

Minutes No. 30

**MCA-Armenia Governing Council Session
16:00, June 13, 2008
GoA Conference Room**

The session was chaired by H.E. Tigran Sargsyan, The Prime Minister of the Republic of Armenia and the Chairman of the MCA-Armenia Governing Council.

In attendance of:

Members of Governing Council:

Armen Gevorgyan	Deputy Prime Minister, Minister of Territorial Administration
Vahram Nercissyantz	Deputy Chairman of the MCA-Armenia Governing Council, Chief Economic Advisor to President of Armenia
Tigran Davtyan	Minister of Finance
Nerces Yeritsyan	Minister of Economy
Aramayis Grigoryan	Minister of Agriculture
Gurgen Sargsyan	Minister of Transport and Communication
Arayik Hovhannisyanyan	President of "Association of Municipal Councilors of Armenia" NGO
Vanik Soghomonyan	President of "National Union of Farmers" NGO
Ashot Voskanyan	President of "Agricultural development" NGO
Karine Baghdasaryan	Authorised representative of Karen Nazaryan, Executive Director of "Armenian Inter-Church Round Table" NGO, GC member

GC observer:

Karine Danielyan	Environmental observer of Millennium Challenge Account-Armenia SNCO, President of "Association for Sustainable Human Development" NGO
Alex Russin	GC Observer, MCC Resident Country Director, MCC Armenia

Invitees:

Andranik Andreasyan	Chairman of State Water Committee, Ministry of Territorial Administration
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Participants:

Ara Hovsepyan	CEO, MCA-Armenia SNCO
Nora Martirosyan	Legal Counsel/GC Secretary, MCA-Armenia SNCO

Hakob Petrosyan	Rural Roads Rehabilitation Project Officer, MCA-Armenia SNCO
Tigranuhi Baghdasaryan	Translator of MCC Armenia
Simon Ghonaghchyan	Head of Economic Department, RA Government Staff
Mary Harutyunyan	Head of Public Relations Department, RA Government Staff
Hovhannes Sahakyan	Senior Specialist, Economic Department, RA Government Staff

The meeting was opened by Mr. Tigran Sargsyan, the Prime Minister of the Republic of Armenia and the Chairman of the MCA-Armenia Governing Council.

The Agenda was approved as follows:

1. Discussion and approval of the Disbursement Request – VIII, to be submitted to the MCC, and the below mentioned documents:
 - a/ The Disbursement Request (DR) and the Quarterly Financial Report (QFR)
 - b/ The Conditions Precedent (CP) report
 - c/ The Multi-year workplan
 - d/ The Narrative Report and Indicators Tracking Table
 - e/ The Procurement Performance Report
2. Presentation and discussion of the main findings and final recommendations of the Consultant (Finnroad Ltd.) on the “Performance Based Routine and Winter Maintenance of Roads” under the Rural Roads Rehabilitation Project.
3. Presentation and discussion of the current trends and forecasts for the MCA Rural Roads Rehabilitation project construction works.
4. Discussion and approval of the Shortlist and RFP for selection of a Consultant for the “Development of Long-term Routine and Periodic Maintenance Plan” under the MCA Rural Roads Rehabilitation project.
5. Discussion and approval of the Cancellation note for the procurement of the Consulting Services on Final Design and Construction Supervision of the Seven Irrigation Reservoirs, IA-07/003 under the MCA Irrigated Agriculture Project Infrastructure Activity.
6. Discussion and approval of Implementing Entity contract amendment signed between MCA-Armenia SNCO and the National Statistical Service.
7. Information on the activities of Stakeholders’ Committee.
8. Other issues:
 - a) Discussion and approval of combined technical and financial evaluation results of Consulting Services Contract IA-07/002 “Design and Construction Supervision of Tertiary Canals.
 - b) Discussion and approval of draft Contract WM/IS-06/005 on Consulting Services for “Institutional Strengthening of Irrigation Management Entities” of Water-to-Market activity of the program.

The Agenda was approved unanimously.

Agenda item 1 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

Ara Hovsepyan informed that starting from this quarter MCC will introduce new Common Payment System. The system will enable to make payments consultants, contractors or to persons, who are in other contractual relations with the MCA-Armenia SNCO, directly from MCC's headquarter in Washington.

At the same time Ara Hovsepyan stated that only one condition precedent in CP Report to be presented to MCC by the MCA-Armenia was not met. The condition precedent states: "The Government developed and adopted legislation and/or regulations, or amended existing legislation and regulations to facilitate the establishment of agricultural cooperatives.

In regard to that issue Simon Ghonaghchyan informed that the existing RA legislation stipulates the possibility for establishment of agricultural cooperatives, therefore it is necessary to negotiate with MCC in order to waive the mentioned condition precedent.

Ara Hovsepyan informed that during signing the Millennium Challenge Compact, MCC studied the issue and came to the conclusion that RA Legislation stipulates rather complicated procedure for the establishment of agricultural cooperatives.

RA Prime Minister clarified that there are ongoing activities targeted at improvement and simplification of legislative field and corresponding instructions were given to RA Ministry of Agriculture, RA Ministry of Economy and RA Ministry of Justice to study the best international experience and based on the results to develop and submit to RA Government draft of legal acts.

RA Prime Minister Tigran Sargsyan assigned Simon Ghonaghchyan to follow up the implementation of the instruction.

Arayik Hovhannissyan addressed Narrative Report. He mentioned that it is planned in the Infrastructure section that beneficiary communities are obliged to pay 15% of contract price for construction of tertiary canals in four villages, however, it is not clear, where the idea of co-financing came from.

Ara Hovsepyan clarified that it is envisaged by Millennium Challenge Compact that corresponding beneficiary communities will pay 15% of the amount for the design and construction of tertiary canals. The co-financing for the mentioned four villages has been already received. This refers only to tertiary canals.

After discussions **it was unanimously decided** to approve Disbursement request –VIII to be submitted to MCC and documents, attached to it.

Agenda Item 2 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

Ara Hovsepyan informed that an agreement has been already reached with RA Ministry of Transport and Communication to discuss the recommendations, submitted by FINNROAD company.

After clarifications **it was unanimously decided** to take into account the main findings and final recommendations of the Consultant on the "Performance Based Routine and Winter Maintenance of Roads" under the Rural Roads Rehabilitation Project.

Agenda Item 3 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

Tigran Davtyan informed that in accordance with the reference submitted, 61 mln. USD is envisaged by Compact for civil works of Rural Roads Rehabilitation Project and according to information, provided by Ara Hovsepyan, 67 mln. USD will be allocated for Rural Roads Rehabilitation Project. The question is which figure is correct?

Ara Hovsepyan clarified that 67 mln. USD will be allocated for Rural Roads Rehabilitation Project, 61 mln. USD of which will be spent only for civil works and 6 mln. USD – for design, technical supervision and similar activities.

Gurgen Sargsyan informed that bid security validity period for the implementation of civil works, included in Package 1 was extended for one month period, i.e. 9 July 2008.

RA Prime Minister Tigran Sargsyan emphasized the necessity for early start of the mentioned civil works.

After discussions **it was unanimously decided** to approve the extension of bid security validity period for the bidders within the frames of rehabilitation works of roads, included in the first package and take into account the information on civil works within the frames of Rural Roads Rehabilitation Project of the MCA-Armenia program.

Agenda Item 4 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

It was unanimously decided to approve Shortlist and RFP for selection of a Consultant for the “Development of Long-term Routine and Periodic Maintenance Plan” under the MCA Rural Roads Rehabilitation project.

Agenda Item 5 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

Karine Danielyan informed that there are operating reservoirs amongst seven reservoirs, which only need to be rehabilitated, Kaps reservoir for example. Isn't it possible to rehabilitate this reservoir?

Ara Hovsepyan clarified that there is a safety issue in case of Kaps reservoir, which is not in the list of main objectives of the Millennium Challenge Account, since the main objective of the program is to increase the rural productivity and income.

Ashot Voskanyan mentioned that the construction of six amongst seven reservoirs will not be carried out, therefore there will be rather noticeable savings. So why not to spent these savings for the construction of new reservoir?

Ara Hovsepyan clarified that the savings will be spent on the implementation of other activities, stipulated by program, such as tertiary canals, main canals and etc.

Armen Gevorgyan mentioned that RA Government has already initiated corresponding activities targeted at solving land ownership issue of Argich reservoir catchment area. In the result of that it became clear that there are legal, as well as illegal, but actual land owners. Therefore, in order to solve this issue it is necessary to allocated 35-50 mln. AMD from RA state budget.

After clarifications **it was unanimously decided** to approve the Cancellation note for the procurement of the Consulting Services on Final Design and Construction Supervision of the Seven Irrigation Reservoirs, IA-07/003 under the MCA Irrigated Agriculture Project Infrastructure Activity.

Agenda Item 6 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

Nerces Yeritsyan proposed to use professional knowledge of RA National Statistic Service not only for programmatic studies within the frames of the given contract, but also for comprehensive study of state importance.

Arayik Hovhannisyanyan pointed out the necessity to interview the municipal councilors, besides the village Mayors.

After discussions **it was unanimously decided** to approve the Implementing Entity contract amendment signed between MCA-Armenia SNCO and the National Statistical Service.

Agenda Item 7 was presented by Ashot Voskanyan, MCA-Armenia Stakeholders' Committee member, Governing Council delegate.

After presentation of the issue **it was unanimously decided** to take into account the information submitted regarding the activities of Stakeholders' Committee.

Agenda Item 8 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

Regarding sub-clause a) **it was unanimously decided** to approve combined technical and financial evaluation results of Consulting Services Contract IA-07/002 "Design and Construction Supervision of Tertiary Canals.

Sub-clause b) of Agenda Item 8 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

Ashot Voskanyan pointed out that the company presented is implementing another contract within the frames of the program. Isn't it the issue of conflict of interest?

Ara Hovsepyan clarified that the proposal of the company was studied from the point of view of timing and personnel and no conflict of interest has been identified.

Nerces Yeritsyan was interested to know if there is a long-term strategy in that sphere.

Ara Hovsepyan informed that presently there is no strategy, but the main purpose of this program is to show the directions of this strategy.

Regarding sub-clause b) **it was unanimously decided** to approve draft Contract WM/IS-06/005 on Consulting Services for "Institutional Strengthening of Irrigation Management Entities" of Water-to-Market activity of the program.

RA Prime Minister Tigran Sargsyan informed all those present that Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO will visit Washington to participate in MCC meetings.

The participation of the later is very timely, since it is necessary to present to MCC the urgency to start the rehabilitation works of roads, included in the First Package, because any delay will result in loss of time and recourses.

Therefore, RA Government and MCA-Armenia SNCO are expecting to receive no-objection of MCC to commence civil works.

After expiring the agenda items, the meeting was adjourned.

MCA-ARMANIA GOVERNING COUNCIL CHAIRMAN,
RA PRIME MINISTER

T. SARGSYAN

The minutes were taken by:

Nora Martirosyan
Legal Counsel/GC Secretary,
MCA-Armenia SNCO