

Minute No. fifteen (15) from the Board of Directors of MCA- Nicaragua Foundation

On the city of Managua, at the tenth hour of the fourth day of March of the year of two thousand eight in the conference room of the Ministry of Finance and Public Credit's office, the following people were met:

PRESIDENT: Mrs. María Esperanza Acevedo, Vice- Ministry of Finance and Public Credit as the representative of the ministry of Finance and Public Credit, assigned by a power letter which is attached to this minute.

GOVERNMENT DIRECTOR: Mr. Paul Oquist, Secretary of the National Policies of the Presidency of the Republic.

GOVERNMENT DIRECTOR: Mr. Pablo Fernando Martinez, Ministry of Transportation and Infrastructure

CIVIL DIRECTOR: Mr. Santos Méndez Zepeda as the representative of the Department Council of Chinandega.

MAJOR DIRECTOR: Mr. Agresio Osejo as the representative of the Municipal Majors of the Department of Chinandega.

As voice-right, but non vote-right observers, the following people were present:

CIVIL OBSERVER: Mrs. Vilma Balladares as the representative of the civil society of the Department of León.

GOVERNMENT OBSERVER: Mr. Fernando Palacios as the representative of the Ministry of Environment and Natural Resources.

MCC OBSERVER: Mrs. Amy Kirshenbaum, Associate Director in the Country and Eddy Jerez, Resident Sub-director in the country.

It is stated that the present people were duly cited according to the applicable laws, the statutes of the Foundation and to what it was agreed in the Millennium Challenge Agreement subscribed between the Government of the Republic of Nicaragua ("The Government") and the United States of America, acting through the Millennium Challenge Corporation ("MCC") dated on the 14th of Julio of 2005 (The "Agreement") and in the Agreement of Governance.

The president of the Board of Directors proceeded to verify the quorum and to state that the majority of the members of the Board of Directors were present, so there was a legal quorum to continue with the session by declaring the session open and to continue according to the previously approved agenda:

1. Quorum verification
2. Approval of agenda
3. Approval of the proposal for the prioritization of the secondary roads
4. Approval of the Information and Communication Policy of the Millennium Challenge Account
5. Various

FIRST: Quorum Verification

The President proceeded to verify the quorum and stated that the majority of members of the Board of Directors were present, so there were enough legal quorums to start the session.

SECOND: The approval of agenda

The President submitted the agenda of the session for discussion, which is unanimously approved by the members of the Board of Directors.

THIRD: Approval of the proposal for the prioritization of the secondary roads

Mr. Juan Sebastián Chamorro stated that regarding the secondary roads issue and by recalling some background to this component, when the list of roads to be built were showed, the donor stated that to have a investment decision, it was important to have the designs and the feasibility studies ready; that at the moment of negotiating the donation, it

was not possible that stretches of roads could be approved in advance without knowing in exact economic potential of profitability to the national economy.

He kept continued explaining that it was always needed to set up the obligation to perform feasibility studies and final designs to give the priority to the second roads. From this moment, the feasibility studies were performed and the first finding that started to be noticed is that in many of the roads the traditional methodology of traffic counting produced had a pretty low profitability of the secondary roads and even a negative outcome in some stretches; so he brought to attention that the national organizations specially the Inter-American Bank had an additional methodology to the evaluation of road projects, specifically for the case of secondary roads that fixed pretty well with the rationale of the project, since it is about a project that helps the producers of the region to be connected to the market.

Mr. Chamorro kept explaining that this was discussed with the MCC and that they agreed and in addition to the benefits of the traditional methodology of roads evaluation, that is basically translated or it is reduced to the benefits generated by the reduction of the time of traveling among the users of the roads, the reduction of maintenance costs and the reduction of the fuel costs and lubricants, other benefits that the road gives are integrated specially the production because – as an example, the paving of a roads automatically opens the market for trading fluid milk. And you can see in the in some roads where the pavement finishes, is where the market of the already transformed products starts such as cheese, that have their value, but they do not have the advantages of the fluid milk.

That kind of transformation was not captured in the traditional evaluation. MCC accepted that those no traditional benefits by calling them like that, accepted the methodology and now we are in the process that MCC approves the studies of feasibility that have been concluded.

Mr. Chamorro kept explaining that the final drafts of the Feasibility Studies (Draft Final FS) of the Secondary Roads were reviewed by MCC and approved by MCA-N by the second half of December of 2007. Up to now, the consultant of Studies & Designs, TYPASA/AZTEC, continues with the incorporation of numerous comments of MCA-N and MCC to the final versions of feasibility. The task of incorporating the technical recommendations to the final studies will still require an additional effort to be concluded, given that certain very specific elements of the Economic Evaluation – related to the methodology for the calculations of the Agricultural Benefits used in the case of nine stretches of road– they are under scrutiny of the teams of the donor and MCA-N.

By considering to what has been described below and taking into account the challenging schedule of work that the Project of Transportation faces, it is evident that to advance with the exercise of Prioritization of the Secondary roads, this must be conceived as a two-stages process.

The first stage of the prioritization process – that would take place immediately –should be based on the Internal Rate of Return (IRR) calculated based on the traffic, without taking into account the calculations of the Agricultural Benefits that could vary. Based in the Traffic Criteria, the outcomes of this First State of Priorization are shown in Chart 1. It was explained to the members of the Board of Directors as it is shown in Chart, the only stretches of road that covers the minimum IRR required by the Donor are S9 (León-Poneloya-Las Peñitas), S7 (La Paz Centro – Malpaisillo) and S1 (Somotillo-Cinco Pinos).

As it was well- pointed out, the Board of Directors of MCA-N, the stretch of road S7 – according to the vial strategic plans of Nicaragua – it means high priorities to become part of the main corridor between the north and south borders of the country and their rehabilitation can be an option of a very attractive investment for the multilateral finance organizations. MCA-N and MTI would submit a project of rehabilitation of S7 to consideration of the multilateral organizations, setting down that a positive answer would release important funds to attend other stretches with a more adjusted profile to the Secondary Road.

CHART NO. 1.

STRETCH	LENGTH (km)	TPDA 2007	IRR (%) THE BENEFITS ONLY FOR THE CONSUMERS (TRAFFIC)
S9	19.6	1000	>8
S7	37.2	378(+129)	>8
S1	29.4	209	8
S10	11.7	209	6
S6	13.4	202	5
S8	36.4	157(+66)	4
S4	40.5	135	1
S5	22.4	196	1
S12	36.3	82	-2
S2	15.6	46	-3
S3	9.7	61	-3
S11	16.2	68	-4

* The figures in parenthesis corresponds to the attracted traffic

Given that the process to present the Project S7 to the multilateral organizations and manage their intention/commitment of funding will take some time, we will exclude the project S7 of this First Stage of Priorization without meaning that the same cannot be considered during the Second Stage, in case there are no real expectations to get funds through other sources.

Therefore, in this First Stage of the Priorization Process, the stretches of road S9 (León-Poneloya-Las Peñitas) and S1 (Somotillo-Cinco Pinos) will be chosen. By considering that the Final Designs are under the final review by the Donor and MTI, the preparation of the Bidding Documents of S9 and S1 could start immediately and its publication would be a spearheading of the bidding processes of the component of Secondary Roads of MCA-N.

The second phase of Prioritization will be implemented once we have the final approval of the donor of the calculations of the Agricultural Benefits from the other projects.

As it was explained, despite the Economic Analysis of some secondary roads are still in progress and the calculations of IRR would be uncertain due to the analysis of the Agricultural Benefits, in the case of the stretches S9 and S1, it is quite obvious in relationship with their feasibility to be rehabilitated with MCC funds. Please see more details on the nature and features of the stretches S9 y S1 in the attachments.

Therefore, MCA-N and MTI submits for the approval of the Board of Directors, the mechanism of prioritization by stages, and the selection of the stretches S9 and S1 in this first Stage.

It was explained to the members of the Board of Directors that S5 and S4, with the agricultural benefits, increase their IRR, and it is very likely they achieve a higher rate, taking into account that in such roads, there is a good concentration of producers.

THE GOVERNMENT DIRECTOR, Mr. Paul Oquist, says it is important to understand the approach or scheme for the economic evaluation of the secondary roads and set up that the project that does not included inside the evaluation the criteria of agricultural benefit, being the same the objective or end of the program, and this should be out of discussion since they would not be complying with the goal of the Compact. In relationship with the stretch S7, it refers that the presented proposal has sense and by being an important project to improve the communications among the Central American countries, it would then be included in another scheme of funding as CABEI or San Jose Mechanisms, among others.

Mrs. Amy Kirshenbaum, MCC Associate Resident Director explained that MCC has been working and considering inside the mechanism of the evaluation, the agricultural benefits, and she wants to make clear that the inclusion of this factor –agricultural benefit – is of vital importance for MCC and that preparing this proposal is a way of speeding up with

those stretches that have gone through an economic evaluation with minimum criteria, and added the agricultural benefits, it would no change apart from taking into account the availability of funds that the Compact currently has for secondary roads. For MCC, the presented proposal is a way of speeding up with the activities of rehabilitation of secondary roads.

Mrs. María Esperanza Acevedo says that the regional interconnection factor between regional and internal is an essential factor to ensure the objectives of the Compact and that is the point that the GOVERNMENT DIRECTOR is showing. Likewise, Mr. Oquist clarifies that the agricultural benefits are not the only criteria. There are also other criteria, such as the criteria related to the development of tourism that could be included in the evaluation of the stretch of road León – PoneLOYA, and regarding the issue of availability of funds, Mr. Oquist clarifies that they are conscious of the budget limitations and in that sense, before approving, it is then important to know which ones will not be done and to have the outcomes of the complete economic evaluation, to be able to make a decision pursuant to the availability of funds.

THE GOVERNMENT DIRECTOR, Mr. Pablo Fernando Martinez, says that one of the principles of CRM is the eradication of poverty and from then and after having discussed between MTI and MCA-Nicaragua, it was decided that the stretch S7, that is not an international corridor, it will not be included, considering that it is not linked directly to the issue of poverty eradication and it was agreed that it must be excluded the stretches of roads of secondary roads besides S7, stretch S8, since these are presented to another source of funding.

The GOVERNMENT DIRECTOR, Mr. Sr. Martinez, continued saying that is urgent to approve the stretches S9 and S1, to exclude the stretches S7 and S8; that the bidding for the two stretches should start that they will be approving in today session, at the earliest.

THE MAJOR DIRECTOR, Mr. Agresio Osejo, stated that right from the beginning of this program and by the decision of the Councils of Department Development, it was agreed to prioritize these secondary roads and that the rationale of the decision of the members of the Board of Directors should go in this way, that the priority were the secondary roads and recalls that they have requested an extension of funds for this Compact to be able to rehabilitate the totality of the secondary roads and achieve a regional interconnection with the rest of the country throughout. Mr. Osejo also says that there are funds at CABI for the rest of the secondary roads and in this way, to complement the Program of CRSM and achieve the poverty eradication in the region. Likewise, he expresses that he agrees with the idea of approving the two stretches S1 and S9 to make progress and to meet timely to keep analyzing this issue of secondary roads.

Resolution: *The members of the Board of Directors unanimously the joint proposal of the Ministry of Transportation and Infrastructure (MTI) and the General Direction of MCA-Nicaragua for the prioritization of the secondary roads, by establishing that: 1) Approved the stretch S9 (León-PoneLOYA-Las Peñitas) and S1 (Somotillo-Cinco Pinos) of secondary roads to be rehabilitated with charge of funding to MCC; 2) To start the bidding process for such stretches of secondary roads as earliest; 3) the stretches S7 and S8 of secondary roads are excluded and that those stretches should be submitted to the research of resources with other sources of funding. It was also agreed that MTI, MCA-Nicaragua and the Local Representatives (Municipals) of the Region integrate to keep analyzing the second phase of the proposal, the prioritization of the rest of stretches of secondary roads.*

FOURTH: Approval of the Information and Communication Policy of the Millennium Challenge Account

The General Director said that he has invited the Communication Director of MCA-Nicaragua, Mrs. Judith Vanegas, to have feedback on behalf of the Board of Directors especially regarding the adjustments that have been requested by the Board of Directors, specifically the role that it should have within the Policy of Communication.

Mrs. Vanegas started her presentation by commenting that she has reviewed the Minutes of the Board of Directors and she has met with the Chairman of the Board of Directors to see

which are the exact requirements that should be incorporated to the communication strategy, that the Millennium Challenge Account has been developed.

She said it was designed a communication policy that contains the principles and regulations that will rule all the Communication System of the Millennium Challenge Account and it contains, additionally, the Communication Strategy. It means that communication strategy is the methods and tools that have been used and we will use to achieve the objectives we have set up in the issue of communication.

Which are the principles that have been transmitted through the communication messages and that rule the issue of communication: the issue of transparency. Here the communication actions have been focused on the target population and the audience, in general, knows how the program invests the resources, the actions it takes, where it implements them and their impact.

It is about communicating and projecting MCA-Nicaragua as an institution of open doors and even in the website, they publish in the minutes of the agreements that the Board of Directors approves, each of the projects, it is the execution of the projects. Likewise, the issue of efficiency is another issue that MCA-Nicaragua transmits in the communication materials.

Other principle is the sense of quality. It means that all the work that MCA-Nicaragua performs should have quality seal, then, it is also the issue of service vocation, that was well-explained by the Ministry of MTI by saying that MCA-Nicaragua is an institution that works for the small and medium producers, we work to eradicate the poverty in the Western Region of the country; so we have to transmit that service vocation through the communication message that we develop.

The issue of gender approach, in fact, the gender is a cross-cutting issue in all the program and MCA-Nicaragua shows that the program promotes the participation of women in all the actions and the projects that the program executes. In the communication works, it has been spread out the successful experiences of female cattle producers who have broken up with the stereotype that women cannot be a cattle producer and we have very good examples in this regard, examples of women who are working the issue of plantains.

She continued explaining that MCA-Nicaragua promotes and transmits the issues of communication: the participation of women and the development of educative material for the awareness of consciousness in the issue of gender as well as the promotion of the coordinated work of MCA-Nicaragua in the territory with the state institutions of the government, with the municipalities, with the organizations of the civil society, in the communication work it should show this coordination and promote it.

In the issue of environment and natural resources, the strategy on communication establishes it up as a cross-cutting axle, since the development cannot be supported in the depreciation of the natural resources and the environment. We have been working and promoting the issues of awareness of consciousness on respect and protection of these issues and another principle is that there must be a permanent communication with the public.

Mrs. Vanegas continued explaining that the communication strategy has two important objectives of the many of the functions the communication has, an informative objective and an educative objective. The informative objective to keep informed to the target population, on the way to have access to the program, on its projects, mission, vision, the outcomes and the resources it invests. A communication provided in the right time and with a good quality can make the difference between success and failure of any action.

The most important thing is that as better we inform the public, as better informed the population, the actions that the program performs will have a better perception.

Regarding the educative objective, this is chiefly to contribute to complement the actions that the program develops on technical assistance issues and to promote the changes of attitudes and behavior of producers in order to enable them to make of their business a more profitable business, which is one of our purposes, to make conscious around these

issues such as the issue of gender, issues of environment, which are very important matters or MCA-Nicaragua.

The target public, in the strategy of communication, we can locate the national decision-makers, the department and municipal authorities, the councils of department development, the public and private agricultural sector, NGO, unions, the beneficiary population of the Project and the population in general both from the Western Region as well as the rest of the country.

The focus of the communication has been fixed into three centers, through which we have been working and reforming some aspects. This is the issue of direct communication, the communication through official and institutional channels and the massive communication with a positive approach. In this case, we talk about the direct communication: They are the relationship that are performed daily, but the officers and the technicians, the beneficiaries of the project with the meetings they hold with the municipal authorities and all, is the relationship that it is established daily, but now it is required to go in this new policy of communication a little further. We have been talking about the establishment of a communication network and permanent information in the territory.

What does it look for? To intensify that communication that has been performing. MCA-Nicaragua 4 offices; one in each of the following territories: North Chinandega, South Chinandega, North León and South León. The work of these offices will be reformed so have a permanent campaign of information will be held to enable them to explain in the territory who are all the players that participate in the development of the program, to have a higher involvement of women and promote the rapprochement with the municipalities, with the organizations, with the unions and all the actors at local level.

To let people know about what has been achieved, how they can get benefited, how they can get the benefits of the program. This will be made through the enforcement of the direct communication so that the rural female communicators can be a permanent channel of communication in the territory as well as the technicians. Then, another axle of communication is the institutional communication. That is the communication through the media: the own means of information that transmit and the messages that MCA-Nicaragua generates. In this sense, we have different kind of media. There is an electronic newsletter. I think that some of you have gotten it.

It is newsletter sent by electronic means. It comes weekly. It shows the actions that are been performing in the territory. It started initially with 200 receivers. It is reaching a little more than 5 mil 700 national and international receivers. It will reach to the 68th edition. This contains information of the daily work and we almost in the last one; so I hope all of you have gotten it.

It gives credit to all the institutions that work in the development of the project, the main issue of this edition that has just gone is The Pilot Plan of Cadastral Sweep. The Ministry asked us to outline this issue. Other issues outlined where there is the participation of all the actors of the government and the municipalities. It was outlined the coordination point the work of MSE's that the Millennium Challenge Account is doing and IMPYME. The same happens with the work from MARENA in the overage of Las Conchas Negras. We tried to outline this in the recently distributed newsletter.

Then, there is an electronic newsletter of prices. This newsletter contains all the information merely on the prices in the local, national and international product market, this contains purchasing and selling of products. There is a list that goes from the traders of products and everything. This has had a good acceptance and we get constant comments; for example, from El Salvador at the moment, many of the purchasers want the topic of sesame, the topic of beans. Since they receive this newsletter, they write us asking trade contacts and it has had a good acceptance in this regards. It fosters the commercialization. We then have the institutional printed newsletter.

This newsletter contains a little more detailed information of the issues and the daily work of the institution. We are preparing the newsletter No.8. In this edition, the central topics, apart from the editorial that goes in this number is an editorial, the editorial is signed by the Ministry of Finance, our President of the Board of Directors. Then, it goes the main topic

that is about the plantains focused on the coordination that are between the different institutions of how the plantain is already been exported at international level to Honduras and El Salvador.

Jointly with the group, the Alliance and the work that the Millennium Challenge Account has been doing, IDR and the municipality itself also includes the topic of delivery of property titles that the President Daniel Ortega and the Ambassador Danilovich, it contains the issue of cadastral sweep, it's a deeper topic than we normally see in the electronic newsletter, this has bimonthly publication, 1,500 copies are printed and it is redistributed free in the territory through the municipalities or through the organizations that are present in the territory, it includes the human point, the human approach that always tries to give to the works.

Then, we have the issue of the website. It helps us to show not only the information that is generated in the institution and the projects, but also the information on the issue of transparency, there are all minutes that the things approved by the Board of Directors, the issue of the investment in the resources and foster the issue. On it, we publish all the things related to biddings and with employments.

Always in the institutional communication, there is the preparation of communication products, such as brochures, banners, posters, among others, that help us to fix the institutional image and the brand image. They are part of the products that we are performing in this moment, the proposal of the banners, there is a banner for each of the components, an institutional banner, where all the actors who participate in the topic are being integrating and this help us to fix the institutional image a little bit, who are the ones who intervene on this and the brand image.

We have implemented actions educational communication; it has a radio program that is broadcast in a radio of Leon and in a radio of Chinandega, this is a purely educational program. It was created to complement the actions that technicians develop in the territory, this goes beyond explaining livestock diseases, such as combat, and prevent them, as well as seeing and identifying them, it's like a conference, a training, but transmitted by radio, it is created in order with that end because not all farmers have access to the Internet, not all producers have access to 1500 copies. At this point and seeing designs communications products, it is agreed that the logos are located at the top, in all documents communications, and the only logo that must change is the logo of Municipalities, as the ability communication and outreach is very limited.

Ms. Kirshenbaum from MCC explained that the communication program MCA-Nicaragua has been recognized internationally for the quality and professionalism with which it has been running. MCC says that even if the Board adopts a decision, in many cases, have to wait for approval by MCC at the central level, and therefore announcements of the Board of Directors, should be once it is completed the whole process of approval of MCC. Also in terms of official announcements are reminded that in addition to the members of the Board of Directors, must also be representatives of the Government of the United States of America, and in any case should coordinate public messages and the presence of the donor.

The GOVERNMENT DIRECTOR, Santos Mendez, welcomes the presentation by the Director of Communication, adding that could be an effort to increase communication informally, in those places where they have large numbers of beneficiaries and can be used communication mechanisms, pathways schools, or education centers, as well as implementing training activities, which complement the informative part, and the educational part It also states that should be included in the sustainability of the actions of communication, to build capacity in the territory for the communication of actions.

On the subject of the media and journalists, it is important to generate an outline of training journalists on issues related to project activities, and could be at two levels, at a graduate level or diploma level.

The GOVERNMENT DIRECTOR, Paul Oquist, called on the Board of Directors, to add the principle of the so-called partner, which is due to understand attention to the various actors in the program, and that the Government of the Republic includes a national, a

regional and a municipal level, and that must always be taken into consideration at the municipal level.

The MAJOR DIRECTOR, Mr. Agresio Osejo, said that with the Municipal Mayors must establish a mechanism for direct communication with the mayors; it always give the benefit of a good image for coordination and communication with the municipalities and to report on a particular key agreements have been adopted by the Board of Directors.

The CIVILIAN OBSERVER, Mrs. Jilma Balladares said that it is important that within the communications policy should be to incorporate the line "no child labor".

The Resolution:

It adopts the policy of communication that was shown and adds the principle of the so-called partner. It is approved that a press release it must be shown after each Board of Directors the issuance of a communiqué or a press release. It maintains that the President of the Board of Directors is to conduct the official announcement at the end of the chain of approvals.

FITH: Various

- a) Follow-up to the agreements of the Board of Directors

The MAJOR DIRECTOR, Mr. Agresio Osejo, claims that after the checkpoints quorum and adoption of the agenda, the Director-General report on the implementation of each and every of the resolutions adopted by the Board of Directors.

It was agreed that members of the Board of Directors send items to be included in the agenda sessions and each item comes with supporting documentation.

- b) Support of MCA-Nicaragua to the nucleus of the National Autonomous University of León in Somotillo

The MAJOR DIRECTOR, Mr. Osejo and the CIVIL DIRECTOR, Mr. Mendez, express that it is necessary to come back to this point, to see how they can operationalize the agreement of the Board of Directors, in those are professional careers related to the activities of the program.

The General Director of MCA-Nicaragua stated that it is working with the UNAN-Leon to see how within the business plans of the Rural Business Project, incorporates training activities.

- c) Inform of the Audits to the semester of January – June 2007.

The General Director of MCA-Nicaragua reports that the second report of the external audit has already been issued, finding no fact of significant relevance, and there is only one recommendation to improve the management of the archives of the business plans, and this is will be reported directly to each member of the Board of Directors, also reported that the audit report will be distributed to members of the Board of Directors in Spanish, at the earliest.

- d) Aspects of salaries on administrative positions of the support component to MARENA as part of the execution of the Project Property Regularization. Mr. Fernando Palacios as the representative of MARENA, request the members of the Board of Directors to approve the salary leveling for the position of administrative technicians.

Mr. Fernando Palacios, in representation of MARENA, solicit to the Board of Directors approve a price adjustment to administrative assistance

About this point, the acting President of the Ordinary Session No. 15 sets up that it should send the corresponding documentation, with enough time in advance.

SIXTH: The Secretary or the President of the Board of Directors as well as the Public Notary will have the faculty of certifying the current minute.

The session number fifteen is given as ended at the twelve and half hours of the fourth day of March of the year of two thousand eight and it records that all the decisions were unanimously made.

Signed by:

María Esperanza Acevedo

Paul Oquist

Santos Méndez

Pablo Fernando Martinez

Agresio Osejo