

**Minutes No. 34**

**MCA-Armenia Governing Council Session  
16:00, September 9, 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	Chief Economic Advisor to President of Armenia, Deputy Chairman of the MCA-Armenia Governing Council
Tigran Davtyan	Minister of Finance
Nerces Yeritsyan	Minister of Economy
Samvel Avetisyan	Deputy Minister of Agriculture
Gurgen Sargsyan	Minister of Transport and Communication
Karen Nazaryan	Executive Director of “Armenian Inter-Church Round Table” NGO
Vanik Soghomonyan	President of “National Union of Farmers” NGO
Ashot Voskanyan	President of “Agricultural development” NGO

***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:**

Aramayis Grigoryan	Minister of Agriculture
Arayik Hovhannisyan	President of “Association of Municipal Councilors of Armenia” NGO

**Invitees:**

David Sargsyan                      Chief of RA Government Staff

**Participants:**

Ara Hovsepyan                      CEO, MCA-Armenia SNCO

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

Meri Harutyunyan                      Head of Public Relations Department of RA Government Staff

Ruzanna Vardanyan                      Senior Specialist, Finance and Economics Department of RA Government Staff

Tigranuhi Baghdasaryan                      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 and approval of the Disbursement Request – IX, 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 and Procurement Plan.
2. Discussion and approval of the Draft amendments to the Contracts No RRRP-CW-03/2007 for Rehabilitation works of rural road sections included in Lot 1, Lot 2, Lot 3, Lot 4, Lot 5 and Lot 6 under Rural Roads Rehabilitation Project of the Millennium Challenge Account –Armenia Program.
3. Discussion and approval of the Draft Contract for Consulting Services to Conduct Follow-On Farming Practices Survey under Monitoring and Evaluation project of the Millennium Challenge Account – Armenia Program.
4. Other issues.
  - a/ Discussion and approval of MCA-Armenia SNCO Legal Counsel’s revised position and amendment to the employment agreement.

The Agenda was approved unanimously.

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

It was mentioned that in general conditions precedent are met with the exception of some of them, which are in the implementation stage. In particular Ara Hovsepyan mentioned the following two conditions precedent:

- “The Government has developed and adopted legislation and/or regulations, or amended existing legislation and regulations, to facilitate the establishment of agricultural co-operatives”;
- “The Government has developed and adopted legislation and/or regulations to improve statistics on agriculture, including an accounting of the sector and data collection”.

As for the first condition precedent, there is already MCA-Armenia SNCO’s Governing Council’s instruction to RA Government Staff, dated 13 June 2008, to follow up the implementation of the mentioned condition precedent by corresponding ministries.

RA Prime Minister Tigran Sargsyan informed that he had a discussion with RA Minister of Agriculture and RA Minister of Economy two-three months ago. In the result of the discussion it was decided to assign RA Minister of Justice to follow up with this issue.

Ara Hovsepyan asked to clarify whether the corresponding legislative changes will be made till the end of 2008, i.e. before submission of the next disbursement request. At the same time Ara Hovsepyan informed the members of the Governing Council that the given condition precedent has been delayed for one year and according to preliminary information, MCC will not once again provide deferral for the fulfillment of the condition precedent.

RA Prime Minister Tigran Sargsyan informed that this process will last more than 2-3 months and will not be totally fulfilled by the end of the year. He also added that the drafts will be presented to RA Government’s discussion and afterwards will be sent to RA National Assembly.

RA Prime Minister asked whether there are any obstacles for the establishment of agricultural cooperatives.

Nerces Yeritsyan clarified that there are no such obstacles; however in the result of that the process of establishment of agricultural cooperatives will be simplified and it will give an opportunity to individuals to establish such cooperatives.

Regarding second condition precedent Samvel Avetisyan informed that presently the draft Law on Agricultural Census is circulated in the related ministries. It is a single-use act and as a result a special information base will be established. But the Government of the Republic of Armenia has made one step forward and is planning to create administrative statistic register, which unlike RA National Statistic Service, will be entitled with administrative functions and will enable the latter to require from the corresponding bodies all necessary information in order to establish and maintain the register.

RA Prime Minister Tigran Sargsyan asked when it is possible to establish the register.

Samvel Avetisyan clarified that presently there are financial problems and in case if they are solved shortly, it is anticipated that the register will start functioning in the middle of 2009.

RA Prime Minister asked about the commitment of RA Government and when this condition precedent should be fulfilled.

Ara Hovsepyan clarified that the commitment of the Government is the adoption of corresponding legal act, which should be adopted by the end of the year.

RA Prime Minister Tigran Sargsyan assigned David Sargsyan, Head of Government Staff to assure control and follow up the fulfillment of the given condition precedent.

Armen Gevorgyan asked to clarify the general amount received from MCC so far and whether any funds have been allocated for road construction.

Ara Hovsepyan informed that as of the end of the current quarter the total amount of actual and forecasted expenditures (for September) is equal to USD 23,493,429. He also informed that an amount has been received for road construction works, but not for the road sections, included in the First Package.

Armen Gevorgyan asked for which road section the amount was received. Ara Hovsepyan clarified that the amount has been received for financing civil works on 49 km – 74km (Getap-Aghin, with the total length of 24,5 km) of Armavir-Isahakyan-Gyumri road. The main works on the road sections have already been carried out by “Dorozhnik Ltd.”. There are two bridges on the above-mentioned road section, which are presently in the repairing stage. MCA-Armenia is planning to finish the construction of this road section in November.

Armen Gevorgyan informed that he has reservations about “Dorozhnik Ltd.”, which is the contractor of the mentioned road section.

Gurgen Sargsyan informed that Ministry of Transport and Communications had visited “Dorozhnik Ltd.” and studied the works carried out by the company. It is obvious that the company is very serious in implementing the works.

Karen Nazaryan asked to clarify whether the disbursements have been made in accordance with the disbursement schedule or there are delays and in case of delays what measures are taken by the MCA-Armenia to eliminate the delays.

Ara Hovsepyan informed that there are delays related only to first package road construction, which was discussed for several times during the previous meetings. The disbursements for the first year have been received in accordance with schedule, stipulated by Compact. The situation is different with the second year disbursements. Presently MCA-Armenia initiated implementation of civil works, included in the first package from resources, allocated from RA state budget.

After discussions **it was unanimously** decided to approve the revised version of the MCA-Armenia Procurement Plan and 9<sup>th</sup> Disbursement Request with the documents attached to it.

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

Ara Hovsepyan informed that the first mobilization reports have been presented in accordance with contract. Based on agreement, it is necessary to review the contract, in accordance with the results of negotiations carried out on July 17.

Nerces Yeritsyan informed that during recent discussions with the World Bank, the issue of installation of caprone pipeline for internet connection during road construction works was discussed. This will enable to lease it to internet service providers in future.

Gurgen Sargsyan informed that for the installation of caprone pipeline it is necessary to make changes in the norms applied, so that the designers take it into account in future and reflect it in the drawings.

RA Prime Minister assigned RA Minister of Transport and RA Minister of Economy to discuss this issue mutually.

Armen Gevorgyan asked when the road construction works have actually started.

Ara Hovsepyan informed that the contract commenced on August 1, but the earth works have started in the end of August.

RA Prime Minister Tigran Sargsyan was interested to know how much of 16,8 mln. USD, allocated from RA state budget will be spent by the end of the year.

Ara Hovsepyan informed that in accordance with the data presented, it is possible to carry out the whole volume of the works.

Gurgen Sargsyan added that the reason of low speed of civil works is delays in financing, but not the technical capacity.

Armen Gevorgyan mentioned that there is a necessity of high volume of earth works, but there should be no asphalt works, since the temperature in a number of marzes is rather low in November. He also added that it is necessary to finance contractors to buy bitumen and other construction materials, because the above mentioned materials are cheaper in winter.

Tigran Davtyan informed that two transfers from the resources, allocated from RA state budget have been made to MCA-Armenia SNCO bank account and a request to receive the remaining amount in September is presented. He also added that the amount of MCC disbursement from 2009 RA state budget is about 40 mln. USD.

Ara Hovsepyan mentioned that presently it is planned to spend about 70 mln. USD annually and if any unpredictable circumstances delay the program implementation, it will be a serious problem.

Nerces Yeritsyan informed that it is necessary to apply European standards. This question is a subject of serious discussions, since otherwise foreign companies will not participate on tenders in Armenia. This is the current situation.

Gurgen Sargsyan informed that he had a number of meetings with the representatives of foreign construction companies; however it became clear that these companies are interested to participate in high volume tenders, i.e. 50 mln. USD and higher.

RA Prime Minister Tigran Sargsyan added that there are no restrictions in Millennium Challenge-Armenia Program, the announcements are posted in a number of international websites and if foreign companies are interested to participate, there is no obstacle. Participation of international companies will be also positive for local construction companies. Serious competition will enhance the quality of the works implemented.

Nerces Yeritsyan added that it would be positive, if local and foreign companies participate in consortium, because Armenian party has good technical capacity and the foreign party has skills to apply and use them. Such kind of cooperation, no doubt, will be mutually profitable.

Ara Hovsepyan added that MCA-Armenia is also interested in participation of foreign companies and moreover, it is required by Compact that MCA-Armenia announce all tenders in wide spread international websites.

RA Prime Minister Tigran Sargsyan was interested to know whether RA Ministry of Finance studied the issue of contract amendments and contract price revision.

Tigran Davtyan informed that he had a number of meetings with the contractors. A lot of efforts have been spent to negotiate minimal possible change of percentage, because 40% price increase was mentioned, however in the result of mutual agreement, the percentage is equal to 17,5%.

In the result of the discussions **it was unanimously decided** to approve Draft amendments to the Contracts No RRRP-CW-03/2007 for Rehabilitation works of rural road sections included in Lot 1, Lot 2, Lot 3, Lot 4, Lot 5 and Lot 6 under Rural Roads Rehabilitation Project of the Millennium Challenge Account–Armenia Program.

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

Samvel Avetisyan mentioned that the presented companies have been selected based on the results of tender, however it would be very positive if the companies could cooperate with Agricultural Support Centers of marzes (hereinafter “ASCs”). It refers to financial assistance as well. In this case the work will be mutually beneficial. ASC’s, presently operating in Armenia are about to be bankrupt, whereas it is very important to have similar professional consulting companies. ASC’s have been established from the financing of the World Bank, but it is stated in the agreement that the above mentioned companies should gradually pass to 30% self financing, which should be gained from the consulting services provided. Presently the issue of financing is not solved yet and it is necessary to undertake all possible measures to support ASC’s.

RA Prime Minister Tigran Sargsyan was interested to know whether there were funds allocated from RA state budget to support ASC’s.

Samvel Avetisyan informed that he had submitted a proposal to allocate 40 mln. AMD for ASC financing, but it was rejected by RA Ministry of Finance.

Vahram Nercissyantz added that it has been for two year that there were no allocations from RA state budget for this purpose, whereas agriculture is a priority sphere and it is necessary to invest in agriculture sphere and develop it.

Karine Danielyan shared the approach of Samvel Avetisyan, since incorrect use of pesticides can result in environmental problems.

RA Prime Minister urged MCA-Armenia SNCO to support ASC’s.

Ara Hovsepian assured that MCA-Armenia Program, Water-to-Market activity, in particular, cooperate with ASC’s and encourage all organizations to cooperate with the latter.

Nerces Yeritsyan mentioned that this is the very situation, when it is necessary to assure feedback from population, receive their opinions regarding ASC’s.

Samvel Avetisyan added that in case of ASC’s it is necessary to have demonstration sites, which will enable to show the farmers the real result.

Armen Gevorgyan mentioned that the submitted contract has been discussed and negotiated and there are no provision regarding support to ASC’s, but it would have been useful to provide part of the resources envisaged to ASC’s.

Ashot Voskanyan stated that it is planned to collect data from about 5,000 households within the frames of the given contract. If ASC’s will be involved in this activity it will be rather realistic. By their nature, ASC’s are professional consulting companies, which introduce new agricultural technologies and circulate this information. ASC’s publish newspaper with 2000 circulation, which has high demand.

After discussions **it was unanimously decided** to approve Draft Contract for 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.

**It was unanimously** decided to approve the revision of MCA-Armenia Legal Counsel Nora Martirosyan's position and make changes in Employment Agreement.

Ara Hovsepyan informed GC members that MCA-Armenia GC member Arayik Hovhannisyan resigned from his position in GC, since he has become deputy in RA National Assembly. Arayik Hovhannisyan will be proposed to submit official resignation letter to GC.

RA Prime Minister Tigran Sargsyan mentioned that taking into account the fact that new elections of the MCA-Armenia Stakeholders' Committee will take place in two weeks, it is more reasonable to submit to RA Government new composition of SC members to be delegated to GC.

**It was unanimously** decided to take into account the above mentioned.

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