

*Contains Procurement Related Confidential Information*

**Minutes No. 32**

**MCA-Armenia Governing Council Session  
16:00, July 23, 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
Tigran Davtyan	Minister of Finance
Vahe Danielyan	Deputy Minister of Economy
Aramayis Grigoryan	Minister of Agriculture
Hrant Beglaryan	Deputy 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

**In absence of:**

Vahram Nercissyantz	Deputy Chairman of the MCA-Armenia Governing Council, Chief Economic Advisor to President of Armenia
Nerces Yeritsyan	Minister of Economy
Gurgen Sargsyan	Minister of Transport and Communication

**Invitees:**

Andranik Andreyan	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
Tigran Kalantaryan	Irrigated Agriculture Project Officer, MCA-Armenia SNCO
Gayane Harutyunyan	MCC Office Manager
Simon Ghonaghchyan	Head of Economic Department, Government Staff
Hovhannes Sahakyan	Senior Specialist, Economic Department, Government Staff
Khachatur Adumyan	Interpreter

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 of the General approaches and options for re-scoping Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account –Armenia Program (reference, the re-scoped project and restructuring model are attached).
2. Discussion and approval of the Fiscal Accountability Plan, an integral part of the Fiscal Agent Agreement signed on 25 December, 2007 between Millennium Challenge Account - Armenia State Non-Commercial Organization and GFA Consulting Group (reference and the FAP are attached).
3. Discussion and approval of evaluation results of the technical proposals submitted for the Consulting Services to Conduct Follow-On Farming Practices Survey under Monitoring and Evaluation project of the Millennium Challenge Account – Armenia Program (reference is attached).
4. Other issues:
  - a) Information about implementation of Contract No PRRP-CW-03/2007 (lots 1, 2, 3, 4, 5 and 6) for the rehabilitation of road sections, included in the first package of Millennium Challenge Armenia Rural Roads Rehabilitation Program and discussion and approval of results of the negotiations with the Contractors dated July 17, 2008.
  - b) Discussion and approval of the MCA-Armenia Deputy CEO/General Counsel Nazeli Vardanyan's letter, addressed to Tigran Sargsyan, Prime Minister of the Republic of Armenia.

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 General approaches and options for re-scoping Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account –Armenia Program (hereinafter called Concept) are in draft stage, which was preceded by 4 months technical survey and design works. The purpose of the document is to inform Governing Council and receive GC approval to the modified content of Irrigation Project submitted in one general package, implementation structure, as well as necessary legal measures.

Regarding the content of the program, the attention of Governing Councils members was paid to page 31 of the Concept, particularly on the table, which clearly presents the activities, which were planned to be implemented and those activities, which will probably remain in the program after re-scoping.

It was mentioned that there are two possible approaches of revising the number of pumping stations. The first one is to rehabilitate 5 big pumping stations in Ararat valley, which supply water to main canals. The second one is to select 10-12 smaller pumping stations, depending on marzes.

In case of main canals again two possible approaches are discussed: capital repair of 40-45 km of main canals or patching of longer sections of main canals.

The issue of withdrawing Argich reservoir, which has rather high Economic Rate of Return (ERR) from the program is also discussed. Initially it was planned to allocate a bit more amount than 3 mln. USD for the construction of reservoir, but in the result of future surveys it became clear that there is a serious technical problem in that area regarding seepage, which increases the price of reservoir construction up to 5-10 mln.USD. At the same time, there is an issue of private investor, who is planning to build hydro power station. The private investor has committed to finance design works of the reservoir, but raised an issue regarding further availability of financial resources for the construction works.

RA Prime Minister Tigran Sargsyan asked the deadline for submission of final version of the Concept.

Ara Hovsepyan informed that the deadline is August 1 and that MCA-Armenia will be ready to provide MCC and Governing Council with the final draft as of that date.

Karine Danielyan asked whether it is possible that the ready designs would be used in future.

Ara Hovsepyan replied that feasibility study has been carried out for reservoirs, and it can be provided to companies and individuals, who will be committed to provide investments.

Ashot Voskanyan asked to clarify whether the amount available due to reduction of scope of work of the program, would be invested in the same region, where it was planned.

Ara Hovsepyan informed that two options were discussed: investment of money according to regional principle and investment of money in accordance with priority of components (e.g. gravity system, pumping stations and etc.), but of course taking into account Internal Rate of

Return, which should be equal to at least 12.5%. In the result it was decided to make investments in accordance with priority of the component and not the regional principle. However, in case of pumping stations these two approaches are still under discussion.

Vanik Soghomonyan mentioned that in spite of the fact that there is a working group established for the development of Concept, however it is necessary to involve a number of qualified specialists of the sphere.

RA Deputy Prime Minister Armen Gevorgyan informed that he had discussions regarding the given issue with Andranik Andreasyan and Ara Hovsepyan and came to conclusion that an additional week is necessary for the experts of RA State Water Committee to study the Concept. Only after which it will be possible to present a final decision.

Simon Ghonaghchyan informed that there is not presented a wide range of specialists of working group in the reference.

Ara Hovsepyan clarified that the reference contains only MCA-Armenia SNCO internal working group. During the preparation of the Concept, MCA-Armenia SNCO cooperated with corresponding state bodies, as well as with private design companies with rather an attractive list of irrigation sphere specialists involved in the MCA-Armenia Program.

RA Prime Minister Tigran Sargsyan mentioned that it is necessary to stipulate that specialists with corresponding experience have already been involved in the implementation of works and at the same time assure further participation of these specialists in the works carried out in the MCA-Armenia and in RA State Water Committee.

Arayik Hovhannisyan informed that in the table presented in the Concept the number of pumping stations which were supposed to be repaired was 68, and presently the number of pumping stations to be repaired is not mentioned. Does it mean that no pumping stations will be repaired?

Ara Hovsepyan informed that pumping stations will definitely be repaired but since the final number is not clear yet, it is mentioned in the corresponding column of the table “not applicable”, but it is mentioned that about 20mln USD will be allocated for these works. This amount exceeds the preliminary agreed figure by 5mln USD. In future the final figure will be added in the column.

Ara Hovsepyan clarified that the reason for submitting this document for the discussion in Governing Council is to receive GC approval to the general approach, because a number of programmatic and working approaches are stipulated in the document, for example the idea of having one unified technical supervisor.

Aramayis Grigoryan informed that in parallel with other indicators of project re-scoping process it is necessary to pay attention to the volume of the irrigated hectares and give priority to those projects which increases the volume of the irrigated hectares.

RA Prime Minister Tigran Sargsyan informed that he considers necessary to approve the presented package and provide one week for submission of final draft.

**It was unanimously** agreed to approve General approaches and options for re-scoping Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program, the reference on MCA-Armenia's follow-up steps and restructuring model.

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

Ara Hovsepyan informed that Fiscal Accountability Plan is the document which mainly regulates MCA-Armenia program fiscal administration. This document is subject to revision based on operation necessity; therefore if it becomes necessary in future to amend the document MCA-Armenia will submit it to Governing Council having received MCC no-objection.

RA Prime Minister Tigran Sargsyan asked how many employees there are in GFA Consulting Group Armenia.

Ara Hovsepyan informed that there are 3 foreign specialists and 4-5 local specialists in GFA Consulting Group-Armenia.

After clarifications **it was unanimously** decided to approve Fiscal Accountability Plan, as an integral part of the Fiscal Agent Agreement signed on 25 December, 2007 between Millennium Challenge Account - Armenia State Non-Commercial Organization and GFA Consulting Group.

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

**It was unanimously** decided to approve evaluation results of the technical proposals submitted for the Consulting Services to Conduct Follow-On Farming Practices Survey under Monitoring and Evaluation project of the Millennium Challenge Account – Armenia Program

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

RA Prime Minister Tigran Sargsyan asked whether 17.5% price increase and correspondingly the issue of increasing contact price was discussed with RA Ministry of Finance, since the latter is a specialized body responsible for such estimates and has relevant wide experience and resources.

Ara Hovsepyan informed that meetings had been conducted with RA Ministry of Transport and Communication and besides the estimates made by MCA-Armenia SNCO show price increase equal to 16-22%. RA Minister of Finance has been informed about it.

RA Prime Minister informed that he considers reasonable to discuss this issue additionally with RA Minister of Finance.

**Regarding Clause a) it was unanimously decided** to assign MCA-Armenia SNCO and RA Ministry of Finance in two days time period mutually discuss and clarify the real price increase of construction materials during last 4 months in the Republic of Armenia and present it during contract negotiations with construction companies involved in MCA-Armenia Rural Roads Rehabilitation Program First Package.

Regarding Clause b), Agenda Item 4 CEO of MCA-Armenia SNCO Ara Hovsepyan informed that it is difficult for him to present this issue. In stead of that GC members were presented a copy of letter addressed to RA Prime Minister.

RA Prime Minister Tigran Sargsyan mentioned that it is necessary to resolve this issue in a peaceful manner and therefore respect Nazeli Vardanyan's request and approve the latter, i.e. to resign Nazeli Vardanyan from the position of the MCA-Armenia Deputy Chief Executive Officer/General Counsel in accordance with her resignation letter.

Ara Hovsepyan informed that he is open to making mutual concession, i.e. to annul the written reprimand and appraisal of Nazeli Vardanyan in order to resolve the issue on favorable grounds.

**Regarding Clause b) it was unanimously decided** to approve the resignation request of MCA-Armenia Deputy Chief Executive Officer Nazeli Vardanyan and assign MCA-Armenia CEO Ara Hovsepyan to resign Nazeli Vardanyan from her current position in accordance with the resignation letter addressed to RA Prime Minister. At the same time Ara Hovsepyan was assigned to annul the order of written reprimand to Nazeli Vardanyan and the appraisal.

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