

Minute number twenty (20) of the Ordinary Meeting of the Board of Directors of the MCA-Nicaragua Foundation

Meeting called to order in the city of Managua, at 9:30 a.m., on October 28, 2008, at the Conference Room of the office of the Secretary of Finance. Attending this meeting are:

1. Government Director: Mr. Alberto Guevara, Secretary of Finance.
2. Government Director: Mr. Fernando Martinez, Secretary of Transportation.
3. Civil Director: Ms. Maritza Vargas, representing the Council of Leon
4. Civil Director: Mr. Santos Mendez Zepeda, representing the Council of Chinandega.
5. Mayor: Agresio Osejo, Representing the Mayors of the Department of Chinandega

The following are observers with the right of speech, but not the right to vote:

1. Civil Observer: Ms. Jilma Balladares, representing the people of Leon.
2. Government Observer: Mr. Benjamin Dickson, Sub-Secretary of Agriculture and Forestry.
3. MCC Observer: Mr. Steve Marma, Country Director; Eddy Jerez, Associate Director and Ms. Amy Kirschenbaum, Country Sub-Director.

It is certified that the people above mentioned were properly summoned in accordance with the law, the statutes of the Foundation, and the Millennium Challenge undersigned agreement between the Nicaraguan Government (the "Government") and the United States of America, through the Millennium Challenge Corporation ("MCC"), on July 14, 2005 (the "Agreement") and the Governance Agreement.

The President of the Board of Directors verifies the quorum, and certifies that the majority of members of the Board of Directors are present; therefore, the session begins by approving the agenda unanimously by the Directors. The agenda reads as follows:

1. Verifying the Quorum
2. Approving the Agenda
3. Director's Executive Report
4. Approval for hiring the Board of Directors' Support Team
5. Others
 - a) Salary Adjustment for the MCA-Nicaragua personnel

Once the topics of discussion are presented and approved by the directors, the meeting begins.

FIRST: Verifying the Quorum

The President of the Board of Directors verifies the quorum, and certifies that the majority of members of the Board of Directors are present; therefore, the session may begin.

SECOND: Approving the Agenda

The president presents this meeting's agenda, which is unanimously approved by the members of the Board of Directors.

THIRD: Executive Report by the General Director

Mr. Juan Sebastian Chamorro presents to the Board of Directors, a report on the progress of the program.

Property Project

- 135 km² of land study in Nagarote
- 92 legalized (regularized) properties
 - 271 - Early Titling Plan
 - 309 - Rural Titles - Regularization in Nagarote
 - 307 - Legalization Support Office - Non-Reformed Sector
 - 42 - Conflict Resolution Center - DIRAC (Supreme Court of Justice)
- 70% of the orthophotomaps and true-orthophotomaps have been delivered
- 97% progress in the restoration process of the building that will serve as Land and Property Registry Office in Leon

Transportation Project

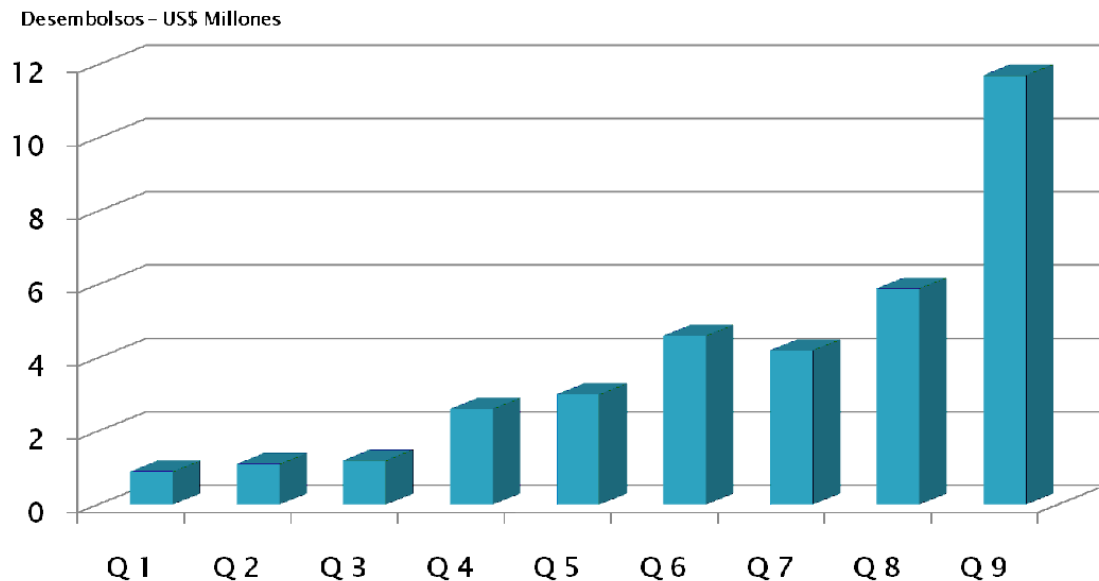
- ▶ Works in Progress
 - ▶ Villanueva-Guasaule
 - ▶ Leon - Poneloya - Las Peñitas
 - ▶ Somotillo - Cinco Pinos
- ▶ Works under Bidding Process
 - ▶ Lots 2 and 3 - Nejapa-Izapa

Rural Businesses Project

- 185 producers were advised on how to get credit (US\$891, 397)
- 2,389 producers with business plans that have an added value
- US \$3.2 million of technical and financial assistance to producers with business plans.
- 2.8 million plants donated as part of the reforestation campaign of 2008.

Accumulated Financial Progress

*Payments - US\$Millions



Resolution: The Executive Report presented by the General Director has been unanimously approved.

FOURTH: Approval for hiring the Board of Directors' Support Team

The President of the Board of Directors expresses the need for a support team that will assist the Board of Directors in the decision making process, so they can be better informed and clear about these decisions. Also, this team can take part in the process of developing what will be decided and be able to assist the directors with any doubts they may have to make such decisions.

On the other hand, the government members of the board of directors could benefit from having a well informed person working in the institution. This person should know about all the decisions made, and the reasons behind the decisions. Also, this person should inform the Secretaries and Sub-Secretaries of State, Directors, etc. so these members of the Board of Directors can make well-informed decisions.

Finally, a last, but not less important element, is the follow up of the indicators. Nicaragua's eligibility to receive funds from the Millennium Challenge Account depends on 18 indicators, and it is very important that these indicators stay within the highest positions. Some countries have decided to send supervisors to public institutions so they can oversee these indicators in case there is a tendency to decline. This way, the monitors can influence the public policy so the indicator can be reversed. Therefore, there is a series of element that are of utmost importance, they are necessary.

Basically, it is a three members team. A coordinator that would handle the topic of transportation; a rural business expert, where we have a lot of work; and an expert in the follow up of the country's indicators. The topic of property is less important since a public institution is in charge of it. The Attorney General and the Property Intendant are fully involved in this topic, so a follow up would be redundant. Nevertheless, we do need help with transportation, rural businesses and indicators. I suggest we add this three member team as support to our Board of Directors.

They have already submitted their resumes to you. Mr. Matthew B. Downs, Ms. Lucia Martinez, and Ms. Stephany Hodgson. They are professionals, they speak English, they have the appropriate formal education needed to do the job and we have even been working with them informally. They have been working with this Account for several days and have gotten involved with the activities. I am submitting this decision to the Board of Directors because we have the need to hire this team and start working on the topics as soon as possible.

The contract will be drawn for an indefinite amount, for the duration of the program. It is the same way for all the directors, including me, no time limit, for \$3,000.

- Contract Objectives

- 1) To oversee and follow up on the country's indicators used to determine eligibility.
- 2) To provide a better flow of information so government directors can make well-informed decisions, improving coordination between institutions at all levels.

- Team Structure:

- a) Coordinator (includes follow up of the Transportation Project)
- b) 1 Rural businesses follow up expert
- c) 1 Country's indicators follow up expert

Resolution: The Board of Directors unanimously approves to hire three professionals with the following positions: a) Mr. Matthew Brack Downs, Coordinator; b) Stephany Hodgson, Rural Businesses Follow Up Expert; and c) Lucia Martinez, Country Indicators Follow Up Expert. The total for each contract is for up to a total of \$3,000.00. However, it is agreed that this decision will be put into effect once the MCC approves it.

SIXTH: Others

Mr. Juan Sebastian Chamorro would like to talk to the Board of Directors about an important topic. Currently, there are 60 people working for the Account, including directors, technicians, administrative assistants, secretaries, logistics, drivers, etc.

As the Secretary of Transportation was saying, I used to be Sub-Secretary of Finance and for some reason I am used to having a very strict policy on the issue of salaries. Most people, especially this year, have repeated there is a serious problem with the purchasing power and from any point of view, it is true. I would like to say that no one, with the exception of a technician that got a promotion, has received a salary increase. Generally speaking, there has not been a salary revision, so these people are earning the same salary since they were hired. In some cases, institutions like "Marena" (Department of Environment and Natural Resources) have asked for a salary increase for some of their employees that deserve a raise, for example, secretaries. I refused to give them a raise since I also refused to do it for my own employees and that is the message I am trying to send. So I have had a very strict policy regarding salaries, because if you give in, then you get everyone asking for a raise and that would be normal.

The Account does not have a policy regarding wage settlement, only what is required by law, such the thirteenth month, Social Security and Income Tax. However, the Millennium Challenge Account in Washington has a wage settlement policy.

He continues to say that the last two and a half years have seen a drop in the purchasing power due to inflation. Even if the personnel gets paid in dollars, when you convert the salary in real terms, there is a purchasing loss. Another way of looking at this is to estimate the price index in the United States over the past two and a half years which has been 11.3%. That is, if a person in the United States has received the same salary, as my personnel has, they have had a purchasing loss of 11.3%. This amount cannot be compared to Nicaragua.

He estimates that the purchasing loss in Nicaragua, with these unrevised salaries over the past two and a half years, has been 18%. Because there are market structures in the United States that make us think the consumer price index is not the best indicator to show purchasing loss.

What is being proposed to this Board will obviously exclude the General Director. We are a very successful program and this would be a way to show recognition for a job well done. I am asking the Board to authorize a pay raise of 15% for all the personnel. There are drivers that make US\$200 a month, and maids that have been asking for a raise. This raise would maintain the purchasing power of the salaries. I believe this will be a fair recognition, not a salary raise, a wage settlement due to the decrease in purchasing power because of inflation.

Mr. Santos Mendez has not only analyzed this proposal by looking at the results and reports, but also by being directly in contact with the communities and territories where the achievements as a program in Nicaragua are evident. He feels that everyone involved, even the directors, should feel satisfied with the results. From the technician working in Cinco Pinos, Cosigüina, San Pedro to the one working in Leon, it has been a team effort and I believe they all deserve the 15% salary raise.

Mr. Mendez's proposal is to approve the 15% salary raise, but also to include the General Director.

The President of the Board of Directors wants to ask a few questions. First, he would like to say that he agrees with the proposal since there has indeed been a decrease in purchasing power. However, he would like to know in which position will the Account be regarding others, once the wage settlement is done. He says that he would not like this settlement to affect Nicaragua's position regarding other Accounts. That was the first question. The other question is if this wage settlement will bring the salaries to their original purchasing power. Third, he would like to propose to the Board of Directors that the wage settlement be for everyone, since it is due to a loss in purchasing power.

Mr. Steven Marma expresses that is normal to have salary raises during the five years of the duration of these programs. The MCC and other Accounts already have a procedure for this. It is important for the MCC to understand the impact of this proposal on the expenses. I should point out that the MCA-N team is doing many things on their own to save money. For example, personally manage property, instead of hiring a contractor. MCC says the settlement must be based on local performance and not compared to other accounts. You cannot compare an employee of MCA-N to one in El Salvador because they have different costs of living. MCC bases its analysis on the inflation in Nicaragua and the 15% raise is fair for the five year duration of the program, since this will be

the only raise during this time.

Resolution: The Board of Directors, based on the proposal presented by the General Director, unanimously approves the 15% salary raise of the personnel, to make up for loss due to inflation. This salary raise should include the General Director.

SEVENTH: The Secretary, or President of the Board of Directors, as well as a Notary Public, are authorized to certify this minute.

This meeting is now over at 12:30 p.m. of the same day, and for the record, all decisions were unanimous.

Alberto Guevara

Santos Méndez

Fernando Martínez

Maritza Vargas

Agresio Osejo