

Millennium Challenge Corporation
Program Procurement Guidance

Guidance on Currency Use and Risk

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MCC Guidance on Currency Use and Risk

This paper provides guidance to the MCA Entity¹ on the treatment of currency exchange rates in the evaluation of bids/proposals, and in the denomination and execution of contract payments, in compliance with the currency provisions² of the MCC Program Procurement Guidelines³:

Allowable Currencies for Bids and Proposals

The MCC Program Procurement Guidelines require that the MCA Entity identify in its solicitation documents the currency or currencies in which bidders are to express the prices in their bids or proposals. In doing so, the MCA Entity must comply with the following rules:

1. The MCA Entity may allow bidders to submit bids using USD, the local currency of the country of the MCA Entity, or, if justified by sound business reasons, a combination of the two. No other currency or combination of currencies are allowed.
2. The MCA Entity may restrict bidders to use only one currency and not a combination of the two, or even to one *particular* currency of the MCA Entity's choice, even if it is the local currency of the country of the MCA Entity.
3. Bidders *must* comply with the currency restrictions as set out in the solicitation documents.
4. Any bid or proposal that deviates from the currency requirement as stated in the solicitation documents may be rejected as non-responsive.

Exchange Rate for Currency Conversion for Evaluation

In order to facilitate price comparison for bid or proposal evaluation purposes if more than one currency is used, the prices submitted in the Financial Proposal must be converted into one of the two currencies allowed in the solicitation documents. The MCA Entity shall make this conversion by stipulating the use of the selling (exchange) rates for those currencies quoted by an official source (such as the Central Bank of the country of the MCA Entity), a commercial bank, or an internationally circulated newspaper for similar transactions on a date selected in advance. This source and date are to be specified in the bidding or proposal documents, and the date

¹ The MCA Entity is the entity designated by the government of the country receiving assistance from the Millennium Challenge Account as responsible for the oversight and management of implementation of the Compact on behalf of the government.

² MCC Program Procurement Guidelines Part 1, Section 1.A, Paragraphs 2.28-2.33; Section 1.B, Paragraphs 2.21-2.22, 4.6; Part 3.

³ The Millennium Challenge Corporation ("MCC") provides funding to foreign governments under the authority of Section 605 of the Millennium Challenge Act of 2003 (the "MCA") (each a "Compact") or under Section 609(g) of the MCA (each a "609g Grant Agreement"). The MCC Program Procurement Guidelines are set out in supplemental agreements between the MCC and foreign governments and apply to MCC-funded contracts between the MCA Entity and contractors, suppliers and consultants. Contracts entered into directly by MCC are governed by the Federal Acquisition Regulation, not the MCC Program Procurement Guidelines.

shall be neither earlier than four weeks prior to the deadline for the receipt of bids or proposals nor later than the original date of the deadline for the receipt of bids or proposals.

Allowable Currencies for Contract Denomination and Payment

1. Contracts can be denominated either in USD, the local currency of the country of the MCA Entity, or, if justified by sound business reasons, a combination of the two.
2. Contracts can be payable either in USD, the local currency of the country of the MCA Entity, or, if justified by sound business reasons, a combination of the two.
3. In all cases where there is a potential exchange issue given the options in #1 and #2, the exchange rate must be fixed at the contract signing and clearly defined at that time in the contract itself.
4. Payment need not be made in the currency denominated in the proposal or bid documents, but the exchange rate must be set at the date of contract signing as part of the contract payment schedule.
5. The MCA Entity *may not require* foreign bidders to be paid in the local currency of the country of the MCA Entity; the foreign bidder must be paid in USD unless, at its option, it requests to be paid in the local currency of the country of the MCA Entity.

Exchange Rate for Contract Denomination and Payment

Given the degree of freedom to select currency set out in the above rules, MCC, the MCA Entity and the Contractor/Supplier/Consultant all assume some risk when contracts are denominated and paid in a mix of allowable currencies. The fluctuations in exchange rate between the US dollar and the local currency may result in higher or lower real prices for completing projects than that originally projected. This is unavoidable, but deemed acceptable due to the fact that, in many circumstances, there are practical advantages in allowing local currency payments. However, although unavoidable, the risk can be better understood and planned for because by fixing the exchange rate at the date of contract signature, MCA Entities have set commitments that are known prior to the payment date. Allowing for additional variables, such as payment in any currency or currencies other than the two allowable currencies, or allowing for contracts denominated in one currency but payable in the other at an exchange rate set on the day of payment, is to be avoided in all cases.

Examples of Acceptable vs. Unacceptable Currency Risk

Acceptable currency risk

A contract is denominated in USD, but the payment schedule allows for payments in both USD and the local currency of the country of the MCA Entity. The required payments are set in amounts consistent with the

performance terms of the contract and at an exchange rate between the two currencies fixed and defined in the contract for the term of the contract.

Unacceptable currency risk

A contract is denominated in the local currency of the country of the MCA Entity, but payable in USD at the exchange rate on the day of payment.