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MILLENNIUM CHALLENGE CORPORATION

[MCC FR 18-09]

Notice of Entering into a Compact with the Mongolia

AGENCY: **Millennium Challenge Corporation.**

ACTION: Notice.

SUMMARY: In accordance with Section 610(b)(2) of the Millennium Challenge Act of 2003 as amended, and the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018, the Millennium Challenge Corporation (MCC) is publishing a summary of the Millennium Challenge Compact between the United States of America, acting through MCC, and the country of Mongolia. Representatives of MCC and Mongolia signed the compact on July 27, 2018. The complete text of the compact has been posted at: <https://assets.mcc.gov/content/uploads/compact-mongolia-water.pdf>.

Dated: August 9, 2018.

Thomas G. Hohenthauer,
Deputy Vice President and General Counsel,
Millennium Challenge Corporation.
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SUMMARY OF THE MONGOLIA COMPACT

Overview of MCC Mongolia Compact

MCC's five-year, \$350 million Millennium Challenge Compact with the Government of Mongolia (the "Government") aims to reduce poverty through economic growth by assisting the Government in addressing one of the country's most binding constraints to economic growth: inadequate access to water and sanitation in productive sectors and poor communities. The Compact will address this constraint through a single project that aims to increase the water supply to the capital city, Ulaanbaatar.

The Compact will focus on addressing problems within the water sector in Ulaanbaatar, specifically the imminent shortage of water that threatens Ulaanbaatar's economy and that could begin to reduce the quality of life of its residents as early as 2019. The city currently draws its annual supply of 77 million cubic meters of drinking water from groundwater aquifers along the upper reaches of the Tuul River, which flows through the city. Studies supported by MCC indicate that any additional extraction of the groundwater aquifers upstream will diminish river flow and cause portions of the river in this area to run dry, thus making the upper reaches of the river unavailable for the development of future water supplies. The groundwater aquifers located along the reaches of the Tuul River downstream from the city must therefore support the city's future needs. However, poorly treated discharge from the city's outdated and overloaded central wastewater treatment plant has contaminated the Tuul River as it flows downstream from the city, thereby introducing potentially harmful contaminants into these downstream aquifers. The pollution of these aquifers at a time of rapid growth in the demand for water only makes the imminent water crisis more acute.

Project Summary

The Compact will address the constraint of long-term water supply to Ulaanbaatar through a **Water Supply Project**, the objective of which is to meet the projected demand for water in Ulaanbaatar for residential consumers and commercial and industrial users over the medium term in ways that are economically and environmentally sustainable. The Water Supply Project is composed of three activities:

- **Downstream Wells Activity**: This activity involves expansion of the city's bulk water supply through the construction of (i) approximately 52 new wells in two downstream wellfields to supply up to 50 million cubic meters of groundwater per year, (ii) associated pipelines, transmission lines, and pumps to convey the water, (iii) an advanced water treatment plant to produce water that meets drinking standards, and (iv) storage facilities, a pumping station and a conveyance pipeline to transport finished drinking water into the existing municipal water network of Ulaanbaatar. The activity includes advanced technology for purification of the water to ensure that water supplied to the city is safe and potable.

- Wastewater Recycling Activity: This activity involves a significant reduction in the demand for fresh water through the construction of (i) a wastewater recycling plant designed to treat a portion of the effluent from the central wastewater treatment plant, (ii) pumping stations and associated pipelines to convey the recycled water to water storage facilities near two large combined heating and power plants, and (iii) internal piping, storage facilities and control systems to facilitate the use of recycled wastewater for certain processes within these combined heating and power plants, which are currently the city's largest consumers of freshwater. This activity will substitute recycled water for at least 14 million cubic meters of freshwater that the combined heating and power plants consume each year, with an expectation that the volume will increase over time. The wastewater recycling plant will be the first of its kind in Mongolia, helping to pave the path for efficient and responsible management of the scarce water resources of Ulaanbaatar.
- Water Sector Sustainability Activity: This activity is designed to enhance the long-term sustainability of water supplies to the capital city through critical policy, legal, regulatory and institutional changes, with a particular emphasis on achieving full cost recovery and making improvements in operations and maintenance. The Water Sector Sustainability Activity includes five sub-activities, which will support (i) utility-wide financial sustainability and cost recovery, (ii) utility cost savings and cost containment for operation in the *ger* areas, (iii) improved utility operational efficiency, (iv) environmental sustainability, industrial pre-treatment, and pollution control, and (v) public communications, stakeholder engagement, and behavior change interventions. This activity will help to ensure that the benefits of the Compact reach all citizens of Ulaanbaatar and are sustained over the long term.

MCC estimates that the Water Supply Project will add 64 million cubic meters to Ulaanbaatar's long-term supply of water, an 83 percent increase in total supply. MCC estimates this volume to be sufficient to meet the city's growing demand for water well beyond the end of the Compact.

Compact Budget

Table I presents the Compact budget and sets forth both the MCC funding by Compact components and the Government's expected \$111.76 million in a country contribution toward the objectives of the Compact.

Table I: Mongolia Compact Budget (in US\$ millions)

MCC Funding by Compact Components	Program Funding under Section 605	Compact Development Funding under Section 609(g)	Total MCC Funding
1. Water Supply Project			
1.1 Downstream Wells Activity	\$223.50	\$16.00	\$239.50
1.2 Wastewater Recycling Activity	\$40.95	\$2.25	\$43.20
1.3 Water Sector Sustainability Activity	\$17.04	\$2.96	\$20.00
Subtotal	\$281.49	\$21.21	\$302.70
2. Monitoring and Evaluation	\$10.33	\$0.03	\$10.36
3. Program Administration and Oversight	\$30.12	\$6.82	\$36.94
MCC Funding	\$321.94	\$28.06	\$350.00

Total Compact Funding	Amount
Total MCC Funding	\$350.00
Government of Mongolia Contribution	\$111.76
Total Compact	\$461.76

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