

Minutes No. 43

**MCA-Armenia Governing Council Session
14:00, July 14, 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
Nerses Yeritsyan	RA Minister of Economy
Gurgen Sargsyan	RA Minister of Transport and Communication
Gerasim Alaverdyan	RA Minister of Agriculture
Vardan Aramyan	RA Deputy Minister of Finance
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
Poghos Shahinyan	Chairman of National Road Safety Council NGO
Victor Yengibaryan	Chairman of "European Movement of Armenia" NGO

GC observer:

Ruben Khachatryan	“Foundation for preservation of wildlife and cultural assets Armenia”
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In absence of:

Vahram Nercissyantz	Deputy Chairman of the MCA-Armenia Governing Council, Chief Economic Advisor to President of Armenia
Tigran Davtyan	RA Minister of Finance
Alex Russin	GC Observer, MCC Resident Country Director

Invitees:

David Sargyan	Chief of RA Government Staff
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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 Officer, MCA-Armenia SNCO
Armine Simonyan	Environmental and Social Impact Officer, MCA-Armenia SNCO
Tigran Kalantaryan	Irrigation Project Officer, MCA-Armenia SNCO
Miron Hirniak	MCC Deputy Resident Country Director
Himesh Dhungel	MCC, Infrastructure Director
Sonia Shahrighian	MCC Washington Armenia Desk Officer
Hovhannes Sahakyan	Deputy Head of the Economic Department, Government Staff
Rima Eganyan	Leading specialist of Information and Public Relations Department, Government Staff
Marina Kushkyan	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. Presentation and discussion of the MCC letter on suspension of the Rural Roads Rehabilitation Project of the Millennium Challenge Account-Armenia Program and the following steps of the Millennium Challenge Account-Armenia SNCO.

2. Presentation of comparative analyses on costs of asphalt-concrete and cement-concrete road pavements.
3. Discussion and approval of the Resettlement Action Plans of Aygezard, Shnik and Mantash Gravity Schemes under the Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program.
4. Presentation of the Reports submitted by the Sedimentation, Concrete and Water Management Specialists.
5. Other issues.
 - a) Presentation of the letter, addresses by MCA-Armenia Stakeholders' Committee to Public Council regarding three gravity schemes, left out from the MCA-Armenia Program.
 - b) Presentation of the issue on necessity of applying European standards in RA.

The Agenda was approved unanimously.

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.

Ara Hovsepyan informed that MCC addressed a letter to RA President on June 26, 2009 notifying about suspension of Rural Roads Rehabilitation Project. The presented reference contains steps, which should be implemented by MCA-Armenia SNCO in light of suspension of MCA-Armenia Rural Roads Rehabilitation Project. The issue is mostly related to six road construction contracts, funded by RA Government. It is necessary to make an official decision on termination or handing over of ongoing contracts to corresponding authorized body. Having received the official decision, MCA-Armenia will inform MCC and send notifications on termination of contracts to corresponding companies, the assets and liabilities will be handed over to corresponding authorized bodies. The structure of MCA-Armenia SNCO will be reviewed and having received the approval of the latter, it will be sent to Staff of RA Government for approval.

RA Prime Minister Tigran Sargsyan, taking into account the fact that MCC has suspended further financing of road construction works, informed that first of all it is necessary to hand over the actives and liabilities available to corresponding authorized body.

Gurgen Sargsyan mentioned that actually "Armenian Roads Directorate" SNCO of RA Ministry of Transport and Communication can be the authorized body.

RA Prime Minister was interested to know the current activities of "Armenian Roads Directorate" SNCO.

Gurgen Sargsyan informed that the latter is responsible for oversight, coordination, examination of ongoing road construction works. Sometimes ARD acts as a Client for those contracts on behalf of RA Ministry of Transport and Communication.

Nerses Yeritsyan proposed not to terminate but fund and continue the ongoing works by the signed contracts,

Ara Hovsepyan mentioned that it is reasonable also to continue Technical Supervision Contract, which is implemented by German Kocks Consult Company.

RA Prime Minister was interested to know the amount of Technical Supervision Contract.

Ara Hovsepyan replied that contract amount was equal to USD 967,340, out of which the amount equal to USD 553,802 has been already paid. The company, conducting technical oversight, has supervised the road section of Armavir-Isahakyan-Gyumri road, constructed within the frames of MCA-Armenia Program, as well as technical supervision of all works so far conducted since August 2008.

Gurgen Sargsyan proposed not to terminate road construction 6 contracts and hand them over to ARD in order to continue the works.

RA Prime Minister was interested to know how many km of the road has been constructed up to now.

Ara Hovsepyan informed that up to present the construction of road section of Armavir-Isahakyan-Gyumri road, constructed within the frames of MCA-Armenia Program in the total length of 24,5 km has been fully accomplished, however there are no fully rehabilitated sections under the First Package.

RA Prime Minister was interested to know the amount, required for the construction of those roads.

Ara Hovsepyan mentioned that amount, equal to 43 mln. USD is necessary for the total implementation of the works, included in the First Package, and the amount equal to 6,8 bln. AMD is required for logical completion of the works.

Vardan Aramyan mentioned that a number of formal steps should be conducted related to that issue. First of all it is necessary to make a corresponding decision, carry out new inventory of the roads, available in balance sheet and register them in the balance sheet of the authorized body. Vardan Aramyan requested an instruction for RA Ministry of Finance, so that Supervision Department of RA Ministry of Finance is involved in that process.

RA Prime Minister Tigran Sargsyan informed that it is necessary to terminate contracts, conduct inventory and hand over to “Armenian Roads Directorate” SNCO, afterwards RA Government will decide on further steps.

Ara Hovsepyan asked to clarify whether the contracts should be terminated or contract party should be changed.

RA Prime Minister informed the contracts should be terminated and the resources and assets available should be handed over to “Armenian Roads Directorate” SNCO and a corresponding Acceptance-Transfer Act should be signed.

Poghos Shaninyan informed those present that earth works on 260 km of the road sections have been already carried out and according to specialists, in case if the works are not completed in one year time period, the works conducted will be considered to be lost, whereas about 8 mln. USD has been spent for the implementation of the mentioned works.

RA Prime Minister mentioned that the works will be carried out, but the question is when? Presently we are facing funding problem, in case if corresponding source of funding is found, the mentioned works will be conducted earlier. Presently the amount equal to 6.8 billion drams is available, which would be enough for completion of works only on 124 km.

Gurgen Sargsyan mentioned that the required amount is about 42-43 mln. USD.

Nerses Yeritsyan informed that there are three potential sources of funding, but the negotiations are still ongoing.

Ara Hovsepyan informed that there is one more issue related to suspension of MCA-Armenia Rural Roads Rehabilitation Project. The issue is the equipment and furniture, purchased for “Armenian Roads Directorate” SNCO from the resources of MCA-Armenia Program, regarding to which RA Minister of Transport and Communication addressed a letter to RA Prime Minister requesting to hand over the mentioned equipment and furniture to “Armenian Roads Directorate” SNCO, which would become property of “Armenian Roads Directorate” SNCO. The given issue has been also discussed with MCC and the position of the latter is not definite. In particular, MCC proposes to hand over a part of equipment and furniture to WUAs and at least one of the vehicles to MCA-Armenia SNCO.

RA Prime Minister mentioned that RA Government is planning to carry out the program from RA State Budget resources and further implementation of program will be handed over to “Armenian Roads Directorate” SNCO, therefore the above mentioned resources should be also handed over to “Armenian Roads Directorate” SNCO.

Based on the request of MCC representative Ara Hovsepyan reminded that MCC reserves the right of final decision and the decision on handing over the equipment and furniture to “Armenian Roads Directorate” SNCO should be also agreed with MCC.

RA Prime Minister mentioned that this is the common approach and all decisions are subject to MCC approval.

After discussions it was **unanimously decided** to take into account the suspension of Rural Roads Rehabilitation Project, instruct MCA-Armenia SNCO to terminate contracts, signed within the frames of Rural Roads Rehabilitation Project of MCA-Armenia Program and hand over the available assets and liabilities to “Armenian Roads Directorate” SNCO of the Ministry of Transport and Communication of RA.

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

Ara Hovsepyan informed that the given reference prior to submitting to GC members has been discussed with Nerses Yeritsyan, RA Minister of Economy and then has been sent to RA Prime

Minister. The reference has been prepared and presented by Hakob Petrosyan, Millennium Challenge Account-Armenia SNCO Rural Roads Rehabilitation Project Officer.

RA Prime Minister mentioned that, in fact if there is a transition of Armenian road construction industry to construction of cement-concrete roads, after 30 years there will only 9% savings.

Hakob Petrosyan informed that the savings will be in the amount of 9% in case of discount factor equal to 4%, economic rate of return will be equal to 33%, since initial cost of cement-concrete roads is by 24% higher than the initial cost of asphalt-concrete roads. Besides, the road with 30sm layer has been taken as a sample for evaluation, whereas there should be a separate calculation made for each case, in the result of which saving percentage could increase.

RA Prime Minister mentioned that during calculations the necessity of professional institutions and corresponding machinery available should have been also taken into account, as well as related capital expenses, which presently do not exist in our country.

RA Prime Minister Tigran Sargsyan informed that the analysis submitted is sufficient and during the coming 3 years it is not reasonable to transit to construction of cement-concrete roads.

After discussions it was **unanimously decided** to take into account comparative analyses on costs of asphalt-concrete and cement-concrete road pavements.

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

Ara Hovsepyan informed that RA Government during the last session has made a decision on allocation of money for the implementation of resettlement/land acquisition process, necessary for the construction of gravity schemes. In this regard, MCA-Armenia SNCO is in direct cooperation with RA Ministry of Territorial Administration, which is leading the process.

After presentation of information it was **unanimously decided** to approve Resettlement Action Plans of Aygezard, Shnik and Mantash Gravity Schemes under the Infrastructure Activity of the Irrigated Agriculture 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 was interested to know whether the reports were useful.

Ara Hovsepyan informed that the information presented in the reports was useful and all the mentioned reports have been submitted and discussed with RA State Committee of Water Economy. There is only one issue left, which is more efficient: to use shotcrete or concrete, however this issue has been presented to corresponding Consultant and MCA-Armenia is expecting final opinion and justification.

After discussions it was **unanimously decided** to take into account the information on the Reports submitted by the Sedimentation, Concrete and Water Management Specialists within the frames of Millennium Challenge Account-Armenia Program.

Clause a) of Agenda item 5 was presented by Poghos Sahinyan, member of the MCA-Armenia Governing Council and Stakeholders' Committee, Chairman of National Road Safety Council NGO.

Poghos Shahinyan informed that during SC session Lilit Asatryan, SC member raised an issue of construction of three gravity schemes, left out from the MCA-Armenia Program and SC has addressed a letter to Public Council. The letter has been discussed during the session and RA President positively reacted to Meghri gravity scheme and mentioned that the program is amongst RA priority projects and there is a positive tendency that the program will be implemented.

Ara Hovsepyan mentioned that MCA-Armenia SNCO has the designs of Meghri gravity schemes, as well as corresponding reference, which reflects all issues and related analysis of construction of gravity schemes, as well as positive and negative circumstances. He also mentioned that MCA-Armenia SNCO is ready to provide the information available if requested to Public Council and/or other interested bodies.

After discussions it was **unanimously decided** to take into account letter, addressed by MCA-Armenia Stakeholders' Committee to Public Council regarding three gravity schemes, left out from the MCA-Armenia Program.

Poghos Shahinyan also raised one more issue. During Governing Council session, which was held in February, Yerevan city and RA traffic strategy has been discussed, which in line with other activities assumes the establishment of Road Safety Council. Afterwards, a letter has been addressed to RA Prime Minister, however the final position is not clear yet.

Gurgen Sargsyan informed that a reply to the mentioned letter has been already provided. The implementation of two programs on traffic safety, funded by the World Bank is planned. The programs have not commenced yet, but the safety issues are emphasized and it is planned that they will be taken into account in future in the stage of design works. However, the issue of establishing Council has not been discussed.

Nerses Yeritsyan mentioned that there will be a round table meeting in October, devoted to identification of common standards for road construction, funded by all international organizations. The issue of transition to European safety measures will be also discussed.

Poghos Shahinyan proposed that RA Prime Minister adopts a decree on establishment of Council, the main function of which will be coordination of road safety issues.

Nerses Yeritsyan mentioned that it is presently proposed that RA state budget covers the expenses related to establishment of Secretariat, which will be further funded by donor organizations. If the Secretariat is strong enough and there is a good cooperation, the Council will be established.

RA Prime Minister instructed RA Minister of Economy Nerses Yeritsyan to meet Poghos Shahinyan and come to mutual agreement on further steps.

Clause b) of Agenda item 5 was presented by Victor Yengibaryan, member of the MCA-Armenia Governing Council and Stakeholders' Committee, Chairman of "European Movement of Armenia" NGO.

Victor Yengibaryan mentioned that within the frames of "European Movement of Armenia" NGO all social and economic values, established in the frames of programs, funded by

international organizations, are considered and it became clear that the mentioned values are established using different standards and it was proposed to investigate that issue.

Nerses Yeritsyan informed that under the oversight of Armen Gevorgyan, RA Deputy Prime Minister, Minister of Territorial Administration, there are ongoing works, directed to receive assistance from the World Bank. It is considered to be rather a complicated process and within the frames of European Union Free Trade Agreement, the priority issue is to establish quality system, which is considered to be from 3 to 5 years and there will be a kind of technical and financial assistance received.

RA Prime Minister Tigran Sargsyan informed that in order to transit to European standards it is only necessary to take the standards, translate them, approve at RA Government session and enforce to apply them.

Nerses Yeritsyan informed that even Eastern European countries conduct a number of pilot programs, assess the costs and possibilities of applying standards.

RA Prime Minister mentioned it is necessary to cooperate with NGOs and instructed RA Minister of Economy to prepare and present schedule, showing the dates of approving of each standard. At the same time "European Movement of Armenia" NGO was suggested to initiate the process and take as an example the glass standard, cooperate with RA Ministry of Economy, try to complete the whole process and submit for approval.

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