

Minutes No. 38

**MCA-Armenia Governing Council Session
10:00, March 13, 2009
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:

Vahram Nercissyantz	Deputy Chairman of the MCA-Armenia Governing Council, Chief Economic Advisor to President of Armenia
Aramayis Grigoryan	RA Minister of Agriculture
Tigran Davtyan	RA Minister of Finance
Nerses Yeritsyan	RA Minister of Economy
Gurgen Sargsyan	RA Minister of Transport and Communication
Victor Yengibaryan	Chairman of "European Movement of Armenia" NGO
Arman Voskanyan	Representative of "Development of Tavush" NGO
Shirak Mikayelyan	Authorized representative of "Work and Motherland" NGO
Poghos Shahinyan	Chairman of National Road Safety Council NGO

GC observer:

Alex Russin	GC Observer, MCC Resident Country Director
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In absence of:

Armen Gevorgyan	RA Deputy Prime Minister, Minister of Territorial Administration
Karen Zadoyan	Chairman of "Armenian Young Lawyers Association" NGO

Ruben Khachatryan President of the Council of “Foundation for Preservation of Wildlife and Cultural Assets in the Armenia”, MCA-Armenia SNCO GC
Environmental Observer

Invitees:

Andranik Andreasyan Chairman of the State Water Committee of the Ministry of Territorial Administration

Participants:

Artashes Bakhshyan Deputy Minister of Territorial Administration

Aram Gharibyan Advisor to RA Prime Minister

Ara Hovsepyan CEO, MCA-Armenia SNCO

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

Hakob Petrosyan Rural Roads Rehabilitation Officer, MCA-Armenia SNCO

Armine Simonyan Environmental and Social Impact Officer, MCA-Armenia SNCO

Simon Ghonaghchyan Head of Economic Department, Government Staff

Hovhannes Sahakyan Deputy Head of Economic Department, Government Staff

Petros Demirchyan Chief Specialist of Information and Public Relations Department, Government Staff

Marina Arzumanyan Specialist of Protocol Division, 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 – XI, 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 Short List and Prequalification Results for Rehabilitation of Pumping Stations (IA/CB/CW-08/002) under Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account – Armenia Program.
3. Discussion and approval of the Draft Loan Agreement to be signed under Water-to-Market Activity of the Irrigated Agriculture Project of the Millennium Challenge Account –Armenia Program.
4. Other issues.
 - a) Presentation of Information on land acquisition required for implementing construction works within the scope of Infrastructure Activity of Irrigated Agriculture Project of the MCA-Armenia Program.
 - b) Discussion and approval of the revised Fiscal Accountability Plan of the MCA-Armenia Program.

Attached to the Agenda, the members of the MCA-Armenia Governing Council were presented with corresponding references for each Agenda item.

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 in the next quarter /April-June, 2009/ by Disbursement Request 11 MCA-Armenia SNCO is planning to receive from MCC funding in the total amount of USD 7,993,939 through CPS system.

Simon Ghonaghchyan informed that according to the presented estimates USD 715,000 out of MCC funding in the amount of 8 mln. USD will be spent for project management and monitoring and was interested to know how the cost efficiency is evaluated.

Ara Hovsepyan clarified that USD 250,000 out of the mentioned amount will be provided for financial management, USD 109,949 – for program financial audit and the remaining amount will be spent for office lease and other administrative expenses.

Gurgen Sargsyan informed that there is a significant difference between Disbursement Request amount, which was submitted in advance to Governing Council members and the one, which was provided to GC members during session. He was interested to know the reason of difference.

Ara Hovsepyan clarified that the amount for June, equal to 4.8 mln. USD, which was planned for civil works of the roads, included in the first package, is not reflected in the revised Disbursement Request, since MCC at its March 11, 2009 Board meeting made a decision to hold on for one more quarter funding of road civil works. At the same time it was also informed that MCA-Armenia still has the resources in the amount of 16.8 USD, provided from RA state budget for civil works of the roads, included in the first package to cover April-March expenses. There are two alternatives of continuation of this project: either to continue civil works in accordance with plan, which will result in necessity to attract additional financial resources for June or to try to complete civil works from the resources available on the road sections, where the works have been already launched and make them passable.

Tigran Davtyan suggested that MCA-Armenia jointly with RA Ministry of Transport and Communication discuss and propose possible alternatives for further implementation of the project.

Gurgen Sargsyan mentioned that it is necessary to find a solution, which would at least allow keeping the efficiency of the works, which have already been carried out. He also mentioned that it is high time to make necessary and right assessments and decide on further steps.

Ara Hovsepyan informed that funding in the amount of about 46.6 mln. USD is necessary for the implementation of civil works, included in the first package. Civil works have been launched nearly on all road sections, included in the first package, with the exception of two road sections: Karchevan-Agarak and Zaritap-M2.

Hakob Petrosyan informed that the mentioned amount of the two road sections make 800 mln. AMD of the total amount. 14 billion AMD, including the available 1 billion 400 mln. AMD, necessary for the implementation of total amount of planned works.

Ara Hovsepyan informed that an agreement has been reached with MCC to submit in May out of cycle Disbursement Request for June in the amount of 4.8 mln. USD.

RA Prime Minister Tigran Sargsyan informed that his view point on that issue is not pessimistic and he assumes that MCC will provide these resources, since the Republic of Armenia will demonstrate progress in upcoming two months.

Ara Hovsepyan presented information about conditions precedent of the MCA-Armenia Program and particularly mentioned that RA National Assembly adopted corresponding amendment to RA Civil Code, which will enable farmers to establish agricultural cooperatives.

Aramayis Grigoryan informed that he is sure that agricultural cooperatives will be established, however it is necessary to have definite program, which will promote establishment of these cooperatives.

Ara Hovsepyan informed that an agreement was reached with MCC in previous quarter that together with the given Disbursement Request the revised option of condition precedent on WUAs cross recovery rate or revised indicators with corresponding justifications should be also presented. When Disbursement Request N10 was approved, Governing Council instructed State Water Committee of RA Ministry of Territorial Administration to discuss this issue and propose new indicators.

Andranik Andreasyan informed the audience that the instruction was followed and in the result of corresponding studies new indicators were proposed. The mentioned indicators together with Disbursement Request should be submitted to MCC for consideration.

Regarding the above mentioned conditions precedent, based on MCA-Armenia SNCO suggestion, an agreement was reached to address the progress of conditions precedent once a quarter.

After discussions **it was unanimously decided to** approve Disbursement Request 11 to be submitted to MCC and the documents attached to it.

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

It was unanimously decided to approve Short List and Prequalification Results for Rehabilitation of Pumping Stations (IA/CB/CW-08/002) under Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account – Armenia Program.

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

Ara Hovsepyan informed that according to decision made at the last GC session, the liability of having paid land tax and irrigation water fees is added to the Loan Agreement. Besides, it was also informed that MCC and MCA-Armenia had jointly discussed and came to opinion that it is necessary to stipulate

maximal lending in the amount of AMD 10.5 mln. instead of AMD 8.5 mln., taking into account sharp depreciation of RA dram.

Having presented the Agenda item **it was unanimously decided to** approve Draft Loan Agreement to be signed under Water-to-Market Activity of the Irrigated Agriculture Project of the Millennium Challenge Account –Armenia Program and stipulate the AMD 10.5 mln. as the highest lending amount.

Point a/ of item 4 of the Agenda was presented by Armine Simonyan, Environmental and Social Impact Officer of the MCA-Armenia SNCO.

Armine Simonyan informed that within the frames of the MCA-Armenia Program for the construction of gravity schemes and pumping stations in some sections it is necessary to conduct temporary and permanent land acquisition of private and community owned lands. She also informed that the issue has been discussed with RA Deputy Prime Minister, as well as with RA Ministry of Territorial Administration, Deputy Minister Artashes Bakhshyan, in particular. The corresponding solutions will be presented at coming GC session.

Artashes Bakhshyan confirmed his commitment for further cooperation.

It was unanimously decided to take into account the information on land acquisition, required for implementing construction works within the frames Infrastructure Activity of Irrigated Agriculture Project of the MCA-Armenia Program.

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

It was unanimously decided to approve MCA-Armenia SNCO revised Fiscal Accountability Plan.

After expiring the agenda items, the meeting was adjourned.

MCA-ARMENIA GOVERNING COUNCIL CHAIRMAN,

RA PRIME MINISTER

T. SARGSYAN

The minutes were taken by:

Nora Martirosyan

Legal Counsel/GC Secretary,

MCA-Armenia SNCO