



**MILLENNIUM
CHALLENGE
CORPORATION**
REDUCING POVERTY THROUGH GROWTH

JOHN HEWKO
VICE PRESIDENT, OPERATIONS

December 12, 2006

His Excellency Yani Rosenthal
Minister of the Presidency
Chairman, MCA-Honduras Board of Directors
Edificio Ejecutivo, Blvd. Juan Pablo II
Tegucigalpa, F.M.
HONDURAS, C.A.

Mr. Martín Ochoa
General Director, MCA-Honduras
Colonia Palmira
Paseo Republica Argentina, Casa No. 354
Tegucigalpa, F.M.
HONDURAS, C.A.

RE: Implementation Letter regarding procurement matters related to the Rural Development Project

Dear Minister Rosenthal and Mr. Ochoa,

Reference is hereby made to (i) the Millennium Challenge Compact, executed June 13, 2005 (the “**Compact**”), between the United States of America, acting through the Millennium Challenge Corporation (“**MCC**”), and the Government of the Republic of Honduras (the “**Government**”), (ii) the Disbursement Agreement, dated September 29, 2005, among MCC, the Government, acting through the Secretary of the Presidency, and MCA-Honduras (the “**Disbursement Agreement**”), and (iii) the Procurement Agreement, dated September 29, 2005, among MCC, the Government, acting through the Secretary of the Presidency, and MCA-Honduras (the “**Procurement Agreement**”). Each capitalized term used but not defined herein shall have the meaning given to such term in, as applicable, the Compact, the Disbursement Agreement or the Procurement Agreement.

MCC recently undertook an in-depth due diligence review of Fondo Nacional de Desarrollo Rural Sostenible (“**FONADERS**”) to assess FONADERS’ capacity to serve as the Procurement Agent for the Rural Development Project. The review found that FONADERS staff had considerable experience and strong competency in the procurement of goods and works. However, FONADERS lacks certain critical prerequisites, including international procurement experience in procuring services and experience in the administration of large consultancy contracts. As a result of this review, MCC has determined that FONADERS should not be selected as the Procurement Agent. Also in connection with this review, MCC assessed the

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procurement capacity of the MCA-Honduras staff and analyzed the current working relationship between MCA-Honduras and the procurement supervisor engaged by MCC (the “*Procurement Oversight Advisor*”). MCC is satisfied with the procurement work undertaken by MCA-Honduras and the experience of its procurement staff, MCC has determined that MCA-Honduras, with the supervision of the Procurement Oversight Advisor, should continue to conduct procurements for the Program, except for those procurements related to the Transportation Project and to the “Farm to Market Roads” activity of the Rural Development Project, which will be conducted by the Outside Project Manager for the Transportation Project. As a result, the services of a Procurement Supervisor are not needed at this time.

Pursuant to Section 3.5(a) of the Compact, MCC may issue Implementation Letters to furnish additional information or guidance for the implementation of the Compact. Pursuant to Section 3.7(b) of the Disbursement Agreement, MCC, in its sole discretion, may waive a condition precedent to MCC Disbursements. Pursuant to Schedule 1 of the Procurement Agreement, MCC may provide that procurement and contract management responsibilities for the Rural Development Project will be carried out by a party other than FONADERS.

Accordingly, MCC issues this Implementation Letter (i) to provide guidance with respect to the procurement and contract management for the Rural Development Project, (ii) to address the current requirement for a Procurement Supervisor, and (iii) to modify certain provisions of the Disbursement Agreement and the Procurement Agreement.

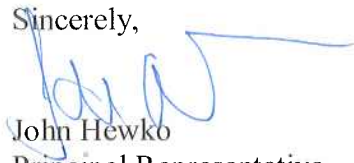
- (1) With respect to the condition precedent set forth in Section 3.1(b)(iii)(3) of the Disbursement Agreement, MCC hereby confirms that, except as otherwise notified in writing by MCC, (i) the condition requiring MCA-Honduras to enter into a Procurement Supervisor Agreement is waived, and (ii) MCA-Honduras shall continue conducting all procurements in consultation with MCC and the Procurement Oversight Advisor.
- (2) Pursuant to MCC’s rights under the first paragraph of Schedule 1 of the Procurement Agreement, MCC hereby provides that, except as otherwise notified in writing by MCC, MCA-Honduras shall carry out all procurement and contract management for the Rural Development Project in consultation with MCC and the Procurement Oversight Advisor.

Except as expressly set forth herein, nothing in this Implementation Letter shall be deemed to amend or modify any provision of the Compact, the Disbursement Agreement, the Procurement Agreement or any other Supplemental Agreement.

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This Implementation Letter shall be effective immediately.

Sincerely,



John Hewko
Principal Representative
Vice President, Operations

cc: Members of the Board of Directors of MCA-Honduras
William G. Anderson, Jr., Vice President and General Counsel