

Minutes No. 31
MCA-Armenia Governing Council Session
16:30, July 7, 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	RA Minister of Finance
Nerces Yeritsyan	RA Minister of Economy
Aramayis Grigoryan	RA Minister of Agriculture
Gurgen Sargsyan	RA 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
Karen Nazaryan	Executive Director of "Armenian Inter-Church Round Table" NGO, GC member

GC observer:

Karine Danielyan	Environmental observer of the Millennium Challenge Account-Armenia SNCO, President of "Association for Sustainable Human Development" NGO
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In (the absence of):

Alex Russin, GC Observer, MCC Resident Country Director

Invitees:

Andranik Andreasyan	Chairman of the State Water Committee, RA 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

Edith Petrosyan	MCC Resident Program Manager
Simon Ghonaghchyan	Head of Economic 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 following issues were introduced at this point during the discussion:

1. Discussion and approval of a legal opinion of the Millennium Challenge Corporation regarding financing of rehabilitation works of road sections within the frames of MCA-Armenia Rural Roads Rehabilitation Project (lot 1, lot 2, lot 3, lot 4, lot 5 and lot 6), as well as, the discussion and approval of a draft Supplemental Agreement regarding the roads, included in Package 1.
2. Other issues:
 - a) Discussion and approval of the Consulting Services Contract IA-07/002 “Rehabilitation Design and Construction Supervision of tertiary canals” within the frames of the MCA-Armenia Irrigated Agriculture Infrastructure Activity.
 - b) Discussion and approval of a draft Contract and evaluation results of a technical assignment of a technical advisor within the frames of the MCA-Armenia Irrigated Agriculture Infrastructure Activity.
 - c) Discussion and approval of the modifications of the MCA-Armenia Procurement Plan.

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 the MCC approved of the Disbursement Request N 3 in the letter dated July 3, and also, reduced the amount stipulated for civil works of the first package by 7,804,664 USD. For the duration of the implementation of the works of the first package estimated to end on December 31,2008, it is planned to spend about 14 mln. USD.) Also in the letter addressed to Nerces Yeritsyan dated July 3, MCC informed that the amount will not be approved in the next quarter. Afterwards, Serzh Sargsyan responded with a proposal where he agreed to commence these works and that for the first six months funding will be provided from the RA state budget which will stipulate conditions precedent for the agreement. In particular, it is stated that in clause 3 of the letter, the resources provided from the state budget will not be reimbursed in the future and will indeed be spent for funding the rehabilitation works of other road sections planned by the MCA-Armenia Program. It is the policy of the MCC that resources provided from the RA state budget will also be spent in accordance with the MCC Guidance (the Armenian translation of the letter and Supplemental Agreement are attached).

Tigran Davtyan informed that in order to allocate money from the state budget, it is necessary to make corresponding changes within the budget because currently, the RA state budget resources are allocated for construction and rehabilitation of the interstate but not for rural roads.

Armen Gevorgyan asked to clarify whether the MCC will provide additional resources, and whether, the implementation of further projects will be funded by MCC.

Ara Hovsepyan clarified that MCC resources will be provided for financing irrigation, water-to-market, monitoring, and administrative expenses. The resources will be allocated for road construction works, in particular for the rehabilitation of Armavir-Isahakyan-Gyumri road section. MCC will not finance rehabilitation works for the roads included in the First package.

Vahram Nercissyantz stated that the Millennium Challenge programs are priority programs for the Republic of Armenia, which are targeted towards the reduction of poverty and the development of the republic. Currently, it is hoped that part of these programs would be funded from tax payments made to RA state budget. The Republic of Armenia has new a administration directed towards the improvement and sustainability of the tax and custom payment collection process. Even if the state resources of the Republic of Armenia are spent in accordance with MCC Guidelines, then it is worth mentioning that it is favorable since the latter corresponds to the World Bank standards which have established a strong basis for our republic.

Gurgen Sargsyan announced that the Republic of Armenia in conjunction with the implementation of the road construction works of MCC, has committed to finance from the state budget necessary expenses for the maintenance and proper operation of specific road sections.

RA Prime Minister Tigran Sargsyan asked whether in case of price increase it would be possible to reduce the planned scope of works.

Ara Hovsepyan replied that such possibilities are stipulated by contracts.

Karine Danielyan informed that the implementation of this program is essential and mentioned that it is necessary to show that the Republic of Armenia is prepared to finance the program. She mainly or specifically stated that to date, no environmental issue has been identified within the frames or framework of the road construction project.

Vanik Soghomonyan stated that the abovementioned roads have a fundamental importance because they provide the villagers with access to the republican road network. In addition, this program complies with the poverty reduction strategic program of the Republic of Armenia. The implementation of this program is crucial even if it is funded by RA state budget resources.

Karen Nazaryan added that timing plays a key role in this program because any loss of time may result in a significant price increase. If the RA Government allocates resources for the immediate start of the program, it will be considered as a commitment by the RA Government devoted to the effective implementation of the program.

Arayik Hovhannisyan asked to clarify if the necessary amount allocated from the RA state budget will be considered as an increase in Millennium Challenge Program funds, and whether, a new tender will be announced or the funds will be spent for tenders that have been already carried out.

Ara Hovsepyan informed that the program funds will not be officially increased, but they will be spent for the purposes of the program and for the tenders that have already been carried out. At the same time he added that the main purpose of the RA President's proposal was to not lose a favorable time for the construction work of that year.

After a great deal of examination and discussion it was unanimously decided to submit the draft of the Supplemental Agreement for the discussion at the RA Government session since the latter is a disbursement from the budget. RA Minister of Finance Tigran Davtyan was authorized to examine the availability of the RA budget resources and to allocate the adequate amount for the funding of the program. At the same time, it was decided to authorize the management of the MCA-Armenia SNCO to ask contractors to submit bid validity periods.

After the presentation of Clause a) of the 7th issue of the Agenda by CEO of the MCA-Armenia Ara Hovsepyan, it was unanimously decided to approve the draft Consulting Services Contract IA-07/002 “Rehabilitation Design and Construction Supervision of tertiary canals” within the frames of the MCA-Armenia Irrigated Agriculture Infrastructure Activity.

Clause b) was presented by Ara Hovsepyan, CEO of the MCA-Armenia.

RA Prime Minister Tigran Sargsyan asked to clarify the specific funds that will be used for financing the services of technical advisor, in case the Millennium Challenge program is suspended.

Ara Hovsepyan clarified that in this case there will be no issue of financing since the given contract will also be suspended.

Andranik Andreasyan informed that the given advisor assures the relations between the irrigation sphere and MCA-Armenia SNCO consultants, MCA-Armenia and MCC.

Nerces Yeritsyan added that the given advisor brings the best international expertise and introduces new approaches and technologies.

RA Prime Minister asked GC members which of the three directions of the program they consider the priority ones.

Tigran Davtyan gave priority to road construction and Aramays Grigoryan informed that in the case of adequate financing it is more reasonable to allocate resources to irrigation and road construction spheres.

RA Prime Minister Tigran Sargsyan informed that from his point of view the priority sphere is irrigation since the latter has had a direct influence on the increase of a villager’s income.

At the same time, the RA Prime Minister asked to clarify the Water-Market component.

Edith Petrosyan clarified that this program enables us to form sustainability. Thus, with the help of trainers, we can demonstrate or display to the villagers how to use water in the most efficient way, and how to transit to high value agriculture. The program has two directions: training and credit component.

Ara Hovsepyan added that currently, there are two ongoing programs, and that assistance is provided to villagers regarding marketing and post harvest approaches. Furthermore, it provides financial assistance to those rural communities which present the initiative for the establishment of demonstration sites.

Vahram Nercissyantz asked to clarify the necessity of involving such specialists, taking into account that there are qualified irrigation specialists in the Republic of Armenia.

Andranik Andreasyan clarified that the involvement of an experienced specialist is always beneficial, and also it encourages the development of a local capacity.

Ara Hovsepyan informed that currently there are issues related to the irrigation component of the program and that the approaches and work methods of MCC specialists and local consulting companies are different. In that case, consultants help to consolidate and bring together the approaches of the parties.

After the discussions it was unanimously decided to approve the draft Contract and evaluation results of technical assignment of the technical advisor within the frames of the MCA-Armenia Irrigated Agriculture Infrastructure Activity.

Clause c) was presented by Ara Hovsepyan, CEO of the MCA-Armenia, after which it was unanimously decided to approve the modifications to the MCA-Armenia Procurement Plan.

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