

Minutes No. 8
Ordinary Board of Directors
Millennium Challenge Account – Nicaragua

In the city of Managua, at two hours on December twenty of the year two thousand and six, in the Meeting Room of the Technical Secretariat of the Presidency, the following members met:

1. PRESIDENT: Mr. Álvaro Montalván, Technical Secretary of the Presidency (SETEC)
2. GOVERNMENT DIRECTOR: Mr. Leonardo Somarriba, Secretary of the Presidency of the Republic.
3. GOVERNMENT DIRECTOR: Mr. Mario J. Flores Loáisiga, Minister of Finance and Public Credit
4. CIVIL DIRECTOR: Mrs Jilma Balladares, on behalf of FUNDAPADELE
5. CIVIL DIRECTOR: Mr. Julio César Montealegre, on behalf of APENN
6. MAYOR DIRECTOR: Mr. Tránsito Téllez, Mayor of Leon, in representation of the Mayors.

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

1. CIVIL OBSERVADOR: Mr. Rigoberto Sampson Granera, on behalf of the Departmental Development Council of Leon.
2. CIVIL OBSERVADOR: Mr. Santos Méndez Zepeda, in representation of the Town Halls of the Department of Chinandega.
3. MAYOR OBSERVER: Mr. Agrecio Osejo, on behalf of the Town Halls of the Department of Chinandega.
4. GOVERNMENTAL OBSERVADOR: Mr. Humberto Cuadra, on behalf of the Ministry of Transport and Infrastructure.
5. GOVERNMENTAL OBSERVADOR: Mr. Cristóbal “Tito” Sequeira, Minister of the Environment and Natural Resources.
6. OBSERVER of the MCC: Sr. Eddy Jerez, Sub Director Resident.

It was recorded that the members were duly convened according to the applicable laws, the bylaws of the MCA-Nicaragua and under the Millennium Challenge Agreement entered into the Government of the Republic of Nicaragua (the “**Government**”) and the United States of America, acting through the Millennium Challenge Corporation (the “**MCC**”) on July 14, 2005 (the “**Agreement**”) and the Governance Agreement.

Mr. Álvaro Montalván presides in his capacity as President of the MCA-Nicaragua and declares opened the meeting of the Board of Directors and proceeds to announce the items of the Agenda:

1. Verification of the Quorum
2. Ratification of the previous Minutes
3. Presentation of the Progress Report by the General Director of the MCA-Nicaragua.
4. Presentation of a proposal to the observations of the Board of Directors to the Business Plan and the Office Guidelines for Rural Business expressed in the previous ordinary meeting No. 6.
5. Approval of the Third Disbursement Request (January-March 2007).
6. Approval of the Professional Service Contract for the Infrastructure Coordinator.
7. Appointment of a Technical Committee of the MCA-Nicaragua for the claims and contesting in the procurement processes.
8. Miscellaneous:
 - i) Procedures for the transition of the new directors and observers.
 - ii) Organization Chart of the MCA-Nicaragua.

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

FIRST: Verification of the Quorum

The President proceeds to verify the quorum and states that the majority of the Directors of the Board are present; therefore, there is legal quorum in order to start the meeting.

SECOND: Ratification and signature of the previous Minutes

The President asks the Directors if they have any objection in regards to the previous Minutes. Not being any clarification or any objection, they ratify the resolutions taken at the previous Meeting of the Board of Directors.

THIRD: Presentation of the Progress Report on behalf of the General Director

The President of the Board of Directors gives the floor to Mr. Juan Sebastian Chamorro, Director General of the MCA-Nicaragua, who proceeds to submit the Progress Report:

- a) Rural Businesses

To date, the Rural Business Office is already working in the following areas:

- i. Support of 3 sesame seed cooperatives (1,500 manzanas or 2,625 acres) with technical assistance in the harvest and gathering of seeds, as well as its trade.

- ii. Implementation of a business table for the commercialization of beans in the municipalities in the North part of Chinandega, to which buyers from LAFISE El Salvador and Salvadorian and Hondurans wholesalers attended; 4 cooperatives also attended and it is hoped that as a result of this business table 15 tons of beans shall be sold.
- iii. Support to producers of cassava (yucca): 32 tons of yucca have been identified for commercialization; organizations such as APENN, YUQUITA, DIANA, Salvadorian, Hondurans and Nationals Wholesalers have been approached, among others, in order to obtain the best prices per ton. It is hoped to serve 150 producers from the East part of the Municipality of Leon, in the Communities of Rota, Lechecuagos y Chacaraseca.
- iv. Identification of Collection Centers for Milk (CREL) and Centers for Demonstration of Services for Cattle Farmers, having determined the intervention in 7 centers and in 7 demonstration centers, which at the same time shall give the technical assistance to at least 70 producers that shall take the milk to CREL.
- v. Carry out the following productive experiments:
 - a. Adaptability of the area and documentation with the agronomic behavior of 5 kinds of grazing.
 - b. Try the possibility of at least decrease the consumption of firewood in tile and brick ovens in La Paz Centro and prove their substitution with bricks of calabash.
- vi. Promote investments through:
 - a. The elaboration of a data base with contacts in the public and private sectors.
 - b. Carry out two forums with the mayors of the West of the Country.
 - c. Municipal features of the West of the country.
 - d. Attention to current and potential investors in relation to 3 projects: Free Trade Zone in San Miguel and the Future of the Forestry Sector.
- vii. How one of the first results of the promotion of the investments activities has been made public with the signing of the Contract between the Group BETA and the Group COEN.

b) Roads

Mr. Juan Sebastian Chamorro explained that under this component the current priority is the bidding processes of: 1) the studies and designs and 2) the signing of the administration of the transport project, waiting only for the presentation of the corresponding offers. Likewise, the Infrastructure Division has been holding meetings for inter-institutional coordination with the Rural Development Institute and the City Halls of Esteli and San Juan de Limay, having incorporated within the working plans the segments of La Sirena – San Juan de Limay and San de Limay – Achuapa.

Likewise, it was informed that the inter-institutional agreement with the MTI approved in the previous ordinary meeting has been signed.

c) Property

In regards to this component, advances have been made in the process of personnel hiring and equipping of offices and instructions have been given to proceed with the immediate titling of properties. The pre-signals of the Juan Venado Island has been put up, installing 24 boundary stones and 21 signals and the Terms of Reference for the Management Plan of the Juan Venado Island and the Momotombo Volcanic Development have already been started.

Likewise, information was given that the Agreement between the Ministry of Finance and Public Credit and the MCA-Nicaragua will be finally signed this Thursday, December 21, 2006.

Resolution: *The Board of Directors received and approved the report of the General Director. It was requested to the General Director that after every meeting an executive report should be submitted in writing.*

FOURTH: Presentation of the answers to the observations of the Board of Directors to the Business Plan and to the Guidelines of the Office for Rural Businesses during the Ordinary Meeting No. 6.

The President of the Board of Directors gives the floor to Mr. Juan Sebastian Chamorro, General Director of the MCA-Nicaragua, to submit the answers to the observations made by the members of the Board of Directors to the Business Plan and to the Guidelines of the Office for Rural Businesses, which application was approved at the Ordinary Meeting No. 6, on October 25, 2006;

- b) On the criteria of the 17% TIR for the funding of technical assistance, he explained that:
 - i. It includes the average profitability of the investments in the fields for different crops;
 - ii. The calculation were carried out jointly by members of the team of the MCC and the Government of Nicaragua before the signing of the Compact; and,
 - iii. The TIR is defined in the Compact in Annex III-4.

- c) On the revision of the criteria for funding of technical assistance, he explained that:
 - i. There has been an achievement in that the MCC has accepted the 30% financial assistance within Activity B (Technical and Financial Assistance).
 - ii. Complementary, it shall be included in concept of donation (transfer) research aspects (introduction of new technologies) and improvement of water supply for agriculture and forestry production; and,

- iii. Actually, it is subject to the approval of the MCC a conceptual document for the establishment of a Guarantee Fund, with which these actions shall be complemented.

- d) On the simplification of the guidelines, he explained that these are being revised and a simplified document is being drafted with an estimate of a massive publication thereof for the end of January 2007.

Resolution: *The Board of Directors was satisfied with the answers and comments submitted by the Director General of the MCA-Nicaragua.*

FIFTH: Approval of the Third Disbursement Request (January-March 2007)

Mr. Juan Sebastian Chamorro, General Director of MCA-Nicaragua, continued holding the floor in order to submit to the consideration of the Board of Directors, according to Section 3.2 of the Disbursement Agreement, Section 1.7 (c) (v) of the Governance Agreement and to Article XIII (q) of the Bylaws of the MCA-Nicaragua, the Disbursement Request to the MCC for up to a total amount of US\$ 1,744.2 million for the quarter corresponding to January-March 2007.

It was explained to the members of the Board of Directors that according to Section 3.2 of the Disbursement Agreement, the Request has to have the following form:

- a) Disbursement Request Format, accompanied by an implementation plan which includes: a procurement plan, a detailed financial plan, a working plan, among other documents.

- b) A Certificate of the MCA-Nicaragua.

- c) A Certificate of the Fiscal Agent.

The Fiscal Agent of the MCA-Nicaragua, representing Mr. Minor Mora, explained to the members of the Board of Directors the methodology for the elaboration/calculation of the Disbursement Request, and in special, on the treatment that according to the Compact, the Disbursement Agreement and the Bank Agreement shall be given to the interests accrued in the bank accounts where the funds coming from the MCC are deposited, making it clear that the same are refunded quarterly to the MCC, and that for the purpose of the Disbursement Request that refund is considered as a payment from the MCA-Nicaragua to the MCC.

Once the Disbursement Request attached to these Minutes as Annex I is seen, and having been discussed by the members of the Board of Directors, the following resolution is taken:

Resolution: *The Board of Directors approves by unanimity of votes the Disbursement Request submitted together with all the Annexes up to an amount of US\$ 1,744.2 million, corresponding to January – March 2007 quarter and authorizes the Director General of*

the MCA-Nicaragua to officially send the said Request for approval and disbursement by the MCC. It was requested that for the effects of the presentation of the Request, in addition to the financial part, a program with the physical goals shall be submitted as well.

SIXTH: Approval of the Contract for Professional Services

Mr. Juan Sebastian Chamorro, General Director, states to the Board of Directors that as part of the process to conform the working team for the infrastructure division that will carry out the road component of the Program of the Millennium Challenge Agreement, according to Article XIII (e) of the Bylaws, the approval of the Board of Directors is required for the **Working Contract for the Post of the Infrastructure Coordinator.**

Having been carried out the corresponding competitive process according to the Compact, the Governance Agreement and the Procurement Agreement, it is recommended and is submitted to the approval the hiring of Mr. Danilo Valle Kinloch, who is the candidate complying with all the requirements established in the terms of reference, and in addition, he has the advantage to know all the background of the process of creation and launching of the MCA-Nicaragua.

Mr. Juan Sebastian Chamorro points out that the referred contract has been negotiated under the standard terms, containing: (i) the duration of the working contract that shall be undefined; (ii) the scope of the services that shall be established; (iii) the salary; (iv) the working hours; (v) the confidentiality; (vi) the conflict of interests, among other things.

Resolution: *The Board of Directors approves by unanimity of votes the Working Contract for the Infrastructure Coordinator, Mr. Danilo Valle Kinloch. It was also resolved that no more permanent personnel should be hired for the MCA-Nicaragua until the need of human resources of the MCA-Nicaragua is defined and approved in a detailed manner.*

It is suggested to the Board of Directors to appoint someone to sign the Working Contract previously approved.

Resolution: *Mr. Juan Sebastian Chamorro in his capacity as General Director is designated to sign the Working Contract for the Infrastructure Coordinator under the terms and conditions negotiated therefor.*

Seventh: Designation of the MCA-Nicaragua Technical Committee for the attention of claims and impugnation in the process of procurement

The President of the Board of Directors, Mr. Alvaro Montalvan, states that according to the Procurement Agreement and to the Standards and Procedures for Contracting, a process of impugnation of the biddings has been determined in order to guarantee the transparency in all the procurement procedures, so that if mistakes or abuses occur in the procurement process,

there would be an ideal way to compensate the offended parts and proceed to do the appropriate corrections.

That according to the Procurement Agreement, the Governance Agreement, and the Impugnation Process, the Board of Directors shall constitute a Technical Panel of Revision for the MCA-Nicaragua, according to Section 2.1 of the Impugnation Process for Biddings, which shall be composed of the following members:

- a) MCA-Nicaragua General Sub-director,
- b) Director for Procurement,
- c) Legal Advisor, and
- d) A representative of the Procurement Agent of the MCA-Nicaragua

This Revision Technical Panel shall adjust their performance to the standards and procedures set forth in the Compact, the Procurement Agreement, the Standards and Procedures for Contracting, the Process for Impugnation of Biddings and any other relevant standard or agreement applicable to the matter object of revision within the legal framework that governs the Program. It shall also act with the due diligence, swiftness and transparency, always guaranteeing to take the decisions that shall safeguard the best interests of the MCA-Nicaragua.

Resolution: The Board of Directors by unanimity of votes resolves to designate the Revision Technical Panel of the MCA-Nicaragua, according to Section 2.1 of the Standards that govern the Impugnation Process, being composed in the following manner: a) General Sub-director of the MCA-Nicaragua; b) Director of Procurement; c) Legal Advisor, y d) A Representative of the Procurement Agent of the MCA-Nicaragua.

EIGHTH: Miscellaneous

The President of the Board of Directors expressed to the members of the Board of Directors that an official communication has been received on behalf of Ambassador Danilovich, President of the MCC to the President of the Republic of Nicaragua, where he ratifies his commitment to continue supporting Nicaragua.

El General Director submitted to the members of the Board of Directors a document that has been prepared for the substitution of directors and observers of the Government who will join the Board of Directors during the next month of January 2007. A presentation was also made, according to the request made by the Board of Directors, of the organization chart of the MCA-Nicaragua.

The members of the Board of Directors requested to the Director General that an organization and human resources documents be submitted in detail to include, for the organizational area: the number and profile of positions, the cost that will imply such human resources structures and the corresponding mechanisms to evaluate their performance.

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

The meeting is adjourned at five hours and thirty minutes in the afternoon of December twentieth of the year two thousand and six and it is placed on record that all the decisions were unanimously taken.

Álvaro Montalván

Leonardo Somarriba

Mario J. Flores Loáisiga

Jilma Balladares

Julio César Montealegre

Tránsito Téllez