

**Minutes No. 9**  
**Ordinary Board of Directors**  
**Millennium Challenge Account- Nicaragua**

In the city of Managua, at nine in the morning on March twenty-nine of the year two thousand and seven, in the Hall of Unity of the Technical Secretariat of the Presidency, the following members met:

**GOVERNMENT DIRECTORS:**

1. Mr. Rodolfo Delgado , Technical Secretary of the Presidency (SETEC)
2. Mr. Paul Oquist, Private Secretary to the President of the Republic for National Policies
3. Mr. Alberto Guevara, Ministry of Finance and Public Credit
4. Mr. Horacio Brenes, Ministry of Development, Industry and Commerce

**CIVIL DIRECTORS:**

1. Mrs. Jilma Balladares, en representación de FUNDAPADELE
2. Mr. Julio César Montealegre, en representación de APENN

**MAYOR DIRECTOR**

1. Mr. Tránsito Téllez, Mayor of Leon, in representation of the Mayors

The following members met as observers with the right to voice, but without the right to vote:

1. CIVIL OBSERVER: Mr. Rigoberto Sampson Granera, in representation of the Council for the Departmental Development of Leon.
2. CIVIL OBSERVER: Mr. Santos Méndez Zepeda, in representation of the Council for the Departmental Development of Chinandega.
3. MAYOR OBSERVER: Mr. Agrecio Osejo, in representation of the town halls of the Department of Chinandega.
4. GOVERNMENT OBSERVER: Mr. Pablo Fernando Martínez, Minister of Transport and Infrastructure
5. GOVERNMENT OBSERVER: Mrs. Amanda Lorío, Minister of the Environment and Natural Resources
6. GOVERNMENT OBSERVER: Mr. Ariel Bucardo, Minister of Agriculture, Livestock and Forestry
7. MCC OBSERVER: Sr. Matt L. Bohn, Resident Director.

It is recorded in the Minutes that the above mentioned members were convened according to the applicable laws, the Bylaws of the MCA-Nicaragua and the Millennium Challenge Agreement signed between the Government of the Republic of Nicaragua (the “Government”) and the United States of America, acting through the

Millennium Challenge Corporation (“MCC”) on July 14, 2005 (the “Agreement”) and the Governance Agreement.

#### APPOINTMENT OF THE PRESIDENT OF THE BOARD OF DIRECTORS

According to Annex I 3 (d) (ii) (2) (D) of the Compact, the Governance Agreement and the Bylaws of the MCA-Nicaragua, the President of the Board of Directors is appointed among the members of the Government Directors by mutual agreement between the Executive and the Millennium Challenge Corporation (MCC); therefore, it is recorded that Mr. Daniel Ortega Saavedra, President of the Republic, in agreement with the MCC, has appointed Mr. Rodolfo Delgado, Technical Secretary of the Presidency, as President of the Board of Directors of the Millennium Challenge Account-Nicaragua.

#### THE INTEGRATION OF THE MEMBERS OF THE EXECUTIVE AND THE SETTING UP OF THE BOARD OF DIRECTORS

Once the corresponding appointments were made and the new representatives of the Executive in their capacity as Directors and Observers of the Government were recorded, the Board of Directors of the MCA-Nicaragua, as from this date, is composed as follows:

1. PRESIDENT: Mr. Rodolfo Delgado , Technical Secretary of the Presidency (SETEC)
2. GOVERNMENT DIRECTOR: Mr. Paul Oquist, Private Secretary of the President of the Republic for National Policies
3. GOVERNMENT DIRECTOR: Mr. Alberto Guevara, Minister of Finance and Public Credit
4. GOVERNMENT DIRECTOR: Mr. Horacio Brenes, Minister of Development, Industry and Commerce
5. CIVIL DIRECTOR: Mrs. Jilma Balladares, in representation of FUNDAPADELE
6. CIVIL DIRECTOR: Señor Julio César Montealegre, en representación de APENN
7. MAYOR DIRECTOR: Mr. Tránsito Téllez, Mayor of Leon, in representation of the Mayors.

Once the Board of Directors was set up, Mr. Rodolfo Delgado presides and declares the meeting opened and presents the Agenda:

1. Verification of the Quorum
2. Presentation of the Executive Report by the General Director of the MCA-Nicaragua
3. Approval of the following contracts:
  - Design and Feasibility Studies for Secondary Roads
  - Design and Feasibility Studies for Primary Roads
  - Consultancy for the Survey of the Baseline and Data Gathering for Impact Assessment.
  - Audit
4. Approval of the Requests for the Fourth Disbursements (April-June 2007)

## 5. Miscellaneous

Once the items of the Agenda were known and duly approved by all the Directors, they proceed accordingly:

### **FIRST: Verification of the Quorum**

The President proceeds to verify the quorum and records that all the members of the Board of Directors are present; therefore, there is a legal quorum to start the meeting.

### **SECOND: Presentation of the Executive Report by the General Director**

The President of the Board of Directors gave the floor to Mr. Juan Sebastian Chamorro, Director General of the MCA-Nicaragua, who submitted the following Progress Report:

**a) Road Infrastructure:** A total of 368 Km. has been identified whose feasibility is being designed and analysed as well as its environmental impact, for which the corresponding processes of procurement for these services have been executed and they are being submitted to this meeting for approval by the Board of Directors of the corresponding contracts. Likewise, the process for the procurement of the Administrator of the Transport Project has started and it shall end during the month of April this year. It is important to emphasise that for the better execution of this project, a cooperation agreement was signed between the Ministry of Transport and Infrastructure and the MCA-Nicaragua last December 2006.

**b) Regularization of the Property:** The most important activity is the process for the procurement of the cadastral sweeping which shall end in April this year, as well as the process for the institutional strengthening of PRODEP and the institutions integrating the Project. Likewise, during these first three quarters of the program, 26 property titles have been delivered as a result of a pilot plan of the early property title program which shall be implemented more aggressively during the fourth quarter of this first year. We have to make clear that, basically, there were delays in the execution of the project, considering that it was until December 2006, that the agreement for the implementation of the project was signed between the Ministry of Finance and Public Credit and the MCA-Nicaragua, whereby PRODEP was designated as the executing entity of the project for the regularization of the property in the Department of Leon.

**c) Development and Rural Business:** To this date, the strategy for clusters identifying the following four clusters has been defined: agricultural, livestock and aquatic, forestry and environmental business and non-agricultural rural. The rules and operational regulations have been defined for the Office of Rural Business, especially those for the selection of business plans with technical assistance and funding, which have allowed until now to assist a total 1,400 producers of which 34% are women, in areas such as agriculture (sesame, cassava, beans, among others) and livestock (milk stockpiling centers and demonstrating centers). Actually, there are approximately 294 business plans in preparation and operators will be contracted who will facilitate the process for the elaboration and attention of the business plans. An Agreement was signed with UNAN-Leon in order to speed up the research and development process. A contract was also signed with

PRONICARAGUA for the promotion of investments and a first meeting of investors took place in Chinandega of which the first results have been obtained; at the same time, a regional office has been opened to give attention to the investors.

**d) Governance and Monitoring/Evaluation:** During these first three quarters, the operations of the MCA-Nicaragua have been adjusted to the obligations and responsibilities set out in the Compact and in the Complementary Agreements and, at the same time, the Board of Directors has worked in a continuous manner guaranteeing the decision-making smoothly. The organization of the MCA-Nicaragua has been consolidated either in the contracting of human resources as in the preparation and approval of norms and procedures, especially those related to the administrative and financial management, procurement, monitoring and evaluation, gender and environment, among others.

**Resolution:** *The Board of Directors received and approved the Report of the General Director*

**THIRD: Approval of the Contract for Consulting Services**

Mr. Juan Sebastian Chamorro, Director General of the MCA-Nicaragua, continues holding the floor in order to explain that the contract processes were carried out according to the Procurement Agreement under the mode of the selection based on quality and cost, that the process has been competitive at international level with a good degree of participation among the international, regional and national companies.

According to Section 3.1 of the Procurement Agreement, Section 1.7 (c) (iv) of the Governance Agreement and a paragraph of Article Thirteenth of the Bylaws of the MCA-Nicaragua, the following contracts for consulting services were signed:

a) Design and Feasibility Study and Environmental Impact of the Secondary Roads: the process started in the month of November 2006 with the notification for expressions of interests until the award of the offer submitted by the Association ROUGHTON & HTSPE, who obtained the highest combined score (technical/financial) and having submitted a price of US\$1,135,000, which is considered reasonably acceptable by the MCA-Nicaragua. The length of time for the provision of these services shall be seven months as from the date of the signing of the contract. The Director General submits to the approval of the Board of Directors the proposal of the final contract in order to obtain the approval of the MCC.

**Resolution:** *The Board of Directors unanimously approved the votes for the proposal of the final contract for the design and feasibility study and environmental impact of the secondary roads according to the terms and conditions submitted by the Director General in relation to: a) the consulting firm awarded; b) the amount; c) the length of time; and, d) the scope. Likewise the General Director is authorized to finalize the negotiations of the contract and to sign it with the consulting firm, without causing any substantial and material changes to the terms and conditions hereby approved.*

b) Design and Feasibility Study and Environmental Impact of the Primary Roads: this process started at the beginning of November 2006 with the notification of expressions of interests until the award of the offers submitted to the Association ROUGHTON & HTSPE, who obtained the highest combined score (technical/financial) and having submitted a price of US\$743,250, which is considered reasonably acceptable by the MCA-Nicaragua. The length of time for the provision of these services shall be seven months as from the signing of the contract. The Director General submits to the approval of the Board of Directors the proposal of the final contract in order to obtain the approval of the MCC.

***Resolution: The Board of Directors unanimously approved the votes for the proposal of the final contract for the design and feasibility study and environmental impact of the primary roads according to the terms and conditions in relation to: a) the consulting firm awarded; b) the amount; c) the length of time; and, the scope. Likewise the General Director is authorized to finalize the negotiations of the contract and to sign it with the consulting firm, without causing any substantial and material changes to the terms and conditions hereby approved.***

c) Survey of the Baseline and Data Gathering for Impact Assessment: This process started in the month of December 2006 with the notification for the submission of offers and the award of the offer submitted by FIDEG, who obtained the highest technical score and having submitted a price of US\$783,259.84, which was considered acceptable by the MCA-Nicaragua. The length of time for the provision of these services shall be during the implementation of the program, starting at the signing of the contract. The Director General submits to the approval of the Board of Directors the proposal of the final contract in order to obtain the approval of the MCC.

***Resolution: The Board of Directors unanimously approves the votes for the proposal of the final contract for the Survey of the Baseline and the Data Gathering for the Impact Assessment according to the terms and conditions submitted in relation to: a) the consulting firm awarded; b) the amount; c) the length of time and d) the scope. Likewise, the Director General is authorized to finalize the negotiations of the contract and to sign it with the consulting firm, without causing any substantial and material changes to the terms and conditions hereby approved.***

d) Audits: This process was executed as the others according to the procedures set out in the Procurement Agreement, under the mode of a selection based on quality and cost; the offer was awarded to KPMG PEAT MARWICK, for having obtained the highest combined score (technical/financial) and having submitted a price of US\$102,000, which was considered reasonably accepted by the MCA-Nicaragua. The length of time for the provision of these services shall be two years as from the date of the signing of the contract during which the financial audits shall be carried out during four quarters of the execution of the program.

It was announced that this process started in the month of December and finished during the month of February. Until mid-March, the MCC, after a revision of the process, authorized the MCA-Nicaragua to award the contract considering that it was urgent to start the audit during the first six months of the Program, so that it was not going to affect in a

negative way the operations of the program and that, to that date, the Board of Directors had not met in view that the formal integration of the members of the Executive had not finished.

However, in order to comply with the Procurement Agreement which states that contracts of more than US\$100,000 shall be approved by the Board of Directors, in this ordinary meeting of the Board of Directors (first meeting with the new members of the Executive) the Director General submits for ratification thereof: a) the award of this bid to the audit firm KPMG PEAT MARWICK and b) the final contract subscribed with the audit firm.

***Resolution:*** *The Board of Directors unanimously approved the votes to ratify the award of the bid to the audit firm KPMG PEAT MARWICK up to an amount of US\$102,000, recognizing that the process has the no objection on behalf of the MCC, especially, to award the bid considering the urgency to start the revision of the first six months of the program as soon as possible. Likewise, the Board of Directors unanimously approved the votes to ratify the act to sign the final contract on behalf of the Director General of the MCA-Nicaragua, having had the no objection of the MCC, according to the Procurement Agreement.*

#### **FOURTH: Approval for the Request of the Fourth Disbursement (April-June 2007)**

Mr. Juan Sebastian Chamorro, Director General of the MCA-Nicaragua, continues holding the floor and submits to the consideration of the Board of Directors, according to Section 3.2 of the Disbursement Agreement, to Section 1.7 (c) (v) of the Governance Agreement and to paragraph q) of Article Thirteenth of the Bylaws of the MCA-Nicaragua, the Request for Disbursement to the MCC for up to a total amount of US\$3,165.83 millions for the quarters corresponding to the months of April-June 2007.

It was explained to the members of the Board of Directors that according to Section 3.2 of the Disbursement Agreement, the request shall be in the following form:

- a) Request for Disbursement Form, accompanied by the implementation plan which includes: procurement plan, detailed financial plan, working plan, among other documents.
- b) MCA-Nicaragua Certificate.
- c) Fiscal Agent Certificate.

It was clearly explained to the members of the Board of Directors that the methodology for the elaboration/calculation of the disbursement request and, especially, for the treatment that according to the Compact, the Disbursement Agreement and Bank Agreement shall be given to the interests accrued in the bank accounts where the funds coming from the MCC are deposited, that such interests shall be refunded quarterly to the MCC, and that for the purpose of the disbursement request the refund should be considered as a payment by the MCA-Nicaragua to the MCC.

Once the Request for Disbursement that is attached as Annex I to these Minutes has been discussed by the members of the Boards of Directors, it is submitted to voting.

***Resolution:*** *The Board of Directors unanimously approved the votes of the Request for Disbursement submitted together with all the documents attached for an amount of up to US\$3,165.83 millions, corresponding to the quarters April-June 2007 and authorizes the Director General of the MCA-Nicaragua to officially send the said Request for approval and disbursement to the MCC.*

**FIFTH: Miscellaneous**

There were no miscellaneous items to be discussed.

**SEVENTH:** The Secretary or the President of the Board of Directors as well as any Notary Public shall have the faculty to certify the present Minutes. The certification of the present Minutes will suffice in order to accredit the appointments hereby made.

The meeting is adjourned at \_\_\_\_\_ on the same date and it is certified that all the decisions were taken unanimously.

Rodolfo Delgado

Paul Oquist

Alberto Guevara

Jilma Balladares

Julio César Montealegre

Tránsito Téllez

Horacio Brenes