



**MILLENNIUM  
CHALLENGE  
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

September 25, 2006

Martín Ochoa  
General Director  
MCA-Honduras

RE: Second Disbursement Request

Dear Mr. Ochoa,

MCC received the request of MCA-Honduras for its second disbursement of funds and accompanying documentation dated September 14, 2006. In addition, we also received the forms of the Disbursement Requested restated to have the Current period running from September 29, 2005

MCC has no objection to the submitted Quarterly Progress Report, Work Plan, Monitoring and Evaluation Plan, Procurement Plan, or Audit Plan.

With respect to the proposed revised Schedule 2 to the Disbursement Agreement that outlines the conditions precedent to disbursement MCC agrees to the attached Schedule 2.

At the request of the MCC IG, MCC is moving to monthly disbursements in all countries, but this will still require only one quarterly disbursement request. Accordingly, MCC will transfer funds to the MCA-H account specified in the Disbursement Request according to the following schedule:

September 25, 2006	\$1,369,877
November 1, 2006	\$757,795
December 1, 2006	\$1,297,584

The funding requested for the Transportation Project will be disbursed in the third instalment. MCA-Honduras shall not use any MCC resources toward the Transportation Project until the condition precedent related to road maintenance (line 54) has been met to MCC's satisfaction.

The above dates are approximate and MCC may affect the bank transfer up to a week later than the stated date.

Sincerely,

John Wingle

**Schedule 1 revised September 25, 2006**

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	Condition Precedent	Status	Year 1 FY 2006		Year 2 FY 2007		Year 3 FY 2008	Year 4 FY 2009	Year 5 FY 2010				
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Program</b>													
1	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.	met										
2	The Program, all Projects and all Project Activities	MCA-H has duly approved each of the documents required for Entry into Force.	met										
3	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.	met										
4	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.	met										
5	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.	met										
6	All Project Activities	MCA-H has duly approved a bid challenge system acceptable to MCC.	def										
7	All Project Activities	MCA-H and MCC each have duly approved the M&E Plan.	met										
8	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.	def										
9	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.	met										
10	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.	met										
11	All Project Activities	MCA-H has duly engaged a procurement supervisor pursuant to	def										
12	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.	met										
13	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.	met										
14	All Project Activities	A data quality review acceptable to MCC is performed.	def										
15	All Project Activities	An Interim Evaluation acceptable to MCC is performed.	n/a										
16	All Project Activities	MCA-H performs, satisfactory to MCC, an environmental audit of all Project Activities.	n/a										
17	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	met										
<b>Rural Development Project</b>													
18	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.	met										
19	All RD Project Activities	625 Program Farmers are harvesting high-value horticulture crops <sup>1</sup>	n/a										
20	All RD Project Activities	3499 Program Farmers are harvesting high-value horticulture crops <sup>1</sup>	n/a										
21	All RD Project Activities	7340 Program Farmers are harvesting high-value horticulture crops <sup>1</sup>	n/a										
22	All RD Project Activities	Program Farmers are harvesting 950 hectares of high-value horticulture crops <sup>1</sup>	n/a										
23	All RD Project Activities	Program Farmers are harvesting 5410 hectares of high-value horticulture crops	n/a										
24	All RD Project Activities	Program Farmers are harvesting 11830 hectares of high-value horticulture crops <sup>1</sup>	n/a										





Program / Project / Project	Condition Precedent	Status	Year 1 FY 2006															Year 2 FY 2007				Year 3 FY 2008	Year 4 FY 2009	Year 5 FY 2010			
			Year 1 FY 2006				Year 2 FY 2007				Year 3 FY 2008				Year 4 FY 2009				Year 5 FY 2010								
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
78	Weight Control System Project Activity - Schedule 2 to Annex 1, 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.	n.d.																								
79	Weight Control System Project Activity	The GoH awards one or more contracts acceptable to MCC to build and operate such a weight control system.	n.d.																								
80	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.	n.d.																								
81	Weight Control System Project Activity	SOPTRAVI finalizes a vehicle weight control plan acceptable to MCC to build and operate such a weight control system.	n.d.																								
82	Weight Control System Project Activity	MCC is satisfied with progress on the public awareness and information campaign about the weight control system.	n.d.																								
83	Weight Control System Project Activity	MCC is satisfied with the results of audits (technical and financial) of the weight control system.	n.d.																								

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.

Key: met = CP has already been met.

n/a = CP is not binding for this quarter as it is still in the future.

n.d. = CP has not been met but funds will not be disbursed for this Activity

def. = CP has not been met and will be deferred. Original date shown in gray.