be delivered to MCC in connection with the Program under the MCC Environmental Guidelines (including the IFC Performance Standards that are incorporated by reference therein), any Audit Plan, or any Implementation Plan Document.

(c) If at any time during the Compact Term, the Government materially reallocates or reduces the allocation in its national budget or any other governmental authority of Mongolia at a departmental, municipal, regional or other jurisdictional level materially reallocates or reduces the allocation in its budget of the normal and expected resources that the Government or such governmental authority, as applicable would have otherwise received or budgeted, from external or domestic sources, or fails to timely distribute an allocation budgeted for the activities contemplated under the Compact or the Program, the Government, acting through MCA-Mongolia, must notify MCC in writing within thirty (30) days of such reallocation, reduction, or failure to distribute, such notification to contain information regarding the amount of the reallocation, reduction, or failure to distribute, the affected activities, and an explanation for the reallocation or reduction.

(d) In addition to the Periodic Reports, MCA-Mongolia shall provide to MCC within thirty (30) days of a written request by MCC, or as otherwise agreed by MCC and MCA-Mongolia in writing, such other reports, documents, and information as MCC may request from time to time related to the Program or necessary for implementing, monitoring or evaluating the Program.

(e) MCA-Mongolia shall submit the Periodic Reports and any other reports required hereunder electronically if requested by MCC or otherwise required by the Reporting Guidelines.

(f) MCA-Mongolia shall furnish MCC with a report, in form and substance satisfactory to MCC, regarding the role of the Government Contribution in advancing the Project Objective. The report shall cover the year just ended on March 31 and the projected contributions for the current year ending the following March 31, and shall be delivered to MCC no later than June 30, unless the parties agree otherwise in writing.

Section 2.9 Transactions Subject to MCC Approval. Each of the following transactions, activities, agreements, and documents requires MCC's prior written approval:

- (a) Disbursements;
- (b) the Implementation Plan (including each Implementation Plan Document), the Fiscal Accountability Plan, and the M&E Plan, and any modification of any of the foregoing;
- (c) agreements between the Government and MCA-Mongolia, and agreements in which any of the following are appointed, hired or otherwise engaged (each, a "***Material Agreement***"):
 - (i) Auditor or Reviewer;

- (ii) Fiscal Agent;
 - (iii) Procurement Agent;
 - (iv) Bank;
 - (v) Implementing Entity;
 - (vi) Outside Project Manager; and
 - (vii) a member or Observer of the Board of Directors or any Key Staff of MCA-Mongolia (including agreements regarding compensation for any such person);
- (d) any modification, termination or suspension of a Material Agreement, or any action that would have equivalent effect;
- (e) any agreement or transaction of MCA-Mongolia that is not arm's-length;
- (f) any pledge of any MCC Funding, Government Contribution, or any Program Assets, or any incurrence of material indebtedness, or any guarantee, directly or indirectly, of any indebtedness;
- (g) any decree, legislation, regulation, charter, contractual arrangement or other document establishing or governing (other than public laws of general application to all public institutions) or relating to the formation, organization or governance of MCA-Mongolia (including the Bylaws, HR Manual, and any staffing plan) (each, a "***Governing Document***");
- (h) any disposition, in whole or in part, liquidation, dissolution, winding up, reorganization or other change of MCA-Mongolia;
- (i) any change in character or location of any Permitted Account;
- (j) (i) any change of any member or Observer of the Board of Directors, of the member serving as the chairperson or in the composition or size of the Board of Directors, and the filling of any vacant seat of any member or Observer of the Board of Directors, (ii) any change of any Key Staff of MCA-Mongolia or in the composition or size of its management unit, and the filling of any vacant position of any Key Staff of MCA-Mongolia (including any process related to the recruitment and selection of any such Key Staff), and (iii) any material change in the composition or size of any Stakeholders Committee;
- (k) any decision by MCA-Mongolia to engage, accept or manage any funds in addition to MCC Funding (including from the Government or any donor agencies or organizations) during the Compact Term, or to engage in any activities or undertake any duties or responsibilities other than the Designated Rights and Responsibilities;

(l) any agreement, transaction, decision or other action, or document for which MCC approval is required under any of the Program Guidelines; and

(m) any amendment, supplement, replacement, termination, revocation, or other change to any of the foregoing documents or arrangements.

Section 2.10 Role of Certain Entities in Implementation.

(a) Outside Project Manager. MCA-Mongolia may engage qualified persons or entities to serve as outside project managers (each, an “***Outside Project Manager***”) in the event that it is advisable to do so for the proper and efficient day-to-day management of a Project or Activity; ***provided, however,*** that, if so required by the MCC Program Procurement Guidelines, the appointment or engagement of any Outside Project Manager shall be made using a competitive selection process and, if required by the MCC Program Procurement Guidelines, shall be subject to approval by the Board of Directors and by MCC prior to such appointment or engagement. Upon such approval, MCA-Mongolia may delegate, assign, or contract to the Outside Project Managers such duties and responsibilities as it deems appropriate with respect to the management of the Implementing Entities and the implementation of the Project or Activities; and ***provided, further,*** that MCA-Mongolia shall remain accountable for those duties and responsibilities and all reports delivered by the Outside Project Manager notwithstanding any such delegation, assignment or contract and the Outside Project Manager shall be subject to the oversight of the Fiscal Agent and Procurement Agent. The Board of Directors may determine that it is advisable to engage one or more Outside Project Managers and instruct MCA-Mongolia and, where appropriate, the Procurement Agent to commence and conduct the competitive selection process for such Outside Project Manager.

(b) Fiscal Agent. MCA-Mongolia shall engage a Fiscal Agent, which shall be responsible for, among other things, (i) ensuring and certifying that Disbursements are properly authorized and documented in accordance with established control procedures set forth in the Fiscal Agent Agreement and the Bank Agreement, (ii) instructing the Bank to make a Disbursement from a Permitted Account or requesting a Disbursement be made directly to a provider as payment for goods, works or services, in accordance with the Common Payment System or any alternate payment system approved by MCC, as the case may be, and in each case following applicable certification by the Fiscal Agent, (iii) providing applicable certifications for Disbursement Requests, (iv) maintaining proper accounting of all MCC Funding or Government Contribution financial transactions, and (v) producing reports on Disbursements in accordance with established procedures set forth in the Fiscal Agent Agreement or the Bank Agreement. MCA-Mongolia shall enter into an agreement with the Fiscal Agent, in form and substance satisfactory to MCC, which sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions (the “***Fiscal Agent Agreement***”). Unless MCC agrees otherwise in writing, the Fiscal Agent shall be a third party, independent of the Government.

(c) Auditors and Reviewers. MCA-Mongolia shall engage one or more auditors as contemplated in the Audit Guidelines (each, an “***Auditor***”). As requested by MCC in writing from time to time, MCA-Mongolia shall also engage an independent (i) reviewer to conduct

reviews of performance and compliance under the Compact, and such reviewer should have the capacity to (A) conduct general reviews of performance or compliance, (B) conduct audits of environmental and social performance, and (C) conduct data quality assessments in accordance with the M&E Plan, as described more fully in Annex III to the Compact, and/or (ii) evaluator to assess performance as required under the M&E Plan (each, a “**Reviewer**”). MCA-Mongolia shall select the Auditor(s) and/or Reviewer(s) in accordance with the Audit Guidelines and the M&E Plan, as applicable. MCA-Mongolia shall enter into an agreement with each Auditor or Reviewer, in form and substance acceptable to MCC, that sets forth the roles and responsibilities of the Auditor or Reviewer with respect to the audit, review or evaluation, including access rights, required form and content of the applicable audit, review or evaluation and other appropriate terms and conditions (the “**Auditor / Reviewer Agreement**”).

(d) Procurement Agent. MCA-Mongolia shall engage a Procurement Agent to carry out and/or certify specified procurement activities in furtherance of the Compact and this Agreement. MCA-Mongolia shall enter into an agreement, in form and substance satisfactory to MCC, with the Procurement Agent, that sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring, and review of procurements and other appropriate terms and conditions (the “**Procurement Agent Agreement**”). Unless MCC agrees otherwise in writing, the Procurement Agent shall be a third party, independent of the Government.

Section 2.11 Publicity and Transparency.

(a) Subject to Section 2.12, MCA-Mongolia shall give appropriate publicity to the Compact as a program to which the United States, through MCC, has contributed, including by identifying Program Activity sites and marking Program Assets all in accordance with MCC *Standards for Global Marking*. Upon the termination or expiration of the Compact, the Government, upon MCC’s request, shall cause the removal of any such references and markings on the MCA-Mongolia Website or in any Government or MCA-Mongolia publicity materials.

(b) MCA-Mongolia shall make information concerning implementation of the Compact publicly available, including by posting the following documents in English on the website operated by MCA-Mongolia (the “**MCA-Mongolia Website**”), all to the extent contemplated by and in accordance with the Governance Guidelines: (i) Compact, (ii) this Agreement, (iii) minutes of the meetings of the Board of Directors, and minutes of the meetings of the Stakeholders Committees as they relate to MCA-Mongolia; (iv) the M&E Plan, along with periodic reports and final evaluations on Program performance; (v) all environmental and social impact assessments and resettlement action plans for the Project and supporting documents; (vi) all social and gender assessments and the Social and Gender Integration Plan; (vii) all audit reports by an Auditor and any periodic reports or evaluations by a Reviewer; (viii) all Disbursement Requests; (ix) all reports required to be submitted to MCC under the terms of this Agreement (including the reports required under Section 2.8(a)); (x) all procurement policies and procedures (including standard documents, procurement plans, contracts awarded and the BCS) and any other procurement documents required to be made publicly available under the MCC

Program Procurement Guidelines; (xi) a copy of any legislation or other documents related to the formation, organization or governance of MCA-Mongolia (except to the extent classified), including the Governing Documents and any amendments thereto; and (xii) such other materials as MCC may request; **provided, however**, that any press release or announcement regarding MCC or the fact that MCC is funding the Program or any other publicity materials referencing MCC shall be subject to MCC's prior approval and must be consistent with any instructions provided by MCC in relevant Implementation Letters.

(c) Notwithstanding Section 2.11(b), information relating to procurements before the award of a contract and confidential information relating to MCA-Mongolia's agreements with employees, contractors and consultants shall be excluded from the information and documents made publicly available; **provided, however**, that MCC and MCA-Mongolia shall mutually determine whether any information to be excluded is confidential.

Section 2.12 Branding and Enforcement.

(a) Subject to Section 4.2(g), MCC hereby grants MCA-Mongolia a revocable, royalty-free, fully paid, and non-exclusive right and license to use MCC's logo and the names "Millennium Challenge Corporation," "Millennium Challenge Account" and "MCC," in each case, solely in accordance with the MCC *Standards for Global Marking*. Any such use of the logo and names shall be solely for the benefit of MCC and not inure to the benefit of MCA-Mongolia. The use of MCC's logo and names shall not create any agency or legal representation, and MCA-Mongolia has no authority to bind MCC in any way.

(b) MCA-Mongolia shall create its own logo and use such logo as well as the names "Millennium Challenge Account-Mongolia" and "MCA-Mongolia", in each case, solely in accordance with the MCC *Standards for Global Marking*. Subject to Section 4.2(g), MCA-Mongolia hereby grants MCC an irrevocable, royalty-free, fully paid and non-exclusive right and license to use the names "Millennium Challenge Account-Mongolia" and "MCA-Mongolia," and MCA-Mongolia's logo.

(c) MCA-Mongolia shall take all reasonable steps to ensure that the names "Millennium Challenge Account-Mongolia" and "MCA-Mongolia," as well as its own logo, enjoy maximum protection under the laws now or hereafter in effect in Mongolia throughout the term of this Agreement. This includes the registration of the names and the logo as a trademark, if appropriate, the monitoring of unauthorized use by third parties, and, in case of detection of unauthorized use, the enforcement of such rights. MCA-Mongolia shall inform MCC as soon as practicable if it becomes aware of any infringement, threat of infringement, or any other use by a third party that has not been authorized by MCC of any of (i) the names "Millennium Challenge Account-Mongolia," "MCA-Mongolia" and/or MCA-Mongolia's logo; or (ii) the names "Millennium Challenge Corporation," "MCC" and/or MCC's logo. MCA-Mongolia shall provide MCC assistance to enforce MCC's rights to the names "Millennium Challenge Corporation" and "MCC," as well as to MCC's logo.

Section 2.13 Tax Exemption Implementation. Annex V sets forth the mechanisms that the Government shall use to implement the Tax exemption required by Section 2.8 of the Compact for certain principal Taxes. In addition, the Government shall from time to time execute and deliver, or cause to be executed and delivered, such other instructions, instruments, or documents, and to take or cause to be taken such other actions as may be necessary or appropriate in the determination of MCC in order to implement Section 2.8 of the Compact. Such further assurances may include, without limitation, providing specific instructions to Government agents with respect to their role in the implementation of the Tax exemption or a Tax exemption certificate to appropriate beneficiaries of the Tax exemption.

Section 2.14 Government Contribution.

(a) In accordance with Section 2.6(a) of the Compact, the Government shall make a Government Contribution toward meeting the objectives of the Compact. Such contribution shall be in addition to the Government's spending allocated toward such objectives in its budget for the year immediately preceding the year that the Compact is signed, and shall comply with the provisions of MCC's *Guidelines for Country Contributions*. Annex III to this Agreement sets forth the budget allocation of the Government Contribution to the Project and Program Administration over the Compact Term.

(b) Unless otherwise agreed by the Parties in writing, contributions denominated in the local currency of Mongolia or other foreign currency shall be recorded and converted to U.S. dollars at the exchange rate on the date the contribution payment is made or using an average rate over the period of contribution, in each case, using the exchange rates published by the Central Bank of Mongolia or such other source acceptable to MCC.

(c) The Government further agrees to adhere to the principles and procedures for managing the Government Contribution as specified in Annex IV to this Agreement.

Section 2.15 Government Covenants.

(a) Quarterly Meeting regarding CWWTP. For the period from the signing of that contract that includes development of detailed designs for the CWWTP to the commissioning of the CWWTP, the Government shall arrange for MCA-Mongolia, MCC, and their respective contractors and consultants at least one direct meeting per quarter with the project implementation unit responsible for the design and construction of the CWWTP.

(b) Access to CWWTP. From the commencement of the construction of the CWWTP to the commissioning of the CWWTP, the Government shall ensure access to the CWWTP construction site for MCA-Mongolia, MCC, and their respective contractors and consultants, as requested.

(c) CWWTP Sludge. The Government shall submit a detailed plan, satisfactory to MCC, for the management and long-term disposal of existing stockpiles of sludge or any new sludge at the CWWTP site.

(d) CWWTP Completion. Before commissioning of the wells and related infrastructure under the Downstream Wells Activity, the Government shall provide evidence, satisfactory to MCC, that the CWWTP has been formally commissioned and is fully operational and capable of consistently producing effluent that meets or exceeds the Mongolian national standard for surface water discharge (MNS 4943).

ARTICLE 3.

DISBURSEMENT OF MCC FUNDING

Section 3.1 Disbursement Process.

(a) Disbursement Requests. MCA-Mongolia may request Disbursements to be made under the Compact by submitting a request in accordance with the Reporting Guidelines (each, a “*Disbursement Request*”), duly completed, to MCC not later than twenty (20) days (or such other period of time as may be agreed by MCC) before the commencement of each Disbursement Period. Requests for Disbursement of Program Funding and Compact CDF for any Disbursement Period shall be made by separate Disbursement Requests using the applicable forms. Unless MCC agrees otherwise in writing, MCA-Mongolia may submit only one Disbursement Request for Program Funding and one Disbursement Request for Compact CDF for each quarter (such quarter, or any other period of time as agreed by MCC, the “*Disbursement Period*”). Each Disbursement Request submitted must be accompanied by the Periodic Reports covering the corresponding Disbursement Period.

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

(i) Upon receipt of a Disbursement Request, MCC shall determine the appropriate amount of the Disbursement to be authorized based on, among other things, (A) the progress achieved under the Implementation Plan, (B) the amount of funds required to complete the activities described in the accompanying Periodic Reports during the corresponding Disbursement Period and (C) the satisfaction, waiver or deferral of applicable conditions to such Disbursement. MCC may, in its discretion, disapprove any Disbursement completely or reduce the amount of any Disbursement below that proposed in a Disbursement Request based on its determination of any of the factors set forth in this Section 3.1(b)(i).

(ii) Upon MCC’s approval of a Disbursement Request, the proceeds of the Disbursement may be transferred, at MCC’s election, (A) to a Permitted Account, (B) directly to a third party as payment for goods, works or services received by MCA-Mongolia in accordance with the Common Payment System or any alternate payment system approved by MCC *provided however*, that expenditures of such proceeds (including amounts transferred directly to a provider) are authorized by MCA-Mongolia, and the related payment complies, as certified by the Fiscal Agent, with the most recently approved Detailed Financial Plan and the standards and procedures set forth in the Fiscal Agent Agreement and the Fiscal Accountability Plan.

(c) Permitted Accounts.

(i) Any MCC Funding to be disbursed to a bank account must be deposited in an account established by MCA-Mongolia in the local currency of Mongolia (the “**Local Account**”), such Local Account and each other such account a Permitted Account, to be established at a financial institution acceptable to MCC and to be interest-bearing to the extent practicable. Additional Permitted Accounts may be established from time to time subject to the mutual written agreement of MCA-Mongolia and MCC. MCA-Mongolia shall notify MCC promptly if any account information for a Permitted Account changes during the Compact Term and provide MCC with the updated information.

(ii) Unless otherwise authorized by MCC in writing, no funds shall be commingled in the Permitted Account set up to receive MCC Funding other than MCC Funding and accrued interest and earnings thereon. MCC shall have the right, among other things, to view any Permitted Account statements and activity directly on-line, and where such viewing is not feasible, MCA-Mongolia shall provide copies of such statements to MCC upon its request. Before any MCC Funding is deposited into a Permitted Account, MCA-Mongolia shall enter into an agreement, in form and substance satisfactory to MCC, with the financial institution approved by MCC to hold such Permitted Account (the “**Bank**”) that sets forth the signatory authority, access rights, anti-money laundering, and anti-terrorist financing provisions, and other terms related to such Permitted Account (the “**Bank Agreement**”). The Fiscal Agent, and in certain specified cases in the Bank Agreement, designated representatives of MCC, shall be the sole signatories on each Permitted Account.

(iii) MCC Funding held in a Permitted Account may accrue interest or other earnings in accordance with the applicable Bank Agreement. On a quarterly basis and upon the termination or expiration of the Compact or the relevant Bank Agreement, MCA-Mongolia shall ensure the transfer of all accrued interest on MCC Funding to MCC.

(iv) Unless MCC agrees otherwise in writing, if MCC Funding is held in any Permitted Account other than the Local Account, MCA-Mongolia shall ensure that such MCC Funding is denominated in U.S. Dollars before its expenditure or transfer to the Local Account. To the extent that any amount of MCC Funding held in U.S. Dollars must be converted into Mongolian currency for any purpose, MCA-Mongolia shall ensure that such amount is converted consistent with the requirements of the Bank Agreement or any other applicable Supplemental Agreement.

Section 3.2 Conditions Precedent to Disbursement of Compact CDF. The applicable conditions set forth in Annex IV to the Compact must be met to MCC’s satisfaction before the initial and any subsequent Disbursement of Compact CDF.

Section 3.3 Conditions Precedent to the Initial Disbursement of Program Funding. Unless waived or deferred by MCC, the conditions of this Section 3.3 and the conditions set forth in Section 3.4 must be met to MCC’s satisfaction before the initial Disbursement of Program Funding:

(a) Entry into Force. The Compact has entered into force as provided in Article 7 of the Compact.

(b) Key Staff. Each of the Key Staff has been selected and engaged by MCA-Mongolia and approved by MCC.

(c) Fiscal Accountability Plan. MCA-Mongolia has developed the Fiscal Accountability Plan (or an interim version), and the plan has been approved by MCC.

(d) M&E Plan. In the event Initial Disbursement occurs on or after 90 days following entry into force of the Compact, MCA-Mongolia has developed the M&E Plan, and the plan has been approved by the Board of Directors and MCC.

(e) Implementation Plan. MCA-Mongolia has developed a complete Implementation Plan.

(f) Governing Documents. The Government must have adopted any documents necessary to create MCA-Mongolia and ensure its valid operation, including but not limited to any required laws, decrees, or regulations.

Section 3.4 Conditions Precedent to Each Disbursement of Program Funding. Unless waived or deferred by MCC, the following conditions must be met to MCC's satisfaction before each Disbursement of Program Funding (including the initial Disbursement of Program Funding):

(a) Deliveries. MCA-Mongolia has delivered to MCC the following documents, reports and information in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the Periodic Reports covering the related Disbursement Period;

(ii) copies of any reports from any technical (including environmental) auditors engaged by MCA-Mongolia for any Activity delivered since the previous Disbursement Request;

(iii) a certificate of MCA-Mongolia, dated as of the date of such Disbursement Request, substantially in the form provided by MCC (the "*MCA Disbursement Certificate*");

(iv) a certificate of the Procurement Agent, substantially in the form provided by MCC (the "*Procurement Agent Disbursement Certificate*"); and

(v) a certificate of the Fiscal Agent, substantially in the form provided by MCC (the "*Fiscal Agent Disbursement Certificate*").

(b) Other Conditions Precedent. MCC has determined in its discretion that:

- (i) all applicable conditions precedent in Annex II have been duly satisfied, deferred or waived as provided in this Agreement;
- (ii) no material default or breach of any covenant, obligation, or responsibility by the Government, MCA-Mongolia or any Government entity has occurred and is continuing under the Compact, this Agreement, or any other Supplemental Agreement;
- (iii) the activities to be funded with such Disbursement do not violate any applicable law or regulation;
- (iv) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for the Project or relevant Activities related to such Disbursement;
- (v) there has been progress satisfactory to MCC on the M&E Plan and Social and Gender Integration Plan for the Program and for the relevant Project or Activity and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period);
- (vi) all Government entities involved in the implementation of the Program, including the Implementing Entities, are coordinating successfully with MCA-Mongolia and dedicating the necessary staff and other resources to ensure successful implementation of the Program;
- (vii) there has been no material negative finding in any financial audit report delivered in accordance with the Compact and the Audit Plan for the prior two quarters (or such other period as the Audit Plan may require);
- (viii) any Taxes paid with MCC Funding through the date ninety (90) days before the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of the Compact;
- (ix) the Government has satisfied all of its payment obligations, including any insurance, indemnification, Tax payments or other obligations, and has contributed all resources required from it under the Compact, this Agreement and any other Supplemental Agreement;
- (x) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, Procurement Agent Disbursement Certificate, or Fiscal Agent Disbursement Certificate is not as certified;
- (xi) no act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, the Compact or MCC Funding in accordance with Section 5.1 of the Compact;

(xii) each of the Key Staff remains engaged, or if a position is vacant, MCA-Mongolia is actively engaged to MCC's satisfaction in recruiting a replacement;

(xiii) MCA-Mongolia has complied in all material respects with its obligations set forth in Section 2.1(d) with respect to the establishment of a BCS; and

(xiv) The Government has complied in all material respects with its obligations set forth in Section 2.14 with respect to the making of its Government Contribution in accordance with the projected timeline set forth in Annex III, and the implementation structure set forth in Annex IV.

Section 3.5 Authorized Expenditures. Except as MCC agrees otherwise in writing, a Disbursement, or financial commitment involving MCC Funding, may be made and a Disbursement Request may be submitted, only if the related expense is provided for in the Detailed Financial Plan and sufficient uncommitted funds exist in the Detailed Financial Plan for the relevant period.

ARTICLE 4.

ENTRY INTO FORCE OF THIS AGREEMENT; CONSEQUENCES OF COMPACT TERMINATION, SUSPENSION AND EXPIRATION

Section 4.1 Entry into Force of this Agreement. This Agreement shall enter into force upon the later of (a) the signing of this Agreement by each of the Parties to this Agreement and (b) the date that the Compact enters into force as provided in Article 7 of the Compact; **provided, however,** that the Parties agree that upon signature of this Agreement, and until this Agreement enters into force, the Parties shall provisionally apply the terms of this Agreement.

Section 4.2 Consequences of Compact Termination, Suspension, or Expiration.

(a) Upon the suspension, in whole or in part, of the Compact or any MCC Funding, all applicable Disbursements shall be suspended, and MCC may request the Government to return any MCC Funding (or portion thereof) on deposit in any Permitted Account; **provided, however,** MCC Funding may be used, in compliance with the Compact and this Agreement and with written consent of MCC, to pay for (i) reasonable expenditures for goods, works or services that were properly incurred under or in furtherance of the Program before the suspension of the Compact or any MCC Funding; and (ii) reasonable costs incurred in connection with the suspension of the Compact or any MCC Funding.

(b) Upon the termination, in whole or in part, of the Compact or any MCC Funding, all applicable Disbursements shall cease; **provided, however,** MCC Funding may be used, in compliance with the Compact and this Agreement and with written consent of MCC, to pay for (i) reasonable expenditures for goods, works or services that were properly incurred under or in furtherance of the Program before termination of the Compact or any MCC Funding, and (ii) reasonable expenditures (including administrative expenses) properly incurred in connection

with the winding up of the Program (or any part thereof) within 120 days after the termination of the Compact or any MCC Funding.

(c) Upon expiration of the Compact, all Disbursements shall cease; **provided, however,** MCC Funding may be used, in compliance with the Compact and this Agreement, to pay for (i) reasonable expenditures for goods, works or services that were properly incurred under or in furtherance of the Program before expiration of the Compact, and (ii) subject to the *MCC Program Closure Guidelines* and the *MCC Cost Principles for Accountable Entity Operations*, reasonable expenditures (including administrative expenses) properly incurred in connection with the winding up of the Program during the Closure Period, which can be a maximum of 120 calendar days after Compact End Date.

(d) Subject to Sections 4.2(b) and (c), upon the expiration or termination of the Compact or MCC Funding, the Government shall return to MCC any amounts of MCC Funding on deposit in any Permitted Account but not expended before the expiration or termination, plus accrued interest thereon within thirty (30) days after the Government receives MCC's request for such return; **provided, however,** that if the Compact is terminated in part, only the amount of MCC Funding allocated to the terminated portion shall be subject to return.

(e) Upon the full or partial termination of the Compact or any MCC Funding, MCC may, at its expense, direct that title to any Program Assets be transferred to MCC if such Program Assets are in a deliverable state, and the Government shall promptly effect such transfer upon such direction; **provided however,** that, for any Program Asset not in a deliverable state and any Program Asset partially purchased or funded with MCC Funding, the Government, upon MCC's request, shall reimburse MCC in United States Dollars the cash equivalent of the fair market value of such Program Asset or portion thereof, as such is determined by MCC.

(f) Before expiration, or upon termination, of the Compact, MCA-Mongolia shall prepare a Compact Closure Plan in accordance with the Program Closure Guidelines and comply with the requirements as set forth therein.

(g) No later than 120 days after the expiration or termination of the Compact, unless MCC agrees otherwise in writing, (i) the licenses granted to MCA-Mongolia in Section 2.12(a) shall terminate with immediate effect; (ii) the Government shall ensure that MCA-Mongolia ceases to be named "Millennium Challenge Account-Mongolia" and/or "MCA-Mongolia"; and (iii) the Government shall take reasonable steps to ensure that such names and any associated logo, as well as the names "Millennium Challenge Corporation" and "MCC", as well as any logo associated therewith, are no longer used by MCA-Mongolia or any other entity for any purpose not authorized by MCC. Furthermore, upon expiration or termination of the Compact, MCA-Mongolia shall assign and hereby assigns and transfers to MCC all rights, title, and interest to the names "Millennium Challenge Account-Mongolia," "MCA-Mongolia," "Millennium Challenge Corporation," "MCC," as well as MCA-Mongolia's logo and MCC's logo that it might have acquired during the term of this Agreement.

(h) MCC and the Government expect the effects of the Compact to be long-ranging and its impact on increasing economic growth and reducing poverty may not be measurable for several years after the expiration or termination of the Compact. Accordingly, MCC and the Government agree to cooperatively monitor the results and evaluate the impacts of the Compact on reducing poverty through economic growth in Mongolia after such expiration or termination of the Compact. As part of this cooperation, before the expiration or upon the termination of the Compact and in addition to the actions described in Section 4.2(f), the Parties shall develop a post-Compact monitoring and evaluation plan that describes the future monitoring and evaluation activities, the individuals and organizations expected to undertake these activities, and a budget framework for future monitoring and evaluation, provided, however, that nothing in this Section 4.2(h) shall be construed as committing MCC to provide any assistance to the Government after the expiration or termination of the Compact. The Government agrees to provide all resources necessary (including both financial and personnel) to fulfill the tasks undertaken by the Government under the post-Compact monitoring and evaluation plan.

ARTICLE 5.

GENERAL PROVISIONS

Section 5.1 Representatives. The provisions of Section 4.2 of the Compact are incorporated herein by reference as if fully set forth herein.

Section 5.2 Communications. The provisions of Section 4.1 of the Compact are incorporated herein by reference as if fully set forth herein. Upon establishment of MCA-Mongolia, MCA-Mongolia shall notify the Parties of its contact details.

Section 5.3 Assignments by the Government. The Government may not assign, delegate or contract implementation of its rights or obligations under this Agreement without MCC's prior written consent. The Government agrees, upon request by MCC, to execute an assignment to MCC of any contractual right or cause of action which may accrue to the Government or MCA-Mongolia in connection with or arising out of the contractual performance or breach of performance by a party to a contract financed in whole or in part by MCC Funding.

Section 5.4 Amendment; Waivers. The Parties may amend this Agreement only by a written agreement signed by the Parties. Such agreement shall provide how it enters into force; ***provided, however***, that the Government and MCC may by written agreement, signed by the Principal Representative or any Additional Representative of each Party and which shall enter into force upon signature, modify any annex hereto. The Parties understand that any modification of this Agreement may be entered into by the Government without the need for further action by the Government (including any parliamentary action), or satisfaction of any additional domestic requirements of Mongolia. Any waiver of a right or obligation arising under this Agreement shall be effective only if provided in writing.

Section 5.5 Attachments. Each exhibit, schedule, and annex attached to this Agreement constitutes an integral part of this Agreement.

Section 5.6 Inconsistencies. In the event of any conflict or inconsistency between this Agreement and the Compact, the terms of the Compact shall prevail. In the event of any conflict or inconsistency between this Agreement and any other Supplemental Agreement or any Implementation Plan Document, the terms of this Agreement shall prevail.

Section 5.7 Termination of this Agreement.

(a) MCC may terminate this Agreement in whole or in part, without cause by giving the Government thirty (30) days' written notice. This Agreement shall terminate simultaneously with the termination of the Compact by the Government in accordance with Section 5.1(a) of the Compact.

(b) MCC may immediately terminate this Agreement, in whole or in part, by written notice to MCA-Mongolia and the Government, if MCC determines that any event that would be a basis for termination or suspension of the Compact or MCC Funding under Section 5.1(b) of the Compact has occurred.

(c) Unless terminated earlier in accordance with the terms hereof, this Agreement shall cease to be in force simultaneously with the expiration or termination of the Compact; ***provided, however***, that, if MCC determines, consistent with Section 4.2 (b) or (c), that obligations incurred (and previously approved by MCC in a Disbursement Request) before the expiration or termination of the Compact remain to be paid, then the provisions of this Agreement shall apply until such date as such obligations are satisfied.

Section 5.8 Survival. Notwithstanding any expiration, suspension or termination of this Agreement, the following provisions of this Agreement shall survive: Sections 1.2(b)(i), 1.2(b)(ii), 2.11, 4.2, 5.1, 5.2, 5.3, 5.8, 5.9, and 5.10.

Section 5.9 Information Provided to MCC. MCC may use or disclose any information in any Disbursement Request, report or document developed or delivered in connection with the Program: (a) to its employees, contractors, agents and representatives, (b) to any United States inspector general or the United States Government Accountability Office or otherwise for the purpose of satisfying MCC's own reporting requirements, (c) to post on the MCC Website for the purpose of making certain information publicly available and transparent, (d) in connection with publicizing MCC and its programs, or (e) in any other manner.

Section 5.10 Governing Law. The Parties acknowledge and agree that this Agreement is an international agreement entered into for the purpose of implementing the Compact and as such shall be interpreted in a manner consistent with the Compact and shall be governed by international law.

Section 5.11 Signatures. Signatures to this Agreement and to any amendment to this Agreement shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

Signature Page Follows on the Next Page

EXECUTION VERSION

IN WITNESS WHEREOF, each Party, through its duly authorized representative, has signed this Program Implementation Agreement.

Done at Ulaanbaatar, Mongolia, this 5th day of March, 2019.

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

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

/s/

Name: Kyeh Kim
Title: Acting Vice President,
Department of Compact Operations

/s/

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

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

ANNEX I

DEFINITIONS

***Agreement** has the meaning provided in the preamble to this Agreement.*

***Audit Plan** has the meaning provided in Section 2.1(c).*

***Auditor** has the meaning provided in Section 2.10(c).*

***Auditor / Reviewer Agreement** has the meaning provided in Section 2.10(c).*

***Bank** has the meaning provided in Section 3.1(c)(ii).*

***Bank Agreement** has the meaning provided in Section 3.1(c)(ii).*

***BCS** has the meaning provided in Section 2.1(d).*

***Bylaws** has the meaning provided in Section 1.3(b)(v).*

***Closure Period** has the meaning provided in the MCC Program Closure Guidelines.*

***Common Payment System** means the system pursuant to which payments of MCC Funding are made directly to vendors as further described in the Fiscal Accountability Plan.*

***Compact** has the meaning provided in the Preamble to this Agreement.*

***Compact End Date** has the meaning provided in the MCC Program Closure Guidelines.*

***Counterparty** has the meaning provided in Section 1.3(b)(vi).*

***Designated Rights and Responsibilities** has the meaning provided in Section 1.3(a)(i).*

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

***Disbursement Period** has the meaning provided in Section 3.1(a).*

***Disbursement Request** has the meaning provided in Section 3.1(a).*

***Environmental and Social Impact Assessment or ESIA** means a process for predicting, identifying, and assessing the potential environmental and social impacts of a proposed business activity or project, evaluating alternatives and designing appropriate mitigation, management and monitoring measures.*

Environmental and Social Management Plan or ESMP means a plan or strategy specifying the measures that shall be taken to ensure that social and environmental impacts, risks and liabilities identified during the ESIA process are effectively managed during the construction, operation and closure of the proposed project.

Environmental and Social Management System or ESMS means a set of policies, procedures, tools, and internal capacity to identify and manage an institution's exposure to the environmental and social risks of its clients, investees, or stakeholders.

Exempt Entity and Exempt Individual have the meanings provided in Schedule A to Annex V.

Fiscal Accountability Plan has the meaning provided in Section 2.2.

Fiscal Agent Agreement has the meaning provided in Section 2.10(b).

Fiscal Agent Disbursement Certificate has the meaning provided in Section 3.4(a)(v).

Funded Agreement has the meaning provided in Section 1.3(b)(vi).

General Provisions Annex means the annex titled General Provisions posted from time to time on the MCC Website or otherwise made available to the Government.

Governance Guidelines means the MCC Guidelines for Accountable Entities and Implementation Structures.

Governing Document has the meaning provided in Section 2.9(g).

Government has the meaning provided in the preamble to this Agreement.

Government Account has the meaning provided in Part B of Annex IV.

HR Manual has the meaning provided in Section 1.3(b)(v).

IFC Performance Standards has the meaning provided in Section 1.2(b)(iii).

Implementation Plan has the meaning provided in Section 2.1.

Implementation Plan Document has the meaning provided in Section 2.1.

Key Staff has the meaning provided in the Governance Guidelines.

Lien has the meaning provided in Section 1.2(b)(i).

Local Account has the meaning provided in Section 3.1(c)(i).

Material Agreement has the meaning provided in Section 2.9(c).

MCA Disbursement Certificate has the meaning provided in Section 3.4(a)(iii).

MCA-Mongolia has the meaning provided in Section 1.3(a)(i).

MCA-Mongolia Website has the meaning provided in Section 2.11(b).

MCC has the meaning provided in the preamble to this Agreement.

Mongolia has the meaning provided in the preamble to this Agreement.

Multi-Year Financial Plan has the meaning provided in Section 2.1(b).

MTA means Mongolian Tax Authority, as described in the preamble to Annex V.

Observer has the meaning provided in the Governance Guidelines.

Outside Project Manager has the meaning provided in Section 2.10(a).

Party and Parties have the meaning provided in the preamble to this Agreement.

Periodic Report has the meaning provided in Section 2.8(a).

Permitted Designee has the meaning provided in Section 1.2(a).

Procurement Agent Agreement has the meaning provided in Section 2.10(d).

Procurement Agent Disbursement Certificate has the meaning provided in Section 3.4(a)(iv).

Procurement Plan has the meaning provided in Section 2.1(d).

PS2 Compliance Plan has the meaning provided in Part D of Annex II.

Resettlement Action Plan or RAP means a plan designed to mitigate the negative impacts of the physical displacement of persons caused by project implementation.

Resettlement Policy Framework or RPF means a broad plan or scheme prepared for a project, based on the principles of the World Bank's Involuntary Resettlement Policy (OP 4.12), that sets forth and defines the principles, organizational arrangements, and design criteria to be applied to regulate all circumstances regarding resettlement that may occur in implementation of the project.

Reviewer has the meaning provided in Section 2.10(c).

Social and Gender Integration Plan has the meaning provided in Section 2.5.

Stakeholders Committee, which has the meaning provided in the Governance Guidelines, is one mechanism for satisfying the stakeholder engagement requirements of the International Finance Corporation Performance Standard 1.

Tax Departments has the meaning provided in the preamble to Annex V.

VAT has the meaning provided in Annex V.

VAT Act and VRPRN have the meaning provided in Schedule A of Annex V.

Work Plan has the meaning provided in Section 2.1(a).

ANNEX II

ADDITIONAL CONDITIONS PRECEDENT TO PROGRAM FUNDING

In addition to the conditions precedent in Sections 3.2, 3.3, and 3.4 of this Agreement, the following conditions precedent must be met to MCC's satisfaction, unless waived or deferred by MCC.

PART A. Conditions Precedent for Entire Disbursement Request.

(i) Before the second Disbursement of Program Funding, MCA-Mongolia must develop and approve a comprehensive Social and Gender Integration Plan, in form and substance satisfactory to MCC.

(ii) Before the second Disbursement of Program Funding, MCA-Mongolia must develop and approve a comprehensive M&E Plan, in form and substance satisfactory to MCC.

(iii) Prior to the initial Disbursement of Program Funding for any Activity where such Activity (or any component thereof) is to be implemented by an Implementing Entity, MCA-Mongolia must have delivered to MCC an executed copy of an Implementing Entity Agreement between MCA-Mongolia and the relevant Implementing Entity, which agreement must be in form and substance satisfactory to MCC.

(iv) Before the initial Disbursement of Program Funding for payment under a particular works or construction contract for any Activity, MCA-Mongolia must submit evidence to MCC that MCA-Mongolia or the appropriate Government Entity has developed and adopted an ESIA, ESMP(s), and/or a RAP (as appropriate) with respect to such Project or Activity, each of which must be in form and substance satisfactory to MCC.

(v) Before each Disbursement of Program Funding for payment under a particular works or construction contract for any Activity, MCA-Mongolia must submit evidence, in form and substance satisfactory to MCC, that MCA-Mongolia or the appropriate Government entity is implementing the requirements of the ESIA, ESMP(s), or RAP, as appropriate, in all material respects and consistent with the MCC Environmental Guidelines (including the IFC Performance Standards that are incorporated by reference therein).

(vi) Before any Disbursement of Program Funding on or after the commencement of year five (5) of the Compact Term, the Government must submit to MCC an initial draft Compact Closure Plan in accordance with the MCC Program Closure Guidelines.

(vii) Before each Disbursement of Program Funding, the Government shall submit to MCC evidence, satisfactory to MCC, that the Government is actively implementing and in compliance with the Cost Recovery Plan.

(viii) Before each Disbursement of Program Funding, the Government shall submit to MCC evidence, satisfactory to MCC, that the Government is actively implementing and in compliance with the Industrial Pre-Treatment Plan.

PART B. Condition Precedent for the Downstream Wells Activity.

(i) Before each disbursement of Program Funding for the Downstream Wells Activity, the Government shall provide evidence satisfactory to MCC showing that the CWWTP is on track to be commissioned prior to the fourth anniversary of the Compact's entry into force.

PART C. Condition Precedent for the Wastewater Recycling Activity.

(i) Before each disbursement of Program Funding for the Wastewater Recycling Activity, the Government shall comply with the same condition precedent for the Downstream Wells Activity identified above in Part B(i).

PART D. Conditions Precedent for the Water Sector Sustainability Activity.

(i) Conditions Precedent for the Ger Area Cost Containment Sub-Activity

(A) Before the initial disbursement of Program Funding for any small-scale works under the Ger Area Cost Containment Sub-Activity, the Government shall submit relevant technical, environmental, and land acquisition and resettlement data and other information as may be needed for the proper assessment, due diligence, and costing of proposed interventions and preparation of bidding documents.

(B) Before the initial disbursement of Program Funding for any small-scale works under the Ger Area Cost Containment Sub-Activity, the Government shall submit a plan (the "*PS2 Compliance Plan*"), satisfactory to MCC, for (i) providing re-training for other positions and any other alternatives to staff retrenchment as a result of the sub-activity and (ii) addressing any collective dismissals (job loss) that may result from the sub-activity, in compliance with the MCC Gender Policy and IFC Performance Standard 2: Labor and Working Conditions. Such PS2 Compliance Plan shall document consultations with affected workers and their organizations and compliance with any collective bargaining agreements that may apply.

(C) Before each subsequent disbursement of Program Funding for any small-scale works under the Ger Area Cost Containment Sub-Activity, the Government shall supply evidence, satisfactory to MCC, that the Government is actively implementing and in compliance with the PS2 Compliance Plan.

- (ii) Condition Precedent for the Utility Operations Sub-Activity. Before the initial disbursement of Program Funding for targeted technical assistance for asset management under the Utility Operations Sub-Activity, the Government shall provide evidence, satisfactory to MCC, that USUG has implemented AquaRating and obtained its first set of audited ratings on agreed key performance measures.

- (iii) Conditions Precedent for the Industrial Pre-Treatment and Pollution Control Sub-Activity. Before any disbursement for water quality testing equipment under the Industrial Pre-treatment and Pollution Control Sub-activity, the Government agrees to make available a suitably sized building that can be adapted and configured as a water quality laboratory and that is under the control of a Government agency, which agency shall be agreed upon between MCC and the Government.

ANNEX III

Government Contributions (millions of US dollars)							
Component	Period post-signing and pre-Entry into Force	Compact Term					Total
		Year 1	Year 2	Year 3	Year 4	Year 5	
1.Downstream wells activity	-	5.93	5.93	11.85	11.85	23.70	59.26
2.Wastewater recycling activity	-	5.25	5.25	10.50	10.50	21.00	52.50
Grand Total	-	11.18	11.18	22.35	22.35	44.70	111.76

ANNEX IV
PRINCIPLES FOR MANAGEMENT OF THE GOVERNMENT CONTRIBUTION

A. General Principles.

1. Except as the Parties may otherwise agree in writing, the Government Contribution shall conform to the requirements and provisions of the Compact and the Program Implementation Agreement, just as if they were MCC Funding. For the avoidance of doubt, any activities undertaken, in whole or in part, with the Government Contribution shall adhere to, among other things, the Program Procurement Guidelines, the MCC Environmental Guidelines, and the Social and Gender Integration Plan.
2. The Government Contribution shall be provided by the Government of Mongolia as an unconditional grant, and may be used for any expenditures allowable under the Compact for the Compact Term.
3. The Government Contribution shall begin to be disbursed to the Permitted Designee in the year listed in Annex III. Any funds not used in the appropriated year shall be rolled over to the next year and be immediately available for Compact use. MCC and the Government intend that in the event any portion of the Government Contribution has not been expended by the end of the Compact Term, the Government shall use the remaining portion of the Government Contribution to ensure sustainability of the Compact Project Objectives.

B. Disbursement Principles for the Government Contribution.

1. In order to properly manage and account for the Government Contribution, the Permitted Designee shall be given access to the relevant state treasury account holding Government Contribution disbursements (the “*Government Account*”).
2. Upon proper request by the Permitted Designee, the Government shall disburse the Government Contribution to the Government Account on an annual basis.
3. Any and all interest accrued on the Government Contribution shall remain in the Government Account and reduce the amount of MCA-Mongolia’s subsequent disbursement request to the Treasury of Mongolia.

C. Oversight of the Government Contribution.

1. MCA-Mongolia shall ensure to MCC’s satisfaction that the Government Contribution is fully and timely incorporated in the Implementation Plan Documents.
2. MCA-Mongolia shall ensure to MCC’s satisfaction that the Government Contribution conforms to the requirements and provisions of the Fiscal Accountability Plan and Audit Plan, just as if it were MCC Funding.

ANNEX VTAX SCHEDULES

The Government shall ensure that MCA-Mongolia and all Providers, Covered Providers, Implementing Entities, contractors (prime contractors and subcontractors), consultants, and other entities and individuals that receive MCC Funding directly or indirectly in furtherance of the Compact are exempt from Taxes or shall be refunded an amount equal to any Taxes paid in respect of the MCC Funding in accordance with Section 2.8 of the Compact.

The following Schedules identify specific Taxes and mechanisms to implement compliance with the tax exemption under the Compact. The Government shall provide an instruction letter and a copy of the Compact, including these Schedules, to the Mongolian Tax Authority (“*MTA*”) and all other authorities, including local and state authorities, involved in Tax collection and administration (collectively “*Tax Departments*”) to ensure that the Tax Departments implement the terms of the Compact and the mechanisms to implement the Tax exemption as agreed herein, or as otherwise adopted under the Compact.

MCA-Mongolia shall facilitate and assist all other beneficiaries of the Tax exemption, including Providers, Covered Providers, Implementing Entities, contractors (prime contractors and subcontractors), consultants, and other entities and individuals that receive MCC Funding directly or indirectly in furtherance of the Compact, to ensure compliance with the exemption or refund terms herein that apply to Taxes.

There is not a need to make multiple applications or recommendations if more than one Tax is required to be exempted or refunded in respect of the same transaction (e.g. value added Tax (“*VAT*”), excise duty, and custom duty applying to same goods or services).

Taxes to be exempt and refunded are set out below:

Schedule	Tax
A	Value Added Tax (State Tax) (“ <i>VAT</i> ”)
B	Goods – VAT at Importation Import And Customs Duties (State Tax)
C	Corporate Income Tax (State Tax)
D	Individual Income Tax (State Tax)
E	Social Insurance
F	Workplace Payment

SCHEDULE A
VALUE ADDED TAX (STATE TAX)

Legal Basis for Exemption

1. Section 2.8 of the Compact.
2. Article 13(1)(3) of Law on Value Added Tax of 2015 (the “*VAT Act*”).

Beneficiaries of Exemption

1. MCA-Mongolia.
2. Each Implementing Entity, and any Provider, Covered Provider, or any other entity, including prime contractors and any subcontractors working directly with prime contractors and all natural persons, importing or providing goods, works or services in furtherance of the Compact (an “*Exempt Entity*” in the case of a legal entity or an “*Exempt Individual*” in the case of a natural person).

Procedures

1. Tax exemption for local purchases on which VAT would normally be applied (including, locally manufactured or imported goods and goods purchased from a vendor). Pursuant to the VAT Act, vendors may exempt VAT for local purchases made in furtherance of the Compact for goods to which VAT is to be paid. To secure this exemption, the purchaser, either MCA-Mongolia, the Exempt Entity, or the Exempt Individual, must utilize a VAT Relief Purchase Registration Number (“*VRPRN*”).
2. Within five days of the first month of the relevant quarter, the Ministry of Foreign Affairs shall send a requesting letter to the Ministry of Finance requesting a VRPRN attaching other relevant documents in accordance with the Minister of Finance Order No.46 (2016). The Ministry for Foreign Affairs shall submit the names of all Exempt Entities or Exempt Individuals to the Minister for Finance and also submit the details of approved items each shall require.
3. After reviewing the request and relevant documents, the Ministry of Finance shall approve the request within fifteen days of the first month of the relevant quarter. The Ministry of Finance shall send approved list to the MTA within five working days.
4. MTA shall issue a VRPRN, give admission right, and insert relevant information into Unified System of Tax registration and information.

SCHEDULE B

**GOODS – VAT AT IMPORTATION
IMPORT AND CUSTOMS DUTIES (STATE TAX)**

Legal Basis for Exemption

1. Section 2.8 of the Compact.
2. The VAT Act.
3. Article 38(1) (2) of Law on Custom Tariff and Tax.

Beneficiaries of Exemption

1. MCA-Mongolia.
2. Each Exempt Entity or Exempt Individual.

Procedures

1. Minister of Finance Order No. 317 (2015) shall apply for Tax exemption of VAT and Custom duties.
2. The Ministry of Foreign Affairs shall send a request with relevant documents to the Ministry of Finance. The required documents are listed in the rules approved by the Minister of Finance Order No. 317 (2015). If the request and relevant documents meets the requirement, the specialist responsible for handling VAT and custom duty exemption at the Ministry of Finance shall issue a registration note (annex 1 of the Minister of Finance Order No. 317 (2015)).
3. The specialist responsible for handling VAT and custom duty exemption at the Ministry of Finance shall sign second signature and the director of relevant department/division shall sign the second signature on the registration note. Based on the original of registration note for VAT and custom duty, the General Customs Authority shall register the goods and exempt from VAT and custom duty. The request from Ministry of Foreign Affairs, the registration note, and all other relevant information should be included in the online system.

SCHEDULE C

CORPORATE INCOME TAX (STATE TAX)

Legal Basis for Exemption

1. Section 2.8 of the Compact.

Beneficiaries of Exemption

1. MCA-Mongolia.
2. All entities performing work in connection with the Program (only revenues related to the Program), except in the case of legal entities formed under the laws of Mongolia.

Procedures

1. MCA-Mongolia shall keep Tax exemption records of legal entities performing work in connection with the Program, and are obliged to report it to the Mongolian Tax Authority in compliance with the domestic Tax laws and regulations.
2. MCA-Mongolia shall act as a withholding taxpayer in the case of legal entities formed under the laws of Mongolia. The withholding Tax collection, settlement, and reporting procedure must comply with the domestic Tax laws and regulations.

SCHEDULE D
INDIVIDUAL INCOME TAX (STATE TAX)

Legal Basis for Exemption

1. Section 2.8 of the Compact.

Beneficiaries of Exemption

1. MCA-Mongolia.
2. Natural persons performing work in connection with the Program (only revenues related to the Program), except in the case of natural persons who are citizens or permanent residents of Mongolia.

Procedures

1. MCA-Mongolia shall keep Tax exemption records of person(s) performing work in connection with the Program and are obliged to report it to the Mongolian Tax Authority in compliance with the domestic Tax laws and regulations.
2. MCA-Mongolia shall act as a withholding taxpayer in the case of natural persons who are citizens or permanent residents of Mongolia. The withholding Tax collection, settlement, and reporting procedure must comply with the domestic Tax laws and regulations.

SCHEDULE E
SOCIAL INSURANCE

Legal Basis for Exemption

1. Section 2.8 of the Compact

Beneficiaries of Exemption

1. MCA-Mongolia
2. Natural persons performing work in connection with the Program, except in the case of natural persons who are citizens or permanent residents of Mongolia.
3. All entities performing work in connection with the Program (only expenses related to the payment of social insurance for its employee-foreign citizens who perform work in connection with the Program).

Procedures

1. The legal entity or natural person performing work in connection with the Program will request MCA-Mongolia to issue a relevant support letter for the exemption of social insurance for certain foreign citizens.
2. MCA-Mongolia will send a supporting letter to the Ministry of Labor and Social Protection (MLSP) and the General Authority for Social Insurance to exempt the payment of social insurance for certain foreign citizens who are performing work in connection with the Program.
3. The General Authority for Social Insurance will notify MCA-Mongolia, the relevant Social Insurance Department/Division, and any other relevant government bodies regarding the exemption of social insurance.

SCHEDULE F
WORKPLACE PAYMENT

Legal Basis for Exemption

1. Section 2.8 of the Compact
2. Article 9.5 of the Law on sending labor force abroad and receiving labor force and specialists from abroad (2001)
3. Government Resolution No41 from 2015 ‘Renewing the rules’ (Rules on receiving, discounting and exempting the workplace payment)

Beneficiaries of Exemption

1. MCA-Mongolia
2. Natural persons performing work in connection with the Program, except in the case of natural persons who are citizens or permanent residents of Mongolia.
3. All entities performing work in connection with the Program (only expenses related to the payment of workplace payment and service fee for its employee-foreign citizens who perform work in connection with the Program).

Procedures

1. The legal entity or natural person performing work in connection with the Program will request MCA-Mongolia to issue a relevant support letter for the exemption of workplace payment for certain foreign citizens.
2. MCA-Mongolia will send a supporting letter to the Ministry of Labor and Social Protection (MLSP) and the General Authority for Labor and Social Welfare Services to exempt the payment of workplace payment for certain foreign citizens who are performing work in connection with the Program. The letter should include the names of the relevant foreign citizens, foreign specialist, nature of the work and service performed, and dates of such performance.
3. The General Authority for Labor and Social Welfare Services will notify MCA-Mongolia, the Mongolia Immigration Agency, and any other relevant government bodies regarding the exemption of workplace payment.