

Minutes Number Fourteen (14) of the Ordinary Board of Directors of the MCA-Nicaragua

In the city of Managua, at ten hours, on the eleventh day of January of the year two thousand and eight, at the Meeting Room of the Minister of Finance and Public Credit, meeting number fourteen is opened, with the following persons in attendance:

1. GOVERNMENT DIRECTOR: Mr. Alberto Guevara, Minister of Finance and Public Credit.
2. GOVERNMENT DIRECTOR: Mr. Paul Oquist, Secretary of National Policies of the Presidency of the Republic.
3. GOVERNMENT DIRECTOR: Mr. Orlando Solórzano, Minister of Development, Industry and Commerce.
4. CIVIL DIRECTOR: Mr. Rigoberto Sampson, representing the Departmental Council of Leon.
5. CIVIL DIRECTOR: Mr. Santos Méndez Zepeda, representing the Departmental Council of Chinandega

As Observers with the right to voice, but without the right to vote, the following members were present:

1. CIVIL OBSERVER: Mrs. Jilma Balladares, representing the civil society of the Department of Leon.
2. CIVIL OBSERVER: Mr. Julio César Montealegre, representing the civil society of the Department of Chinandega.
3. MAYOR OBSERVER: Mr. Tránsito Téllez, representing the Town Halls of the Municipality of Leon.
4. GOVERNMENT OBSERVER: Mr. Pablo Fernando Martínez, Minister of Transport and Infrastructure.
5. GOVERNMENT OBSERVER: Mrs. Juana Argeñal, Minister of the Environment and Natural Resources.
6. GOVERNMENT OBSERVER: Mr. Ariel Bucardo, Minister of Agriculture, Livestock and Forest.
7. MCC OBSERVER: Mr. Eddy Jerez, Sub Director Resident of the MCC.

It is stated that the representatives were duly convened according to the applicable laws, the Bylaws of the MCA-N and the Agreement of the Millennium Challenge entered between the Government of the Republic of Nicaragua (the "Government") and the United States of America, acting through the Millennium Challenge Corporation ("MCC") dated July 14, 2005 (the "Agreement") and according to the Governance Agreement.

APPOINTMENT OF THE PRESIDENT OF THE TEMPORARY BOARD OF DIRECTORS

According to Section 1.3 (a) set out in the Governance Agreement and the Bylaws of MCA-Nicaragua, for this meeting of the Board of Directors, the members DIRECTORS agree that Mr. Alberto Guevara, Minister of Finance and Public Credit, be appointed as President of the Board of Directors of the Millennium Challenge Account- Nicaragua. Likewise, it is announced that the official designation by the Government of Mr. Guevara as president of the Board of Directors of the MCA-N is being processed, as well as other changes in the Board of Directors.

DESIGNATION OF THE BOARD OF DIRECTORS

Having the corresponding designation taken place, it is recorded that for the present meeting of the Board of Directors of the MCA-N, is made up as follows:

1. PRESIDENT: Mr. Alberto Guevara, Minister of Finance and Public Credit.
2. GOVERNMENT DIRECTOR: Mr. Paul Oquist, Secretary of National Policies of the Presidency of the Republic
3. GOVERNMENT DIRECTOR: Mr. Orlando Solórzano, Minister of Development, Industry and Commerce
4. CIVIL DIRECTOR: Mr. Rigoberto Sampson, representing the Departmental Council of Leon.
5. CIVIL DIRECTOR: Mr. Santos Méndez Zepeda, representing the Departmental Council of Chinandega.
6. MAYOR DIRECTOR: Mr. Agresio Osejo, representing the Mayors of the Municipality of Chinandega.

In a preliminary way, the President of the Board of Directors stated the wish of the Government of the Republic of Nicaragua to continue working so that the Program of the Millennium Challenge Account continues with the implementation of the projects efficiently thus achieving the objectives of the Compact.

Likewise, he stated that they are making changes in the Board of Directors, being the first one that of the Minister of the MTI who shall be appointed as GOVERNMENT DIRECTOR. In regards to the Project of the Rural Business, the Executive Director of the IDR shall be appointed as GOVERNMENT OBSERVER, as well as the Executive Presidents of FISE and INIFOM, in relation to their role in Municipalities. Eventually, a special invitation shall be sent to Mr. Rodolfo Delgado, Advisor to the President in Social Participation. Similarly, the invitation of the Attorney General of the Republic is being proposed, who is actually coordinating the Project for the Regulation of Properties (PRODEP) and properties in general.

It is informed that the President of the Republic has given instructions for the creation of a TECHNICAL UNIT which shall give a close follow-up to the Program of the Millennium Challenge Account on behalf of the Government of the Republic.

The President of the Board of Directors proceeds with the verification of the quorum and states that the majority of the members of the Board of Directors are present; therefore, there is a legal quorum to start the meeting and the session is opened. He submits for discussion the Agenda, which is unanimously approved by the members DIRECTORS and which is as follows:

1. Approval of the Implementation Letter of the Compact for the Villanueva – El Guasaule road.
2. Transport Project:
 - i) Approval of the Roche’s Second Amendment of for the study and design of the Villanueva – El Guasaule road.
 - ii) Approval of the Cooperation Agreement between COERCO and the MCA-Nicaragua for the immediate repairs of the stretch Villanueva – El Guasaule.
 - iii) Approval of the Resettlement Policies.
3. Rural Business Project:
 - i) Approval of the Contract for the “Basic Preparation and Organization of a Tender for Business Plans for small and medium, agricultural and/or livestock or agro-industrial enterprises in Leon and Chinandega”.
 - ii) Approval of a Contract with the Operator of the Agricultural Cluster.
 - iii) Approval of the Amendment of the Contract with GFA for the preparation of the feasibility analysis of the infrastructure works of the immediate Plan for the Handling of the Watersheds.
 - iv) Approval of the Cooperation Agreement between the MCA-Nicaragua and the IDR for the complementary actions in the territory.
4. Approval of the Seventh Disbursement Request (January 08 – March 08).

5. Approval for the updating of the Monitoring and Evaluation Plan (M&E) updated.
6. Discussion on the stretch of the road León – Poneloya.
7. Miscellaneous:
 - i) Information on the advance of the support of the Millennium Challenge Account to the cluster UNAN-León in Somotillo.

Once the items on the agenda were known and duly approved by all the Directors, they proceed according thereof:

Before they proceed to approve the First Item on the Agenda, the President of the Board of Directors states that next January 21, 2008, Mr. John Danilovich, CEO of MCC, shall be visiting Nicaragua and shall hold a meeting with the President of the Republic; therefore, all the items set out in the Agenda of the today's meeting are considered urgent. Likewise, it was informed that next week two meetings shall be held: one with the Municipal Mayors in order to analyze the achievements of the Program and how to contribute on the improvement of the execution of the Program and, the other, with the Construction Chamber in order to deal with the concerns of the Chamber and incorporate those good practices and observances into the execution of the Program.

The meeting with the Mayors shall be held at the headquarters of the Millennium Challenge Account Offices in Leon, and that of the Construction Chamber in Managua.

Likewise, the Director General of the MCA-Nicaragua, who in this occasion is not making the executive report verbally, but instead it is stated at this meeting that a report in writing is being delivered to the members of the Board of Directors on the achievements and advances of the Millennium Challenge Account Program, from the period between June 24, 2006 to December 31, 2007.

FIRST: Approval of the Implementation Letter of the Compact for the inclusion of the rehabilitation of the stretch of the Villanueva – El Guasaule Road

Mr. Juan Sebastian Chamorro, Director General of MCA-Nicaragua, presents to the members of the Board of Directors a document entitled IMPLEMENTATION LETTER OF THE COMPACT whereby an amount of up to US\$ 14 million (as a result of the savings accrued during the first 15 months of the implementation of the Program) is assigned for the funding of the following actions confirming an additional activity in the Transport Project for the stretch of the Villanueva – Guasaule Road:

- (a) Update the final designs, economic analysis, evaluation of the environmental impact and the plans for the handling of the environment;
- (b) Construction of the V-G Road;
- (c) Repairs or reclassification of the existing structure of the V-G Road, including the supervision of the said works (i) to improve the connections before the construction and (ii) to strengthen the structure of the base;
- (d) Carry out a comprehensive study of alternatives (the “Comprehensive Study”) to redesign the segment of the existing road from Chinandega to Villanueva, crossing a flooding plain (the “Segment of the Flooding Plain”);
- (e) Supervision of the construction activities;
- (f) Compensation for individuals, residences and businesses affected by the construction of the V-G Road consistent with the Operational Policies 4.12 of the World Bank on involuntary resettlement; and

- (g) Any other activities that could be necessary or appropriate for the implementation of the Activity of the V-G Road.

The MCC and the Government agree, pursuant this Letter of Implementation, that the Activity of the V-G Road is part of the Transport Project, and that all references to the Project or Transport Projects in the Compact, the Supplementary Agreements and any document or instrument related include the Activity of the V-G Road as part of the Transport Project.

After having discussed and considered the urgency to proceed with the immediate repairs of the stretch Villanueva – Guasaule and to start the activities of the final rehabilitation of the said stretch, the DIRECTORS expressed a favorable opinion for the immediate appointment by the Government of the officer who in his capacity as the Main Representative of the Government shall sign the said Letter of Implementation.

RESOLUTION: The Board of Directors by unanimity of votes approves the LETTER OF IMPLEMENTATION OF THE COMPACT to be signed between the Government of the Republic of Nicaragua, MCC and MCA-Nicaragua for the inclusion in the Transport Project of the rehabilitation activities of the stretch Villanueva – Guasaule Road; they recognize that in case of any inconsistency between the Spanish version and the English version of the Letter of Implementation in question, the English version shall prevail. In addition, they resolve that according to the Bylaws, the President of the Board of Directors, Mr. Alberto Guevara, Minister of Finance and Public Credit, is authorized to deal with his appointment as Authorized Representative of the Government and to proceed, immediately, to sign the said Letter of Implementation on behalf of the Government of the Republic and, they also authorize Mr. Juan Sebastian Chamorro Garcia, in his capacity as Director General of the Millennium Challenge Account – Nicaragua (MCA-Nicaragua) to sign the Letter of Implementation mentioned above on behalf of the MCA-Nicaragua.

SECOND: Transport Project:

- i) *Approval of Roche's Second Amendment for the study and design of the Villanueva – Guasaule Road*

Mr. Juan Sebastian Chamorro, Director General, expressed that considering the inclusion of the funding for the rehabilitation of 18 kilometers of the stretch Villanueva – Guasaule, it is necessary to complete the existing technical documentation for the preparation of the tender documents, as well as to complete the engineering design and the environmental assessment necessary for the construction of this stretch, considering of special importance some field works and the supplementary topographical surveys to assess the hydrological features of the watersheds which main currents cross the said road.

Considering the short time available to complete this technical documentation and be able to start the bidding process of the rehabilitation stretch, it has been proposed that the Company Administering and Supervising the Transport Project, ROCHE CONSULTING ENGINEERS, render those additional services for which it is proposed to sign another second amendment to the Contract signed between the MCA-Nicaragua and this Company, with the purpose to include the additional services mentioned above, for up to an amount of US\$212,949.25, and for a period of 6 weeks to deliver the final results. It has been informed that the date of the proposal for the amendment has already the no objection on behalf of the MCC.

The MARENA Minister expressed her concern on the environmental matters; however, the MTI Minister clarified that at this stage no studies of any type are required; that it would be necessary to comply with the environmental matters for the final works of the rehabilitation and, in addition, it would be needed to carry out the required engineering, environmental and social studies to comply with the legal requirements.

As a complementary matter, the MTI Ministry requested a report on the schedule of the rehabilitation project of the Road Nejapa - Izapa. In this respect, the Director General

informs that the final designs shall be delivered in mid-January, but these documents have not been required to start the bidding process, with the pre-qualification phase closing at mid-February; then make a request to the companies who have been pre-qualified with their financial bids and, subsequently, contract for the rehabilitation works.

Annex I of these Minutes is attached as the technical document containing the description of the additional services to be presented by ROCHE CONSULTING ENGINEERS.

RESOLUTION: The Board of Directors approves by unanimity of votes THE SECOND PROPOSAL OF THE AMENDMENT TO THE CONTRACT SIGNED BETWEEN MCA-NICARAGUA AND ROCHE CONSULTING ENGINEERS in the terms presented by the Director General and that have been approved by the MCC. In addition, they resolve, according to the Bylaws, to authorize Mr. Juan Sebastian Chamorro Garcia, to sign in his capacity as Director General of the Millennium Challenge Account – Nicaragua (MCA-Nicaragua) the said amendment on behalf of the MCA- Nicaragua.

- ii) *Approval of the Cooperation Agreement between COERCO and MCA – Nicaragua for the immediate repairs of the stretch Villanueva – El Guasaule.*

Mr. Juan Sebastian Chamorro, Director General, continued to express that in view of the substantial damages caused to the Villanueva – Guasaule Road by the meteorological phenomena during the year 2007, the Government of Nicaragua requested the support of the MCA-Nicaragua, through the Board of Directors, to give maintenance and reconstruct the said Road and, as a result of this request and immediately after the signing of the IMPLEMENTATION LETTER OF THE COMPACT, previously approved, it was provided to directly contract the COERCO Company, of the Ministry of Transport and Infrastructure, to promptly execute the repairs and to reestablish the traffic of the Villanueva – Guasaule Road for an amount of US\$ 250,000.00.

The process to directly contract by the MCA-Nicaragua was approved by the MCC, according to the rules and procedures set out in the Procurement Agreement, having as one of the main objectives the urgency of the repair works and that the COERCO company is actually working in the stretch Chinandega – Villanueva; therefore, the costs to move and the time to start the works shall be significantly reduced.

The MCA-Nicaragua has negotiated with COERCO and the MTI a Cooperation Agreement whereby the said company is committed to repair 17.2 kilometers of road in order to allow a vehicle speed of more than 20 km/hour through:

- The reinforcement with lent selected material from the structure of the stretch of the Road that is now a dirt road.
- To fill, very deep, the holes and replace the asphaltic surface of the stretch of the Road that still has a paved surface.
- The cleaning of the longitudinal and transversal drainage that is actually obstructed or with sediments so as to guarantee the water to drain during the winter months.

The GOVERNMENT DIRECTOR, Mr. Santos Mendez, recognized the support of the MCC to have increased the amount from US\$ 100,000 to US\$ 250,000. He requests to the members DIRECTORS the approval of the Cooperation Agreement with COERCO.

The MTI Minister expressed his total consent for the signature of the Cooperation Agreement and, specially, clarifies that under the exclusion of procedures set out in the regulations for procurement, a state company is being hired, which is the operational arm of the MTI.

Mr. Saul Montoya, on behalf of the Mayor of Somotillo, Mr. Agresio Osejo, expressed that works have already been carried out in the stretch, and that the said stretch has been passable during the month of December, thus guaranteeing the traffic of the said stretch until the start of the final rehabilitation works.

Annex 2 to these Minutes is attached as the technical document containing the description of the works to be executed by COERCO.

RESOLUTION: The Board of Directors approved by unanimity of votes the PROPOSAL OF THE COOPERATION AGREEMENT BETWEEN MCA-NICARAGUA AND THE COERCO COMPANY in the terms presented by the Director General and that were approved by the MCC and the MTI. In addition, they decide according to the Bylaws, to authorize Mr. Juan Sebastian Chamorro Garcia, in his capacity as Director General of the Millennium Challenge Account – Nicaragua (MCA-Nicaragua) to sign the said COOPERATION AGREEMENT on behalf of the MCA-Nicaragua.

iii) *Approval of Resettlement and Procurement of Land Policies*

Mr. Juan Sebastian Chamorro, Director General, continues to express that during the months of October-December, the MCA-Nicaragua has jointly been working with the MTI for the definition of the Political Framework to govern the activities of resettlement that should be executed prior to the beginning of the rehabilitation works of the roads and the secondary paths.

The rehabilitation works or the improvement of the roads normally affect, in a partial or total way, some of the homes, businesses, plots of land or the improvement on the right of way. As a compensation measure, the Millennium Challenge Account has prepared the Resettlement and Procurement of Land Policies, which principles are as follows:

- ▶ Minimize the procurement of land, properties and the displacement of the population living along the road to be built or rehabilitated.
- ▶ The designs of the roads have been modified in some cases according to the above principle.
- ▶ In case it is inevitable to displace the occupants or owners of the structures and/or plots of land, the objective shall be to compensate the replacement value or replace the lots, the houses, the access to the services, and their economic and productive activities in the least possible time, so as to reach a standard of living equal or better to the one they had before the Project.
- ▶ Compensate either the persons affected with title as well as those without a formal title.
- ▶ Do not compromise the security of the affected population or the road security.

Types of affected Possessions and Compensations

Affected land (with or without formal titles)

- ▶ Compensation equal to the value of the cost of replacement, plus legalization expenses and transport; or resettlement to a new site, plus legalization and transport.

Community Land and Cooperatives

- ▶ Compensation, preferably with works for the community; plus expenses of legalization and transport.

Affected homes (with or without titles)

- ▶ Compensation equal to the cost of replacement plus legalization and moving costs or social homes with all the basic services plus legalization and moving expenses.

Tenants of affected homes

- ▶ Six months of rent and, in case is necessary, support to look for another rented house and moving and legalization expenses.

Affected businesses

- ▶ Compensation of the structural value equal to the replacement cost, plus legalization and transport expenses; and six months of claim for damages for loss of profit.

The MTI expressed its concern with the compensation matters that could promote the invasion of land and cause higher costs; therefore, the policies should be revised. The General Director of the MCA-Nicaragua explains that the policies are in general and that the policies, considering the statements of the Board of Directors, do not promote the

invasion of land; and it promotes the respect to the right of private properties that are being affected by the new design of the road.

Annex 3 of these Minutes is attached as the document containing the Resettlement and Procurement Policies.

Resolution: *The Board of Directors approves by unanimity of votes the RESETTLEMENT AND PROCUREMENT OF LAND POLICIES OF THE MILLENNIUM CHALLENGE ACCOUNT – NICARAGUA in the terms presented by the General Director, and that have been approved by the MCC and the MTI, authorizing the beginning of its implementation and application so that it would guarantee the solution of the resulting cases of the rehabilitation process of the primary roads and secondary paths. Nonetheless, it is agreed by this Board of Directors this resettlement policy must be fair in all cases where the property of any citizen will be affected as result of the expansion of the right of way.*

Finally, the Director General of the MCA-Nicaragua states with relation to the construction of the private sector, some changes in the bidding documents (criteria) which shall be discussed in order to facilitate more participation from the national companies. In this respect, the Minister of the MTI points out that the most rigid criteria is what is called the acid test, which means current passive against circulating active. It was agreed that this matter shall be discussed at the meeting of the Construction Chamber.

THIRD: Rural Businesses Project:

- i) *Approval of the Contract for the “Base Preparation and Organization of a Competition of Business Plans for small and medium agricultural and/or livestock or agro-industrial enterprises in Leon and Chinandega”*

The Board of Directors agrees to leave this item pending for the next ordinary or extraordinary meeting.

- ii) *Approval of the Contract with the Operator of the Agricultural Cluster*

The process started in September two thousand and seven with the invitation to tender until the month of November of the current year, after the recommendation for the awarding of the offer submitted by the Consortium CHEMONICS INTERNATIONAL/WORLD VISION NICARAGUA/HONDURAN FOUNDATION FOR AGRICULTURAL RESEARCH/AGRICULTURAL SCHOOL EL ZAMORAANO, for having obtained the highest marks and submitted an offer of US\$3,496,637. The period for the services to be rendered shall be of 42 months, as from the date of the signing of the Contract. The Director General submits to the approval of the Board of Directors the final proposal of the contract with the provider of the services so as to proceed with the signing of the contract with the Consortium awarded, previous approval by the MCC.

The objective of this contract is to increase the income of the 3,020 beneficiaries, men and women, in the Departments of Leon and Chinandega in at least 5 crops, through the expansion of activities in farms and in the agro businesses with higher value, construction and strengthening of capacities and links with financial and commercial channels. It is aimed to obtain a proposal for shares to solve the productive problems and limitations in the value chain of the selected crops by the consulting company, which may include an improvement in the practices at the farms, transport, processing, distribution and limitation of access to markets for the cluster of each item.

The crops in which they shall be working are: cassava, sesame, beans, plantain, vegetables and cashew. At the end of the period of the execution of the program, the following results are expected to be obtained:

- 3,020 business plans in the program, including farms involved in businesses of higher profits (cumulative), including existing clients of the Rural Business Project.
- An annual increase of US\$605 in the income of the businesses supported by the Project.
- 4,000 new jobs created (cumulative)*

The Executive Director of the IDR points out that the signing of the cooperation contract with the MCA-Nicaragua is on the Agenda and she requests to learn about the cost of the technical assistance and how much the producer shall receive as part of this intervention.

The Minister of MIFIC points out that in the projects being set out, a sense of priority should be given, because they are being transferred by the producers and consumers to the production. The Minister expressed that revising the documents, he agrees with the terms thereof and with the description of the technical services included in the contract; but when taking the actions, there is a certain weakness in the coordination of these projects and the Government policies; therefore, he wants to find out if in the planning of the activities, it has been any relationship with the government entities such as the MIFIC and MAG-FOR. He requests to verify this situation and put the best efforts in correcting it.

The Minister of MAG-FOR expressed that the majority of the resources go into the contracts of the operators. The Director General of the MCA-Nicaragua explains that in the case of livestock there are US\$ 2.5 million for technical assistance and US\$ 2 million for direct transfers; likewise, he pointed out that in the case of livestock there are US\$ 3.5 million for technical assistance and US\$ 3 million for direct transfers.

It was explained that it wasn't a normal consulting services, is a type of technical assistance giving training and direct attention to the producer.

On the other hand, the Minister of MAG-FOR points out that a manner should be found in order to have an articulate participation with all the Government sectors, municipalities and the civil society, and that the intervention of the Millennium Challenge Account could be enhanced through an articulated process.

The Director General explains that there are two important matters, one is the articulation of the Millennium Challenge Account with the public entities and, in this sense, they are working hand in hand with the IDR, FUNICA, INAFOR, among others, on the other hand, in relation to the contract with the operators of the agricultural clusters, even if this is a consulting services isn't a cabinet's job, a 100% of the work is in the fields so as to solve the problems of the producers.

The President of the Board of Directors observes that it is necessary to pinpoint that this is a direct support to the producers and that it is merely a consulting services. They should know how much it costs to administer it. A revision of that amount is requested, because there is part of the said contractual amount that has to do with that support to the producers and clarify this matter. It is proposed that, in the revision process, the IDR and the MAG-FOR should be involved with the technical team of the MCA-Nicaragua in order to look into the matter of rural businesses.

Mr. Eddy Jerez of MCC, clarifies that this contract is key on hand, paid against delivery of the results verified through a monitoring and evaluation system and, in relation to the contract, it is explained that there is attention given to the producer for a certain period of time. It should be observed that this assistance to the producer is complete, giving technical assistance and also resources for the investment.

RESOLUTION: *The Board of Directors approves by unanimity of votes that MCA-Nicaragua analyze with the IDR and MAG-FOR, and in general with SPAR, the proposal of the final contract for contracting the Operator of the Agricultural Clusters, according to the terms and conditions set out by the Board of Directors in relation to: 1) amount of the contract; 2) execution time of the contract; and, 3) scope of the services. Special attention should be given in order to know the structure of the costs so as to identify how much of this is assigned to the direct support to the producer. Likewise, it is agreed that this analysis should be submitted at the next extraordinary meeting which shall take place before January 21, 2008.*

iii) *Approval to the Amendment of the Contract with GFA for the preparation of the feasibility analysis of the infrastructure works for the immediate Plan of the Handling of the Watersheds.*

Mr. Juan Sebastian Chamorro explained that actually the Contract “MCA – N # QCBS – 2006 – 05 Action Plan of the Handling of the Watersheds is being executed for the use of land and comprehensive handling of the prioritized sub-watersheds in the Departments of Leon and Chinandega, Nicaragua” which has the objective to obtain socio-economic, biophysics and organizational information as baseline data of the 7 Sub-watersheds in the Departments of Leon and Chinandega in order to recommend the specific investment projects and/or actions to promote the development of rural businesses so as to be financially, environmentally and socially sustainable in the prioritized sub-watersheds.

On December 12, 2007, the MCA-Nicaragua, after having analyzed the different options available and contracting methods, recommended the option to prepare an Addendum to the Contract signed between MCA-Nicaragua and GFA Consulting Group, for being the ideal company to do the services, the nature of continuity of the service with the general objective of the contract, to save resources and execution time and follow the procurement rules of the MCC Program.

With this amendment:

- The pre-investment studies shall be do (economic, environmental and social feasibility studies) and the design of two gathering mouths: Las Mercedes and Salale, located in the micro-watersheds of the same name, which shall be built for the purpose of irrigation, sustainable rural development and conservation of soil and water.
- The pre-investment study (economic, environmental and social feasibility studies) shall be doing of the dam identified as WMAP in the micro-watershed of the Chiquito River.

Both projects are located in the sub-watershed of the Grande River and the watershed of the Royal Estuary and shall significantly contribute to the economic development, the social organization of the production and the preservation of the environmental quality in one of the hydrographic watersheds with the highest vulnerability and economic importance in the Western Region (the Royal Estuary).

It was explained that these cases have been taken into account within the legal framework of waters, recently approved, and Mr. Oquist requests to guarantee in these projects the compliance with this legal rule, specially, with the institutional matters.

The Minister of MARENA explains that it should be taken into account that the aquifer in the Western Region is lowering each day and there is a risk that the waters are contaminated due to the levels of salinization because it is at the same sea level. She continued to express that it should be taken into account the Watershed Councils and requests to take into account the needs that were set out by the Municipal Mayors. It should also be taken into account the minor works of water infiltration on which MARENA has ample experience. At the same time, it was suggested to coordinate these studies with INETER.

RESOLUTION: *The Board of Directors approved by unanimity of votes the PROPOSALS TO AMEND THE CONTRACT SIGNED BETWEEN MCA-NICARAGUA AND GFA in the terms set out by the General Director and that have been approved by MCC in relation to: 1) the extension of the period of time per se to the original contract; and, 2) the inclusion of additional services that imply the expansion of the period of time of the contract and an increase in the original amount of the contract for the studies and designs of the infrastructure works. In addition, they resolve according to the Bylaws, to authorize Mr. Jan Sebastian Chamorro Garcia, in his capacity as Director General of the Millennium Challenge Account – Nicaragua (MCA-Nicaragua) to subscribe the said amendments on behalf of the MCA-Nicaragua.*

iv) Approval of the Cooperation Agreement between the MCA-Nicaragua and the IDR to complement the actions in the territory.

Mr. Juan Sebastian Chamorro, Director General, states to the Board of Directors that the negotiation process has been concluded of the Cooperation Agreement between the IDR and MCA-Nicaragua, which objective is to set out the coordination and communication

mechanisms between the MCA-Nicaragua and the IDR to facilitate and complement the execution of the activities related to the Rural Business Project.

RESOLUTION: *The Board of Directors approved by unanimity of votes the Cooperation Agreement signed between MCA-Nicaragua and the IDR, Spanish and English versions, and recognized that in case of inconsistency between both versions, the English version shall prevail. In addition, it was resolved that according to the Bylaws, the Director General was authorized, that on behalf of the MCA-Nicaragua, to sign the above mentioned Cooperation Agreement, without any substantial changes thereof. Likewise, the Direction General received a mandate to proceed with the preparation of Institutional Cooperation Agreements with the MAG-FOR and with the Intendancy of Properties. It would be necessary to inform the Board of Directors on the signing of the said Agreements.*

FOURTH: Approval of the Request for Disbursement for the Third Quarter, Year 2

Mr. Juan Sebastian Chamorro, Director General of the MCA-Nicaragua continues holding the floor to submit to the consideration of the Board of Directors, according to Section 3.1 of the Procurement Agreement, Section 3.2 of the Disbursement Agreement, Section 1.7 (c) (iv) of the Governance Agreement and Article Thirteenth of the Bylaws of the MCA-Nicaragua, the following:

He explains that according to the Operational Plan set out for the said quarter, a request for disbursement was submitted for up to a total amount of US\$6,386,740, according to the following table:

Concept	Amount in US\$
Quarterly Budget 01/01 to 31/03	6,386,740
Interest to be returned to MCC	49,980
Working Capital Reserve	500,000
Sub-total of needs in cash	6,936,720
Bank balances to 31/12/07	1,839,720
Amount requested to MCC	5,097,000

It was explained to the members of the Board of Directors that according to Section 3.2 of the Disbursement Agreement, the request is composed in the following manner:

- ✓ Cover Letter
- ✓ Matrix of Conditions Precedent Status Report
- ✓ Format for the disbursement request
- ✓ Implementation Plan
 - ✓ Working Plan
 - ✓ Detailed Financial Plan
- ✓ Legal Certificate of MCA-Nicaragua
- ✓ Performance Report for the previous Quarter
- ✓ Certificate of the Fiscal Agent

Once the request for disbursement was seen that was attached as Annex 4 to the present Minutes and having been discussed by the members of the Board of Directors, it was submitted to vote.

RESOLUTION: *The Board of Directors approved by unanimity of votes the disbursement request submitted together with all its documents mentioned above for up to an amount of US\$5,097,000 corresponding to the Quarter January – March 2008, and*

authorized the Director General of MCA-Nicaragua that officially sends the said request for approval and disbursement by MCC.

FIFTH: Approval of the updating of the Monitoring and Evaluation Plan

The Board of Directors agrees that this item shall be pending for the next ordinary or extraordinary meeting of the Board of Directors.

SIXTH: Discussion on the Road León – Poneloya

Mr. Tansito Tellez, Municipal Mayor of Leon, expressed the importance of this road for the Municipality of Leon, and especially for tourism, not only during the Holy Week and holidays but also its importance on production issues in the areas of shrimp-farming and explains that the road is at present very damaged. In this sense, Mr. Tellez requests that this stretch be treated with the same urgency that the Villanueva – Guasaule Road.

Mr. Julio Cesar Montealegre requests that the results of the studies for the secondary roads be presented to the Board of Directors and start a discussion and analysis to decide the roads that would be subject to the funding for rehabilitation.

Mr. Paul Oquist reaffirms the statements of the Mayor of Leon, in the sense that actually the flow of tourists on this road has increased during the last years, especially from the north triangle of Central America.

Mr. Eddy Jerez explained that in the case of secondary roads, these should go through a process of giving priority which is set out in the Compact, and that a decision on which road shall be rehabilitated or not, shall be a decision taken by the Board of Directors. Likewise, he expressed that in order to take a decision to streamline the priority, the total report of the results of the studies should be received and the support of MCC should be asked to start the bidding process before the package of the prioritized roads is ready.

Mr. Sampson expressed that taking into account the funding of the Program for Leon – Poneloya, the UNAM-Leon has been negotiating a project Poneloya – Corinto, which was submitted for the approval of IDR, but recently they were informed that this has been denied; he requests that in case greater savings are generated in the execution of the Millennium Challenge Account Program, funds should be assigned, considering the importance of this productive sector in the region and, in addition, there is interest on behalf of the Private Sector to support this project.

The Director General of the MCA-Nicaragua points out that the road Leon – Poneloya is about 16 kilometers long and with approximately 1000 users, with an approximate cost of US\$ 8 million of investment, and it far exceeds the economic and financial profitability criteria. He continued to explain that Leon – Poneloya is going to be a unique contract and that it could be discussed at the next Board of Directors meeting. The package for the rest of secondary roads shall be submitted to the Board of Directors so they can analyze the different criteria that have been applied.

Mr. Paul Oquist indicated that, in addition to the criteria already presented, it should be taken into account those criteria that at the present moment were not. Likewise, he points out that for the Western Region the road Leon – Poneloya is of the utmost importance for the recreation of their inhabitants and these types of the criteria are the ones that should be taken into account.

The Director General of the MCA-Nicaragua explains that for the middle of the year 2008, the construction works could be starting. The MAG-FOR Minister requests to analyze the possibility to make a small intervention to repair, to the extent possible, and to carry out some works for the improvement of the said road for the summer.

Mr. Oquist referred to the image of the MCA-Nicaragua and indicates that the said image is closely related to this stretch of road; therefore, it is required to make the best efforts, without sacrificing the quality in order to start the repair works and he wants to state that

the political environment should be taken into account. It was suggested that the MCA-Nicaragua includes an assessment criteria to those related with the national culture and those that are the result of a consensus between the Board of Directors and the civil society.

The Minister of the MTI requests, that taking into account the political environment, the image of the Program and the spiral increase of oil that significantly increases the construction costs, a list of projects should be submitted in order to give them priority and thus submit an updated list with the unitary costs so as to monitor the increase in the said costs.

The Municipal Mayor requests to give priority to this stretch of road and the works can start before June 2008.

The President of the Board of Directors expressed that considering the statements made before, it is proposed that in the next meeting of the Board of Directors the issue of this road shall be included as a concrete proposal and that the General Direction circulates to all the members the information about the projects that shall be given priority, so that the decisions to prioritize shall be taken. The goal for this program is that in this year, ending in June 2008, they need to accelerate the execution of the budget and start in April the planning for the Year 3.

MCA clarifies that whatever is approved by the Board of Directors, it is also subject to the approval of MCC.

It was also agreed that this shall be followed up, and it shall be tried if it can be ready for the visit of the CEO of MCC. The information and the analysis made on secondary roads shall be sent as soon as possible which goes beyond the traditional methodology of project assessment. It shall also be analyzed if an extraordinary meeting of the Board of Directors is appropriate.

SEVENTH: Miscellaneous

The meeting is adjourned to be continued on Thursday, January 16, 2008 at 9:30 a.m. where the matters pending in this meeting shall be treated.

EIGHTH: The Secretary or the President of the Board of Directors as well as any Notary Public shall have the faculty to certify these Minutes.

The meeting is adjourned at thirteen hours and thirty minutes on the same day and we give prove that all the decisions were unanimously taken.

Alberto Guevara

Paul Oquist

Santos Méndez

Rigoberto Sampson

Orlando Solórzano

Continuation of Minutes Number Fourteen (14) of the Ordinary Board of Directors of the Millennium Challenge Account – Nicaragua (MCA-Nicaragua)

In the city of Managua, at ten hours on this sixteenth day of January of the year two thousand and eight, at the Meeting Room of the Minister of Finance and Public Credit, meeting number fourteen is reopened, with the following persons in attendance:

1. PRESIDENT: Mr. Alberto Guevara, Minister of Finance and Public Credit.
2. GOVERNMENT DIRECTOR: Mr. Paul Oquist, Secretary of National Policies of the Presidency of the Republic.
3. GOVERNMENT DIRECTOR: Mr. Orlando Solórzano, Minister of Development, Industry and Commerce.
4. CIVIL DIRECTOR: Mr. Santos Mendez Zepeda, representing the Departmental Council of Chinandega.
5. MAYOR DIRECTOR: Mr. Agresio Osejo, representing the Municipal Mayors of Chinandega

As Observers with the right to voice, but without the right to vote, the following members were present:

1. CIVIL OBSERVER: Mrs. Jilma Balladares, representing the civil society of the Department of Leon.
2. CIVIL OBSERVER: Mr. Julio César Montealegre, representing the civil society of the Department of Chinandega.
3. MAYOR OBSERVER: Mr. Tránsito Téllez, representing the Municipal Mayors of the Department of Leon.
4. GOVERNMENT OBSERVER: Mr. Pablo Fernando Martinez, Minister of Transport and Infrastructure.
5. GOVERNMENT OBSERVER: Mr. Ariel Bucardo, Minister of Agriculture, Livestock and Forest.
6. MCC OBSERVER: Mr. Eddy Jerez, Sub Director Resident of MCC.

It has been recorded that the attendees were duly convened according to the applicable laws, the Bylaws of the MCA-Nicaragua and the Agreement of the Millennium Challenge signed between the Government of the Republic of Nicaragua (the “Government”) and the United States of America, acting through the Millennium Challenge Corporation (“MCC”) dated July 14, 2005 (the “Agreement”) and the Governance Agreement.

The President of the Board of Directors proceeds to verify the quorum and it is recorded that the majority of the attendees members of the Board of Directors are present; therefore, having the legal quorum to continue the meeting, the meeting is opened and continues according to the agenda previously approved:

1. Rural Business Project:
 - i) Approval of the Contract for the “Base Preparation and Organization for the Competition of the Business Plans for small and medium agricultural and/or livestock or agro-industrial enterprises in Leon and Chinandega”.
 - ii) Approval of the Contract with the Operator of the Agricultural Cluster
2. Approval of the updating of the Monitoring and Evaluation Plan (M&E) already updated.
3. Report on the priority of secondary roads – Case of the road Leon – Poneloya (continuation of the discussion of Item 6 of the Original Agenda).
4. Miscellaneous:
 - a) Report on the advance of the support of the Millennium Challenge Account to the cluster of UNAN-Leon in Somotillo.

The President of the Board of Directors, before the start, informs on the meeting with the Construction Chamber, pointing out that the conditions and criteria applied by the Millennium Challenge Account for the bidding of roads and paths have been clarified; the Construction Chamber expressed in a punctual manner its observations and have requested time within the agenda with the MCC President, during his visit, so as to put them across directly.

He continued informing that yesterday, January 16, 2008 it was not possible to hold a meeting with the Municipal Mayors and that they shall look into the possibility to convene and meet on January 18, 2008; if this is not possible, then it would not be feasible to convene a meeting before the visit of the MCC President.

The DIRECTOR MAYOR expressed that it shall be dealt with the President of the MCC, not only the matter of the Chamber of the Construction but, in a more ample way and in a way supported by the Board of Directors, as it should also be submitted a request for the expansion of the funds of the Agreement, considering the amounts granted to countries such as El Salvador and Honduras.

The GOVERNMENT DIRECTOR, Mr. Paul Oquist, expressed that the request is in line with the statements by the President of the Republic, and that it would be important to explain to the President of MCC, considering that there is an existing demand in matters of infrastructure and that with the funds available, it cannot be met; in addition, to present the matter about energy that it was originally provided in the proposal by the Government of Nicaragua to the MCC.

FIRST: Rural Business Project

i) Approval of the Contract for the “Base Preparation and Organization of a Competition for the Business Plans for small and medium agricultural and/or livestock or agro-industrial enterprises in Leon and Chinandega.

The process started in August two thousand and seven with the invitation to tender until the month of September of the present year for the awarding of the offer submitted by TECHONOSERVE, having obtained the highest points, and submitted an offer of US\$92,535. The time of duration for the presentation of these services shall be 8 months as from the signing of the contract. The Director General presents, for the approval of the Board of Directors, a proposal for the final contract with the provider of services, so as to proceed with the signature of the contract with the awarded company having actually been approved by MCC.

It was explained that this type of contracts is to pay attention to those business plans which are not necessarily within the sectors of the Rural Business Project, but with those innovative and entrepreneurial Business Plans. A competition shall be held in the Department of Leon and another in the Department of Chinandega; thirty business plans are expected to participate in each competition for a total of sixty business plans, it is expected to have a winning business plan by Department, to which an award of up US\$20,000 shall be granted.

The GOVERNMENT DIRECTOR, Mr. Solorzano, expressed that these actions of the Millennium Challenge Account are important and it is significant that they can be linked to the actions that the Government is implementing. Mr. Solorzano made reference to the support that is being given to the PROMIPYME Program, where there is actually a financial gap and in this sense it is crucial that actions like these are coherent with the actions of PROMIPYME. It was proposed that these actions should be discussed with MIFIC and MAG-FOR.

The Executive Director of the IDR expressed that it is important to find out to what sector these actions are addressed, with the purpose to avoid that in reality it is given to the small businesses with no need, but effectively the award is given to those in need and for the entrepreneurial strengthening.

The CIVIL DIRECTOR, Mr. Mendez, expressed that these actions would have more impact if 2 prizes were awarded by Department, at a value of US\$10,000 each, and that the proposals be addressed to the rural sector and not to the towns of Leon or Chinandega. Priority should be given to the agricultural and livestock and productive sectors, including also the individual producers and cooperatives, in order to expand the universe of the beneficiaries.

The GOVERNMENT OBSERVER, Mr. Bucardo, expressed that, in his view, this type of action is to stimulate the small entrepreneurs so they can generate and create new businesses. The important aspect is the direct relation between the investment and the rest of the costs (administrative). It was proposed to expand the business plans to stimulate winners.

The GOVERNMENT DIRECTOR, Mr. Oquist, expressed that he doesn't agree with the idea of the competition. The MCA is a development program and this competition, in his opinion, is not an indicator of acceptable productivity. He also expressed that, in his view, the MCA should have a high percentage of administrative costs from the amount of the Contract. Likewise, he expressed that the objective shall be the highest number of projects possible which are meritorious and, that implies, that they shouldn't work alone, but that the MCA should have networks and inter-institutional coordination, so that the actions from the MCA would be enhanced within and outside of the Western Region in order to have the maximum impact. Likewise, he points out that important workshops shall be developed to teach the entrepreneurs to develop their own ability.

He continued to state that despite the foregoing, these types of actions promote the micro, medium and small entrepreneurs and that this could be very important for the Western Region. Consequently, the amount assigned to this activity can be increased, considering the availability of the budget thus obtaining a greater impact and the MCA could increase the support to US\$ 500,000 for this type of activity during the remaining years of the program.

The MCA-Nicaragua Director General expressed that the amount that goes to the company is a lot less, for the US\$ 40,000 are for the awards and then there would be a technical assistance during 8 months for the preparation of the business plans, which is an asset of the entrepreneurs and, during that period, the entrepreneurs would have already received and been trained for the creation of their own business plans.

The INIFOM'S Executive President proposes that anything related to the Rural Business Project shall be articulated with PROMIPYME, where there is already the ability to develop the preparation of the business plans.

The CIVIL OBSERVER, Mrs. Jilma Balladares, expressed that it would be convenient to separate the awards, in order to have a more clear idea of the discussion and she expressed that it is important to expand it with more technical assistance in order to prepare the Business Plans.

The MAYOR OBSERVER, Mr. Transito Tellez, expressed that the amount could be increased so as to finance in the future the business plans among those who didn't win. He also expressed that not only is necessary the institutional articulation with the Government but also at municipal level where the Municipal Governments have structures dedicated to the matter of local economic development.

The CIVIL OBSERVER, Mr. Julio Montealegre, expressed that this type of action is good to promote the entrepreneurial initiative in the region which is only related to the primary productive sector.

The MCC OBSERVER expressed that it is necessary to divide the discussion in various subjects: a) use tertiary services, in relation to this service, it was explained that the cost to provide services through direct means is much more expensive than doing it through tertiary services; b) on rural development, it is important that the Board of Directors should dedicate efforts to know in detail the strategy of rural business development that has been approved by the MCC, so that they shall effectively know that all the actions of the Project

are in line with the public policies and that, what is missing here, is to improve the coordination mechanisms; and, c) He expressed that this contract generate a portfolio of 30 or 40 business plans that could be supported in the future by the same rural business project, even if they don't win, there could be resources later to continue supporting this type of actions.

RESOLUTION: The Board of Directors approves by unanimity of votes the proposal of the final contract to hire TECHNOSERVE for the “Base Preparation and Organization of a Competition for Business Plans for the small and medium agricultural and/or livestock and agro-industrial enterprises in Leon and Chinandega”, changing the name of the contract to: “TECHNICAL AND FINANCIAL ASSISTANCE FOR BUSINESS PLANS” according to the terms and conditions that have been submitted to the Board of Directors in relation to: 1) amount of the contract; 2) the period of execution of the contract; and, 3) scope of the services. In addition, the Director General is authorized to proceed with the signature of the said contract on behalf of MCA-Nicaragua, without making any material and substantial changes to the terms and conditions that were submitted, previous the approval of MCC. In addition, it was agreed that more support should be given to the business plans to generate a higher aggregate value to the production and create entrepreneurial capacities, setting out as a minimum a financial investment amount of US\$500,000 through this contract for the support of these business plans, and maintaining some kind of stimulus to the best business plans. In addition, it was approved that in the next meeting, a program should be submitted for technical and financial assistance to business plans for the next coming years, incorporating the inter-institutional coordination. It is a key element for the Program the inter-institutional coordination between the Government (MAGFOR, IDR y MIFIC), the Municipalities and MCA-Nicaragua.

ii) *Approval of the Contract with the Agricultural Cluster Operator.*

Mr. Juan Sebastian Chamorro, Director General, expressed that this contract has been revised together with the MAG-FOR and IDR, according to the advice of the Board of Directors.

The Executive Director of the IDR expressed that they met with the MCA-N and they checked the US\$400 per year and per producer. Comments were made on some of the agricultural items and they agreed in 5 aspects which are being submitted to the consideration of the Board of Directors:

- a) The participation of women should be guaranteed.
- b) Small producers shall be taken into account and not only medium.
- c) Not only the producers of the nearby areas shall receive attention but also those of the far areas.

In this respect, it is proposed to organize a commission for the follow-up and monitoring of the execution of the contract.

The GOVERNMENT OBSERVER, Mr. Bucardo, expressed that there is a commitment from the company so as to increase the net incomes from US\$605 and, in this respect, they have to be precise in the selection of the producer so that in reality the generation of the said net increase could be effective. A good selection should be guaranteed but not always choose the one who has the best conditions and there should be a process of participation of the small producers.

He continued expressing that a working team should be organized with the institutions of SPAR at local level, in order to give the best follow-up to the contract. In addition, it should be a closer involvement of the existing local organizations, such as cooperatives and associations, among others, that should allow a broad and organized participation in the region. There should also be a more technical team at the central level of SPAR and the Municipalities for a greater follow-up and for guaranteeing that they comply with public policies.

The CIVIL DIRECTOR, Mr. Santos Mendez, expressed to agree with the contract and with the companies that have been proposed to be hired, but he suggests the revision of the selection criteria of the producers in regards to sesame, because these producers traditionally plant around five manzanas, and that it is necessary to take more into account the cooperatives. The MAYOR DIRECTOR also expressed that the production of beans should also be revised.

The GOVERNMENT DIRECTOR, Mr. Oquist, expressed that the President of the Republic has stated that is good that the program takes into account this tranche of producers, and that it is necessary to add more criteria to measure the knowledge and the cultural values of the region, there should also be a more representation of the national companies within the contract, in order to enrich the local experience.

RESOLUTION: The Board of Directors approves by unanimity of votes of the DIRECTOR MEMBERS present, the proposal of the final contract in order to hire the Operator of the Agricultural Clusters according to the terms and conditions having been submitted to the Board of Directors in relation to: 1) the amount of the contract; 2) the period of the execution of the contract; and, 3) the scope of the services. In addition, the Director General is authorized to proceed with the signature of the said contract on behalf of the MCA-Nicaragua, without material and substantial changes to the terms and conditions with which they were presented, previous approval of the MCC. It was agreed to deal with the company the subject of the local component in the part of the implementation. It was agreed to revise the criteria about the manzanas within the items of sesame and beans, according to the statements of the GOVERNMENT DIRECTOR, Mr. Santos Mendez and the MAYOR DIRECTOR, Mr. Agresio Osejo, if and when this is technically viable for the scope of the indicators in matters of income. It is agreed to formally add the recommendations of the MAG-FOR and the IDR to the contract. It was recorded that the GOVERNMENT DIRECTOR, Mr. Orlando Solorzano abstained from voting and he expressed that there is capacity at national level to execute this type of activities.

The meeting is adjourned at thirteen hours and thirty minutes on this sixteenth day of the month of January of the year two thousand and eight and it was recorded that all the decisions that were unanimously taken, with the exception of the vote in regards to the contract by the Agricultural Operator, were taken by a majority of votes. The following items are pending for the following agendas:

1. Approval of the updating of the Monitoring and Evaluation Plan.
2. Priority of the secondary roads.
3. Miscellaneous.

The BOARD OF DIRECTORS agrees to continue and adjourn this session number fourteen for the first week of the month of February of the year two thousand and eight, which shall be convened according to the Compact, the Governance Agreement and the Bylaws of MCA-N.

Alberto Guevara

Paul Oquist

Orlando Solórzano

Santos Méndez

Agresio Osejo

Continuation of Minutes Number Fourteen (14) of the Ordinary Board of Directors of the MCA-Nicaragua

In the city of Managua, at ten hours, on the nineteenth day of February of the year two thousand and eight, at the Meeting Room of the Minister of Finance and Public Credit, meeting number fourteen is reopened, with the following persons in attendance:

1. PRESIDENT: Mr. Alberto Guevara, Minister of Finance and Public Credit.
2. GOVERNMENT DIRECTOR: Mr. Paul Oquist, Secretary of National Policies of the Presidency of the Republic.
3. GOVERNMENT DIRECTOR: Mr. Pablo Fernando Martinez, Minister of Transport and Infrastructure
4. CIVIL DIRECTOR: Mr. Santos Mendez Zepeda, representing the Departmental Council of Chinandega.
5. MAYOR DIRECTOR: Mr. Rigoberto Sampson, representing the Departmental Council of Leon

As Observers with the right to voice, but without the right to vote, the following members were present:

1. CIVIL OBSERVER: Mrs. Jilma Balladares, representing the civil society of the Department of Leon.
2. CIVIL OBSERVER: Mr. Julio César Montealegre, representing the civil society of the Department of Chinandega.
3. MAYOR OBSERVER: Mr. Tránsito Téllez, representing of the Municipal Mayors of the Department of Leon.
4. GOVERNMENT OBSERVER: Mr. Ariel Bucardo, Minister of Agriculture, Livestock and Forest.
5. GOVERNMENT OBSERVER: Mr. Roberto Arasquítain, Vice minister of the Environment and Natural Resources
6. MCC OBSERVER: Mr. Eddy Jerez, Sub Director Resident of MCC.

There were also invited in their capacity of Permanent Guests the following officers:

1. Mrs. Yara Pérez Calero, Director, Intendance of Property
2. Mr. Nelson Artola, Executive President of the Social and Emergency Investment Fund (FISE).

It was recorded that the attendees were duly convened according to the applicable laws, the MCA-N Bylaws and to the Agreement of the Millennium Challenge signed between the Government of the Republic of Nicaragua (the “Government”) and the United States of America, acting through the Millennium Challenge Corporation (“MCC”) dated July 14, 2005 (the “Agreement”) and to the Governance Agreement.

The President of the Board of Directors proceeds to verify the quorum and it is recorded that the majority of the attendees members of the Board of Directors are present; therefore, having the legal quorum to continue the meeting, the meeting is opened and continues according to the agenda previously approved:

1. Items of the Agenda: Aspects of Communication
2. Report of the Executive Director of MCA-Nicaragua
3. Presentation of the Project on Property Regulation
4. Conclusion of the subjects of the agenda of meeting number 14 of the Board of Directors
 - a. Updating of the Monitoring and Evaluation Plan
 - b. Preliminary Priority to Secondary Roads

5. Miscellaneous

FIRST - AGENDA: Communication Aspects

The GOVERNMENT DIRECTOR, Mr. Paul Oquist, records an item on the Agenda, in the sense that within the communication and spreading strategy, relevance should be given to the requirements of the Board of Directors, and he makes the observance that the Government is a partner within the operation of the Program.

Mr. Nelson Artola, Executive President of FISE, took the same position proposing that the only one who could communicate and issue public reports on the official announcements, where the decision making of the Board of the Directors of the Millennium Challenge Account is involved, is the President of the Board of Directors, or his delegate.

The President of the Board of Directors expressed that it is necessary to establish an information policy for the Millennium Challenge Account, which should be approved by the Board of Directors, where the guidelines be set out and a balance be achieved for the participation within the said policy of all the local actors.

The CIVIL DIRECTOR, Mr. Santos Méndez, sets out that it is not appropriate that only the President of the Board of Directors be the one authorized to speak, because there are many actors in the territory, in addition to the Executive Branch of the MCA-N, and what they need to do is to reinforce the information and spreading policies of the Millennium Challenge Account.

The Director General clarifies that it is not appropriate to criticize all the information and communication policies on the basis of one piece of communication, when within this policy there has been set out and provided a balance with all the actors, giving the corresponding place to the participation thereof, in special, to the Government of the Republic and also to the Municipal Governments.

RESOLUTION: The Board of Directors agrees to instruct the General Director to submit an information and communication policy for the next ordinary meeting of the Board of Directors. Likewise the Director General is instructed to proceed and publish the extension to the media, leaving very clearly the participation of the actors in the programs of the Millennium Challenge Account, such as the Government, the Municipalities and the Civil Society, taking into consideration the agreements adopted at this meeting. The clarifications shall be issued by the General Direction, previous consultation with the Board of Directors, as a way to expand the information that have already been sent to the communication media, until the information and communication policies of the Millennium Challenge Account is not approved by the Board of Directors. Likewise, the Board of Directors agrees that the Voice of the Board of Directors shall be exercised by the President of the Board of Directors, and the only projects to be announced are those that have already been approved by the said Board.

SECOND: Executive Report by the Director General

The Director General proceeds to submit the Executive Report on the accumulated advance of the Operation Plan for year 2, highlighting the following:

1. Development of Rural Development Projects:
 - a) 71 producers were advised to have Access to credits – US\$ 209,000 were granted in credits
 - b) 823 producers were given technical assistance in the preparation of their business plans.
 - c) 820 producers with business plans with great aggregate value.
 - d) 1,228 jobs were created.
 - e) US\$ 1.36 million in technical and financial assistance were given to the producers with business plans.

- f) The immediate action plan for the handling of the watersheds has been prepared.
- g) The Contract with the Agricultural Cluster has begun its implementation.
- h) The process to provide technical and financial assistance to 80 small and medium producers of the non agricultural sector has started.
- i) The implementation for the strengthening of the fire brigades has started.
- j) The preparatory work for the execution of the reforestation campaign has started.
- k) The designs for the physical works for the conservation of the prioritized watershed have started.

2. Property Regulation Project:

- a) 1,200 properties were regulated as a result of the Early Titling Plan and the Support to the legalization of social interest housing.
- b) The recognition of the municipal limits in 4 municipalities has finished (Leon – La Paz Centro – Nagarote and Santa Rosa del Peñón).
- c) The process to recognize the Municipal Limits in 6 municipalities has started as well as the updating of the urban centers in 8 municipalities.
- d) Presentation by the Government of the conceptual proposal and the execution plan for the Cadastral Sweeping.
- e) The taking of aerial photographs and the production of orthophoto maps has been contracted (INETER guaranteed the technical aspects).
- f) Procurement and budgetary plan for the execution of the cadastral sweeping (flexible procedures).
- g) The process for the contract of the remodeling works in the building of the Cadastre – Registry of Leon have finished.

3. Transport Project:

- a) 95 % of the studies, analysis and final designs of the Road N-I.
- b) 80 % of the studies, analysis and final designs of the secondary roads.
- c) The process to immediately repair the stretch of the Villanueva – Guasaule Road has started.
- d) The diagnosis of the needs for technical assistance to the MTI and to the FOMAV is ready.

In regards to the financial execution, the Board of Directors was informed that up-to-date, there is 54.98% of the execution of the budget set out for the first semester of Year 2, considering a satisfactory level, having the majority of the resources been programmed to be disbursed during the second semester of Year 2.

THIRD: Presentation on the Regulation of the Property Project

The Director General explains that at the request of the MAYOR DIRECTOR, Mr. Agresio Osejo, the information on the new dynamics of the Regulation of Property Project is being submitted; it was informed that the Government of the Republic has presented the new model of execution for the cadastral sweeping and the regulation project.

It was explained that the model of the operation scheme is according to a joint effort between INETER and the Intendancy of Property, as well as the operational scheme that every institution, in an individual manner, is carrying out for the implementation of this process of property regulation.

Mr. Paul Oquist points out that this option, via direct administration, is the best of the options and the most viable to do the work and that the Government is guaranteeing that the works in Leon shall finish and the goal be accomplished.

The Mayor of Leon expressed that it is necessary to strengthen the municipalities so as to participate in a successful way within this process of the cadastral sweeping. On this point, the Director General explained that for the end of April, a meeting with the Municipal Mayors shall be held in order to bring to an end what is called a “Project for Municipal

Strengthening”, with the purpose to develop the capacities at local level for the optimum administration of land at municipal level which shall guarantee the sustainability of the results of the Program.

Mr. Roberto Araquistain, Vice Minister of MARENA, pointed out that it is important to work closely with the Municipalities and with MARENA as such, because they are interested that the protected areas would also be included within the working area of the cadastral sweeping.

Mrs. Jilma Balladares requested a clarification if within the works of the cadastral sweeping, the cooperative land is being taken into account, and how this is being incorporated to the reform of the Public Registry with the Project. In this respect, the Intendance of Property explained that, effectively in Leon, the cooperative land is being taken into account, as well as the works carried out in the indigenous community of Sutiava. In regards to the reform of the Registry, she explained that they are waiting for the Law on the Modernization of the Public Registry to be approved and, therefore, put an end to the works for the strengthening of the Public Registry.

FOURTH: Updating of the Monitoring and Evaluation Plan

The Director General explains to the members of the Board of Directors that every year the Monitoring and Evaluation Plan should be reviewed and, that in this occasion, the table with the goals of the Compact is being modified, considering the beginning of the implementation of the Transport and Regulation of Property Projects.

It was explained that the initial table of goals of the Compact, which sets out the compliance since Year 1 for all the projects, should be modified and should be as follows:

		Year									
Indicator		1	2	3	4	5	6	7	8	9	10
Goal		May '06 - June '07	July '07 - June '08	July '08 - June '09	July '09 - June '10	July '10 - June '11	July '11 - June '12	July '12 - June '13	July '13 - June '14	July '14 - June '15	July '15 - June '16
Increase in the income of the Beneficiaries (US million annually)											
(Disaggregate by level of income, gender, age, when appropriate)		\$0.0	\$0.1	\$0.8	\$1.5	\$6.3	\$39.1	\$48.5	\$49.3	\$50.3	\$51.3
Measured by:											
A	Expected increase in the income with the improvement of Roads N-I <i>Beneficiaries: Users of Roads and company employees using the roads, as well as the users of the roads when traffic is deviated toward N-I*</i>						\$0.3	\$4.0	\$4.7	\$5.7	\$7.0
B	Expected increase in the income with the improvement of Secondary Roads <i>Beneficiaries: Communities nearby the Secondary Roads and users of the said roads*.</i>						\$5.6	\$10.6	\$9.5	\$8.6	\$7.7
C	Expected increase in the income with the Property Regulation <i>Beneficiaries: those receiving the property titles already regulated and registered**.</i>					\$3.6	\$3.7	\$3.7	\$3.8	\$3.9	\$3.9
D	Expected increase in the income for businesses with the Rural Business Development***. <i>Beneficiaries: Businesses of the Program and employees of the producers.</i>						\$24.5	\$25.2	\$26.3	\$27.1	\$27.7
E	Expected increase in the income of the Rural Business Development <i>Beneficiaries: Employees of the business in the value chain.</i>	\$0.0	\$0.1	\$0.8	\$1.5	\$2.7	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
F	Expected increase in the income with the Improvement of the Water Supply for Agricultural Production and Forestry <i>Beneficiaries: Communities nearby the projects with Water Supply.</i>	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

The GOVERNMENT DIRECTOR, Mr. Paul Oquisst, had explained and expressed that this monitoring and evaluation system is an assessment method for results, that every development project should have, and the updating does not represent significant changes, in a bilateral way, he already learned in detail the proposal and do not have any comments to make.

RESOLUTION: The Board of Directors approves by unanimity of votes the updating of the Monitoring and Evaluation Program of the Millennium Challenge Account, authorizing the Director General, in addition, to officially send the said updating to the Millennium Challenge Corporation (MCC) for the compliance with the annual precedent condition set out in the Disbursement Agreement.

Fifth: Preliminary Priority for Secondary Roads

The Director General started the statement set out at the beginning of the Program and during the constitution, when 12 Stretches of Secondary Road were decided, giving priority jointly with the CDDS, GON and MCC, which are the ones being studied and designed:

- (S1) Somotillo – Cinco Pinos
- (S2) Cinco Pinos – San Francisco del Norte
- (S3) Cinco Pinos – San Pedro
- (S4) Villanueva- El Sauce
- (S5) El Sauce – Achuapa
- (S6) Santa Teresa – Las Brisas
- (S7) La Paz Centro – Malpaisillo
- (S8) Malpaisillo – Villa 15 de Julio
- (S9) Leon – Poneloya - Las Peñitas
- (S10) Junction to Jiquilillo-Jiquilillo-Padre Ramos
- (S11) Achuapa-San Juan de Limay.
- (S12) San Juan de Limay-La Sirena (El Tular)

He continued to explain that the criteria for eligibility for these roads are the following:

- All the (12) stretches of Secondary Roads shall be studied (Feasibility and Environmental and Social Assessments) and Designs, but only those which comply with a MINIMUM PROFITABILITY / TIR \geq 8%, could be eligible for rehabilitation with MCC funds.
- Among the stretches reaching – at least – a TIR of 8%, the available budget should be distributed, giving priority to those with the highest profitability.
- The level of poverty in the areas of influence of the stretches could be used as a secondary indicator to give priority to the allocation of recourses.

The Director General expressed that having applied the prior criteria, the following preliminary results have been obtained, and he clarifies that the Table shown below shall be seen to identify the Stretches with profitability relatively high and low, which shall not be affected with non-substantive variations in benefits and costs.

Stretch	DESCRIPTION	LENGTH	CONSTRUCTION COST	INTERNAL RATE OF RETURN
		(km)	(US\$ million)	(TIR, %)
S7	La Paz Centro- Malpaisillo	37.2	13.054	17.6
S9	León – Poneloya - Peñitas	19.6	7.719	14.8
S5	El Sauce-Achuapa	22.4	8.291	13.3

S12	Limay – La Sirena	36.3	12.35	10.1
S1	Somotillo-5 Pinos	29.4	10.509	9.8
S8	Malpaisillo – Villa 15 Julio	36.4	14.738	9.2
S3	5 Pinos – Sn. Pedro Norte	9.7	3.786	8
S4	Villanueva-El Sauce	40.5	13.599	8
S6	Santa Teresa-Las Brisas	13.4	5.345	7.2
S10	Jiquilillo – Padre Ramos	11.7	4.696	6.5
S11	Achuapa - Limay	16.2	6.848	5.3
S2	5 Pinos -Sn. Fco. Norte	15.6	6.426	4

As preliminary conclusions, the following could be set out:

- Of the 3 stretches that easily reach or exceed the minimum rate required of 8% (TIR), 2 of them use the benefits of the producer as an input of the Economic Assessment: *S5 (Sauce-Achuapa) and in a lesser degree S7 (La Paz Centro-Malpaisillo)*.
- *S9 (León-Poneloya-Las Peñitas)* based its assessment only on TRAFFIC, that is to say the benefits to the consumers.
- Given that the benefits to the producer could vary, once the Final Version of the Feasibility is available (due to adjustments requested by the Donor), we could say at this moment that *S9* is the stretch that counts with 100% of certitude to be rehabilitated.

The MTI Minister points out that it is necessary to have more coordination with the regulating entity on road matters, because up-to-date, there has been little exchange of information on the design of the roads. Likewise, the MTI Minister stated that it would be good that the Millennium Challenge Account could become part of the process of alignment with the cooperation.

The MTI Minister proposed to the members of the Board of Directors to immediately proceed with those stretches that already are passing the criteria, and enter into a process of analysis on those stretches on which there is still a need for more studies, considering that under the point of view of the MTI, there are stretches of road that could be financed with other resources such as from BCIE or the Puebla-Panama Plan, and focus the resources on those roads that are definitely aimed at reducing poverty.

Mr. Nelson Artola expressed that the Board of Directors should appoint the MTI Minister to submit a proposal to give priority to the roads, and that he could be invited to a next extraordinary meeting to submit the said proposal and take a decision.

Mrs. Jilma Balladares expressed that being these roads so important; she asks if it is possible for the Government to support with additional funds for those stretches that would not be financed by the Millennium Challenge Account. Mr. Santo Mendez expressed that it is important to maintain a consensus spirit, which has prevailed since the beginning of the program.

The Executive Director of the IDR sets out that they have a lot of experience in regards to rural roads and that it is necessary to see the methodology in a comprehensive way, and not stretch by stretch. Likewise, the MIFIC Minister expressed that it is necessary to continue with the works before the arrival of the Board of Directors. It should already be approved by the Minister of the Sector to deepen the coordination with the Government of the Republic.

The MTI Minister expressed that the possibility of an exclusion in the procedures should be explored with the aim to carry out the works immediately and make good use of the summer because in winter is impossible to work.

Mrs. Amy Kirschenbaum, of MCC, explains that the stretches have to comply with all the criteria and regulations, as agreed in the Compact, and reiterates that the discussions held today were productive, MCC is clear that there should coordination with the Government Ministries and Entities, as it has been done in other occasions. The interest of MCC is not to delay the process but to guarantee the quality of the works that they shall be financing and, in the best interest, to accelerate the process, MCC has already extended its right of no objection for the preliminary stage.

RESOLUTION: *The Board of Directors approves by unanimity that the MTI prepares a proposal for the priority of the secondary roads, and the Direction General has received the orientations to provide all the necessary inputs, as well as to circulate the said proposal prior to the meeting of the Board of Directors which is being programmed for next Tuesday, February 26, 2008, at 9:30 a.m. at the same place. Likewise, they reiterate the principle to coordinate with the Government Entities for the preparation phase and the preparation of projects.*

SIXTH: The Secretary or the President of the Board of Directors as well as any Notary Public could have the faculty to certify the present minutes.

Meeting number 14 is adjourned at twelve hours and thirty minutes on this nineteenth day of February of the year two thousand and eight and it has been recorded that the decisions were unanimously taken.

Alberto Guevara

Paul Oquist

Santos Méndez

Rigoberto Sampson

Orlando Solórzano

Pablo Fernando Martínez