

**DISBURSEMENT 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)**

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Exhibit A: Form of MCC Disbursement Request

Schedule 1: Conditions Precedent

## DISBURSEMENT AGREEMENT

This DISBURSEMENT 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 contemplated by the Compact;

WHEREAS, prior to the Entry into Force, 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 on which MCC Disbursements and Re-Disbursements will be made in furtherance of the Compact;

WHEREAS, prior to the payment of any MCC Disbursement or Re-Disbursement, SDP and MCA-Honduras, on behalf of the Government, must satisfy, or cause or ensure the satisfaction of, the terms and conditions specified in this Agreement and other relevant Supplemental Agreements; and

WHEREAS, the Parties wish to enter into this Agreement to further specify the terms and conditions on which MCC Disbursements and Re-Disbursements are made in furtherance of the Compact;

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; and

WHEREAS, the Government desires to have SDP exercise the rights and perform the obligations of MCA-Honduras on an interim basis until MCA-Honduras duly executes this Agreement.

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

## ARTICLE I.

### DISBURSEMENTS

#### Section 1.1 Disbursements.

##### (a) MCC Disbursements.

(i) MCA-Honduras shall submit MCC Disbursement Requests, in the form attached hereto as Exhibit A, to MCC for MCC Disbursements under the Compact. MCA-Honduras shall ensure that any request for an MCC Disbursement shall be in accordance with the terms and conditions set forth in the Compact, this Agreement and any other Supplemental Agreement between the Government (or Government Affiliate) and MCC or between two or more of the Parties (together, the “*Compact Documents*”). MCC Disbursement Requests may be made on a quarterly basis, or at such other interval as the Parties may otherwise agree from time to time (each such period of time, a “*Disbursement Period*”), and shall be submitted to MCC no later than 30 days prior to the commencement of the Disbursement Period during which the proceeds of the MCC Disbursement are to be applied.

(ii) Upon receipt of an MCC Disbursement Request, MCC shall determine the appropriate amount of the MCC Disbursement for the subsequent Disbursement Period, which disbursement, in whole or in part, shall be (A) calculated on the basis of, among other things, the progress under the Implementation Plan and in the implementation of the Compact, (B) subject to the satisfaction, waiver or deferral of applicable terms of and conditions to such MCC Disbursement in this Agreement or any other Compact Document, and (C) compliance with any other terms and conditions in this Agreement or any other Compact Document. MCC reserves the right, in its sole discretion, to reduce the amount of any MCC Disbursement in accordance with Section 3.7 of this Agreement, Section 2.2(b) of the Compact or other applicable provisions of any Compact Document entered into by MCC.

(iii) MCC shall make each MCC Disbursement in U.S. Dollars to a Permitted Account in accordance with the procedures and requirements set forth in the Fiscal Agent Agreement, the Bank Agreement (or such other documentation establishing a Permitted Account as contemplated herein) and any other Compact Documents. MCA-Honduras shall provide in writing to MCC the wire transfer instructions for the Permitted Account no later than ten (10) business days prior to the initial MCC Disbursement. In the event the Permitted Account changes during the Compact Term or such wire transfer instructions otherwise change, MCA-Honduras shall provide in writing to MCC any modifications to the wire transfer instructions then on file with MCC no later than ten (10) business days prior to the relevant MCC Disbursement.

##### (b) Re-Disbursements.

(i) Requests for payment of Re-Disbursements shall be submitted to the Fiscal Agent in the form and substance required by the Fiscal Agent in the Fiscal Agent Agreement, Fiscal Accountability Plan and otherwise in accordance with the terms of this

Agreement or any other Compact Document, including subject to the requirements set forth in the Governance Regulations or the Procurement Agreement.

(ii) MCA-Honduras shall ensure that the Fiscal Agent authorizes payment of, and the Bank pays from the applicable Permitted Account(s) directly to the applicable party, any valid Re-Disbursement amount, in accordance with the procedures and requirements set forth in Fiscal Agent Agreement, Fiscal Accountability Plan, Bank Agreement and any other relevant Compact Documents.

(iii) Any Re-Disbursements shall be subject to the satisfaction of the applicable terms and conditions of such Re-Disbursement set out in this Agreement or any Compact Document.

Section 1.2 Limitations on Use of MCC Funding. MCA-Honduras shall ensure that the use or treatment of MCC Funding shall be subject to the limitations on the use or treatment of MCC Funding set out in the Compact, including Section 2.3 therein. Unless the Parties otherwise agree in writing, no financial commitment involving MCC Funding shall be made, no obligation of MCC Funding shall be incurred, and no MCC Disbursement or Re-Disbursement shall be made or MCC Disbursement Request submitted, for an activity or expenditure, unless the expense is provided for in the Financial Plan and unless unencumbered funds exist in the balance of the Financial Plan for the relevant period.

Section 1.3 Working Capital. There shall be at the beginning of each Disbursement Period an amount not to exceed five hundred thousand U.S. Dollars (USD\$500,000) in the aggregate of the Permitted Accounts, such amount to be reserved for working capital of the Program (“*Working Capital*”). In the event that the Working Capital amount in the Permitted Accounts is below the Working Capital limit set forth in the preceding sentence, the MCC Disbursement Request may include a request for replenishment of the Working Capital amount equal to the difference between the Working Capital amount and the total aggregate amount of Working Capital then in the Permitted Accounts, which request shall include an accounting for the expenditures of Working Capital since the initial disbursement of Working Capital or the most recent prior request for replenishment of the Working Capital amount, whichever is later.

## ARTICLE II.

### REPRESENTATIONS

Section 2.1 SDP Representations as of Effective Date. SDP hereby provides, on behalf of itself and the Government, the following representations to MCC as of the Effective Date (as defined in Section 4.21):

(a) Powers; Authorization. SDP has the power and authority to execute, deliver and perform its obligations, and, pursuant to Section 4.1, 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 the Government, any Government Affiliate, including SDP and MCA-Honduras, 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 effectiveness of this Agreement or the execution and performance of this Agreement by SDP. This Agreement and the Compact are valid and binding agreements and legally enforceable obligations of the Government, including SDP.

Section 2.2 MCA-Honduras Representations Prior to MCC Disbursements. On behalf of itself and the Government, MCA-Honduras shall provide the following representations to MCC as of the date it executes this Agreement and as of the date of each MCC Disbursement, each of which representations MCA-Honduras shall confirm with all other necessary Government Affiliates prior to providing such representations to MCC:

(a) Powers; Authorization. MCA-Honduras is an independent agency of the Government of the Republic of Honduras, duly organized, validly existing and in good standing under the laws of the Republic of Honduras. 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. 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 on the part of the Government and (ii) will not violate (a) any applicable law or regulation or (b) any obligation of the Government, any Government Affiliate, including SDP and MCA-Honduras, 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 effectiveness of this Agreement or the execution and performance of this Agreement by MCA-Honduras. This Agreement and the Compact are valid and binding agreements and legally enforceable obligations of the Government, including MCA-Honduras.

(b) Government Assurances. The assurances in paragraphs (a) through (d) of Section 3.4 of the Compact are true, correct and complete in all material respects as if made by the Government herein.

(c) Government Contributions. The Government has contributed such cash or other resources or made such payments as required by Section 2.2, Section 2.3(e), Section 2.5, Section 3.9 and Section 5.8 of the Compact, Section 3(b) of Annex I of the Compact, Annex II of the Compact, or by any other relevant provision of any Compact Document.

(d) No Liens. To the knowledge of MCA-Honduras, there are no liens or encumbrances of any kind on any Program Asset or Permitted Account.

(e) No Material Adverse Change. Since the date of the execution of the Compact, there has been: (i) no material breach or default of any assurance, representation, covenant or other obligation of the Government, any Government Affiliate (including MCA-Honduras), or any other Permitted Designee under any Compact Document; (ii) substantial compliance by the Government, all Government Affiliates (including MCA-Honduras), any other Permitted Designee, and, to the knowledge of MCA-Honduras, all Providers with the terms and provisions set forth in the Compact Documents applicable to such party, including Section 2.3 of the Compact; (iii) no material adverse change in the legal formation document or status of MCA-Honduras; (iv) no material modification, amendment, alteration, rescission, termination or suspension of any Supplemental Agreement other than as disclosed in writing to, and approved

where necessary by, MCC; (v) no act, event or omission that has occurred nor any action pending or threatened that had or reasonably could be expected to have a material adverse change in or material adverse effect on: (A) the business, ministries, departments, property, operations, management, or condition, financial or otherwise, of the Government or any Government Affiliate (including MCA-Honduras) or, to the knowledge of MCA-Honduras, any other Permitted Designee, as it relates to any Compact Document, (B) the ability of the Government, any Government Affiliate (including MCA-Honduras) or any other Permitted Designee or, to the knowledge of MCA-Honduras, any Provider to perform any of its obligations in furtherance of the Compact or under any Supplemental Agreement or to exercise any of its rights under the Compact or any Supplemental Agreement, (C) the validity or enforceability of the Compact or any Supplemental Agreement, or (D) the Program, any MCC Funding, Accrued Interest, Program Asset or any Permitted Account or on the likelihood of successful implementation of the Compact consistent with the Compact terms (clauses (i) through (v) collectively referred to herein as a “*Material Adverse Change*”).

(f) No Untrue Statements or Material Omissions. None of the representations and warranties made to MCC by the Government, any Government Affiliate (including MCA-Honduras), any other Permitted Designee, and to the knowledge of MCA-Honduras, any other Provider, the assurances by the Government made to MCC in any Compact Document, and the statements contained in any agreement, report, financial statement, communication or other document furnished by or on behalf of the Government, any Government Affiliate (including MCA-Honduras), any other Permitted Designee or, to the knowledge of MCA-Honduras, any other Provider to MCC in connection with any Compact Document (i) contains any untrue statement of material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading as of the time when made or delivered or (ii) omits any fact known to the Government, any Government Affiliate (including MCA-Honduras), or any other Permitted Designee, that if disclosed would (A) alter in any material respect the information delivered or (B) likely have a material adverse effect on the ability of the Government, any Government Affiliate (including MCA-Honduras) or any other Permitted Designee to effectively implement, or ensure the effective implementation of, the Program or any Project or to otherwise carry out its responsibilities or obligations under or in furtherance of the Compact or any other Compact Document.

(g) No Programmatic or Other Variance. MCA-Honduras is not aware of any fact or other information indicating that achievement of the Compact Goal and Objectives within the Compact Term (or satisfaction in a timely manner of the requirements of any component of the Implementation Plan or any Compact Document (including with respect to any conditions precedent for future MCC Disbursements) critical to the achievement of the Compact Goal and Objectives within such period of time) is unlikely.

## ARTICLE III.

### CONDITIONS PRECEDENT

Section 3.1 Deliveries Prior to Initial Disbursement. Prior to, and as condition precedent to, the initial MCC Disbursement, MCA-Honduras shall deliver, or ensure delivery of, the following documents to MCC:

(a) A certificate, satisfactory to MCC, issued by the Ministry of Finance (“*SEFIN*”) evidencing (A) the tax exempt status of the MCC Funding, naming MCA-Honduras as permitted holder and certifying it has taken such other actions as may be necessary in the administration of the tax exemption contemplated by Section 2.3(e) of the Compact and (B) the designation of a SEFIN representative to serve as the liaison with other Government agencies in the administration of such tax exemptions and any other matters as may be necessary for the effective implementation of the Compact;

(b) A certificate, in form and substance satisfactory to MCC, signed by the Chairman of the Board and the General Director of MCA-Honduras (the “*MCA-Honduras Certificate*”), dated as of the date of the initial MCC Disbursement, certifying that:

(i) This Agreement is a valid and binding agreement and a legally enforceable obligation of MCA-Honduras and MCA-Honduras has the full power and authority and has been authorized by all necessary action and approvals to execute, deliver and perform its obligations under this Agreement and each other agreement, certificate, or instrument contemplated hereby, and this execution, delivery, and performance by MCA-Honduras does not violate any applicable law, regulation or obligation of MCA-Honduras;

(ii) Each consent, license, approval, registration, permit, sanction, filing, registration, disclosure, consultation and other authorization (collectively, the “*Permits*”) necessary or appropriate in connection with the due execution and delivery of, and performance by, MCA-Honduras of its obligations hereunder and under any Compact Document has been obtained, is in full force and effect and is non-appealable;

(iii) Attached thereto are true, accurate and complete copies of the following documents, in form and substance satisfactory to MCC, which MCC may post on its website or otherwise make publicly available, together with the following certifications as to such documents made by the Chairman of the Board and the General Director of MCA-Honduras:

- (1) The Fiscal Agent Agreement, which is duly signed by all of the parties thereto and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;
- (2) The Bank Agreement, which is duly signed by all of the parties thereto and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;



- (3) The Procurement Supervisor Agreement, which is duly signed by all of the parties thereto and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind; *provided, however*, if MCA-Honduras has not procured the services of the Procurement Supervisor at the time of the initial disbursement, then MCA-Honduras shall use the services of the procurement supervisor that MCC provides until MCA-Honduras procures a procurement supervisor acceptable to MCC;
- (4) The Governance Regulations, which are duly signed by all of the parties thereto and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind, and such other documents, and any amendments thereto, evidencing that MCA-Honduras is (i) duly formed, organized and in good standing under the laws of Honduras and in accordance with the Compact and (ii) authorized to perform those Government Responsibilities and any rights and other obligations and responsibilities of the Government as may be designated to be carried out by MCA-Honduras in the Compact, this Agreement or any other Supplemental Agreement;
- (5) An Employment Agreement between the General Director and MCA-Honduras, which is duly approved by the Board of MCA-Honduras and MCC, is duly signed by all of the Parties thereto, and is in full force and effect as of the date of the initial MCC Disbursement;
- (6) The Financial Plan for the Program and each Project, which (i) includes the Multi-Year Financial Plan, the annual Spending Plan for Year 1, and the quarterly Spending Plan for the first quarter of Year 1, (ii) is duly adopted by MCA-Honduras and approved by MCC, and (iii) is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;
- (7) The Fiscal Accountability Plan, which is duly adopted by MCA-Honduras and approved by MCC and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;
- (8) The Procurement Plan, which is duly adopted by MCA-Honduras and approved by MCC and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind; and
- (9) A report of the most recent execution of actual national budget expenditures of all resources, including the annual budget, extra-

budgetary or off-budget funds, and state-owned enterprises that conduct activities for a public purpose, to ensure the establishment of a baseline for allocation of domestic resources.

(iv) As to the incumbency and specimen signature of the Chairman and General Director of MCA-Honduras;

(c) an opinion of counsel to MCA-Honduras acceptable to MCC, dated as of the date of the initial MCC Disbursement, in form and substance acceptable to MCC; and

(d) such other documents required in this Agreement and other Compact Documents.

Section 3.2 Deliveries Prior to Each MCC Disbursement. Prior to, and as condition precedent to, each MCC Disbursement, MCA-Honduras shall deliver the following documents to MCC, in form and substance satisfactory to MCC:

(a) MCC Disbursement Request. A completed MCC Disbursement Request, in the form attached hereto as Exhibit A and otherwise satisfactory to MCC in form and content, which shall (i) be signed by the General Director of MCA-Honduras and the Chairman of the Board and (ii) include the information required therein and the following supporting documentation, each of which shall be in form and substance satisfactory to MCC:

(i) Implementation Plan. Each of the following component documents of the Implementation Plan, to the extent that MCA-Honduras has not previously provided such documents to MCC:

- (1) The Spending Plan for the Disbursement Period to be covered by such MCC Disbursement Request, together with a description and justification, by each activity, of what will be accomplished with the MCC Funding being requested during the Disbursement Period to be covered by such MCC Disbursement Request;
- (2) The Work Plan(s) for each activity to be funded by the MCC Disbursement to be covered by such MCC Disbursement Request;
- (3) Any other component documents of the Implementation Plan for the Disbursement Period to be covered by such MCC Disbursement Request;
- (4) Any proposed modification (together with a justification) to the Multi-Year Financial Plan, annual Spending Plan, Program and Project Work Plans, M&E Plan or other component documents of the Implementation Plan that is necessary or appropriate to accurately reflect the proposed implementation of the Program or satisfy in a timely manner of the requirements of any component of the Implementation Plan or any Compact Document, and if MCC approves such modification, the applicable component of the

Implementation Plan shall be modified to reflect the approved modification; and

- (5) Any proposed waiver or deferral (together with a justification) of any condition precedent to the MCC Disbursement and Re-Disbursements in the Disbursement Period to which such MCC Disbursement Request applies (whether such conditions precedent are set forth in this Agreement or another document), and if MCC approves such waiver or deferral, the document where such condition precedent is specified shall be modified to reflect the approved waiver or deferral.

(ii) Management Discussion and Analysis. Other than with respect to the first two quarterly MCC Disbursements following the Entry into Force, one or more reports approved by the Board of MCA-Honduras that (A) compares the actual results or outputs of any Re-Disbursements made in the second most recent Disbursement Period to the Work Plans, M&E Plan, and any other component of the Implementation Plan relevant to such Disbursement Period and for the year to date, (B) describes the procurement activity during the second most recent Disbursement Period and how such procurement activity compares to the Procurement Plan for such Disbursement Period; and (C) satisfies any other reporting requirements related to MCC Disbursements or otherwise required under any Compact Document;

(b) MCA-Honduras Certificate. An MCA-Honduras Certificate, dated as of the date of such MCC Disbursement and satisfactory to MCC in form and substance, certifying that, other than as specifically provided therein:

(i) Attached thereto is a true, correct and complete copy of the resolution duly adopted by the Board of MCA-Honduras authorizing the execution and delivery of the MCC Disbursement Request to MCC;

(ii) (A) All of the representations made by MCA Honduras in Section 2.2 are true, correct and complete in all material respects as though made on the date of such MCC Disbursement and (B) no material default has occurred and is continuing:

- (1) Under the Compact Documents or the Supplemental Agreements to which it is a party; or
- (2) To the knowledge of the Government, under any other Supplemental Agreements;

(iii) The expenditure for each of the items included in the MCC Disbursement Request is provided for in the Financial Plan (as modified from time to time pursuant to the Governance Regulations and delivered to MCC) and unencumbered funds exist in the balance of the Financial Plan for each such expenditure;

(iv) Attached thereto is a true, correct and complete copy of each Supplemental Agreement, including all amendments thereto, to which the Government, any

Government Affiliate or MCA-Honduras has become a party since the Entry into Force and which have not been previously provided to MCC;

(v) Attached thereto is a true, correct and complete list of each Permit necessary in connection with the performance by MCA-Honduras of its obligations hereunder and under any Compact Document during the Disbursement Period covered by such MCC Disbursement Request, and each such Permit is validly issued and in full force and effect;

(vi) The documents attached to the MCA-Honduras Certificate and all Supplemental Agreements previously provided to MCC have not been modified, rescinded or amended and are in full force and effect;

(vii) Activities to be funded with the MCC Funding being requested by such MCC Disbursement Request will not violate Section 2.3 of the Compact and, as of the date of such MCC Disbursement, the MCC Funding, Accrued Interest or Program Assets have been strictly used or applied in accordance with this Agreement, the Compact and all Supplemental Agreements;

(viii) There are no liens or encumbrances of any kind on any material Program Asset or any Permitted Account;

(ix) MCA-Honduras has maintained since the last MCC Disbursement a standard of 30 days to pay valid invoices and delivered to MCC satisfactory evidence of such prompt payment;

(x) Procurement actions have been posted on the MCA-Honduras Website for the previous Disbursement Period in accordance with the Procurement Guidelines; and

(xi) All reports (including financial reports) have been posted on the MCA-Honduras Website as required by Annex I of the Compact;

(c) Fiscal Agent Certificate.

(i) A certificate, satisfactory to MCC in form and substance, signed by the Fiscal Agent and dated as of the date of such MCC Disbursement (“*Fiscal Agent Certificate*”) certifying that (1) the financial information regarding the Permitted Account(s) and statements of cash expenditures contained in the MCC Disbursement Request are true, correct and complete, together with an accounting of all Re-Disbursements made during the second most recent Disbursement Period (except there shall be no such certification required with respect to the initial and second MCC Disbursement Request), (2) all Taxes paid in the second most recent Disbursement Period have been reimbursed by the Government in accordance with the Compact and as specified in any Supplemental Agreement, and (3) as to such other matters or other certifications as may be required by the Fiscal Agent Agreement or other relevant Supplemental Agreement.

(ii) In connection with the initial MCC Disbursement, the Fiscal Agent Certificate shall also include a certification that (1) the execution, delivery and performance by the Fiscal Agent, including as signatory under the Bank Agreement (or as applicable such other

documentation establishing a Permitted Account as contemplated herein) and the Fiscal Agent Agreement, has been duly authorized and the Fiscal Agent's compliance therewith and obligations therein are legal, valid and binding obligations of the Fiscal Agent, (2) the Permitted Accounts are duly established in accordance with the Compact and two or more senior authorized representatives of the Fiscal Agent have, or will have prior to any Re-Disbursement from such account, signatory authority on such accounts, and (3) the Fiscal Agent has, or will have by the time specified in the Fiscal Agent Agreement, engaged and in place in Honduras the relevant staff designated to perform the services required under the Fiscal Agent Agreement as of the date of the Fiscal Agent Certificate.

(d) Audit Report. An audit report in accordance with the Compact and Audit Plan;

Section 3.3 Deliveries on Semi-Annual Basis. MCA-Honduras shall deliver the following documents to MCC on a semi-annual basis, in form and substance satisfactory to MCC, under the MCA-Honduras Certificate, certifying that such documents are true, correct and complete in all material respects, the timely delivery of which shall be a condition precedent to any MCC Disbursement for the quarter indicated:

(a) a performance review report on compliance with the Environmental Guidelines (as amended from time to time) and environmental and social safeguards described in the Compact and related documents (Quarter 4, Years 1-5; Quarter 2, Years 2-5); and

(b) an updated Procurement Plan that forecasts the upcoming eighteen month procurement activities under the Program.

Section 3.4 Deliveries on Annual Basis. MCA-Honduras shall deliver, or cause the delivery of, the following documents to MCC on an annual basis, in form and substance satisfactory to MCC, under the MCA-Honduras Certificate, certifying that such documents are true, correct and complete in all material respects, the timely delivery of which shall be a condition precedent to any MCC Disbursement for the quarter indicated:

(a) an annual Spending Plan for the Program and each Project for the upcoming year, including estimated quarterly drawdown rates, together with a description and justification, by each activity, of what will be accomplished with the MCC Funding being requested during such annual period (Quarter 4, Years 1-4);

(b) an audit report in accordance with the Compact and Audit Plan for the prior year (in the quarters established in the Audit Plan). Upon MCC's request, MCA-Honduras shall ensure simultaneous delivery by the Auditor of the audit report to MCA-Honduras, MCC and the Inspector General;

(c) any other reports generated based on first quarter annual reporting requirements specified in the Compact or any Supplemental Agreement (Quarter 2, Years 2-5);

(d) a report of the execution of the national budget expenditures of all resources, including the annual budget, extra-budgetary or off-budget funds, and state-owned enterprises that conduct activities of a public purpose (submitted within ten (10) days after the final accounts for the previous year are completed);



- (e) evidence that the Government has reflected the financial activity of the Program in the budget documents of the Republic of Honduras on a multi-year basis (Quarter 2, Years 2-5);
- (f) evidence of fulfillment of all applicable requirements under the M&E Plan, including any data quality reviews. (Quarter 4, Years 1-4);
- (g) evidence of review and approval of the M&E Plan by the Board (Quarter 4, Years 1-4); and
- (h) evidence that a Data Quality Assessor has been hired (Quarter 4, Year 1); and
- (i) a detailed quarterly breakdown of the conditions precedent and any other modifications or adjustments that shall be applicable to the MCC Disbursements and Re-Disbursements for the next four quarters (which conditions precedent, if accepted by MCC, shall become conditions precedent for the relevant MCC Disbursement or Re-Disbursement) and, if appropriate, a written proposal to amend Schedule 1 to reflect such conditions precedent shall be submitted to MCC (which amendment, if accepted by MCC, shall supersede the Schedule 1 then in effect (Quarter 4, Years 1-4).

Section 3.5 Other Conditions Precedent to MCC Disbursements. Prior to, and as a condition precedent to, any MCC Disbursement, MCA-Honduras shall satisfy, as MCC determines in its sole discretion, any conditions relevant to such MCC Disbursement set forth in Schedule 1 (Conditions Precedent to Project Activities) attached hereto, in any component document of the Implementation Plan, and each of the following conditions:

- (a) Activities to be funded with proceeds of the MCC Disbursement Request will not violate any applicable law, regulation or obligation of MCA-Honduras, including Section 2.3 of the Compact, and the MCC Funding, Accrued Interest, or Program Assets have been used or applied strictly in accordance with this Agreement, the Compact and all Supplemental Agreements;
- (b) There has been satisfactory progress on the Work Plans for any relevant Projects or Project Activities related to such MCC Disbursement, including actual compliance with any additional conditions precedent to such disbursement set forth therein and substantial compliance with the requirements of such Work Plans, including any applicable reporting requirements for the relevant Disbursement Period;
- (c) There has been satisfactory progress on the M&E Plan for the Program, relevant Project or Project Activity, including actual compliance with the targets set forth in the M&E Plan and substantial compliance with the other requirements of such M&E Plan, including any applicable reporting requirements for the relevant Disbursement Period;
- (d) There has been satisfactory compliance with the Procurement Plan, including any applicable reporting requirements under the Procurement Agreement for the relevant Disbursement Period;

(e) There has been satisfactory compliance with the Audit Plan, including any applicable reporting and auditing requirements under the Audit Agreement for the relevant Disbursement Period;

(f) MCA-Honduras has provided a satisfactory written response to any audit findings that have been issued prior to 30 days before the date of the MCC Disbursement;

(g) Any necessary preceding steps in the sequence for any Project Activity as provided in Schedule 1 have been satisfactorily completed for each such activity for which funding is requested and no material adverse change in any of the preceding steps or activities has occurred, each in MCC's sole determination;

(h) MCA-Honduras has delivered to MCC any reports required under Section 3.12 of the Compact or any other Compact Document;

(i) A Material Adverse Change has not occurred;

(j) All Taxes paid in connection with the Program during the prior quarter have been reimbursed by the Government in full in accordance with Section 2.3(e) of the Compact;

(k) The Government has satisfied in full any of its payment obligations, including any insurance, indemnification or other obligations, and made any contributions of resources owed by the Government under any Compact Documents; and

(l) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, MCC Funding in accordance with Section 5.4(b) of the Compact.

Section 3.6 Conditions Precedent to Re-Disbursements. Prior to, and as condition precedent to, any Re-Disbursement, MCA-Honduras shall ensure that (i) the relevant Outside Project Manager, Implementing Entity or other Provider as provided in the Governance Regulations or Procurement Agreement has (A) obtained, and provided adequate documentary evidence of, any necessary approvals for such Re-Disbursement as provided in the Governance Regulations, Procurement Agreement, Fiscal Accountability Plan or other applicable Supplemental Agreement, (B) satisfied any relevant conditions for such Re-Disbursement as provided in this Agreement or any applicable Supplemental Agreement; and (C) delivered any required documents to the Fiscal Agent as required under the Fiscal Agent Agreement, Fiscal Accountability Plan or any other Supplemental Agreement; and (ii) payment of such Re-Disbursement would not be inconsistent with or in violation of any of the conditions precedent or other conditions set forth in this Agreement relevant to such activities or period, including those set forth on Schedule 1 attached hereto or this Article 3.

Section 3.7 Failure to Satisfy Conditions Precedent.

(a) MCC may reduce the amount of any MCC Disbursement by an amount equal to the amount requested for any Program (including administrative or monitoring and evaluation), Project, Project Activity, or sub-activity for which the relevant condition precedent(s) has not been satisfied, waived or deferred.

(b) In the event of failure to meet a condition precedent, MCC shall not have an obligation to make an MCC Disbursement unless such condition is waived in whole or in part by MCC or such failure is cured to the satisfaction of MCC. Any such waiver or acceptance of a cure shall be at MCC's sole discretion.

(c) Notwithstanding Section 3.7(b), MCC may defer all or part of a condition precedent rather than waive it, in which case the condition must be met by the expiration of the deferral period stated in the notice delivered by MCC to MCA-Honduras as a condition precedent to the next stated applicable MCC Disbursement and in no event shall the condition be deemed waived.

Section 3.8 Annual Supplement to this Agreement. Prior to the annual anniversary of the entry into force of the Compact, the Parties shall agree in writing to a detailed quarterly breakdown of the conditions precedent and any other modifications or adjustments to the conditions precedent for the next four quarters and this Agreement shall be amended to add such quarterly schedules or any other modifications or adjustments as a supplement to Schedule 1.

## ARTICLE IV.

### GENERAL PROVISIONS

Section 4.1 Initial Operating Period. Notwithstanding any other provision of this Agreement, during the earlier of the first 180 days following Entry into Force or MCA-Honduras duly executes this Agreement (the "**Initial Operating Period**"), (i) any authorization, certification or other action required to be taken by, or obligation of, the Chairman of the Board may be taken by, and shall become obligations of, the Principal Representative of the Government; (ii) any certificates or other actions 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 Representative of the Government, and (iii) any actions required of MCA-Honduras may be taken by, and shall become an obligation of, SDP. All references in this Agreement to MCA-Honduras shall be deemed to refer to SDP during the Initial Operating Period, unless otherwise explicitly stated herein.

Section 4.2 Communications. Any notice, request, document or other communication required, permitted, or submitted by a Party to another Party under this Agreement shall be (i) in writing, (ii) in English, and (iii) deemed duly given: (a) upon personal delivery to the Party or Parties to be notified; (b) when sent by confirmed facsimile or electronic mail, if sent during normal business hours of the recipient Party or Parties, 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 or Parties 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 Fifteenth Street, NW

Washington, DC 20005

United States of America

Facsimile: (202) 521-3700

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

[VPGeneralCounsel@mcc.gov](mailto:VPGeneralCounsel@mcc.gov) (Vice President and General Counsel)

To SDP, on behalf of itself and the Government:

Secretary of the Presidency

Attention: Minister of the Presidency

Casa Presidencial

Tegucigalpa, Honduras

To MCA-Honduras, on behalf of itself and the Government:

At the address that MCA-Honduras provides to MCC upon its entry into this Agreement.

Section 4.3 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 4.4 Publicity. Subject to Section 5.17 of the Compact, MCA-Honduras shall post, or cause to be posted, a copy of this Agreement and each MCC Disbursement Request on the MCA-Honduras Website and provide such other appropriate publicity to this Agreement that MCC requests.

Section 4.5 Nonwaiver of Remedies. The Parties agree that no delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach, default or noncompliance by another 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 any 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 any Party, shall be cumulative and not alternative.

Section 4.6 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 4.7 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, the terms of this Agreement shall prevail.

Section 4.8 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 4.9 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 4.10 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. 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 at such Party’s sole discretion.

Section 4.11 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 4.2 shall be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying agreement, instrument or document 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 or Parties as an original signature and shall be binding on the Party delivering such signature.

Section 4.12 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 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 its rights and obligations under this Agreement without the prior written consent of MCC. In accordance with Section 3.2(c) of the Compact, MCC hereby consents to the designation of SDP and MCA-Honduras to act on behalf of the Government in connection with this Agreement consistent with the Designated Rights and Responsibilities designated by the Government to SDP or MCA-Honduras, respectively, on or before the date hereof, so long as such designation is not modified or revoked.



Section 4.13 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 4.14 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 (or any Government Affiliate), MCC may suspend or terminate this Agreement, in whole or in part, and any obligation or sub-obligation related thereto, or suspend or withhold any MCC Disbursement or portion thereof, upon giving MCA-Honduras 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 or such other period as may be determined by MCC in accordance with Section 4.21;

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

(iii) The Government, any Government Affiliate (including MCA-Honduras) or other Permitted Designee, 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;

(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; and

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

(c) Notwithstanding any expiration or termination of this Agreement, the following shall survive: Article II (including any representations made pursuant to a Disbursement Request), Sections 1.2, 4.2, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.13, 4.14, 4.15, 4.16, 4.18, 4.19, 4.20, and 4.21.

Section 4.15 MCC Status. The Parties recognize and agree that MCC is a United States government corporation acting on behalf of the United States Government in the implementation of the Compact. As such, MCC has no liability under this Agreement, is immune from any action or proceeding arising under or relating to this Agreement, and SDP and MCA-Honduras each hereby waives and releases all claims related to any such liability. In matters arising under or relating to this Agreement, MCC is not subject to the jurisdiction of the courts or any other juridical or other body of Honduras.

Section 4.16 Representatives. For all purposes relevant to this Agreement, SDP shall be represented by the Principal Representative of the Government, MCC shall be represented by the individual holding the position of, or acting as, Vice President for Country Programs (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 Principal Representative of the Government, the MCC Representative, the General Director and any Additional Representatives of each shall be provided, with specimen signatures, to each of the other Parties pursuant to Section 4.2 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. MCC or the Government may change its Principal Representative under this Agreement to a new representative of equivalent or higher rank and seniority upon written notice to the other Parties, which notice shall include the specimen signature of such new Principal Representative.

Section 4.17 Reports. Any report required as a condition precedent to an MCC Disbursement shall be provided to MCC in form and substance acceptable to MCC and otherwise meeting the reporting specifications for such report and in a timely manner to afford reasonable and appropriate review of such reports and no later than 30 days after the end of the time period covered by such report (or such other time period to which the Parties expressly agree).

Section 4.18 Information. MCC shall have the right to use any information or data provided in any MCC Disbursement Request or report provided to MCC for the purpose of satisfying MCC reporting requirements or in any other manner.

Section 4.19 Compact Document Requirements. SDP and MCA-Honduras shall comply with all applicable terms and conditions and fulfill all applicable Government Responsibilities in the other Compact Documents, including Paragraphs (a), (b), (c), (d) and (f) of Section 3.8 of the Compact and any other audit or reporting requirements.

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 4.14(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 (i) 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 (ii) end ninety (90) days following the termination or expiration of the Compact; *provided, however*, that this Agreement may be effective for no more than 180 days prior to the execution of this Agreement by the MCA-Honduras Principal Representative; *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 paid.

**[Signature page begins on the next page.]**

IN WITNESS WHEREOF, MCC and the Government, acting through SDP, each acting through its duly authorized representative, have caused this Agreement to be executed in their names and delivered as of September 29, 2005.

SECRETARY OF THE PRESIDENCY,  
ON BEHALF OF THE GOVERNMENT OF  
THE REPUBLIC OF HONDURAS

MILLENNIUM CHALLENGE  
CORPORATION

By: \_\_\_\_\_ / s / \_\_\_\_\_

By: \_\_\_\_\_ / s / \_\_\_\_\_

Name: Ramón Medina Luna

Name: John Hewko

Title: \_\_\_\_\_

Title: VP, Country Programs

MCA-Honduras, acting through its duly authorized representative, has joined this Agreement and shall be subject to its provisions as of the date first written below. (December 23, 2005)

MCA-HONDURAS

By: \_\_\_\_\_ / s / \_\_\_\_\_

Name: Danilo Alvarado

Title: MCA-H General Director

Date: 23 / December / 2005

**EXHIBIT A**  
**FORM OF MCC DISBURSEMENT REQUEST**  
 (From MCC to Permitted Account)

Section 1. Request Summary	
<b>Country</b>	Honduras
<b>Projects</b>	
<b>Compact Date/ Entry into Force</b>	June 13, 2005 /
<b>Compact Number (noted on exchange of letters for Entry into Force)</b>	COM04HND05002
<b>Management Entity</b>	MCA-Honduras
<b>Fiscal Agent</b>	Honduran Ministry of Finance
<b>Request Date</b>	
<b>Disbursement Period Beginning Date</b>	
<b>Disbursement Period End Date</b>	
<b>Disbursement Request Number</b>	
<b>Currency</b>	US Dollars
<b>A. Disbursement Request:</b> On behalf of Government of the Republic of Honduras, the undersigned hereby requests the Millennium Challenge Corporation to disburse funds under the Compact as follows:	
1. Cash requested from the Millennium Challenge Corporation (amount in USD):	[US\$                      ]
2. Amount requested in words (in USD):	[    US Dollars]
<b>B. Compliance.</b> On behalf of the Government of the Republic of Honduras, the undersigned confirms that the MCC Disbursement requested hereby is in accordance with the terms and conditions set forth in the Compact, the Disbursement Agreement (defined below) and each Compact Document (as defined in the Disbursement Agreement), including, the limitations on the use or treatment of MCC Funding set out in Section 2.3 of the Compact.	
<b>C. Authorization:</b> The undersigned acknowledges that funds disbursed in accordance with this request will be deposited in the Permitted Account, in accordance with the wiring instructions provided pursuant to Section 1(a)(iii) of the Disbursement Agreement.	
<b>D. Certificates:</b> Attached hereto are the certificates required under Article III of the Disbursement Agreement.	



**MCA-Honduras,  
On behalf of the  
Government of Republic of Honduras**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Wiring Instructions to Special Account**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Section 2. Programmatic and Financial Progress Update**

**A. Program and Project Progress Reports required in the M&E Plan, Work Plans and other Components of the Implementation Plan**

**B. Total Program Financial Plan Adjustment Request Form**

	Original Program Multi-Year Financial Plan in Compact 1	Current Approved Multi-Year Financial Plan (From Sch. C) 2	Proposed Adjustments		Proposed Adjusted Multi-Year Financial Plan 2+3-4
			Increase 3	Decrease 4	

**Main Activity 1**

- Sub-activity 1.1
- Sub-activity 1.2
- Sub-Activity 1.3

**Main Activity 2**

- Sub-activity 2.1
- Sub-activity 2.2

**Main Activity 3**

- Sub-activity 3.1
- Sub-activity 3.2

**Monitoring and Evaluation**

**Program Administration and Control**

- Program Administration
- Fiscal and Procurement Agents
- Enhanced Transparency Initiative
- Audits

**Grand Total**

**C. Summary of Budget Adjustments to Date**

Original Program Multi-Year Financial Plan in Compact	(Date) Adjustment Reported/ Approved	(Date) Adjustment Reported/ Approved	(Date) Adjustment Reported/ Approved	Current Approved Multi-Year Financial Plan
1	2	3	4, etc.	1 +/- Adjustments

**Main Activity 1**

- Sub-activity 1.1
- Sub-activity 1.2
- Sub-Activity 1.3

**Main Activity 2**

- Sub-activity 2.1
- Sub-activity 2.2

**Main Activity 3**

- Sub-activity 3.1
- Sub-activity 3.2

**Monitoring and Evaluation**

**Program Administration and Control**

- Program Administration
- Fiscal and Procurement Agents
- Enhanced Transparency Initiative
- Audits

**Grand Total**

**D. Quarterly Financial Plan Adjustment Request Form**

	Current Approved Cumulative Quarterly Financial Plan Through Current Period 1	Proposed Adjustments to Cumulative Quarterly Financial Plan Through Next Period Increase 2	Proposed Cumulative Quarterly Financial Plan Through Next Period 1+2-3
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**Main Activity 1**

- Sub-activity 1.1
- Sub-activity 1.2
- Sub-Activity 1.3

**Main Activity 2**

- Sub-activity 2.1
- Sub-activity 2.2

**Main Activity 3**

- Sub-activity 3.1
- Sub-activity 3.2

**Monitoring and Evaluation**

**Program Administration and Control**

- Program Administration
- Fiscal and Procurement Agents
- Enhanced Transparency Initiative
- Audits

**Grand Total**

**E. Commitment and Expenditure Report**

	1	2	3	4	5	6	6-5
	Cumulative Actual Re-Disbursements As Of The Beginning of Current Period	Projected Re-Disbursements For the Current Period	Projected Cumulative Re-Disbursements Through the Current Period 1+2	Projected Unliquidated Commitments As of the End of the Current Period	Projected Cumulative Commitments and Redisbursements As of the End of the Current Period 3+4	Current Approved Multi-Year Financial Plan	Projected Balance Multi-Year Financial Plan As of the End of the Current Period

**Main Activity 1**

- Sub-activity 1.1
- Sub-activity 1.2
- Sub-Activity 1.3

**Main Activity 2**

- Sub-activity 2.1
- Sub-activity 2.2

**Main Activity 3**

- Sub-activity 3.1
- Sub-activity 3.2

**Monitoring and Evaluation**

**Program Administration and Control**

- Program Administration
- Fiscal and Procurement Agents
- Enhanced Transparency Initiative
- Audits

**Grand Total**



**F. Projected Program Cash Requirements for Next Disbursement Period**

Projected Cumulative Re-Disbursements Through the Current Period (Sch. E - Col 3)	Projected Cash Requirements for Next Disbursement Period	Projected Re-Disbursements Through Next Disbursement Period 1+2
1	2	3

**Main Activity 1**

- Sub-activity 1.1
- Sub-activity 1.2
- Sub-Activity 1.3

**Main Activity 2**

- Sub-activity 2.1
- Sub-activity 2.2

**Main Activity 3**

- Sub-activity 3.1
- Sub-activity 3.2

**Monitoring and Evaluation**

**Program Administration and Control**

- Program Administration
- Fiscal and Procurement Agents
- Enhanced Transparency Initiative
- Audits

**Grand Total**

**Section 3. Cash Reconciliation**

Date

1. Cash Balance From Beginning of Current Period		\$
2. a. Add: MCC Disbursement Received and Date Received	\$	
2. b. Interest Earned and Received	\$	
2. c. Amount and Source of Other Cash Received	\$	_____
3. Total Sources of Cash This Period, Lines 2.a + 2.b + 2.c		\$ _____
4. Total Cash Available, Lines 1 + 3		\$
5. a. Less: Total Program Re-Disbursements	\$	
5. b. Interest Returned to the US Government	\$	_____
6. Total Uses of Cash This Period, Lines 5.a + 5.b		(\$ _____)
7. Cash Balance at End of Disbursement Period, Lines 4 - 6		\$ _____

**Section 4. Disbursement Request**

1. Total Forecasted Program Cash Requirements - Sch F, Col 2		\$
2. Interest to be Returned to the US Government Next Period		\$
3. Working Capital Balance		\$ _____
4. Total, Lines 1 + 2 + 3		\$
5. Cash Balance at End of Current Period - Section 3, Line 7		(\$ _____)
6. Disbursement Request From MCC 4 - 5		\$ _____

**Section 5. Interest Summary**

1. Cumulative Interest Earned and Received as of Beginning of Current Period	\$	
2. Interest Earned and Received During the Current Period	\$	_____
3. Total Interest and Earned as of End of This Period, Lines 1 + 2		\$
4. Cumulative Interest Returned as of Beginning of Current Period	\$	
5. Interest Returned The Current Period	\$	_____
6. Total Cumulative Interest Returned During the Current Peirod, Lines 4 + 5		(\$ _____)
7. Interest Due to Be Returned, Line 3 - 6		\$ _____

**SCHEDULE 1**  
**CONDITIONS PRECEDENT**

**Schedule 1 - Conditions Precedent**

In addition to any other conditions precedent set forth in the Compact Documents, the Implementation Plan or any other Supplemental Agreement, as a condition precedent to each disbursement for the Program, a Project and any Project Activity identified below, the Government (GoH), MCA-Honduras (MCA-H) and other Permitted Assignees, as appropriate, shall satisfy, as MCC determines in its sole discretion, each condition precedent set forth below that corresponds to such disbursement prior to the quarter shaded for such disbursement. Except as expressly specified below, each document required as a condition precedent herein shall be in form and substance acceptable to MCC. Disbursements in Years 2-5 shall be subject to conditions precedent set forth in the Implementation Plan, Compact Documents and updated versions of this Agreement. For purposes of this Agreement, each quarter shall begin on the first day of either January, April, July or October, *provided that*, the first quarter of Year 1 under the Program shall begin on the date of Entry into Force and end on December 31, 2005.

Program / Project / Project Activity	Condition Precedent	Year 1				Year 2	Year 3	Year 4	Year 5
		Q1	Q2	Q3	Q4				
<b>Program</b>									
The Program, all Projects and all Project Activities	MCA-H has satisfied each of the conditions precedent set forth in §3.1, §3.2 and §3.5 of the Disbursement Agreement, as applicable.								
The Program, all Projects and all Project Activities	MCA-H has duly approved each of the documents required for Entry into Force.								
The Program, all Projects and all Project Activities	The Bank has established necessary Permitted Accounts in the name of MCA-H and acceptable to MCC.								
All Project Activities	MCA-H has satisfied each of the conditions precedent set forth in §3.2 and §3.5 of the Disbursement Agreement, as applicable.								
All Project Activities	MCA-H has duly hired each of the other Officers of MCA-H pursuant to employment agreements which MCA-H has duly executed and each is in full force and effect.								
All Project Activities	MCA-H has duly approved a bid challenge system acceptable to MCC.								
All Project Activities	MCA-H and MCC each have duly approved the M&E Plan.								
All Project Activities	The GoH and MCC have executed the document contemplated in §2.3(e)(iv) of the Compact specifying how Taxes paid on MCC Funding are refunded to the Program.								
All Project Activities	MCA-H has obtained, to MCC's satisfaction, the insurance and other actions related thereto that are required under Section 3.9 of the Compact and 3(d)(ii)(5) of Annex I of the Compact.								
All Project Activities									
All Project Activities	MCA-H has satisfied each of the conditions precedent set forth in §3.2, §3.3 and §3.5 of the Disbursement Agreement, as applicable.								
All Project Activities	MCA-H has duly engaged a procurement supervisor pursuant to a Procurement Supervisor Agreement which MCA-H has duly executed and is in full force and effect.								
All Project Activities	MCA-H has satisfied each of the conditions precedent set forth in §3.2, §3.3, §3.4 and §3.5 of the Disbursement Agreement, as applicable.								
All Project Activities	MCC is satisfied that each component document of the Implementation Plan (including the Financial Plan, Fiscal Accountability Plan, Procurement Plan, Works Plans and M&E) is current and updated.								
All Project Activities	A data quality review acceptable to MCC is performed.								
All Project Activities	An Interim Evaluation acceptable to MCC is performed.								
All Project Activities	MCA-H performs, satisfactory to MCC, an environmental audit of all Project Activities.								
All Project Activities	MCC is satisfied that, prior to disbursement of MCC Funding for a Project or a Project Activity, all Permits necessary to perform such Project or Project Activity have been obtained, including any required environmental permits and related public disclosure and consultation.								
<b>Rural Development Project</b>									
All RD Project Activities	MCC is satisfied that the Government has maintained a clear policy stance against the adoption of any action that limits or otherwise alters the original terms of an obligation of any borrower to repay a properly documented loan obligation without the agreement of the lender.								
All RD Project Activities	625 Program Farmers are harvesting high-value horticulture crops <sup>1</sup>								
All RD Project Activities	3499 Program Farmers are harvesting high-value horticulture crops <sup>1</sup>								
All RD Project Activities	7340 Program Farmers are harvesting high-value horticulture crops <sup>1</sup>								

Program / Project / Project Activity	Condition Precedent	Year 1				Year 2	Year 3	Year 4	Year 5
		Q1	Q2	Q3	Q4				
All RD Project Activities	Program Farmers are harvesting 950 hectares of high-value horticulture crops <sup>1</sup>								
All RD Project Activities	Program Farmers are harvesting 5410 hectares of high-value horticulture crops								
All RD Project Activities	Program Farmers are harvesting 11830 hectares of high-value horticulture crops <sup>1</sup>								
Farmer Training and Development ("Farmer Training") Project Activity - Schedule 1 to Annex I, Section 2(a)	FONADERS engages the Farmer Training Coordinator pursuant to an agreement which MCA-H and MCC duly approve and is in full force and effect.								
Farmer Training Project Activity	The Farmer Training Coordinator hires staff acceptable to MCC.								
Farmer Training Project Activity	MCC approves the Program Farmer Selection methodology, which shall include a plan to ensure the involvement of female extension workers to facilitate outreach to, and training of, female farmers.								
Farmer Training Project Activity	MCA-H has finalized, to MCC's satisfaction, the targets and indicators at the Farmer Training Project Activity level.								
Farmer Training Project Activity	Continued compliance, to MCC satisfaction, with the Program Farmer Selection methodology, which shall include a plan to ensure the involvement of female extension workers to facilitate outreach to, and training of, female farmers.								
Farmer Training Project Activity	Continued compliance, to MCC satisfaction, with environmental sustainability principles that include the proper selection, use, storage and disposal of pesticides.								
Farmer Training Project Activity	170 business plans have been prepared in the prior year by Program Farmers with assistance of T.A. provider <sup>1</sup>								
Farmer Training Project Activity	1340 business plans have been prepared in the prior year by Program Farmers with assistance of T.A. provider <sup>1</sup>								
Farmer Training Project Activity	3980 business plans have been prepared in the prior year by Program Farmers with assistance of T.A. provider <sup>1</sup>								
Farmer Training Project Activity	3310 business plans have been prepared in the prior year by Program Farmers with assistance of T.A. provider <sup>1+B58</sup>								
Farmer Access to Credit ("Credit") Project Activity - Schedule 1 to Annex I, Section 2(b)	MCA-H holds a workshop acceptable to MCC with banks and micro-finance organizations to inform them on the preparation of the Credit work plan and RFP.								
Credit Project Activity	FONADERS signs an agreement acceptable to MCA-H and MCC pursuant to the Farmer Access to Credit RFP.								
Credit Project Activity	The GoH enacts the Law on Access to Credit (" <i>Ley para facilitar el Acceso al Crédito</i> ") and implementing regulations acceptable to MCC.								
Credit Project Activity	FONADERS engages the Rural Credit Access Project Coordinator pursuant to an agreement which MCA-H and MCC have duly approved and which is in full force and effect.								
Credit Project Activity	FONADERS approves lending guidelines under the Farmer Access to Credit work plan acceptable to MCA-H and MCC.								
Credit Project Activity	Lien Registry equipment installed								
Credit Project Activity	less than 4-6% of MCA-Honduras loan portfolio is at risk <sup>1,2</sup>								
Farm to Market Roads Project Activity	MCA-H engages a Project Manager for constructing farm to market roads pursuant to an agreement which the Board and MCC have duly approved and which is in full force and effect.								
Farm to Market Roads Project Activity - Schedule 1 to Annex I, Section 2(c)	MCC approves each farm to market road that MCA-Honduras selects to be constructed or rehabilitated using MCC Funding.								
Farm to Market Roads Project Activity	MCC is satisfied that MCA-H has completed the acquisition of rights of way for farm to market roads to be constructed with MCC Funding.								
Farm to Market Roads Project Activity	MCC is satisfied with the final design of the farm to market roads to be constructed with MCC Funding.								
Farm to Market Roads Project Activity	Prior to the issuance of RFP's for the construction of a particular farm to market road, MCC is satisfied with the completion of road-specific EMPs.								
Farm to Market Roads Project Activity	MCA-H complies with each resettlement plan, to the satisfaction of MCC.								
Farm to Market Roads Project Activity	Continued compliance, satisfactory to MCC, with road-specific EMPs.								





Program / Project / Project Activity	Condition Precedent	Year 1				Year 2	Year 3	Year 4	Year 5
		Q1	Q2	Q3	Q4				
Secondary Roads Project Activity	MCC is satisfied that MCA-H has completed the acquisition of rights of way for secondary roads to be constructed.								
Secondary Roads Project Activity	MCC is satisfied with the final design of the secondary roads to be constructed.								
Secondary Roads Project Activity	Prior to the issuance of RFP's for the construction of a particular secondary road, MCC is satisfied with the completion of road-specific EMPs.								
Secondary Roads Project Activity	Continued compliance, satisfactory to MCC, with road-specific EMPs.								
Secondary Roads Project Activity	MCA-H complies with each resettlement plan, to the satisfaction of MCC.								
Secondary Roads Project Activity	Prior to disbursement of MCC Funding for the construction of a particular secondary road, MCA-H will have on file a report, acceptable to MCC, verifying that baseline data – to include relevant environmental baseline data as described in the EMP – has been gathered for that road.								
Secondary Roads Project Activity	The International Roughness Index is less than 2.0 m/km on the completed portions of Secondary roads improved by MCC funding <sup>1</sup>								
Weight Control System Project Activity - Schedule 2 to Annex I, Section 2(c)	MCA-H develops a work plan and supporting documentation acceptable to MCC for one or more contractors to build and operate the weight control system on the national highway network.								
Weight Control System Project Activity	The GoH awards one or more contracts acceptable to MCC to build and operate such a weight control system.								
Weight Control System Project Activity	The contractor(s) develops and conducts a pilot program acceptable to MCC to build and operate such a weight control system.								
Weight Control System Project Activity	SOPTRAVI finalizes a vehicle weight control plan acceptable to MCC to build and operate such a weight control system.								
Weight Control System Project Activity	MCC is satisfied with progress on the public awareness and information campaign about the weight control system.								
Weight Control System Project Activity	MCC is satisfied with the results of audits (technical and financial) of the weight control system.								

Notes:

1. Condition will be deemed to have been satisfied if results are within 10% of the stated numeric target.
2. The precise definition of this indicator will be established in the M&E Plan.

## GLOSSARY

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