

**Minutes number seven (7) 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 ninth day of November 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. Eduardo Fonseca, 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

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

1. CIVIL OBSERVER: Mrs. Maritza Vargas, Local Development Council of the department of León.
2. CIVIL OBSERVER: Mr. Santos Méndez Zepeda, Local Development Council of the department of Chinandega.
3. MAYOR OBSERVER: Mr. Agrecio Osejo, on behalf of the mayor's offices in the department of Chinandega.
4. GOVERNMENT OBSERVER: Mr. José Antonio Rivera, Vice-minister of the Ministry of the Environment and National Resources
5. GOVERNMENT OBSERVER: Mr. Humberto Cuadra and Mrs. Lastenia Torres, Ministry of Transportation and Infrastructure.
6. 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 and signature of minutes of previous meeting
3. Presentation of Progress Report by the General Director of the Foundation
4. Procedure to change Government Directors
5. Approval of the Agreement between the Ministry of Transportation and Infrastructure (MTI) and the Millennium Challenge Account Foundation-Nicaragua
6. Approval of the Agreement between the National Institute of Statistics and Census of Nicaragua (INEC) and the Millennium Challenge Account Foundation-Nicaragua
7. Approval of the Agreement between the Universidad Nacional Autónoma de Nicaragua – León (UNAN-León) and the Millennium Challenge Account Foundation-Nicaragua
8. Approval of a professional services contract for the position of Cluster Manager.

9. Miscellaneous

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

FIRST: Verification of the 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 and signature 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 and the respective minutes signed.

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:

a) Rural Business

The Rural Business Office Plan and Guides have been approved by the MCC and based on these documents the Office has been authorized to operate by the Board of Directors and has so far undertaken the following activities:

- i. support for a business plan and study of the productive potential of manioc;
- ii. organization of a livestock cluster roundtable;
- iii. organization of a business roundtable for producers of beans and other crops from the northern municipalities in the department of Chinandega to facilitate their access to better cash opportunities for their crops;
- iv. together with UNAN-León, the following activities have been carried out:
 - a. a meeting with 14 cooperatives from the *Cerro Negro* to support the drawing up of a protected area management and demarcation plan;
 - b. a workshop on "clean milking practices and animal health" for producers from Larreynaga and El Sauce;
 - c. a meeting with the La Paz Centro cooperative to provide manioc marketing assistance;
- v. support and participation in agricultural events such as the EXPO-ASOGAL 2006, a livestock fair held in León;
- vi. coordination meetings with several cooperatives and producers, especially as regards forestry projects.

b) Roads

Mr. Juan Sebastián Chamorro explained that current component priorities include the bidding processes for: 1) studies and designs, and 2) the firm that will manage the Transportation Project. In this respect, he informed that qualified firms in the short list approved by the Board of Directors in the previous sixth meeting of October 25, 2006 were invited to submit technical and financial proposals for studies and designs of primary and secondary roads.

He then informed that firms in the short list will be invited to submit proposals for management of the Transport Project.

Mr. Chamorro continued explaining that the MCA-Nicaragua team in charge of this component has initiated field and recognition visits to all primary and secondary roads that are given priority by the Transport Project. Furthermore, the following two new segments have been added to the roads listed: i) La Sirena - San Juan de Limay, and ii) San Juan de Limay - Achuapa.

c) Property

As regards this component, progress has been made in the process of contracting staff and office equipment. Further, instructions have been given to proceed immediately with land titling.

Mr. Juan Sebastián Chamorro expressed concern over the agreement between the Millennium Challenge Account Foundation - Nicaragua and the Ministry of Finance, as it has yet to be signed. The position adopted by the Ministry is that the Presidential Decree by means of which PRODEP is subordinated to the Office of Property Affairs must first be amended. It is worth pointing out that the Foundation is in agreement with this amendment. However, the Chairman of the Board of Directors brought to the attention of the Secretary of the Presidency and the Minister of Finance the need to amend the presidential decree and sign the agreement at the earliest possible moment before the quarter ends. Otherwise, an important precedent condition would be violated and cause the Program to be suspended.

d) Procurement

All standard documents for bidding consultancy services, goods, works, and services (non-consultancy services, such as cadastral sweep) were approved. Furthermore, details are being finalized by the Foundation and the MCC for approval of a procedure to channel any complaints or claims that may arise from bidding processes.

It was reported, after approval of the standard documents, that requests for proposals (RFP) were completed for the following bidding processes:

- road studies and designs;
- transport project management;
- watershed management;
- cadastral sweep;
- data collection;
- audit;
- vehicles for the Property Project.

e) Gender

The Gender Strategy draft and its Action Plan (including the budget) have been completed, and consultation processes have started with female leaders in the Consejo de Mujeres de Occidente and 45 female producers from León and Chinandega.

f) Environmental and Social Impact

Progress has been made in terms of environmental system design, social and gender approach, preparation of an action plan, guides, and control lists, as well as monitoring and evaluation matrices for environmental management plans. Furthermore, a draft format plan has been prepared for safe use and handling of pesticides, which is to be implemented by the Foundation.

Resolution: The Board of Directors received the General Director's report and requested the Minister of Finance to accelerate negotiations both internally and before the Presidency to reform the Presidential Decree and sign the Agreement with the Millennium Challenge Account Foundation - Nicaragua

FOURTH: Procedure to change Government Directors

Mr. Juan Sebastián Chamorro submitted to the consideration of the Board of Directors an information document on the Foundation's current situation. The Board of Directors stated the necessity to include on the next meeting's agenda all decisions that it must adopt in order to avoid delays that may result from the upcoming change in government and the appointment of new government directors in the month of January 2007.

They were informed that said document was duly sent to the Chairman of the Board, Mr. Alvaro Montalván, and was to be distributed to the other Board members during this meeting.

Preparation of an executive document on the current status of the Foundation, preconditions that must be fulfilled, and the regulations and procedures that govern the Program's operation were reported to the Board of Directors.

Resolution: *The Board of Directors instructs the General Director to prepare an information document on how to proceed with the transition period in which current government directors will be replaced by those who will be appointed by the new government, thus ensuring an expeditious process. Similarly, the General Director is instructed to prepare the Foundation's organization chart identifying the number of staff members and positions in each area. Current government directors have requested civil directors, mayors and civil observers who will continue as Board Members to promote a dialogue with the incoming directors, thus facilitating their integration and a more in-depth knowledge of the objectives, scope, and procedures of the Board of Directors and the Foundation itself, as well as of the conditions that need to be fulfilled prior to Program implementation.*

FIFTH: Approval of the Agreement between the Ministry of Transportation and Infrastructure (MTI) and the Millennium Challenge Account Foundation - Nicaragua

General Director Mr. Juan Sebastián Chamorro informed the Board of Directors of the conclusion of the process of negotiation of an agreement between the Ministry of Transportation and Infrastructure (MTI) and the Foundation. The purpose of the agreement is to establish coordination and communication mechanisms between both entities in order to facilitate implementation of transportation project activities, in particular those related to the execution of road studies or designs and works.

He then explained that this agreement includes technical assistance and training activities to be jointly defined by the two entities, as a Program contribution to the institutional strengthening of the MTI.

The Board of Directors was informed that this agreement is currently being reviewed by the MCC. In case material or substantial changes result from this process, these will be submitted to the approval of the Board of Directors.

Resolution: *The Board of Directors voted unanimously to approve the agreement in both Spanish and English language versions signed between MCA – Nicaragua and the MTI 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, and is empowered to make any changes that are not material or substantial without requiring authorization from the Board of Directors.*

SIXTH: Agreement between the National Institute of Statistics and Census of Nicaragua (INEC) and the Millennium Challenge Account Foundation - Nicaragua

General Director Mr. Juan Sebastián Chamorro reported to the Board of Directors that the process of negotiation of an agreement between the National Institute of Statistics and Census of Nicaragua (INEC) has concluded and has as objectives to:

- a) Collect and process land module data to complement the Living Standards Measurement Study of an estimated 600 households in the departments of León and Chinandega in 2006.
- b) Collect and process data for the Living Standards Measurement (including the land module) in the departments of León and Chinandega in 2009 and 2011.

Selection of INEC has been duly approved by the MCC, taking into consideration that in 2005 INEC conducted the Living Standards Measurement Study of Nicaraguan households, and the results are being used by the Foundation as a baseline for the living standards of the

population in western Nicaragua. However, it was explained that this study needs to be completed with land information or data (for the property component) that was not included in the 2005 study, as it is essential for mid-term and final Program evaluations.

It is worth mentioning that at national level INEC has the required experience and institutional capacity to carry out such tasks. In addition, it is the national official entity in charge of conducting this kind of surveys that will provide the basis upon which the Foundation will measure the Program's impact.

The Board of Directors was informed that this agreement is currently being reviewed by the MCC. In case material or substantial changes result from this process, they will be submitted to the approval of the Board of Directors.

Resolution: *The Board of Directors voted unanimously to approve the agreement in both Spanish and English language versions signed between MCA – Nicaragua and the INEC and agreed that in case of inconsistencies between the two versions of the agreement in question, the English 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, and is empowered to make any changes that are not material or substantial without requiring authorization from the Board of Directors. Close follow-up to the activities that will be carried out by INEC is suggested.*

SEVENTH: Agreement between the Universidad Nacional Autónoma de Nicaragua – León (UNAN-León) and the Millennium Challenge Account Foundation - Nicaragua

General Director Mr. Juan Sebastián Chamorro reported to the Board of Directors that the process of negotiation of an agreement between the *Universidad Nacional Autónoma de Nicaragua –León* (UNAN-León) and the Foundation has concluded. The purpose of the agreement is to establish an official mechanism for coordination and communication between both entities in order to strengthen the Program's activities by implementing joint efforts in the areas of information, training, technology transfer, research, innovation, management of protected areas, and preservation and management of diversity.

He then explained that the two entities have currently been working together without any kind of agreement, particularly in projects charged to the Rural Business component, and that the current agreement is a framework agreement. Thus, if specific activities were to develop and entail the commitment of resources, both entities will sign a relevant agreement. They would in this manner comply with the regulations and procedures established in the Compact and other agreements and regulations that govern the operation of the Foundation and the Program.

Resolution: *The Board of Directors voted unanimously to approve the agreement in both Spanish and English language versions signed between MCA-Nicaragua and UNAN-León both in Spanish and English 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, and is empowered to make any changes that are not material or substantial without requiring authorization from the Board of Directors.*

EIGHTH: Approval of professional services contracts

General Director Mr. Juan Sebastián Chamorro informed the Board of Directors that as part of the process of setting up a work team for the Rural Business Office with which to implement the Rural Business component of the Millennium Challenge Compact Program, Board of Directors approval of the **work contract for the position of Cluster Manager** is required pursuant to provisions in item e) of Article Third of the bylaws.

Approval of the work contract of Mr. Sergio Narváez Sampson was recommended and submitted for approval after completion of the relevant competitive process, in conformity

with the Compact, the Governance Agreement, and the Procurement Agreement. He has extensive experience in the agricultural sector and rural development.

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.

Resolution: *The work contract for Mr. Sergio Narváez Sampson as Cluster Manager was 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 work contract for Cluster Manager under the terms and conditions negotiated by him.*

NINTH: Miscellaneous

The Board of Directors considered it necessary to label all items and equipment that are procured, vehicles in particular. The latter may be labeled as part of the Program's public image and identification policy.

Similarly, the General Director was instructed to list all decisions to be approved by the Board of Directors in the next regular meeting to be held in December.

TENTH: 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 four in the afternoon of the 25 October 2006 and it is recorded that all decisions were made unanimously.

Álvaro Montalván

Leonardo Somarriba

Eduardo Fonseca

Jilma Balladares

Julio César Montealegre