

Minutes number six (6) of the Regular Meeting of the Board of Directors of the MCA-Nicaragua Foundation

The following persons were in attendance at the Regular Meeting of the Board of Directors of the MCA-Nicaragua Foundation held in the city of Managua, Nicaragua, at two o' clock in the afternoon on the twenty fifth day of October of the year two thousand and six, at the Office of the Technical Secretariat of the Presidency:

1. CHAIRMAN: Mr. Álvaro Montalván, Technical Secretariat of the Presidency (SETEC)
2. GOVERNMENT DIRECTOR: Mr. Leonardo Somarriba, Secretary of the Presidency
3. GOVERNMENT DIRECTOR: Mr. Alejandro Argüello, Minister of Development, Industry and Trade (MIFIC)
4. GOVERNMENT DIRECTOR: Mr. Mario J. Flores Loáisiga, Minister of Finance
5. CIVIL DIRECTOR: Mrs. Jilma Balladares, FUNDAPADELE
6. CIVIL DIRECTOR: Mr. Julio César Montealegre, APENN
7. MAYOR DIRECTOR: Mr. Tránsito Téllez, Mayor of the city of León, in representation of all mayors in the eponymous department.

The following were present as observers with the right to speak, but not to vote:

1. CIVIL OBSERVER: Mr. Rigoberto Sampson Granera, Local Development Council of the department of León
2. CIVIL OBSERVER: Mr. Santos Méndez Zepeda, Local Development Council of the department of Chinandega
3. MUNICIPAL OBSERVER: Mr. Agrecio Osejo, on behalf of the mayor's offices in the department of Chinandega
4. GOVERNMENT OBSERVER: Mr. Humberto Cuadra, Ministry of Transportation and Infrastructure
5. MCC OBSERVER: Mr. Matthew L. Bohn, Resident Country Director

It was ascertained that the attendees were duly convened according to applicable law, the bylaws of the Foundation and the Millennium Challenge Compact (the "Compact") signed between the Government of Nicaragua (the "Government") and the United States of America, acting through the Millennium Challenge Corporation ("MCC"), on the 14th day of July 2005, and the Governance Agreement.

Mr. Álvaro Montalván, presided the session in his capacity as President of the Foundation, called the Board of Directors meeting to order and proceeded to outline the items on the agenda:

1. Verification of the Quorum
2. Ratification of minutes of previous meeting
3. Presentation of Progress Report by the General Director of the Foundation
4. Approval of the Agreement between the Ministry of Finance and the Millennium Challenge Account Foundation
5. Approval of short lists for:
 - i) Design of the Nejapa-Izapa road and secondary roads
 - ii) Transportation Project Management (TPM)
6. Presentation of the Rural Business Office Plan and Guides
7. Approval of a professional services contract for the position of Monitoring and Evaluation Director.
8. Miscellaneous:
 - i) Agreement with the *Centro Empresarial Pellas*
 - ii) Management Information System (MIS) specialist

Once the items on the agenda were outlined and duly approved by all directors, the meeting proceeded as follows:

FIRST: Quorum

The Chairman proceeded to verify the quorum and ascertained that the majority of Directors of the Board were present; therefore, there was legal quorum to start the meeting.

SECOND: Ratification of the previous minutes

The Chairman asked the Directors whether they had any objections to the minutes of the previous meeting. Since there were no clarifications or objections, the resolutions adopted at the previous Board meeting were ratified.

THIRD: Presentation of Progress Report by the General Director

The Chairman of the Board of Directors yielded the floor to Mr. Juan Sebastian Chamorro, the Foundation's General Director, who proceeded to submit the following Progress Report:

Mr. Juan Sebastián Chamorro explained to the members of the Board of Directors that as part of the disbursement request for the second quarter (October – December 2006), a report of the progress made during the first quarter had been prepared and was being distributed to each Director on this day.

He then went on to explain that since the monthly progress made had been reported at each of the previous meetings, on this occasion he was presenting the last month's progress report. Mr. Chamorro thereupon proceeded to detail the following:

As regards the Rural Business Project, the following documents have been completed: a) the Office Business Plan; b) guides for selecting beneficiaries; c) terms of reference for accounts management. A second visit to the CREL in Honduras was organized during this past month; the First Successful Exporters Forum was held, and twelve new projects in which investments may begin have been identified.

Concerning the Transportation Project, the Terms of Reference for the bidding process to design the Nejapa-Izapa primary road and secondary roads have been completed. Also completed were the Terms of Reference for contracting the firm that will manage the Transportation Project. Progress has also been made in both contracting processes by drawing up a short list of qualified firms that may be invited to introduce proposals. Inclusion of the Achuapa-Limay-La Sirena road stretch was reported.

As regards the Property Regularization Project, an agreement has been negotiated with the Ministry of Finance and MCA-Nicaragua whereby the Land Administration Project (PRODEP) is designated to implement it. The first land titles have been delivered and the process to contract the necessary staff for the implementation of activities has begun. Furthermore, it was reported that the Juan Venado demarcation process is already under way.

In administrative terms, especially concerning information technology, it was arranged that the Foundation's staff would be in charge of Web page management; the documents required by the Compact were loaded and updated; bids, positions open for this period, and information bulletins were published; and links were established with the US Embassy in Nicaragua and the Presidency Websites.

As regards budget implementation for the first quarter, U\$921,670.00 or 56% of the budgeted amount were reported. Concerning the Property Regularization Project, only 47% of the projected total has been implemented because the agreement between MCA - Nicaragua and the Ministry of Finance has yet to be signed. A strong component is that of vehicle procurement for PRODEP, which will be implemented as required. In the case of the Rural Business Project, 51% of what was planned has been implemented, mainly because staff was not contracted in the planned two-month period.

Mr. Juan Sebastián Chamorro reported that there has been an ongoing presence of information regarding the Foundation in the most important written media, with the publication of 46 stories. In addition, there has been coverage on 27 national and local radio stations. The way has been paved for a sustained, friendly, and fruitful relationship with journalists, media owners, and opinion-makers.

Resolution: *The Board of Directors accepted the quarterly report and took note of the progress reported by the General Director of the Foundation.*

FOURTH: Approval of the Agreement signed by the Ministry of Finance and the Millennium Challenge Account Foundation

General Director Juan Sebastián Chamorro informed the Board of Directors of the conclusion of the process of negotiation of an agreement between the Foundation, the Ministry of Finance, and the MCC to implement the Property Regularization Project.

He then continued explaining that under the terms and conditions of the Agreement, the Land Administration Project (PRODEP) has been designated as the entity that will support implementation of Property Regularization Project activities. It is to be supervised by the Foundation.

It is worth pointing out that in accordance with the terms and conditions for creating and organizing PRODEP, this is a specialized entity in charge of developing a participatory legal, institutional, and technical framework for property rights management in areas that coincide with the Project areas.

Resolution: *The Minister of Finance Mr. Mario J. Flores Loáisiga will sign this agreement on behalf of the Ministry of Finance, and therefore abstained from voting on this point. The other Board Members voted unanimously to approve the agreement in both Spanish and English language versions signed between MCA – Nicaragua and the Ministry of Finance and agreed that in case of inconsistencies between the two versions of the agreement in question, the English language version shall prevail. Furthermore, pursuant to the bylaws of the Foundation, Mr. Juan Sebastián Chamorro is designated in his capacity as General Director of the Foundation to sign the aforementioned agreement on behalf of the Foundation.*

FIFTH: Approval of short lists for i) Design of the Nejapa-Izapa road and secondary roads, and ii) Transport Project Management (TPM)

Mr. Juan Sebastián Chamorro, General Director of the Foundation, in conformity with provisions in Section 3.1 and Annex II (Approvals) of the Procurement Agreement, submitted the Evaluation Team's Report to the Board Members for shortlisting consulting firms that will be requested to submit technical and financial proposals for the following competitive bidding processes:

- a. Feasibility Studies, Evaluation of the Environmental and Social Impact, and Final Design of Primary and Secondary Roads prioritized by the Transportation Project

The General Director explained that the call for expressions of interest in the bidding process were published on August 17, 2006 in the UN Development Business and DG Market Websites, as well as in the Millennium Challenge Account Website and in the national newspapers *La Prensa* and *El Nuevo Diario*. The target date and time to receive expressions of interest was set for September 28, 2006 at 5:00 pm. None of the bidders requested an extension of the bidding period.

In conformity with the established procurement regulations and procedures, the Procurement Agent received a total of 28 expressions of interest prior to the target date and timetable set forth in the call for expressions of interest. Two expressions of interest were received after the deadline, and were returned unopened.

The expressions of interest received were submitted to the evaluation of an expert team of evaluators in accordance with the following criteria:

- a) Experience with at least three contracts similar in size and complexity.
- b) Access to the required specialized skills and expertise.
- c) Regional experience (in Latin America or similar countries).
- d) Experience with cement paving blocks (*adoquines*) for secondary road studies and designs would be desirable.

According to the Team's evaluation report, the following results were obtained:

a) The following 14 firms are qualified to submit proposals for primary road (Nejapa – Izapa) and secondary road studies and designs:

- 1) IBERINSA
- 2) TYPESA, INGENIEROS CONSULTORES Y ARQUITECTOS/AZTEC TAHAL/TEDEM
- 3) NIPPON KOEI COMPANY
- 4) ROUGHTON INTERNATIONAL
- 5) WILBUR SMITH/NATHAN ASSOCIATES/CSA GROUP
- 6) TECSULT INTERNATIONAL
- 7) PROINTEC/IDISA/MAURICIO LARA
- 8) EUROSTUDIOS, INGENIEROS DE CONSULTA/AYESTAS, INGENIEROS CONSULTORES
- 9) INOCSA/EDICRO, S.A.
- 10) DMJM+HARRIS/EDICO
- 11) BEISWENGER, HOCH & ASSOCIATED, INC.
- 12) PARSON BRINCKERHOFF, QUADE & DOUGLAS, INC.
- 13) LAMSA
- 14) TERRA INTERNATIONAL

b) CORASCO is qualified to submit only a proposal for secondary road studies and designs.

c) The following 12 firms did not meet the requirements / qualifications established in the selection criteria:

- 1) INTRAT/GESCAM
- 2) CLOTHOS
- 3) INYPSA
- 4) CABAL/E&E (ITT)
- 5) HOLCROW/LATINOCONSULT
- 6) CESEL
- 7) CONSULTA S.A. DE C.V.
- 8) ESA CONSULTORES INTERNACIONALES
- 9) PROGRAMA BOLIVAR
- 10) NICATIERRA
- 11) IICA/CARE
- 12) BCEOM

Upon providing the information described above, the General Director submitted to the approval of the Board of Directors the shortlisted firms identified under the aforementioned items a) and b), pursuant to item p) of Article Thirteen of the bylaws, Section 1.7 (c) (iv) of the Governance Agreement, and Section 3.1 of the Procurement Agreement.

Resolution: *The Board of Directors, pursuant to the powers granted to it in item p) of Article Thirteen of the bylaws, Section 1.7 (c) (iv) of the Governance Agreement, and Section 3.1 of the Procurement Agreement, unanimously approves the short list of 15 firms that, in conformity with the Evaluation Team's report submitted under this section, are qualified to present technical and financial proposals for primary road (Nejapa-Izapa) and secondary road studies and designs. Continuation of the bidding process is authorized, all in conformity with the provisions set forth in the Compact and Procurement Agreement.*

ii) Transport Project Management, Supervision of Construction Activities, Advice and Design of Technical Capacity

The General Director informed the Board that the call for expressions of interest in the bidding process was published on 17 August 2006 in the UN Development Business and DG Market Website, in the Millennium Challenge Account Website, and in the national newspapers *La Prensa* and *El Nuevo Diario*. The target date and time to receive expressions of interest was set for 20 September 2006 at 5:00 pm. None of the bidders requested an extension of the bidding period.

According to the established procurement regulations and procedures, the Procurement Agent received a total of nineteen expressions of interest prior to the target date and time set in the call for expressions of interest.

The expressions of interest received were submitted to the evaluation of an expert team of evaluators in accordance with the following criteria:

- a) experience in at least three other contracts similar in size and complexity;
- b) access to the required specialized skills / expertise;
- c) regional experience (in Latin America or similar countries);
- d) technical and managerial capabilities;
- e) core business and years in the field;
- f) client references;
- g) financial and administrative strength;
- h) experience with pavements for low volume roads, such as cement paving blocks (*adoquines*) would be highly desirable.

In accordance with the team's evaluation report, the following results were obtained:

- a) The following 5 firms are qualified to submit proposals for transport project management:
 1. NIPPON KOEI CO.
 2. CHEMONICS INTERNATIONAL
 3. ROCHE INTERNATIONAL
 4. DMJM+HARRIS/EDICO
 5. PARSON BRINCKERHOFF QUADE & DOUGLAS, INC.
- b) The following 14 firms did not meet the requirements / qualifications established in the selection criteria:
 1. TYPASA, INGENIEROS CONSULTORES Y ARQUITECTOS/AZTEC
 2. GITEC CONSULT
 3. TNM LIMITED
 4. TERAN GROUP
 5. EUROSTUDIOS, INGENIEROS DE CONSULTA/AYESTAS, INGENIEROS CONSULTORES
 6. NORCONTROL/APPLUS
 7. INYPSA
 8. ING. WALTER BOSTRON
 9. ROUGHTON & PARTNERS INTERNATIONAL LIMITED/SHELADIA ASSOCIATES INCORPORATED
 10. PROINTEC/IDISA/MAURICIO LARA
 11. NICATIERRA
 12. EXAGON CONSULTORES/VIDA S.A.
 13. CENTENNIAL GROUPS HOLDINGS/CENTRO LATINOAMERICANO DE INFORMACION Y DESARROLLO
 14. TECHNITAL

The General Director, after informing the Board of the above, submitted to its approval the shortlisted firms identified under the aforementioned items a) and b), pursuant to item p) of Article Thirteen of the bylaws, Section 1.7 (c) (iv) of the Governance Agreement, and Section 3.1 of the Procurement Agreement.

Mr. Álvaro Montalván, Chairman of the Board of Directors, stated that the necessary precautions should be adopted in conformity with procurement regulations and procedures, in order to ensure that the same firm selected for the transport project management is not granted contracts for the primary and secondary road designs and studies.

Mr. Agrecio Osejo stated the importance that the respective municipal mayors participate in the supervision process of construction of primary and secondary road stretches.

Resolution: The Board of Directors, pursuant to the powers granted to it in item p) of Article Thirteen of the bylaws, Section 1.7 (c) (iv) of the Governance Agreement, and Section 3.1 of the Procurement Agreement, unanimously approves the short list of 5 firms that, in conformity with the evaluation team's report submitted under this section, are qualified to present technical and financial proposals for the Transport Project Management, Supervision of Construction Activities, Advice and Design of Technical Capacity.

SIXTH: Presentation of the Rural Business Office Plan and Guides

General Director Juan Sebastián Chamorro informed the Board of Directors that MCA-Nicaragua must comply with approval of the plan and guides to be applied by this office as a condition to implement the rural business project.

He then went on to explain that the following management strategy has been established for the Rural Business Office:

General Principles

- business vision and market links;
- cluster creation and value chain approach;
- development of business skills among the various organizations;
- a gender approach;
- promotion of the use of good practices in environmental management.

Operational Principles

- No activities should be undertaken that can be carried out by the private sector;
- Support clients through a variety of services;
- Build on ongoing initiatives;
- Use external contracting / outsourcing;
- Establish strategic alliances with other organizations in the region, the country, and internationally.

Services that will be provided by the Rural Business Office:

- information, training, and technical assistance;
- assistance to facilitate negotiations to obtain financing;
- applied research;
- financial support for environmental and natural resources management.

Strategy: Work with Clusters

- Permits linking providers of inputs, services, production, processing, and marketing.
- Facilitates the achievement of multiplier effects on the rural economy.
- The development of clusters, by means of specialized organizations, would make the Rural Business Office more efficient.

Mr. Leonardo Somarriba and Mr. Julio César Montealegre expressed interest in that the application of technical assistance criteria be revised as regards the Internal Rate of Return (17%), with a view toward avoiding the establishment of limitations to project implementation.

Mr. Alejandro Argüello stated that the maximum 30% limit and other selection criteria for financial aid should be reviewed in order to render more effective MCA-Nicaragua efforts and increase the program's impact. It was suggested to approach the various banks and microfinance organizations to explore the possibility of establishing a guarantee fund and seek complementarity with other actors.

Mr. Juan Sebastián Chamorro explained that initial clusters have been identified. Their number may increase taking into account the potential of Nicaragua's western region.

Mr. Alvaro Montalván pointed out that the formats or guides for use by small and medium size producers should be improved by simplifying their style and making them more user-friendly, as well as facilitating access by disseminating these and making known relevant criteria and mechanisms.

Resolution: *The Board of Directors was informed of the proposed business plan, strategy and organization of the Rural Business Office, as well as the guides to evaluate the various projects. It is agreed that the observations presented by the Directors in this meeting, as well as any other remark that they may send at their earliest convenience, will be analyzed and consulted (at local level and with MCC) in order to make the required adjustments and submit them to the approval of the Board of Directors in the next meeting. The Foundation's Rural Business Office is authorized to start operating based on the proposal submitted.*

SEVENTH: Approval of professional services contracts

General Director Juan Sebastián Chamorro informed the Board of Directors that the Foundation needed to finish setting up a work team with which to implement the Millennium Challenge Compact Program. Board of Directors approval of the **work contract for the position of Monitoring and Evaluation Director** is required pursuant to provisions in item e) of Article Thirteen of the bylaws.

Approval of Mrs. María José Torres from León (Sutiava) was requested. She has extensive experience in project planning and follow-up, and had the second-highest score. Moreover, her salary expectations are compatible with the MCA-Nicaragua offer. Thus, a vote was taken and the contract was unanimously approved.

Mr. Juan Sebastián Chamorro pointed out that the aforementioned contract has been negotiated under the following standard terms and conditions: (i) duration of the work contract will be indefinite; (ii) the scope of service is established; (iii) the salary; (iv) work schedule; (v) confidentiality, and (vi) conflict of interests, among others. The Board of Directors was informed that Mrs. Torres will join MCA in January 2007.

Resolution: *The work contract of Mrs. María José Torres as Monitoring and Evaluation Director is unanimously approved.*

It was suggested that the Board of Directors designate a person to sign the aforementioned work contract.

Resolution: *Mr. Juan Sebastián Chamorro, in his capacity as General Director, is designated to sign the contract for Monitoring and Evaluation Director under the terms and conditions negotiated by him.*

EIGHTH: Miscellaneous

a) Memorandum of Understanding with the Centro Empresarial Pellas Foundation

General Director Juan Sebastián Chamorro submitted to the consideration of the Board of Directors a proposal to sign a memorandum of understanding between MCA-Nicaragua and the Centro Empresarial Pellas Foundation to establish ties of cooperation and implement activities in the country's western region within the framework of watershed management and reforestation.

Resolution: The Board of Directors approves the concept of work with the Centro Empresarial Pellas Foundation and unanimously votes to approve use of a comprehensive business plan format, applying the regulations, criteria, and procedures of the Rural Business Office.

b) Management Information System Specialist

General Director Juan Sebastián Chamorro requested the Board of Directors to ratify Mr. Uvernes Somarriba as Management Information System Specialist, taking into consideration that upon reviewing the Governance Agreement he is considered a key staff member of MCA-Nicaragua, even though the position does not fit the monthly income criteria for approval by the Board of Directors.

Resolution: The Board of Directors votes unanimously to approve ratification of Mr. Uvernes Somarriba as Management Information System specialist, in conformity with the power provided in Article Thirteen of the bylaws and Section 1.7 (c) of the Governance Agreement.

NINTH: The Secretary or the Chairman of the Board of Directors, as well as any Notary Public shall have the authority to certify these minutes. Certification will be sufficient to accredit the appointments made herein.

The meeting was adjourned at six in the afternoon of the 25 October 2006 and it is recorded that all decisions were made unanimously.

Álvaro Montalván

Leonardo Somarriba

Alejandro Argüello

Mario J. Flores Loáisiga

Jilma Balladares

Julio César Montealegre

Tránsito Téllez