

Minutes number twelve (12) of the ordinary meeting of MCC Nicaragua Foundation Board of Directors

In the city of Managua, at nine hours of the twentieth day of August of two thousand and seven, at the hall of the Technical Secretariat Unit of the Presidency, the following people are met:

1. CHAIRMAN: Mr. Rodolfo Delgado, Board Technical Secretary
2. GOVERNMENT DIRECTOR: Mrs. Maria Esperanza Acevedo, MHCP Vice-minister, representing Ministry of Treasury and Public Credit.
3. GOVERNMENT DIRECTOR: Mrs. Verónica Rojas. MIFIC Vice-minister representing Ministry of Promotion, Industry and Commerce.
4. CIVIL SOCIETY DIRECTOR: Mrs. Jilma Balladares, representing León Civil Society.
5. CIVIL SOCIETY DIRECTOR: Mr. Julio César Montealegre, representing Chinandega Civil Society.
6. MAYOR DIRECTOR: Mr. Tránsito Téllez, representing the mayors of the municipality of León.

The following people are also present as observers with the right to speak out, but not to vote.

1. CIVIL OBSERVER: Mr. Rigoberto Sampson, representing Province Council of León
2. CIVIL OBSERVER: Mr. Santos Méndez Zepeda, representing the Council of the Province Chinandega.
3. CITY HALL OBSERVER: Mr. Agrecio Osejo, representing the city halls of the Province of Chinandega.
4. GOVERNMENT OBSERVER: Mr. Pablo Fernando Martínez, Minister of Transport and Infrastructure.
5. GOVERNMENT OBSERVER: Mrs. Juana Argeñal, Minister of Environment and Natural Resources.
6. GOVERNMENT OBSERVER: Mr. Benjamín Dixon, MAGFOR Vice-minister.
7. MCC OBSERVER: Mr. Matt L. Bohn, MCC Resident Director.

It is hereby verified that those present were duly summoned according to applicable laws, the Foundation By-Law and what is established in the Millennium Challenge Agreement undersigned between the Government of Nicaragua (the "Government") and

the United States of America , acting through Millennium Challenge Corporation (“MCC”) of the fourteenth day of July of two thousand and five (the “Agreement”) and Governability Agreement.

Mr. Rodolfo Delgado presides this meeting as the Foundation Chairman and declares open this meeting of the Board of Directors and proceeds to make known the agenda items.

1. Quorum verification
2. Agenda Approval
3. Executive Report Presentation by the Foundation General Director
4. Approval of the
 - Cooperation Agreement with Pro-Nicaraguan executing the component of promotion of investments
 - Agreement with the Operator of the Livestock Cluster.
 - Amendment to Agreement with the Transport Project Supervisor
5. Miscellaneous:
 - a. Place of the next meeting of the Board of Directors
 - b. Urgent fixing of Guasaule-Villanueva road stretch
 - c. Training support and technical and professional formation at UNAN
 - d. Attendance of Director Members and rotation of Director members

Once the agenda is made known and duly approved by all the Directors, it is preceded according to the aforesaid items.

FIRST: Quorum Verification

The Chairman verifies the quorum and states that most of the members of the Board of Directors are present; consequently, there is legal quorum to open the meeting.

SECOND: Agenda Approval

The president submits the meeting agenda for debate, which is approved by unanimous decision of the members of the Board of Directors.

THIRD: Executive Report Presentation by the General Director

The Chairman of the Board of Director gave the floor to Mr. Juan Sebastián Chamorro, Foundation General Director, who presented the following Progress Report that corresponds to the closing of the Program’s first year of operation.

- a) *Rural Business Project*: The main goal of this project, during the month of July, are listed per component as follows:
 - 1) Entrepreneurial Development Services
 - 43 producers with access to credit (reimbursed and pre-approved-US\$110 thousand)
 - Export Promotion :
 - 3 plantain containers exported to El Salvador (US\$ 4,000.00 each one) – Cooperatives COPLOV, La Esperanza and La Unión.
 - 4 cassava containers exported to the USA (US\$5,957,00 each one.
 - The process of setting up a honey producer association in the western area.
 - 2) Watershed Management:
 - Prioritized proposal of Sub-watersheds Gallo, Grande and Sinecapa submitted.
 - 3) Technical and Financial Assistance
 - 225 livestock producers assisted with the delivery of construction materials, for milking stalls, enhanced pasture seed, fertilizer as well as training in hygienic techniques milking.

- Technical assistance provided to prepare 647 Agricultural Business Plans (cassava, beans, plantain and sesame seeds).

4) Forest Campaign 2007 implemented

- 765,203 plants delivered (64% energy-producing 34% timber-yielding and 2% fruit bearing)
- 338 producers trained and technically assisted.
- 17 Municipal environmental Plans with technical assistance during its formulation phase.

b) *Property Project*: Progress has been made in preparing 116 files in the final phase of issuing titles as follows: 69 in the Municipality of La Paz Centro and 47 in the Municipality of Nagarote. Moreover, an appraisal of the gender impact on agrarian title has started as well as the revision and consultation in progress of the preliminary report on the study in the indigenous community land possession. As regards institutional strengthening matters, IP, INIFOM, INETER and Marena Technical Units have been strengthened by hiring 4 technicians (legal drainage) and carrying out 4 training workshops on planning, classification, recognition of municipal boundaries and protected areas. .

c) *Transport Project*: It's been informed that progress has been satisfactorily in the making of contracts for the studies and designs of primary and secondary roads. As far as primary roads, aerial photograph takings, traffic counting, detailed topography, soil studies and environmental impact identification have been completed. As regards secondary roads, the traffic counting has been finished. A special report on criteria and assumptions and economic appraisal approaches has been submitted as well as progress in topographical survey works.

Resolution: The Board of Directors received and approved the General Director's Report. It was agreed to send a copy of the prioritized Watershed and sub-watershed report to the members of the Board of Directors and have a meeting with the work team at local level. It was agreed to request Mr. Matthew L. Bohn to consult with MCA-Honduras in order to make joint efforts in favor of Negro River Basin which comprises both countries and to inform the Board of Directors about such consultation.

FOURTH: Approval of Agreements, Contracts and Amendments

Mr. Juan Sebastián Chamorro, Foundation General Director, continued speaking to submit to consideration of the Board of Directors according to section 3.1 of the Procurement Agreement, section 1.7 (c) (iv) Governability agreement and Article thirteenth of the Foundation By-Law the following contracts and amendments:

Cooperation Agreement with Pro-Nicaragua: It was explained that as part of the implementation of Rural Business Project, during year one of the program, an agreement was subscribed with Pro-Nicaragua to be recognized as the institution specialized in investment promotion activities was subscribed and essential achievements were accomplished such as ratified investment attractions of 9.6 millions dollars and 55 million dollars in investment to be confirmed. In this sense, it's important to continue developing direct investment promotion activities for the western area and guarantee the following-up of investments to be confirmed as a result of the work started in the previous period (August 06-June 07) by entering a new agreement for up to US\$574,682 which will expire in one year from the signing.

The main components and Agreement Budget are:

- Part I- Initiatives of Improved Regional Practices
 - Regional Activity Promotion
 - Contact Development
 - Support to Investor
 - Development of Promotion Tools

Part II- Improvement of the climate of investment in the western area.

- Development of Human Capacity
- Create a talent Database in the western area.
- MCC Scholarship Fund
 - ❖ Annual Budget
 - Total: US\$ 574,682
 - Part I: US\$ 452,338
 - Part II: US\$ 122,344

MTI Minister stated that it would be important to retake national training initiatives such as INTECNA and technical education school initiatives at province level.

MIFIC Vice-minister expressed that it would be necessary to broaden the scope of the agreement that is being currently negotiating with MIFIC, which encompasses not only the promotion of exports, but also the investment actions and any other issue that according to its competences may jointly intervene with MCA-Nicaragua in the western area.

Mr. Julio Cesar Montealegre stated that it's necessary to emphasize more the possibility of agro-business investment in rural areas. In this case it's essential the role that municipalities must play to create a favorable environment for the attraction of investments. .

GOVERNMENT DIRECTORS, MAJOR DIRECTOR AND CIVIL DIRECTOR Mrs. Jilma Balladares stated that it's essential to know more details about the results of the Cooperation Agreement with Pro-Nicaragua, next August 27, 2007, and that in such extraordinary meeting Pro-Nicaragua should present particulars about the scope, budget, goals and results that they will accomplish.

CIVIL DIRECTOR Mr. Julio Cesar Montealegre stated that in the next session, his proposal would be able to emit a conditional approval of the Cooperation Agreement and proceed to discuss such specific issues with Pro-Nicaragua without preventing the cooperation agreement approval.

Resolution: The Board of Directors agreed by majority of Directors to have an extraordinary meeting for a detailed presentation by Pro-Nicaragua next August 27, 2007 at 9:00 am at the hall of Technical Secretariat Unit of the Presidency of Nicaragua to learn about specific particulars of such Cooperation Agreement and be able to approve the aforesaid Cooperation Agreement. In case this meeting may not be held, the Board of Directors agrees to vote by writing according to the Governability Agreement and the Foundation By-Laws.

Agreement with the Operator of Livestock Cluster: This process started in May of two thousand and seven with a call to express interests, in August of this year, when recommendation was made for the adjudication of the offer presented by ALIANZA TECHNO SERVE INC/CARE NICARAGUA/UNAN LEÓN, which obtained the highest technical score with a US\$ 2,497.038 offer. The time of duration to render this service will be 36 months from the signing of contract. The General Director submits this final agreement proposal with the service provider for approval from the Board of Directors to start negotiation with ALIANZA TECHNO SERVE INC/ CARE NICARAGUA/ UNAN LEÓN and later agreement approval of MCC.

Resolution: The Board of Directors approves by unanimous vote this final agreement proposal to hire the operator of livestock cluster according to terms and conditions presented to the Board of Directors as far as: 1) Amount of the contract, 2) duration of time to carry out the contract and 3) scope of services. It's also approved to authorize the General Director to negotiate the final agreement with ALIANZA TECHNO SERVE INC/ CARE NICARAGUA/ UNAN LEÓN. Once the negotiation is finished, he is authorized to sign the aforesaid agreement representing MCA-Nicaragua without any material changes of terms and conditions presented previous approval from MCC. It was agreed to include other aggregated values such as productive and environmental use like leather and horns.

Amendment to the contract of the Administrator and Supervisor of the Transportation Project: As a result of a request from the Board of Directors in relation to the financial support of Millennium Challenge Account Program for the road stretch between Villanueva-Guasaule, the following studies and designs of this road stretch have been identified, the revision and determination of the quality of the existing studies and designs is needed, relative to: feasibility, evaluation of the environmental-social impact and any other elements relevant to the project, to determine whether these fulfill the requirements of MTI and MCC. In this sense, negotiations have taken place with the firm ROCHE LIMITED CONSULTING ENGINEER, which actually acts as MANAGER AND SUPERVISOR OF THE TRANSPORT PROJECT,) to do such reviews of the works in up to five (5) weeks according to the scope of work presented and whose final result shall be a “Special Report of the Project” and which shall serve as an investment proposal base to be presented by MCA-Nicaragua in order to debate the construction financing of such road stretch. The amount of the amendment of this work will be US\$ 94, 738.

Resolution: The Board of Director approved by unanimous vote the amendment to the manager and supervisor contract undersigned between MCA-Nicaragua and ROCHE LIMITED CONSULTING ENGINEER under terms and conditions presented to the Board of Directors as far as: 1) Amount of the contract, 2) time of execution and 3) scope of services. It is also approved to authorize the General Director to sign such amendment in representation of MCA-Nicaragua without essential material changes with regard to terms and conditions presented.

FIFTH: Miscellaneous

a) Place of the next meeting of Board of Directors

Civil Director, Mr. Julio Cesar Montealegre, motions for the next ordinary meeting of the Board of Directors to be held in the Province of Chinandega, and rotate them in Managua, Chinandega and León. The members of the Board of Directors state that it will be possible according to the agenda of the Board of Directors members, and they shall work on the proposal presented by CIVIL DIRECTOR Mr. Montealegre for the next extraordinary meeting.

b) Urgent repair of Villanueva-Guasaule road stretch.

MAYOR OBSERVER Mr. Agrecio Osejo formally requested to finance immediate repair of such road stretch. MCA-Nicaragua General Director asked to present the corresponding proposal and take procedures before MCC. The Board of Directors and the Mayor of Somotillo, Agrecio Osejo shall be informed about the response from MCC.

c) Training Support and Technical and Professional Formation at UNAN Somotillo

MAYOR OBSERVER Mr. Agrecio Osejo, asked MCC to consider supporting the extension of UNAN in Somotillo for training support and technical and professional formation.

d) Attendance of Director Members and rotation of Director Members

MAYOR OBSERVER, Mr. Agrecio Osejo expressed his concern of the attendance of some DIRECTOR MEMBERS, requesting they make special to attend the sessions personally, especially those government members that have been assigned to attend this meetings in person, and just in emergency cases they should delegate their representation.

CIVIL OBSERVER, Mr. Santos Méndez, said that a rotation is coming up among the present members acting as CIVIL DIRECTORS and present members acting as CIVIL OBSERVERS, all that according to the Foundation By-Laws and the Governability Agreement

SIXTH: The Secretary or Chairman of the Board of Directors, as well as any Notary Public shall be able to certify this minute.

This meeting is closed at twelve hours, on the same day, and it is hereby recorded that all the decisions were unanimously made.

Rodolfo Delgado

Verónica Rojas

María Esperanza Acevedo

Jilma Balladares

Julio César Montealegre

Tránsito Téllez