

Contains Procurement Related Confidential Information

Minutes No. 39, part 2 and No. 40
MCA-Armenia Governing Council Session
14:00, May 8, 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:

Armen Gevorgyan	RA Deputy Prime Minister, Minister of Territorial Administration
Tigran Davtyan	RA Minister of Finance
Nerses Yeritsyan	RA Minister of Economy
Gurgen Sargsyan	RA Minister of Transport and Communication
Samvel Avetisyan	RA Deputy Minister of Agriculture
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
Karen Zadoyan	Chairman of "Armenian Young Lawyers Association" NGO

GC observer:

Alex Russin	GC Observer, MCC Resident Country Director
Ruben Khachatryan	Chairman of "Foundation for preservation of wildlife and cultural assets Armenia", MCA-Armenia GC Environmental Observer

In absence of:

Vahram Nercissyantz	Deputy Chairman of the MCA-Armenia Governing Council, Chief Economic Advisor to President of Armenia
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Aramayis Grigoryan RA Minister of Agriculture
Poghos Shahinyan Chairman of National Road Safety Council NGO

Invitees:

Andranik Andreasyan Chairman of the State Water Committee of the Ministry of Territorial Administration
David Sargsyan Chief of RA Government Staff

Participants:

Ara Hovsepyan CEO, MCA-Armenia SNCO
Nora Martirosyan Legal Counsel/GC Secretary, MCA-Armenia SNCO
Hakob Petrosyan Rural Roads Rehabilitation Officer, MCA-Armenia SNCO
Simon Ghonaghchyan Head of Economic Department, Government Staff
Hovhannes Sahakyan Deputy Head of Economic Department, Government Staff
Marina Kushkyan Specialist of Protocol Division, Government Staff
Avetik Ghukasyan 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.

Ara Hovsepyan reminded that GC session dated April 17 was recessed and the last item of the Agenda, i.e. information submitted on the MCA-Armenia Rural Roads Rehabilitation Project was not discussed. Since that Agenda item is directly linked to Item 1 of the new Agenda, Ara Hovsepyan proposed to shift that issue and discuss it as point 2 of the item 1 of the new Agenda and consider part two of GS session N 39 dated April 17 closed.

The proposal was approved unanimously and the part 2 of the GC session N 39 was closed.

The following items were approved in the Agenda:

1. a) Discussion and approval of the “Out-of-Cycle” Disbursement Request, to be submitted to the MCC, and the below mentioned documents:
 - a/ The Disbursement Request (DR) and the Quarterly Financial Report (QFR)
 - b/ The Narrative Report.
2. b) Presentation of information on the current status of the Rural Roads Rehabilitation Project of the Millennium Challenge Account – Armenia Program.

3. Discussion and approval of the revised Procurement Plan of the Millennium Challenge Account – Armenia Program.
4. Discussion and approval of the Draft Contract for Consulting Services to Conduct Water Users Association (WUA) and Water Users (WU) Survey to evaluate the MCA-Armenia Program Institutional Strengthening Sub-activity (ISSA) of the Water to Market Activity.

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

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

RA Prime Minister Tigran Sargsyan was interested to know whether the amount equal to 1,4 billion AMD, provided from RA state budget resources and not spent yet, will be spent in May.

Ara Hovsepyan confirmed and added that amount equal to 1,580,741 USD (589 billion AMD) presented by “Out-of-Cycle” Disbursement Request is necessary for funding civil works in June.

RA Prime Minister was interested to know whether there is a risk that MCC will not approve the given “Out-of-Cycle” Disbursement Request.

Ara Hovsepyan replied that MCC at its’ Board meeting dated March 11, 2009 decided to keep on hold the financing of road civil works and initiate a new special meeting prior to June to discuss the performance of Armenia.

Ara Hovsepyan also added that presently MCA-Armenia and RA Ministry of Economy are discussing with potential donor organizations the issue of possible financing of the roads, included in the First Package, in case if MCC rejects to provide financing. The detailed information about that issue is presented in the Reference attached to point b) of Agenda item 1.

After discussions **it was unanimously decided** to approve a) “Out-of-Cycle” Disbursement Request, to be submitted to the MCC and the documents attached to it, as well as b) to take into account the information on the current status of the Rural Roads Rehabilitation Project of the Millennium Challenge Account-Armenia Program.

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

Ara Hovsepyan attracted the attention of GC members to point 2 of the Reference, according to which a new line has been added in the Procurement Plan “Assistance in Technical Evaluation of Bids for the Rehabilitation of Pumping Stations, 1 to 3 technical experts from separate firms or individual consultants independent from one another and other firms involved in TEP”.

Adding of this line was a condition precedent for MCC no-objection for bidding documents of pumping stations rehabilitation works. MCC should have a right to approve final composition of Technical Evaluation Panel (TEP), which will be assigned to evaluate proposals, received in accordance with pumping stations bidding documents. International experts should be involved in TEP as voting members and they will be able to evaluate design specifications. In particular TEP should include as voting members at least three technical representatives, selected from the following companies: Irrigated Agriculture Project supervisor (CES), company, conducting Environmental and Social Impact Assessment (Mott McDonald) and /or design consultant of Ararat valley drainage system (GITEC).

Nerses Yeritsyan proposed to define exact schedule for the implementation of tenders, which will enable to supervise tender process timing and avoid delays.

Ara Hovsepyan informed that there are schedules defined for each procurement process. For example, the Request for Proposals for pumping stations rehabilitation was sent on May 5 and the deadline was set July 14, 2009.

RA Prime Minister Tigran Sargsyan instructed MCA-Armenia SNCO to present the schedule to Nerses Yeritsyan, RA Minister of Economy.

Ara Hovsepyan also informed that there is a line in the Procurement Plan for purchase of vehicle, however MCA-Armenia will not so far initiate that procurement.

Nerses Yeritsyan informed that it is extremely important to conduct corresponding analysis to clear out what would be civil works prices increase in case of transition from RA civil works standards to progressive European standards.

Gurgen Sargsyan mentioned that a similar analysis has been conducted, which showed that the prices of civil works would be increased by 20-30%.

Hakob Petrosyan mentioned that for example in case of road civil works the main problem is not only the pavement, the problem is road bed as well. In particular, during Soviet Union times the level of earth works was low and that is the main reason of early deterioration of roads.

RA Prime Minister was interested to know what would be the price of 1 km in case if road bed is changed.

Hakob Petrosyan answered that the price per 1 km would be increased by 5-6 times.

Nerses Yeritsyan noted that these figures are not justified by serious professional studies and there is a necessity to conduct it.

Ara Hovsepyan mentioned that MCA-Armenia is ready to support RA Ministry of Economy to conduct such study by providing necessary professional resources.

RA Prime Minister Tigran Sargsyan instructed RA Ministry of Economy to work jointly with MCA-Armenia SNCO and provide information on the next Governing Council session about necessary time and resources to conduct the mentioned study.

After discussions **it was unanimously decided** to approve the revised Procurement Plan of the Millennium Challenge Account – Armenia Program.

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

RA Prime Minister mentioned that he had some reservations regarding the results of surveys, conducted by “Avag Solutions”, since for example survey results of WUAs recovery rate estimates were not reliable.

Andranik Andreasyan informed that the main idea of the assignment is impact evaluation of the MCA-Armenia Institutional Strengthening component. At the same time he mentioned that State Water Committee and he himself were not familiar with Terms of Reference of the mentioned works.

Armen Gevorgyan proposed to approve the issue and instruct MCA-Armenia to present to Andranik Andreasyan, Chairman of State Water Committee, corresponding Terms of Reference and in case if during one week time period no comments are received from the latter, follow up with contract signing.

After discussions **it was unanimously decided** to approve the Draft Contract for Consulting Services to Conduct Water Users Association (WUA) and Water Users (WU) Survey to evaluate the MCA-Armenia Program Institutional Strengthening Sub-activity (ISSA) of the Water to Market Activity.

Within the frames of other issues of the Agenda Nerses Yeritsyan presented the letter dated May 4, 2008 from MCC Deputy Vice President Frances Reid and pointed out the attention of GC members on RA Government activities as an additional guarantee for construction of 17 pumping stations.

Nerses Yeritsyan mentioned that it was stated in the letter that the Government should be prepared to take extraordinary steps to ensure the timely completion of the rehabilitation of the pumping stations, including but not limited to:

- Facilitating alternative irrigation schedules and water routing networks so as to permit the completion of construction works that are currently possible only during the "non-irrigation" season;
- Expediting the processing through Customs of imported equipment and services;
- Facilitating multiple crew and night-time construction schedules (which must comply with the environmental and safety standards required by the Compact);
- Obtaining completion guarantees from the contractor(s) through performance bonds or similar mechanisms; and/or
- Committing additional funding at the outset to ensure completion of specific pumping stations for which MCC considers the completion risk to be high.

First of all MCC considers necessary that RA Government in the course of implementation of pumping station rehabilitation works should set alternative schedule or alternative way of irrigation, if necessary.

Andranik Andreasyan informed that especially in case of big pumping stations it is not possible to pump water by alternative way, but it is possible to set alternative schedule and if necessary do not operate this or another pumping station.

Ara Hovsepyan mentioned that it mainly referred to the issue of finding proper technical solution for Mkhchyan 1 pumping station. In particular, in order to have longer construction season assure irrigation for land areas, irrigated by Mkhchyan 1 pumping station from alternative irrigation source, if necessary

RA Prime Minister Tigran Sargsyan mentioned that MCC proposal is acceptable and in case of necessity an alternative irrigation schedule will be set.

RA Prime Minister also considered acceptable the requirement of MCC concerning speeding up of custom procedures and instructed Nerses Yeritsyan to prepare and present to RA Prime Minister corresponding instruction, addressed to RA Committee on State Revenues.

Armen Gevorgyan proposed to adopt custom clearance simplified procedure, which would be similar to experience, applied by Lincy Foundation and mention in the corresponding instruction addressed to Chairman of RA Committee on State Revenues, that it is necessary to conduct custom procedures of the goods and equipment, imported within the frames of the MCA-Armenia Program in one day time period.

RA Prime Minister expressed positive opinion on preparing multiple crew and night-time construction schedules for contractors, as well as on the idea of requesting bank guarantee from contractors. He also mentioned that Governing Council had already expressed positive conclusion on that issue at the previous session.

Referring to MCC requirement on RA Government commitment to finance the works prior to commencement, which would not be completed prior to the end of the Compact, i.e. end of September

2011, it was mentioned that such a necessity will appear in case if the works are not completed according to planned schedule.

Ara Hovsepyan assured that if the works are conducted according to planned schedule and the above mentioned conditions precedent are met, therefore according to the planned schedule, rehabilitation of all 17 pumping stations will be completed in time.

Nerses Yeritsyan also added that so far the biggest problem is shortcomings and deficiencies of designs.

Andranik Andreasyan mentioned that this issue is not that significant in case of pumping stations, since final design and installation will be carried out by international companies, and the pumps will be imported from progressive countries.

After discussions **it was unanimously decided** to give no-objection to 5 points of MCC letter dated May 5, 2008 addressed to RA Minister of Economy Nerses Yeritsyan.

Within the frames of other items of Agenda Andranik Andreasyan informed GC members that presently RA Government is cooperating with the World Bank as well and is attracting corresponding financial resources to irrigation sphere. It will be very efficient to use the irrigation infrastructure designs, prepared and not used within the frames of the MCA-Armenia Program. At the same time it was proposed to discuss the possibility of rehabilitation of Talin and Armavir main canal from the World Bank resources.

RA Prime Minister positively evaluated the proposed approach and suggested to discuss the proposal jointly with MCA-Armenia SNCO.

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