

Minutes No. 45

**MCA-Armenia Governing Council Session
14:00, September 15, 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 the Territorial Administration
Vahram Nercissyantz	Chief Economic Advisor to the President of Armenia, Deputy Chairman of the MCA-Armenia Governing Council
Gerasim Alaverdyan	RA Minister of Agriculture
Gurgen Sargsyan	RA Minister of Transport and Communication
Vardan Aramyan	RA Deputy Minister of Finance
Ara Petrosyan	RA Deputy Minister of Economy
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
Viktor Engibaryan	Chairman of "European Movement of Armenia" NGO

GC observers:

Alex Russin	GC observer, MCC Resident Country Director
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Ruben Khachatryan

Chairman of “Foundation for Preservation of Wildlife and Cultural Assets in Armenia”

In the absence of:

Nerses Yeritsyan

RA Minister of Economy

Tigran Davtyan

RA Minister of Finance

Arman Voskanyan

Representative of “Tavush Development” NGO

Invitees:

David Sargsyan

Chief of RA Government Staff

Andranik Andreasyan

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

Participants:

Ara Hovsepyan

CEO, MCA-Armenia SNCO

Nora Martirosyan

Legal Counsel/ GC Secretary, MCA-Armenia SNCO

Hovhannes Sahakyan

Deputy Head of the Economic Department, Government Staff

Aram Ananyan

Assistant to RA Prime Minister

Rima Yeganyan

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. Discussion and approval of the Disbursement Request – XIII, 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 Work plan

d/ The Narrative Report and Indicators Tracking Table
e/ The Procurement Performance Report and Procurement Plan.

2. Discussion and approval of the Draft Contract for rehabilitation of 17 Pumping Stations under the Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program.
3. Discussion and approval of the Draft Amendment to the Contract for Technical Supervision of the Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program signed on February 16, 2009 with CES Consulting Engineers Salzgitter GmbH (Germany), jointly with AHT GROUP AG (Germany), and Yerevan State University of Architecture and Construction (Armenia).
4. Discussion and approval of the Draft Contract for Review of final designs for Rehabilitation of Pumping Stations. IAP/SSS-01s under the Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program.
5. Discussion and approval of the issue of inclusion of Spitak Gravity Scheme into the Construction Contract of 4 Gravity Schemes under the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program.
6. Other issues:
 - a) Discussion and approval of application of construction technologies proposed by Construction Company responsible for implementation of rehabilitation works included in the First Package of 6 main canals rehabilitation works under the Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account -Armenia Program.
 - b) Provision of information on “Buy Armenian” Campaign” planned under the “Water to Market” Activity of the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program.

The Agenda was approved unanimously.

Alongside with the Agenda the corresponding references were made available to the members of the MCA-Armenia Governing Council.

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

Ara Hovsepyan informed the Council that during the next, thirteenth quarter (October-December 2009) MCA-Armenia SNCO is planning to receive financing from MCC in the amount of USD 16,583,699 through CPS system, the main portion of which (in the amount of USD 15,677,562) will be directed to activities implemented within the frames of the Irrigated Agriculture Project, more specifically for financing civil works. The reallocations of funds within the Program activities for financing of 17 pumping stations rehabilitation have also been presented.

Ara Hovsepyan attracted the attention of those present to Conditions Precedent Report, attached to Disbursement Request and mentioned that there was only one condition precedent related to approval of National Irrigation and Drainage Policy and Strategy Paper, which has not been satisfied. This issue has been discussed during the previous Governing Council meeting and a decision had been made to send the above mentioned document to all interested parties, receive

recommendations and comments, finalize the document and initiate joint discussion on September 13 setting November 20, 2009 as the deadline for approval of the document.

Ara Hovsepyan informed the Council that there had been several discussions on that issue led by Mr. Armen Gevorgyan, RA Deputy Prime Minister, RA Minister of Territorial Administration, during which a number of key issues were discussed.

Armen Gevorgyan informed the Council that there were still unanswered questions and some of them require political decisions. MCA-Armenia SNCO has received recommendations and comments from all interested parties and is in the stage of finalizing them. Following this process one more discussion is planned for September 19, 2009 to define further steps. There are two options for further direction. The first one is to discuss and during the next GC session approve only National Irrigation and Drainage Policy thus meeting the established deadlines. This document will analyze the existing situation and problems of the sphere and will stipulate possible alternatives of its development. However it is not possible to approve the Strategy within the mentioned time period as it needs more detailed and in depth study, especially of the financial aspect. The second option implies extending the deadline for approval of National Irrigation and Drainage Policy and Strategy Paper.

Presently the Government of the Republic of Armenia is expecting to receive a loan from the World Bank, under which it is planned to conduct an audit of Water Users Associations. Besides, Chamber of Control of RA National Assembly is actively working in that sphere. The latest results should be certainly taken into account in the preparation and approval of the Strategy, since it should be an action plan with corresponding financial estimates and time frames for implementation defined.

Ara Hovsepyan also presented changes made to the MCA-Armenia Procurement Plan and mentioned that two gravity systems, Spitak and Halavar, left out of the program, have been again included into Program in the result of additional studies carried out by the MCA-Armenia technical team.

Ara Hovsepyan informed the Council that the issue of construction of Spitak gravity system is presented within the Agenda items of the session. The information related to the issue of construction of Halavar gravity system will be presented during the next GC session, when results of the tender are finalized.

After discussions it was **unanimously decided** to approve the 13th Disbursement Request 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.

RA Prime Minister was interested to find out whether it was possible to speed up the signing of contract and implementation of works for rehabilitation of the 17 pumping stations.

Ara Hovsepyan responded that MCA-Armenia SNCO had already started negotiations with the winner, which had requested the French Government to provide guarantee so that the company could provide bank guarantee in at least 85% of contract amount to be signed.

After clarifications it was **unanimously decided** to approve the Draft Contract for rehabilitation of 17 Pumping Stations under the Infrastructure Activity of the Irrigated Agriculture Project of the

Millennium Challenge Account-Armenia Program given that issues raised by MCC and stated in the Reference should be addressed during the negotiations.

Hence, the following assignment was given with regards to the second item of the Agenda:

The issues raised by MCC and the Evaluation Panel members will be discussed with the winning company of the tender for rehabilitation of 17 pumping stations. In case of acceptable results the draft Contract will be sent to MCC for approval and then the Contract will be signed.

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

It was **unanimously decided** to approve Draft Amendment to the Contract for Technical Supervision of the Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program signed on February 16, 2009 with CES Consulting Engineers Salzgitter GmbH (Germany), jointly with AHT GROUP AG (Germany), and Yerevan State University of Architecture and Construction (Armenia), signed on February 16, 2009.

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

It was **unanimously decided** to approve Draft Contract for Review of final designs for Rehabilitation of Pumping Stations. IAP/SSS-01s under the Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program.

Agenda item 5 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

It was **unanimously decided** to approve inclusion of the Spitak Gravity Scheme into the Construction Contract of 4 Gravity Schemes under the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program.

With regard to the fifth item of the Agenda the following was tasked to MCA-Armenia: the issue of inclusion of Spitak Gravity Scheme into the Construction Contract of 4 Gravity Schemes under the Infrastructure Activity of the Irrigated Agriculture Project of the Millennium Challenge Account-Armenia Program will be presented to MCC for no-objection. In case of receiving positive reply from the latter, negotiations with the corresponding contractor will be initiated to discuss the price of works to be implemented. Draft amendment to the Contract will be presented for the approval of MCA-Armenia Governing Council and later to MCC.

Clause a) of Agenda item 6 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

Ara Hovsepyan informed that the issue had been discussed with Andranik Andreasyan, Chairman of RA State Water Committee and a mutual agreement had been reached that the contractor should use shotcrete, which will enable to complete the works in time, i.e. in April 2010.

Andranik Andreasyan confirmed this and mentioned that the present situation of main canals is disastrous and it is necessary to allow using shotcrete in order to speed up the works. Besides, there will be an opportunity to compare sections repaired with shotcrete with sections repaired with concrete to understand strengths and weaknesses of both approaches.

RA Prime Minister Tigran Sargsyan was interested to know the life span and the cost of canals repaired with shotcrete.

Andranik Andreasyan responded that durability of shotcrete is 5-7 years long and durability of concrete is 20-25 years, whereas the price is about the same.

Ara Hovsepyan informed that according to opinion of the technical specialists of MCC and the contractor, in case of proper maintenance the durability of shotcrete is similar to that of concrete. Moreover, the implementation of lining with equal thickness is becoming easier, since it is impossible to lay shutter concrete with similar thickness on old rough concrete layer and it is easier to mitigate the impact of low temperature, since shotcrete contains less water and it is possible to cover it immediately with water and temperature resistant covers.

Vahram Nercissyantz was interested to know about the maintenance cost of the latter.

Ara Hovsepyan mentioned that maintenance of shotcrete is cheaper than maintenance of concrete, however the problem is lack of experience.

Armen Gevorgyan mentioned that WSAs do not include maintenance costs in the price of water supplied and RA Government allocates resources for maintenance from RA state budget, which makes the maintenance complicated.

RA Prime Minister was interested to know whether application of shotcrete would be a pilot project or no.

Ara Hovsepyan replied that within Contract for rehabilitation of main canals, Package 1 it is planned to rehabilitate 3 more km of main canals and not all sections of canal will be rehabilitated by using shotcrete.

Armen Gevorgyan mentioned that in fact the same amount is spent in case of shotcrete and the durability of the canal is three times shorter. It would have been good to continue using the same technology, which was used in the beginning of construction, but in this specific case time is more important.

Ara Hovsepyan mentioned that apart of time, the money amount is critical, since it became clear that the works carried out by the design company were not precise and so far several Variation Orders have been signed resulting in the increase of the Contract price relative to the initial price. In case of applying shotcrete MCA-Armenia will not have to spend significantly more money than planned by the budget. Besides, according to technical specialists' assurances, joining of shotcrete and concrete is stronger.

Vahram Nercissyantz was interested to know how many shifts the contractor uses during the works.

Ara Hovsepyan responded that presently there is one shift only, but there can be more in case of necessity. In fact, that is the contractor's problem and it is clear that the works planned by the Contract should be completed in April 2010.

Poghos Shahinyan was interested to know how much additional time was necessary to fulfill the works planned by Contract in case of applying concrete.

Ara Hovsepyan replied that this issue was not clear, however it was evident that it would be later that stipulated by the Contract.

Poghos Shahinyan was interested to know which is more expensive: repairing of concrete or shotcrete.

Andranik Andreasyan confirmed that rehabilitation of concrete is more expensive.

After discussions it was **unanimously decided** to approve shotcrete technology to be applied by contractor in charge of the rehabilitation of main canals.

Clause b) of Agenda item 6 was presented by Ara Hovsepyan, Chief Executive Officer of the MCA-Armenia SNCO.

Ara Hovsepyan informed that on October 12, 2009 during a press conference “Buy Armenian” campaign will be launched, which will also provide information about the EXPO “New approach, high income”, of which “Buy Armenian” is a part. The detailed information about exhibition has been already sent to the Prime Minister.

Ara Hovsepyan also invited the RA Prime Minister to have an opening speech at the EXPO.

After discussions it was **unanimously decided** to acknowledge the information on “Buy Armenian” Campaign” planned within the scope of the “Water to Market” Activity of the Irrigated Agriculture project of the Millennium Challenge Account-Armenia Program.

Under “other issues” Poghos Shahinyan informed those present that stakeholders present will not participate in the next session, since MCA-Armenia would be conducting the election of the new members to the Stakeholders Committee. As soon as the new SC is formulated, delegates to Governing Council will be selected.

RA Prime Minister Tigran Sargsyan expressed his gratitude for fruitful cooperation, wished success to SC delegates and expressed hope to see the members in Governing Council again.

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