

PROCUREMENT AGREEMENT

by and between

THE MILLENNIUM CHALLENGE CORPORATION,

and

THE GOVERNMENT OF THE REPUBLIC OF HONDURAS

acting through

THE SECRETARY OF THE PRESIDENCY

and

MCA-HONDURAS

(when MCA-Honduras duly executes this Agreement)

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Article I. Procurement Plan | 2 |
| Section 1.1 Procurement Plan Development | 2 |
| Section 1.2 Publication of Procurement Plans | 2 |
| Section 1.3 Procurement Plan Implementation..... | 3 |
| Section 1.4 Deviations from Procurement Plan..... | 3 |
| Article II. Obligations and Representations..... | 3 |
| Section 2.1 Procurement Principles | 3 |
| Section 2.2 Procurement Guidelines..... | 3 |
| Section 2.3 Procurement Contracts..... | 4 |
| Section 2.4 Reports/Notice of Variance..... | 4 |
| Section 2.5 Other Responsibilities..... | 4 |
| Section 2.6 SDP Representations as of the Effective Date..... | 4 |
| Section 2.7 MCA-Honduras Representations | 5 |
| Article III. Approvals..... | 5 |
| Section 3.1 Approvals..... | 5 |
| Section 3.2 MCC..... | 5 |
| Article IV. General Provisions | 6 |
| Section 4.1 MCA-Honduras Responsibility | 6 |
| Section 4.2 Initial Operating Period..... | 6 |
| Section 4.3 Communications | 6 |
| Section 4.4 Amendments | 7 |
| Section 4.5 Publicity | 7 |
| Section 4.6 Nonwaiver of Remedies..... | 7 |
| Section 4.7 Attachments | 8 |
| Section 4.8 Inconsistencies | 8 |
| Section 4.9 Headings | 8 |
| Section 4.10 Severability | 8 |
| Section 4.11 Interpretation; Definitions..... | 8 |
| Section 4.12 Counterparts; Signatures..... | 8 |
| Section 4.13 Assignment | 9 |
| Section 4.14 Entire Agreement | 9 |

| | | |
|--------------|-------------------------------|----|
| Section 4.15 | Further Assurances..... | 9 |
| Section 4.16 | Termination; Suspension | 9 |
| Section 4.17 | MCC Status..... | 10 |
| Section 4.18 | Representatives | 10 |
| Section 4.19 | Reports | 11 |
| Section 4.20 | Consultation | 11 |
| Section 4.21 | Effective Date; Term..... | 12 |
| Section 4.21 | Effective Date; Term..... | 12 |

Schedule 1: Procurement Guidelines

Schedule 2: Approvals

PROCUREMENT AGREEMENT

This PROCUREMENT AGREEMENT (the “*Agreement*”) is made by and between the Millennium Challenge Corporation, a United States Government corporation (“*MCC*”); and the Government of the Republic of Honduras (the “*Government*”), acting through (i) the Secretary of the Presidency of the Government of the Republic of Honduras (“*SDP*”), and (ii) MCA-Honduras, an independent agency of the Government of the Republic of Honduras (“*MCA-Honduras*”). MCC, SDP and MCA-Honduras (when it duly executes this Agreement) are sometimes referred to herein individually as a “*Party*” and together as the “*Parties*.” All capitalized terms that are used but not defined herein shall have the meaning given such terms in that certain Millennium Challenge Compact by and between the United States of America, acting through MCC, and the Government signed in Washington, D.C. on June 13, 2005 (the “*Compact*”).

RECITALS

WHEREAS, the Compact sets forth the general terms and conditions on which the United States, through MCC, will provide MCC Funding to the Government to use to implement the Program in the Republic of Honduras (“*Honduras*”) and achieve the Compact Goal and Objectives;

WHEREAS, prior to the Entry into Force of the Compact, the Government must deliver to MCC an executed copy of this Agreement, in form and substance satisfactory to MCC, which further specifies the terms and conditions for procurements of goods, services and works made in furtherance of the Compact and using MCC Funding;

WHEREAS, the Government is in the process of forming and organizing MCA-Honduras to oversee and manage the implementation of the Compact on behalf of the Government;

WHEREAS, the Government wants SDP to exercise the rights and perform the obligations of MCA-Honduras on an interim basis until MCA-Honduras duly executes this Agreement, and all references in this Agreement to MCA-Honduras shall be deemed to refer to SDP, unless otherwise explicitly stated herein;

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

ARTICLE I.

PROCUREMENT PLAN

Section 1.1 Procurement Plan Development. SDP shall ensure that MCA-Honduras develops and adopts, and MCA-Honduras shall develop and adopt, a procurement plan on a semi-annual basis for acquiring the goods, works and services needed to implement the Compact (each, a “*Procurement Plan*”), each of which Procurement Plans shall be subject to MCC’s prior written approval and shall:

- (a) identify the purchasing needs for the goods, works, or services required to implement the Compact for the 18 month period of such Procurement Plan;
- (b) identify the proposed method of procurement for each purchase according to procedures as specified in Schedule 2 of this Agreement; and
- (c) estimate the proposed budget for such procurement and such other information as may be requested in writing by MCC from time to time.

Each Procurement Plan shall be submitted to MCC for prior written approval no less than five (5) business days prior to the date for publishing the General Procurement Notice for the period of the Procurement Plan.

Section 1.2 Publication of Procurement Plans. Immediately upon receipt of MCC’s written approval of a Procurement Plan, MCA-Honduras shall publicize on a semi annual basis procurements planned for the upcoming six month period identified in the approved Procurement Plan, in a model format approved by MCC. Publication by MCA-Honduras of a Procurement Plan shall provide reasonable notice of planned procurements and shall include a posting on the MCA-Honduras website, the Government’s procurement website, the Development Gateway Market website at www.dgmarket.com (*dgMarket*) and the United Nations Development Business online website at www.devbusiness.com (*UNDB Online*), publication in a daily newspaper of wide circulation in Honduras, and public announcement in such other media outlets as appropriate or as requested from time to time by MCC. Each publication under this Section, including on the MCA-Honduras website, shall be in English and in Spanish; provided

that publication in the Spanish language local media may be in Spanish only.

Section 1.3 Procurement Plan Implementation. SDP and MCA-Honduras shall ensure that all procurements of goods, services and works shall be substantially consistent with the procurement method as approved in each Procurement Plan unless the Parties otherwise agreed in writing. Compliance (satisfactory to MCC) with the approved Procurement Plan shall be a condition precedent to MCC Disbursements or Re-Disbursements for the related Program or Project expense.

Section 1.4 Deviations from Procurement Plan. If MCA-Honduras proposes to deviate from, or to use a procurement method different than that as approved in, a Procurement Plan, MCA-Honduras shall notify the Procurement Supervisor and MCC at least five (5) business days prior to the proposed effective date for the proposed change in order to request the written approval of MCC and the Procurement Supervisor. If MCC does not object to the change as approved by the Procurement Supervisor, the applicable Procurement Plan shall be modified to reflect the approved change(s).

ARTICLE II.

OBLIGATIONS AND REPRESENTATIONS

Section 2.1 Procurement Principles. SDP and MCA-Honduras shall ensure that all procurements of goods, services or works in furtherance of the Compact and funded in whole or in part, directly or indirectly, by MCC Funding shall comply with the general principles set forth in Section 3.6 of the Compact (the “*Procurement Principles*”).

Section 2.2 Procurement Guidelines. SDP and MCA-Honduras shall ensure that all procurements of goods, services or works in furtherance of the Compact and funded in whole or in part, directly or indirectly, by MCC Funding shall comply with the procurement guidelines set forth on Schedule 1 attached hereto (including the requirements applicable to bid challenges), as such procurement guidelines may be amended by MCC from time to time by publication, or as the Parties may otherwise agree in writing (the “*Procurement Guidelines*”). MCA-Honduras shall ensure that (i) all Government Affiliates and any other Permitted Designees are notified of the terms of this Agreement and the Procurement Principles and that each adopts and complies

with the Procurement Guidelines and (ii) that the Procurement Guidelines are incorporated in any relevant Supplemental Agreement with any Government Affiliate or any other Permitted Designee. MCA-Honduras shall ensure that (i) any Provider not referenced in the preceding sentence is notified of the terms of this Agreement and the Procurement Principles and (ii) that the Procurement Guidelines are incorporated in any relevant Supplemental Agreement with any such Providers. MCA-Honduras shall use its best efforts to ensure that all Providers adopt and comply with the Procurement Guidelines.

Section 2.3 Procurement Contracts. The terms and conditions of relevant contracts with Providers, including governing law and dispute resolution, shall be set out in the applicable Bidding and Proposal Documents (defined in Schedule 1). MCC shall have the right to review and approve the form of relevant contracts and any material modifications from those forms.

Section 2.4 Reports/. MCA-Honduras shall deliver or cause the delivery of quarterly reports to MCC of all procurement actions since the prior quarter, including any variance from the approved Procurement Plan for that period.

Section 2.5 Other Responsibilities. SDP and MCA-Honduras shall comply with all applicable terms and conditions and fulfill all applicable Government Responsibilities in the other Compact Documents, including requirements set forth in Section 3.6 of the Compact and any audit or reporting requirements.

Section 2.6 SDP Representations as of the Effective Date. SDP hereby provides, on behalf of itself and the Government, the following representations to MCC that as of the Effective Date.

(a) Powers; Authorization. SDP has the power and authority to execute, deliver and perform its obligations and, pursuant to Section 4.2, any obligations of MCA-Honduras under this Agreement and each other agreement, certificate, or instrument contemplated hereby. The execution, delivery and performance by SDP of this Agreement and the transactions contemplated herein (i) have been duly authorized by all necessary action on the part of the Government and (ii) will not violate (a) any applicable law or regulation or (b) any obligation of SDP, the Government, any Government Affiliate or any other Permitted Designee. No other action, consent, approval, registration or filing with or any other action by any governmental authority is required in connection with the execution and effectiveness of this Agreement. This Agreement has been duly executed by SDP and is a valid and binding agreement and a legally

enforceable obligation of SDP.

Section 2.7 MCA-Honduras Representations. MCA-Honduras, on behalf of itself and the Government, provides the following representations to MCC as of the date of its execution of this Agreement.

(a) Powers; Authorization. MCA-Honduras has the power and authority to execute, deliver and perform its obligations under this Agreement and each other agreement, certificate, or instrument contemplated hereby. MCA-Honduras is a legal entity duly formed and validly existing under the laws of Honduras. The execution, delivery and performance by MCA-Honduras of this Agreement and the transactions contemplated herein (i) have been duly authorized by all necessary action and (ii) will not violate (1) any applicable law or regulation or (2) any obligation of MCA-Honduras. No other action, consent, approval, registration or filing with or any other action by any person, entity or governmental authority is required in connection with the execution and effectiveness of this Agreement. This Agreement has been duly executed by MCA-Honduras is a valid and binding agreement and a legally enforceable obligation of MCA-Honduras.

ARTICLE III.

APPROVALS

Section 3.1 Approvals. MCA-Honduras shall ensure that, unless otherwise agreed by the Parties in writing, all procurement actions for goods, services or works in furtherance of the Compact and funded in whole or in part by MCC Funding shall have received the prior approval (via the no-objection process) of the authorized entities, officer(s) or bodies designated on Schedule 2.

Section 3.2 MCC. Notwithstanding Section 3.1, nothing in this Agreement shall limit the rights of MCC to approve Material Agreements, Material Re-Disbursements, Material Terms of Reference or any other action or document in accordance with Section 3(c) of Annex I of the Compact or otherwise limit any other MCC approval rights set forth therein or in the Governance Agreement or any other Supplemental Agreement.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1 MCA-Honduras Responsibility. Notwithstanding any other provision of this Agreement, MCA-Honduras shall retain overall responsibility for ensuring compliance with this Agreement by any Government Affiliate and any other Permitted Designee.

Section 4.2 Initial Operating Period. Notwithstanding any other provision of this Agreement, during the first 180 days following Entry into Force, (i) any authorization, certification or other action required to be taken by, or obligation of, the Chairman of the Board of Directors may be taken by, and shall become obligations of, the Principal Representative of the Government; (ii) any certificates or other action required to be taken by, or obligations of, the General Director or any officer of MCA-Honduras may be taken by, and shall become obligations of, the Principal SDP Representative, and (iii) any action required of MCA-Honduras may be taken by, and shall become an obligation of, SDP.

Section 4.3 Communications. Any notice, request, document or other communication required, permitted, or submitted by either Party to the other under this Agreement shall be (i) in writing, (ii) in English, and (iii) deemed duly given: (a) upon personal delivery to the Party to be notified; (b) when sent by confirmed facsimile or electronic mail, if sent during normal business hours of the recipient Party, if not, then on the next business day; or (c) two (2) business days after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt to the Party to be notified at the address indicated below, or at such other address as such Party may designate:

To MCC:

Millennium Challenge Corporation

Attention: Vice President for Country Programs, with a copy to the General Counsel

875 15th Street, N.W.

Washington, D.C. 20005

United States of America

Facsimile: (202) 521-3700

Email: VPCountryPrograms@mcc.gov (Vice President for Country Programs);

VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To SDP:

Minister of the Presidency

Casa Presidencial

Tegucigalpa, F.M.

Honduras, C.A.

Facsimile: _____

E-mail: _____

To MCA-Honduras:

At the address that MCA-Honduras provides to MCC upon execution of this Agreement.

Section 4.4 Amendments. The Parties may amend this Agreement by entering into a written amendment to this Agreement signed by the Principal Representatives of the Parties; *provided*, that prior to entry into this Agreement by MCA-Honduras, this Agreement may be amended by written agreement of MCC and SDP.

Section 4.5 Publicity. Subject to Section 5.17 of the Compact, MCA-Honduras shall post, or cause to be posted, a copy of this Agreement and on a semi annual basis procurements planned for the upcoming six month period identified in the approved Procurement Plan and such other materials as MCC may request, in each case on the MCA-Honduras website in English and Spanish.

Section 4.6 Nonwaiver of Remedies. The Parties agree that no delay or omission to exercise any right, power or remedy accruing to either Party, upon any breach, default or noncompliance by the other Party under this Agreement or any other Compact Document, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. The Parties further agree that any waiver, permit, consent or approval of any kind or character on either Party's part of any breach, default or noncompliance under this Agreement or any other Compact Document or any waiver on such Party's part of any provisions or conditions of this Agreement or any other Compact Document

must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or any other Compact Document, by law, or otherwise afforded to either Party, shall be cumulative and not alternative.

Section 4.7 Attachments. Any Exhibit, Schedule or other attachment expressly attached hereto (together, the “*Attachments*”) is incorporated herein by reference and shall constitute an integral part of this Agreement.

Section 4.8 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 between the Parties or any Procurement Plan, the terms of this Agreement shall prevail.

Section 4.9 Headings. The Section and Subsection headings used in this Agreement are included for convenience only and are not to be considered in construing or interpreting this Agreement.

Section 4.10 Severability. If one or more provisions of this Agreement is held to be unenforceable under any applicable law, such provision(s) shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

Section 4.11 Interpretation; Definitions. Any reference to the term “including” in this Agreement shall be deemed to mean “including without limitation” except as expressly provided otherwise. Any reference to “business days” shall mean any day that is business day in Washington, D.C and Tegucigalpa, Honduras. Any reference to “Compact Documents” shall mean this Agreement, the Compact, any Supplemental Agreement between MCC and the Government, and any Supplemental Agreement between the Parties. The word “or” shall not be exclusive. Phrases such as “acceptable to,” “to the satisfaction of,” “at the discretion of” and phrases of similar import authorize and permit the relevant Party to approve, disapprove, act, or decline to act it such Party’s sole discretion.

Section 4.12 Counterparts; Signatures. This Agreement may be executed in one or more counterpart signatures and each when so executed and delivered shall be an original instrument, but such counterparts together shall constitute a single agreement. Except as the Parties may otherwise agree in writing from time to time, a signature delivered by facsimile or electronic

mail in accordance with Section 4.3 shall be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying agreement on the basis of the signature's legal effect, validity or enforceability solely because it is in facsimile or electronic form. Such signature shall be accepted by the receiving Party as an original signature and shall be binding on the Party delivering such signature.

Section 4.13 Assignment. MCC may assign, delegate or contract its rights and obligations, in whole or in part, under this Agreement to any Affiliate, agent, or representative of MCC, to the full extent permitted by the laws of the United States of America, without the prior consent of the MCA-Honduras. MCC shall provide written notice to MCA-Honduras upon the effectiveness of such assignment, delegation or contract. Neither SDP nor MCA-Honduras may assign, delegate or contract any of its rights and obligations under this Agreement without the prior written consent of MCC.

Section 4.14 Entire Agreement. Except as otherwise expressly provided in the Compact or as may be subsequently agreed by the Parties in writing from time to time, this Agreement, including all Attachments, and all certificates, documents or agreements executed and delivered in connection with and in furtherance of this Agreement, when executed and delivered, shall constitute the entire agreement of the Parties with respect to the subject matter hereof, superseding and extinguishing all prior agreements, understandings and representations and warranties relating to the subject matter hereof.

Section 4.15 Further Assurances. MCA-Honduras shall promptly do and perform such other and further acts, and take all necessary and appropriate actions to bring into effect and to implement this Agreement.

Section 4.16 Termination; Suspension.

(a) MCC may terminate this Agreement in its entirety by giving MCA-Honduras thirty (30) days' written notice.

(b) Notwithstanding any other provision of this Agreement or any other Supplemental Agreement between MCC and the Government, MCC may suspend or terminate this Agreement, in whole or in part, and any obligation or sub-obligation related thereto, upon giving the Government written notice, if MCC determines that:

(i) The Compact has expired or has been suspended or terminated in whole or in part in accordance with Section 5.4 of the Compact; *provided, however*, this Agreement shall remain in effect for ninety (90) days following the termination or expiration of the Compact.

(ii) Any Supplemental Agreement has been suspended or terminated in whole or in part, and such termination or suspension will have a materially adverse effect on the purpose of this Agreement or the ability of SDP, MCA-Honduras or Government to implement their respective obligations and responsibilities under the Compact Documents.

(iii) SDP or MCA-Honduras, in MCC's sole opinion, has materially breached one or more of its representations or any other covenants, obligations or responsibilities under the Compact Documents, including without limitation Section 1.3 of this Agreement.

(iv) Any event that would be a basis for termination or suspension of a Supplemental Agreement in accordance with Section 5.4 of the Compact has occurred.

(v) There has occurred, in MCC's sole opinion, a failure to meet a condition precedent or series of conditions precedent to MCC Disbursement as set out in and in accordance with this Agreement or any other Supplemental Agreement between the Parties or any Supplemental Agreement between the Government and MCC.

(vi) The Government, SDP or MCA-Honduras or any Government Affiliate or Permitted Designee, in MCC's sole opinion, has materially breached one or more of its representations or any other covenants, obligations or responsibilities under this Agreement or any of the Compact Documents.

Section 4.17 MCC Status. Each of SDP and MCA-Honduras acknowledges and agrees as follows: (i) MCC is a United States government corporation acting on behalf of the United States Government in the implementation of the Compact, and as such, MCC has no liability under this Agreement, is immune from any action or proceeding arising under or relating to this Agreement and each of SDP and MCA-Honduras hereby waives and releases all claims related to any such liability; and (ii) in matters arising under or relating to this Agreement, MCC shall not be subject to the jurisdiction of the courts or other body of Honduras.

Section 4.18 Representatives. For all purposes relevant to this Agreement, SDP shall be represented by the individual holding the position of, or acting as, Minister of the Presidency (the

“*SDP Principal Representative*”), MCC shall be represented by the individual holding the position of, or acting as, Vice President for Country Relations (the “*MCC Principal Representative*”), and MCA-Honduras shall be represented by the individual holding the position of, or acting as, General Director (the “*MCA-Honduras Principal Representative*”), each of whom, by written notice, may designate one or more additional representatives (each, an “*Additional Representative*”) for all purposes other than signing amendments to this Agreement. The names of the SDP Principal Representative and any Additional Representative of SDP shall be provided, with specimen signatures, to MCC and the name of the MCC Principal Representative shall be provided with specimen signature to SDP, and the Parties may accept as duly authorized any instrument signed by such representatives relating to the implementation of this Agreement, until receipt of written notice of revocation of their authority. A Party may change its Principal Representative to a new representative of equivalent or higher rank and seniority upon written notice to the other Party, which notice shall include the specimen signature of the new Principal Representative.

Section 4.19 Reports. Any reports required pursuant to this Agreement, including pursuant to Section 2.5, shall be provided to MCC in a timely manner and in the required form acceptable to MCC to afford reasonable and appropriate review of such reports and in no event less than 20 business days from the end of the prior reporting period. MCA-Honduras shall deliver to MCC in a timely manner any information or document that arises under or is related to this Agreement that may be required for the fulfillment of the Government’s obligations under the reporting and audit requirements set forth in Section 3.8 of the Compact and any reporting requirements set forth in Section 3.12 of the Compact or as may be otherwise reasonably requested by MCC from time to time. MCC shall have the right to use any information or data delivered to MCC under this Agreement for the purpose of satisfying MCC reporting requirements or in any other manner.

Section 4.20 Consultation. Any Party may, at any time, request consultations relating to the interpretation or implementation of this Agreement between the Parties. Such consultations shall begin at the earliest possible date. The request for consultations shall designate a representative for the requesting Party with the authority to enter consultations and the other Parties shall endeavor to designate a representative of equal or comparable rank. If such representatives are unable to resolve the matter within 20 days from the commencement of the consultations then each Party shall forward the consultation to the Principal Representative or such other

representative of comparable or higher rank. The consultations shall last no longer than 45 days from date of commencement. If the matter is not resolved within such time period, MCC may terminate this Agreement pursuant to Section 5.4(a). The Parties shall enter any such consultations guided by the principle of achieving the Compact Goal in a timely and cost-effective manner.

Section 4.21 Effective Date; Term. This Agreement shall (a) become effective and enter into force as of the date hereof upon the signature of duly authorized representatives of MCC and SDP (the “*Effective Date*”) and (b) end ninety (90) days following the termination or expiration of the Compact; *provided, however*, no new procurements shall be made or obligations incurred after the termination or expiration of the Compact; *provided, further*, that this Agreement may be effective for no more than 180 days prior to the execution of this Agreement by the Principal Representative of MCA Honduras, who shall execute this Agreement as soon as MCA-Honduras is duly formed and organized; and *provided, further*, that the term of this Agreement may be extended for a period that is longer than ninety (90) days following the termination or expiration of the Compact if MCC determines that Re-Disbursements related to obligations incurred prior to the expiration or termination of the Compact remain to be carried out.

[Signature page begins on the next page.]

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

SECRETARY OF THE PRESIDENCY,
ON BEHALF OF THE GOVERNMENT OF THE REPUBLIC OF HONDURAS
MILLENNIUM CHALLENGE CORPORATION

By: _____
Name: _____
Title: _____

By: _____
John Hewko
Vice President, Country Programs

MCA-Honduras, acting through its duly authorized representative, has joined this Agreement by signing below as of _____, 2005, and shall be subject to its provisions as of the date first written below.

MCA-HONDURAS

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE 1

PROCUREMENT GUIDELINES

Procurement Management

- Unless otherwise agreed by MCC, MCA-Honduras procurement and contract management of the Honduras MCC Program will be carried out by the Outside Project Manager for the Transportation Project, and by the Fondo Nacional de Desarrollo Rural Sostenible (FONADERS) for the Rural Development Project.
- Management of the implementation of the Compact, including monitoring, evaluation and reporting functions, will be the responsibility of the Program Management Unit (PMU), and the Project Directors therein who will work collaboratively with the procurement entities and coordinating ministries, as appropriate, to achieve the desired outcomes as specified in the Compact and Procurement Plan.
- MCA-Honduras is the accountable entity responsible for the Honduras Program.

Procurement Procedures

- Procurement under the Honduras MCC Program will be governed by a modified version of the standards and procedures of the World Bank as codified in two principal documents:
 1. Guidelines: Procurement under IBRD Loans and IDA Credits, May 2004 (ISBN 0-8213-5829-4, covering works and goods) and
 2. Guidelines: Selection and Employment of Consultants by World Bank Borrowers, May 2004, covering consultants and technical assistance).¹

¹ A third document, the “Bank Financed Procurement Manual,” from the Procurement Policy and Services Group, Operations Policy and Country Services, VPU, edited version dated January 29, 2003, is also relevant for specific determinations.

- Exceptions to these World Bank guideline documents are noted herein and identified using specific paragraph number references. Both documents have been modified in their entirety to reflect the exceptions as indicated and will be posted to the MCC and MCA-Honduras websites. The Guidelines may be further modified periodically at the sole discretion of MCC with notification provided to MCA-Honduras at least 10 days prior to the expected implementation of such modifications.

General Exceptions

- References to the “Bank” unless otherwise noted refer to the Millennium Challenge Corporation.
- References to the “Borrower” unless otherwise noted refer to the Government of Honduras as signatory to the Compact and MCA-Honduras as the accountable entity.
- References to the “Loan Agreement” unless otherwise noted refer to the Compact.
- Selection of the procurement method and requirements for no-objection will be consistent with the thresholds established in Schedule 2. These thresholds and no-objection requirements may be modified at the sole discretion of the MCC.
- Dispute resolution will take place in Honduras, with the possibility for international arbitration in the case of non-Honduran Providers or other participants in the program.

Exceptions: Procurement of Works and Goods²

I. INTRODUCTION

- *Introduction, General Considerations, paragraph 1.3:* Open competition is the basis for efficient public procurement. In most cases, therefore, MCC requires MCA-Honduras to obtain goods, works and services through a competitive bidding process open to eligible suppliers and contractors as set out in Section II of these Guidelines.

² This section lists the exceptions to the base World Bank document entitled *Guidelines: Procurement under IBRD Loans and IDA Credits*, May 2004 (ISBN 0-8213-5829-4, covering works and goods).

- *Introduction, General Considerations, paragraph 1.4:* The third sentence is changed to: The particular methods that may be followed for procurements under the Compact should be determined consistent with the thresholds set out in Schedule 2 of this Agreement and shall be set out and approved via the no-objection in the semi-annual Procurement Plans. The fourth sentence is deleted.
- *Introduction, Eligibility, paragraph 1.8:* This is modified to add the following paragraph: (e) Any person or entity that has been blacklisted from participation in procurements funded with The World Bank assistance or debarred or suspended from participation in procurements funded by the US Federal Government or otherwise prohibited by applicable United States law or Executive Order or United States policies including under any then-existing anti-terrorist policies shall be excluded from procurements awarded under the Compact. Without limiting the foregoing, this would remove from eligibility any procurement from a country or from a firm that is organized in or has its principle place of business or a significant portion of its operations in any country that is subject to sanction or restriction by United States law or policy. As of the date hereof, this list includes Cuba, Iran, Libya, North Korea, Sudan and Syria.
- *Introduction, Advance Contracting and Retroactive Financing, paragraph 1.9:* The last sentence defining rules for retroactive financing is deleted.
- *Introduction, Misprocurement, paragraph 1.12:* MCC does not finance expenditures for goods and works which have not been procured in accordance with the agreed provisions as detailed in the Compact and Compact Documents such as the Operations Manual and Procurement Plans. In such cases, the Procurement Supervisor or MCA-Honduras will declare misprocurement, and it is the policy of MCC to cancel the portion of funds allocated to the goods and works that have been misprocured if corrective measures satisfactory to MCC are not taken. MCA-Honduras may exercise other remedies, and MCC may temporarily suspend or permanently cancel disbursement. Even once the contract is awarded after obtaining a “no objection” from MCC, MCC may still declare misprocurement if it concludes that the “no objection” was issued on the basis of incomplete, inaccurate, or misleading information furnished by MCA-Honduras or the terms and conditions of the contract had been modified without MCC approval.
- *Introduction, References to Bank, paragraph 1.13:* This is changed to: MCA-Honduras shall use the following language when referring to MCC in the RFP and contract documents:

“The Millennium Challenge Corporation signed a five-year, \$215 million Millennium Challenge Compact with the Republic of Honduras on June 13, 2005. This Compact proposes to reduce poverty and spur economic growth in Honduras by increasing productivity of high-value crops and improving transportation links between producers and markets. Payment by MCC under the Compact will be made only at the request of MCA-Honduras and upon approval by MCC, and will be subject, in all respects, to the terms and conditions of the Compact.”

- *Introduction, Procurement Plan, paragraph 1.16:* Within the period specified in the Disbursement Agreement, unless otherwise agreed between MCC and the Government of Honduras, the Government shall furnish to MCC for its approval a Procurement Plan covering goods, works and consulting services setting forth: (a) the purchasing needs for the goods, works, and/or services required to carry out the project during the initial period of at least 18 months; (b) the proposed methods for procurement of such purchases ; and (c) the estimated budget for such procurements. MCA-Honduras shall update this plan semi-annually throughout the Compact Term. The Government and MCA-Honduras shall ensure implementation of the Procurement Plan in the manner in which it has been approved by MCC.

II. INTERNATIONAL COMPETITIVE BIDDING

- *International Competitive Bidding, Notification and Advertising, paragraph 2.7:* This paragraph defining requirements for publication of General Procurement Notice is deleted.
- *International Competitive Bidding, Notification and Advertising, paragraph 2.8:* This is modified to require publication at the MCA-Honduras website and the Government’s procurement website in addition to *UNDB Online* and *dgMarket*.
- *International Competitive Bidding, B. Bidding Documents, paragraph 2.12:* The first two sentences are changed to: MCA-Honduras shall use the appropriate Standard Bidding Documents (SBDs) issued by The World Bank as modified to reflect the exceptions set out in the Procurement Agreement with MCC and changes to address project-specific conditions, subject to the no-objection of the Procurement Supervisor and MCC. The third sentence of Paragraph 2.12 remains unchanged.
- *International Competitive Bidding, Language, paragraph 2.15:* All documents and the bids shall be prepared in:

- (a) The Spanish language in procurements estimated to be less than \$100,000, but may also be in English.
- (b) The English language in procurements estimated to be \$100,000 or more, but may also be in Spanish.

The contract signed with the winning bidder shall be written in the language in which the bidding documents were prepared, and this version shall govern contractual relations between MCA-Honduras and the winning bidder. Bidders shall not be required nor permitted to sign contracts in two languages.

- *International Competitive Bidding, Price Adjustment, paragraph 2.24:* The second sentence is changed to: Price adjustment provisions are usually not necessary in simple contracts involving delivery of goods or completion of works within eighteen months, but may be included in contracts which extend beyond eighteen months with the approval of MCC.
- *International Competitive Bidding, Transportation and Insurance, paragraph 2.26:* The third sentence is changed to: The indemnity payable under transportation insurance shall be at least 110 percent of the contract amount denominated in United States dollars.
- *International Competitive Bidding, Currency Provision, paragraph 2.28:* This provision setting out the currency provisions is changed to: Bidding documents shall state currency or currencies in which bidders are to state their prices. All bids are to be denominated and paid only in United States dollars or the local currency of Honduras as stated in the bidding documents. No other currency is permitted.
- *International Competitive Bidding, Currency of Bid, paragraph 2.29 and 2.30:* Defining the rules for the currency of bids is changed to: The Bidding Documents shall caution bidders that the bid price must be expressed in the currency requested. Only United States dollars or the local currency of Honduras may be requested. Bids may not be requested or express in any other currency.
- *International Competitive Bidding, Currency of Payment, paragraph 2.33:* Defining rules for making payment in currency other than the currency of the bid price is deleted. *[Payment shall be made in the same currency of the bid price.]*
- *International Competitive Bidding, Terms and Methods of Payment, paragraph 2.36:*

Defining the rules for payment method and terms is changed to: Bidding documents shall specify the payment method. *[Payment terms shall not affect the bid evaluation.]*

- *International Competitive Bidding, Evaluation and Comparison of Bids, paragraph 2.49:* The evaluation and comparison of bids and subsequent selection for award will be conducted in agreement with the evaluation criteria as specified in the bidding documents.
- *International Competitive Bidding, Evaluation and Comparison of Bids, paragraph 2.52:* Defining rules for determining the lowest evaluated bid is modified to delete the use of “payment schedule” from the list of permitted evaluation factors.
- *International Competitive Bidding, Domestic Preferences, paragraph 2.55 and 2.56:* Defining requirements for use of Domestic Preferences is deleted. *[Application of domestic preferences for nationality or local content shall not be permitted.]*
- *International Competitive Bidding, Publication of the Award of Contract, paragraph 2.60:* defining the requirements for publication of the notices of contract award is modified to require publication at the MCA-Honduras website and the Government’s procurement website in addition to *UNDB Online* and *dgMarket*.
- *International Competitive Bidding, Procurement of Commodities, paragraph 2.68:* Defining the rules for procurement of commodities is modified to require that the bid prices must be denominated and paid in either United States dollars or the local currency of Honduras.
- **National Competitive Bidding, paragraph 3.4** defining the rules for National Competitive Biding is modified to require advertising of procurement opportunities in *dg Market* and *MCG Website* for all procurements valued at 30,000 and above. (Procurements valued at 100,000 and above must also be posted at UNDB online.)

APPENDIX 1:

REVIEW BY THE BANK OF PROCUREMENT DECISIONS

- *Appendix 1: Review by the Bank of Procurement Decisions, Prior Review, paragraph 2e:* If after publication of the results of evaluation, the procurement entity receives protests or

complaints from bidders, a copy of the complaint and response shall be sent to the Procurement Supervisor, the General Director of the PMU, the Board of Directors, and MCC.

- *Appendix 1: Review by the Bank of Procurement Decisions, Post Review, paragraph 5:* The second sentence shall be modified to require that documents shall be retained for 5 years after the termination or expiration of the Compact.

APPENDIX 2:

DOMESTIC PREFERENCES

- *Appendix 2: Domestic Preferences:* There will be no preferences given to domestic contractors for MCA procurements.

APPENDIX 3:

GUIDANCE TO BIDDERS

- *Appendix 3: Guidance to Bidders, Responsibility for Procurement, paragraph 2:* The responsibility for the implementation of each project, and therefore for the payment of goods, works and services under the program, rests with MCA-Honduras as the accountable entity. The Millennium Challenge Corporation, for its part, is required to ensure that funds are paid only as expenditures are incurred, or for some works, in agreement with negotiated advance payment terms. Disbursements of MCC funds are made at the request of the Board of Directors. Supporting evidence that the funds are used in accordance with the Compact and Procurement Plan shall be submitted with the withdrawal application. Through the procurement entities, MCA-Honduras invites, receives and evaluates bids, and awards contracts. MCC is not a party to the contracts but retains rights to all information and documentation related to the uses and outcomes of activities funded all or in part with MCC funds.
- *Appendix 3: Guidance to Bidders, Information on Bidding, paragraph 4:* This paragraph is deleted.

- *Appendix 3: Guidance to Bidders, Information on Bidding, paragraph 5:* Information on bidding opportunities will be available via the specified advertising media listed in 2.7 and 2.8. The Compact, published on the MCC website, requires certain Program information to be published on the MCA-Honduras website.
- *Appendix 3: Guidance to Bidders, Action by the Bank, paragraph 11 and 12:* These paragraphs are deleted.
- *Appendix 3: Guidance to Bidders, Debriefing, paragraph 15:* If after notification of award, a bidder wishes to ascertain the grounds on which its bid was not selected, it should address its request to the procurement entity. If the bidder is not satisfied with the explanation given, he/she may request an audience with the Procurement Supervisor and the General Director of the PMU. The MCC Procurement Oversight Advisor and the MCC Representative will be notified by the Procurement Supervisor and will subsequently determine whether direct involvement in the matter is appropriate.

Exceptions: Procurement of Consultants and Consulting Services³

I. INTRODUCTION

- *Introduction, General Considerations, paragraph 1.4 (d):* Although MCC encourages development of national consultants, its mission is for eligible countries to achieve poverty reduction through economic growth; there will be no special preferences for national consultants or consulting services in the bidding or selection processes under the Compact.
- *Introduction, General Considerations, paragraph 1.6:* The particular methods that may be followed for the selection of consultants under a given project are contained in these Guidelines and further elaborated upon in Schedule 2. The specific contracts to be financed under the Compact, and their method of selection, shall be specified in the Procurement Plan, as indicated in paragraph 1.24.
- *Introduction, Eligibility, paragraph 1.11:* Defining eligibility requirements is modified

³ This section lists the exceptions to the base World Bank document entitled *Guidelines: Selection and Employment of Consultants by World Bank Borrowers*, May 2004 (ISBN 0-8213-5828-6.)

to add the following paragraph: (f) Any person or entity that has been blacklisted from participation in procurements funded with The World Bank assistance or debarred or suspended from participation in procurements funded by the US Federal Government or otherwise prohibited by applicable United States law or Executive Order or United States policies shall be excluded from procurements awarded under the Compact; including under any then-existing anti-terrorist policies. Without limiting the foregoing, this would remove from eligibility any consultant, sub-consultant or personnel who or which are nationals of any country that is subject to sanction or restriction by United States law or policy. As of the date hereof, this list includes Cuba, Iran, Libya, North Korea, Sudan and Syria.

- *Introduction, Advance Contracting and Retroactive Financing, paragraph 1.12:* The last sentence defining rules for retroactive financing is deleted.
- *Introduction, Bank Review, Assistance, and Monitoring, paragraph 1.15:* Providing for Bank's assistance in identifying consultants is deleted. *[MCC will not furnish lists of suggested consultants.]*
- *Introduction, Misprocurement, paragraph 1.17:* MCC does not finance expenditures for consulting services if the consultants or consulting services selected have not been contracted in accordance with the agreed provisions of the Compact and the Procurement Plan as approved by MCC. In such cases, the Procurement Supervisor or MCA-Honduras will declare misprocurement, and it is the policy of MCC to cancel the portion of funds allocated to services that have been misprocured if corrective measures satisfactory to MCC are not taken. MCA-Honduras may exercise other remedies, and MCC may temporarily suspend or permanently cancel disbursement. Even once the contract is awarded after obtaining a "no objection" from MCC, MCC may still declare misprocurement if it concludes that the "no objection" was issued on the basis of incomplete, inaccurate, or misleading information furnished by MCA-Honduras or the terms and conditions of the contract had been modified without MCC approval.
- *Introduction, References to the Bank, Paragraph 1.18:* This is changed to: MCA-Honduras shall use the following language when referring to MCC in the RFP and contract documents:

"The Millennium Challenge Corporation signed a five-year, \$215 million Millennium Challenge Compact with the Republic of Honduras on June 13, 2005. This Compact

proposes to reduce poverty and spur economic growth in Honduras by increasing productivity of high-value crops and improving transportation links between producers and markets. Payment by MCC under the Compact will be made only at the request of MCA-Honduras and upon approval by MCC, and will be subject, in all respects, to the terms and conditions of the Compact.”

- *Introduction, Language, paragraph 1.20:* The RFP and the proposals shall be prepared in:
 - (a) The Spanish language in procurements estimated to be less than \$100,000, but may also be in English.
 - (b) The English language in procurements estimated to be \$100,000 or more, but may also be in Spanish.

The contract signed with the winning offeror shall be written in the language in which the solicitation documents were prepared, and this version shall govern contractual relations between MCA-Honduras and the winning consultant.

- *Introduction, Language, paragraph 1.21:* Consultants shall not be required or permitted to sign contracts in two languages.
- *Introduction, Procurement Plan, paragraph 1.24:* Within the period specified in the Disbursement Agreement, unless otherwise agreed between MCC and the Government, the Government shall furnish to MCC for its approval a Procurement Plan covering goods, works and consulting services, setting forth: (a) the particular procurements for consulting services required to carry out the Program during an initial 18 month period; (b) the proposed methods for procurement and selection of consultants services; and (c) the estimated budget for each procurement. MCA-Honduras shall update this plan semi-annually throughout the Compact Term. The Government and MCA-Honduras shall ensure implementation of the Procurement Plan in the manner in which it has been approved by MCC.

II. QUALITY- AND COST-BASED SELECTION

- *Quality- and Cost-Based Selection, The Selection Process, paragraph 2.2:* Setting out the steps of the procurement procedure is modified in the introductory sentence to: The steps of the selection process shall include the following steps unless MCC specifically

approves a modification in the procedure that is justified under the circumstances of a particular procurement.

Quality- and Cost-Based Selection, Advertising, paragraph 2.5: Each procurement shall be open to foreign and national participants without restrictions or preferences. Procurements valued over 30,000 shall be advertised at the MCA-Honduras website and in dgMarket. Procurements valued over 100,000 shall be advertised in MCA-Honduras website, in dgMarket and in UN Development Business Online. The MCG may also advertise the procurements in national and international paper publications or electronic media. The text of the advertisement may be subject to review by the MCC. *Quality- and Cost-Based Selection, Short List of Consultants, Paragraphs 2.6, 2.7, and 2.8:* Providing rules for preparing the Short List of Consultants are revised to a single paragraph that states: The MCA-Honduras is responsible for preparation of the short list which is expected to include six to ten firms or organizations unless a smaller number of firms is justified under the circumstances of the particular procurement. Consideration will be given to all firms or organizations— national and international—expressing interest and possessing the relevant qualifications. The method for developing a shortlist shall be fair and objective according to pre-announced criteria. In the case of procurements valued over the threshold amounts detailed in Schedule 2, the short list shall be subject to review and “no objection” by MCC.

- *Quality- and Cost-Based Selection, Preparation and Issuance of the Request for Proposals (RFP), paragraph 2.9:* Defining the contents of the RFP is modified in the second sentence to: MCA-Honduras shall use the applicable standard RFPs issued by The World Bank as modified to reflect the exceptions set out in the Procurement Agreement with MCC and changes to address project-specific conditions, subject to the no-objection requirements set forth in Schedule 2. The third sentence of Paragraph 2.9 is deleted.
- *Quality- and Cost-Based Selection, Instructions to Consultants (ITC), paragraph 2.11:* Defining the contents of the Instructions to Consultants is modified by deleting the reference to “total budget” in the second sentence of the paragraph.
- *Quality- and Cost-Based Selection, Evaluation of the Quality, paragraph 2.15:* Defining the rules for evaluating quality is modified to delete all references to the use of “transfer of knowledge” and “participation of nationals” to evaluate the quality of the proposals.
- *Quality- and Cost-Based Selection, Evaluation of Cost, paragraph 2.20-2.22:* The

currency of all offers and payments shall be in US dollars or local currency of Honduras.

- *Quality- and Cost-Based Selection, Combined Quality and Cost Evaluation, paragraph 2.23:* Defining the procedures for developing the total score and determining the winning proposal is renumbered **Paragraph 2.23.1** and a new paragraph is added that states: Paragraph 2.23.2. Before inviting the firm obtaining the highest total score for negotiations, MCA-Honduras shall furnish to MCC for its review and “no objection” a full description of the procurement process, including an account of all significant problems or defects during the process and a description of how these were resolved.
- *Quality- and Cost-Based Selection, Negotiations and Award of Contract, Paragraph 2.26:* Providing rules for financial negotiations shall be limited by all related restrictions set out in the Compact.
- *Quality- and Cost-Based Selection, Publication of the Award of Contract, Paragraph 2.28:* Defining requirements for publishing notice of award of the contract is modified to require that notice shall also be posted to the MCA-Honduras website.

III. OTHER METHODS OF SELECTION

- General provisions at paragraph 3.1 shall include the following provision: Procurements valued over 30,000 shall be advertised at the MCA-Honduras website and in dgMarket. Procurements valued over 100,000 shall be advertised in MCA-Honduras website, in dgMarket and in UN Development Business Online. The MCA-Honduras may also advertise the procurements in national and international paper publications or electronic media. The text of the advertisement may be subject to review by the MCC.
- *Selection Based on the Consultants’ Qualifications (CQS), Paragraphs 3.8:* Defining the requirements for publishing notice of award when selection is based on the consultant’s qualifications is changed to: MCA-Honduras shall publish in *UNDB Online*, *dgMarket*, the Government’s procurement website and the MCA-Honduras website, the name of the consultant to which the contract was awarded, and the price, duration, and scope of the contract. The publication in *UNDB Online* and in *dgMarket* may be done quarterly, and in the MCA-Honduras website and the Government’s procurement website at least weekly, and in the format of a summarized table covering the previous period.

IV. TYPES OF CONTRACTS AND IMPORTANT PROVISIONS

- *Important Provisions, Paragraph 4.6:* Defining currency related rules shall not be interpreted to permit bids in any currency other than United States dollars or the local currency of the Honduras. All contracts shall be denominated and paid only in United States dollars or the local currency of Honduras.
- *Important Provisions, paragraph 4.9 (a):* Consultants and consulting firms will normally be paid directly by the Fiscal Agent.
- *Important Provisions, paragraph 4.1:* Relating to Borrower’s contribution is deleted.

APPENDIX 1:

REVIEW BY MCC OF THE SELECTION OF CONSULTANTS

- *Post Review:* The second sentence shall be modified to require that documents shall be retained for 5 years after the termination or expiration of the Compact.

APPENDIX 2:

INSTRUCTIONS TO CONSULTANTS (ITC)

- *Paragraph 1:* Relating to use of The World Bank standard proposal documents is changed in the introductory sentences to: MCA-Honduras shall use the applicable standard RFPs issued by The World Bank as modified to reflect the exceptions set out in the Procurement Agreement with MCC and the circumstances of the procurement. This includes the ITC as modified to reflect the MCC exceptions and special circumstances of the procurement. The ITC shall include adequate information on the following aspects of the assignment:

APPENDIX 3:

GUIDANCE TO CONSULTANTS

- *Responsibility for Selection of Consultants, paragraph 2:* The responsibility for the implementation of the program or project, and therefore for the payment of consulting services under it, rests solely with MCA-Honduras. Disbursements of MCC Funding will be made only against incurred expenditures and will be carried out in accordance with the Compact and relevant Supplemental Agreements.
- *Information on Consultant Services, paragraph 5:* Information on consultant services, including a brief description of the nature of services, timing, estimated cost, staff-months, and so forth, will be available via the specified advertising media listed in 2.5. The Compact, published on the MCC website, requires certain Program information to be published on the MCA-Honduras website.
- *Action by the Bank, paragraph 11:* If consultants or consulting firms wish to raise issues or questions about the selection process, they are free to send copies of their communications on issues and questions with the procurement entity to the Procurement Supervisor, the Board of Directors, and the MCC Representative or his/her designate.
- *Debriefing, paragraph 15:* If after notification of award, a consultant or consulting firm/organization wishes to ascertain the grounds on which its proposal was not selected, it should address its request to the procurement entity. If the consultant/consulting firm or organization is not satisfied with the explanation given, he/she may request an audience with the Procurement Supervisor and the General Director of the PMU. The MCC Procurement Oversight Advisor and the MCC Representative will be notified by the Procurement Supervisor and will subsequently determine whether and what type of direct involvement in the matter is appropriate.

2. **Records.**

Complete and uniform procurement records shall be maintained according to a standard format approved by MCC.

ARTICLE II. REVIEW AND APPROVAL REQUIREMENTS

Certain important procurement actions and decisions shall be subject to prior review or approval by levels of authority within MCA-Honduras or by MCC, as provided in Schedule 2. This system of review and approval requirements is intended to ensure adequate oversight over Compact-related procurement activities, help detect errors when they can be easily corrected and to otherwise avoid problems in such procurement activities, and is subject to modification or exception at any time, which modification or exception shall be subject to MCC approval.

ARTICLE III. BID CHALLENGE SYSTEM

MCA-Honduras shall establish a bid challenge system that provides suppliers and contractors the ability to seek review of procurement actions and decisions. Such bid challenge system shall be subject to MCC approval. The review body must be impartial and independent and shall have no interest (through financial, family, business or beneficial ownership or otherwise) in the outcome of the procurement or involved in or related to the procurement process. The review body must follow clear, written, and transparent procedures and shall issue a timely, written decision on any bid challenge that is timely and properly filed. The review body must have the authority to order a correction of a violation of the procurement principles and procedures or to order compensation for any loss or damage suffered by a successful challenger, at least to the extent of the cost of preparation of the bid and the challenge. The review body must also have the power to order suspension of a procurement that is under challenge in order to preserve the commercial opportunity pending the outcome of the review. MCC reserves the right to review and comment on the organization and operation of the bid challenge system.

ARTICLE IV. SUBCONTRACTING

1. Every contract or subcontract for goods, services or works with any party that receives at least USD \$50,000 in the aggregate of MCC Funding shall require the contracting party to follow the Procurement Principles set out in the Compact to the maximum extent consistent with the objectives and requirements of the contract when subcontracting for goods, services or works.

2. In every contract or subcontract valued in excess of USD \$1,000,000, the contracting party shall be required to have written procurement procedures that may be subject to review by MCA-Honduras, MCC, the Government and any of their respective agents or representatives.

3. Any contractor or subcontractor planning to subcontract for a major item of supply,

services, or works, (deemed major if valued in excess of USD \$100,000) shall seek MCA-Honduras prior written approval of the subcontractor.

SCHEDULE 2 - APPROVALS

| REVIEW OF PROCUREMENT DECISIONS: Goods, Works and non-consultant Services | | | | |
|--|---|--|--|--|
| | | LEVEL OF REVIEW (Thresholds expressed in USD) | | |
| Procurement Procedure or Method | Decision | Management Team | Supervisory Board | MCC |
| Pre-qualification | Conducting a pre-qualification | All | Under 200,000 | Under 100,000 |
| | Pre-qualification documents and advertising procedures | All | All | Above 1,000,000 |
| | Evaluation Report with proposed list of entities qualified | All | All | Above 500,000 |
| | Analysis of protest | All | All | All |
| Competitive Bidding (International and National) | Bidding Documents | All | Above 500,000 Goods Above 1,000,000 Works | Above 1,000,000 Goods Above 5,000,000 Works |
| | Extension of Bid Validity | All | Above 500,000 | Above 1,000,000 |

SCHEDULE 2 - APPROVALS

| REVIEW OF PROCUREMENT DECISIONS: Goods, Works and non-consultant Services | | | | |
|--|-----------------|--|--------------------------|------------|
| | | LEVEL OF REVIEW (Thresholds expressed in USD) | | |
| Procurement Procedure or Method | Decision | Management Team | Supervisory Board | MCC |

| | | | | |
|---|--|------------|----------------------|------------------------|
| Competitive Bidding (International and National) | Evaluation Report with proposed award | All | Above 100,000 | Above 250,000 |
| | Analysis of protest | All | All | All |
| Limited Bidding | Selection of limited bidding because only limited number of suppliers | All | Above 20,000 | Above 100,000 |
| | Other justification | All | All | Above 50,000 |
| | Shortlist | All | All | Above 100,000 |
| | Bidding Documents | All | Above 100,000 | Above 500,000 |
| | Extension of Bid Validity | All | Above 500,000 | Above 1,000,000 |
| | Evaluation Report with proposed award | All | Above 100,000 | Above 250,000 |
| | Analysis of protest | All | All | All |

SCHEDULE 2 - APPROVALS

| REVIEW OF PROCUREMENT DECISIONS: Goods, Works and non-consultant Services | | | | |
|--|---|--|--------------------------|--------------------------------------|
| | | LEVEL OF REVIEW (Thresholds expressed in USD) | | |
| Procurement Procedure or Method | Decision | Management Team | Supervisory Board | MCC |
| Shopping | Selection of Shopping because procurement is valued under 30,000 | All | None | None |
| Shopping (continued) | Shortlist | Over 2,000 | None | None |
| | Record of Purchases | Weekly | Monthly | None |
| | Analysis of protest | All | All | Quarterly record of decisions |
| Direct Contracting | Selection of Direct Contracting to add to or extend existing contract | All | Above 100,000 | Above 100,000 |
| | Selection of Direct Contracting to be compatible with existing equipment | All | Above 20,000 | Above 50,000 |

SCHEDULE 2 - APPROVALS

| REVIEW OF PROCUREMENT DECISIONS: Goods, Works and non-consultant Services | | | | |
|--|---|--|---|---------------|
| | | LEVEL OF REVIEW (Thresholds expressed in USD) | | |
| Procurement Procedure or Method | Decision | Management Team | Supervisory Board | MCC |
| | Selection of Direct Contracting because obtainable only from one source | All | Above 100,000 | Above 100,000 |
| Direct Contracting (continued) | Selection of Direct Contracting because procurement is valued under 2,000 | None | None | None |
| | Selection of Direct Contracting on any other grounds | All | Above 20,000 | Above 50,000 |
| | Proposed Contract | Over 2,000 (Under 2,000 review weekly report) | Above 20,000 (Under 2,000 review monthly report) | Above 50,000 |

SCHEDULE 2 - APPROVALS

| REVIEW OF PROCUREMENT DECISIONS: Goods, Works and non-consultant Services | | | | |
|--|--|--|--------------------------|------------|
| | | LEVEL OF REVIEW (Thresholds expressed in USD) | | |
| Procurement Procedure or Method | Decision | Management Team | Supervisory Board | MCC |
| | Analysis of protest of selection of Direct Contracting | All | All | All |
| Force Account | Selection of using equipment owned by or employees of Government of Honduras for performing works | All | All | All |
| | Proposed contracts | All | All | All |

SCHEDULE 2 - APPROVALS

| REVIEW OF PROCUREMENT DECISIONS: Goods, Works and Consultant Services | | | | |
|--|-----------------|--------------------------------------|--------------------------|------------|
| | | LEVEL OF REVIEW | | |
| | | (Thresholds expressed in USD) | | |
| Procurement Procedure or Method | Decision | Management Team | Supervisory Board | MCC |

| | | | | |
|---|---|------------|----------------------|----------------------|
| Quality and Cost Based Selection | Request for Expression of Interest | All | Above 100,000 | Above 500,000 |
| | Shortlist | All | Above 20,000 | Above 50,000 |
| | Proposal Documents | All | Above 100,000 | Above 500,000 |
| | Technical Evaluation Report | All | Above 10,000 | Above 100,000 |
| | Proposed Award | All | Above 10,000 | Above 100,000 |
| | Analysis of protest | All | All | All |
| Quality Based Selection and Selection under Fixed Budget | Choice of this selection procedure | All | All | All |
| | Request for Expression of Interest | All | Above 100,000 | Above 500,000 |
| | Shortlist | All | Above 20,000 | Above 50,000 |
| | Proposal Documents | All | Above 100,000 | Above 500,000 |
| Quality Based Selection and Selection under Fixed Budget | Technical Evaluation Report for QBS only | All | Above 10,000 | Above 100,000 |
| | Proposed Award | All | Above 10,000 | Above 100,000 |

SCHEDULE 2 - APPROVALS

| REVIEW OF PROCUREMENT DECISIONS: Goods, Works and Consultant Services | | | | |
|--|-----------------|--|--------------------------|------------|
| | | LEVEL OF REVIEW (Thresholds expressed in USD) | | |
| Procurement Procedure or Method | Decision | Management Team | Supervisory Board | MCC |

| | | | | |
|--|---|------------|---------------------|----------------------|
| (continued) | Analysis of protest | All | All | All |
| Least-Cost Selection | Choice of this selection procedure because procurement is valued under 200,000 | All | None | None |
| | Request for Expression of Interest | All | None | None |
| | Shortlist | All | Above 20,000 | Above 50,000 |
| | Proposal Documents | All | None | None |
| | Proposed Award | All | Above 10,000 | Above 100,000 |
| | Analysis of protest | All | All | All |
| Selection Based on Consultants Qualifications | Choice of this selection procedure because procurement is valued under 100,000 | All | None | None |
| | Request for Expression of Interest | All | None | None |

SCHEDULE 2 - APPROVALS

| REVIEW OF PROCUREMENT DECISIONS: Goods, Works and Consultant Services | | | | |
|--|-----------------|--------------------------------------|--------------------------|------------|
| | | LEVEL OF REVIEW | | |
| | | (Thresholds expressed in USD) | | |
| Procurement Procedure or Method | Decision | Management Team | Supervisory Board | MCC |

| | | | | |
|--|--|------------|--|---------------------|
| | Shortlist | All | Above 10,000 | Above 50,000 |
| | Proposal Documents | All | None | None |
| | Technical Evaluation Report | All | None | None |
| | Proposed Award | All | Above 10,000 | Above 50,000 |
| | Analysis of protest | All | All | All |
| Single Source Selection | Choice of this selection procedure | All | Above 2,000 | Above 50,000 |
| | Proposed Award | All | Above 2,000 | Above 50,000 |
| Single Source Selection (continued) | Analysis of protest of choosing Single Source Selection Procedure | All | All | All |
| Selection of Individual Consultants | Choice of this selection procedure | All | Above 2,000 if Single Source Above 10,000 if competed | Above 50,000 |
| | Shortlist | All | Above 5,000 | Above 20,000 |

SCHEDULE 2 - APPROVALS

| REVIEW OF PROCUREMENT DECISIONS: Goods, Works and Consultant Services | | | | |
|--|-----------------|--|--------------------------|------------|
| | | LEVEL OF REVIEW (Thresholds expressed in USD) | | |
| Procurement Procedure or Method | Decision | Management Team | Supervisory Board | MCC |

| | | | | |
|--|--|------------|---------------------|---------------------|
| | Technical Evaluation Report | All | None | None |
| | Proposed Award | All | Above 10,000 | Above 50,000 |
| | Analysis of protest | All | All | All |