

Minutes No. 48

**MCA-Armenia Governing Council Session
15:00, December 18, 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 Georgian	RA Deputy Prime Minister, Minister of the Territorial Administration
Tigran Davtyan	RA Minister of Finance
Gerasim Alaverdyan	RA Minister of Agriculture
Gurgen Sargsyan	RA Minister of Transport and Communication
Mushegh Tumasyan	RA Deputy Minister of Economy
Arman Voskanyan	Representative of “Tavush development” NGO
Shirak Mikaelyan	Authorized representative of "Work and Motherland" NGO
Viktor Engibaryan	Chairman of ““European Movement of Armenia” NGO
Lilit Asatryan	Authorized representative of Poghos Shahinyan, Chairman of “National Road Safety Council” NGO

GC observers:

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

Nerses Yeritsyan	RA Minister of Economy
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Karen Zadoyan	Chairman of “Armenian Young Lawyers’ Association” NGO
Poghos Shahinyan	Chairman of “National Road Safety Council” NGO
Ruben Khachatryan	Chairman of “Foundation for Preservation of Wildlife and Cultural Assets in Armenia”

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
Aram Ananyan	Assistant to RA Prime Minister
Simon Ghonaghchyan	Head of Economic Department, Government Staff
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 National Irrigation Policy and Strategy Paper.
2. Discussion and approval of 14th Disbursement Request and documents attached to it to be submitted to MCC.
3. Submission of information on current situation of MCA-Armenia Stakeholders’ Committee.

4. Other issues

a/ Discussion and approval of draft Contract IA/CB/CW-08/008 for rehabilitation of Ararat Valley Drainage System (Package1)

b/ Discussion and approval of draft Contract IA/CB/CW-08/004 for rehabilitation of tertiary canals (Package 1)

The Agenda was approved unanimously.

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

RA Prime Minister Tigran Sargsyan suggested introducing Agenda item 3 first.

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

Ara Hovsepyan informed that in order to fulfill the instruction of the MCA-Armenia Governing Council dated December 2, 2009, MCA-Armenia Stakeholders' Committee (hereinafter referred called SC) established a task force, consisting of 6 SC members to discuss and propose solutions for SC internal issues. In the result of discussions SC came to the following decision: "SC will conduct new elections of Governing Council delegates. As a result, the selected five candidates will leave SC composition and SC will be filled in by five more members selected among the list of SC candidates with the next highest number of votes".

RA Prime Minister wanted to know when the elections will be conducted.

Ara Hovsepyan replied that the elections will be conducted as soon as Governing Council and MCC provide no-objection to the decision made. MCC has already been informed about the solution, but so far there is no official position expressed on that issue.

RA Prime Minister was supportive of the SC decision and mentioned that peaceful solution of any kind of difficult situation that will benefit the civil society is encouraging and acceptable.

After discussions it was **unanimously decided** to approve the decision made by MCA-Armenia Program Stakeholders' Committee.

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

Ara Hovsepyan informed that in compliance with the instruction of the MCA-Armenia Governing Council dated December 2, 2009, MCA-Armenia Consultant reviewed the controversial parts of the National Irrigation Policy and Strategy Paper (hereinafter called Concept) and discussed the latter with all interested parties.

After discussions the final version of Concept is presented to Governing Council for approval.

RA Prime Minister was interested to know whether international experience on providing tax privileges had been studied.

Ara Hovsepyan replied that after approval of the Concept it is planned to approve National Irrigation Policy and Strategy within coming six months. The mentioned issue will also be discussed thoroughly and taken into account during that process.

RA Prime Minister Tigran Sargsyan mentioned that MCA-Armenia SNCO fulfilled the instruction, which assumed reaching agreement with all interested parties.

Armen Gevorgyan mentioned that initially in order to meet the condition precedent MCC expected the approval of Concept by relevant authorized body, but Governing Council came to a decision to approve the Concept and when the final version of National Irrigation Policy and Strategy Paper is available, which is scheduled for June, 2010, it will be submitted for the approval of RA Government.

Ara Hovsepyan informed that having received the approval of the MCA-Armenia Governing Council the Concept will be submitted for the approval of State Committee on Water Economy of RA Ministry of Territorial Administration.

After discussions it was **unanimously decided** to approve Irrigation Policy Paper.

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

Ara Hovsepyan informed that under 14th Disbursement Request MCA-Armenia is expecting to receive USD 11,689,834 from MCC, USD 10,719,834 of which will be spent to finance Irrigated Agriculture Project.

Regarding conditions precedent Ara Hovsepyan informed that there was one condition, which was not satisfied. It referred to disbursements from state budget for maintenance of irrigation system, which was not envisaged by 2010 budget. MCA-Armenia requested deferral from MCC as an exception for 1 year under the condition that the given condition precedent will be met next year envisaging at least 1,5 billion drams in 2011 budget.

Coming back to the Procurement Plan Ara Hovsepyan informed that there was one line added in the Procurement Plan, which assumed involvement of a relevant technical auditor. The technical auditor will conduct quality audit of civil works under Irrigation Project.

After presentation of the issue it was **unanimously decided** to approve 14th Disbursement Request to be submitted to MCC and documents attached to it.

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

RA Prime Minister Tigran Sargsyan was interested to know which currency will be used for making payments to contractor.

Ara Hovsepyan informed that the payments would be made in RA drams.

Ara Hovsepyan informed that it was also planned to announce a tender for rehabilitation of Ararat valley drainage system (second package). To implement the works, envisaged by that package, it is necessary to provide 38 hectares of land area for temporary and permanent use.

Armen Gevorgyan added that MCA-Armenia employees will study this issue in more details and then will submit it for joint discussion and possibly the issue of land acquisition will appear. The compensation will have to be done from RA state budget resources.

After discussions it was **unanimously decided** to approve draft Contract IA/CB/CW-08/008 for rehabilitation of Ararat Valley Drainage System (Package1).

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

Armen Gevorgyan informed that the requirement for 15 percent community co-financing is envisaged for the implementation of civil works under this component. Presently communities have co-financing problem, which has two reasons. First of all, in average civil works prices are 70 percent higher than it was forecasted and secondly, due to economic crisis communities are facing financial difficulties.

Armen Gevorgyan added that presently, taking into account financial crisis RA Government is negotiating with donor organizations to reduce the percentage of community co-financing. For example, under the World Bank project, implemented by Social Investment Fund 10 percent of co-financing was envisaged. In the result of negotiations the percentage was reduced to 5 percent. There are similar discussions with other international organizations as well.

Armen Gevorgyan proposed to officially request that MCC reduce community co-financing percentage.

Alex Russin informed that MCA-Armenia SNCO and design company did everything possible, applied progressive technologies to reduce civil works prices and besides, MCC does not restrict the right of communities to address different NGOs and donor organizations for providing co-financing.

MCC objective for providing 15 percent co-financing was that villagers appreciate the value of 85 percent of financial resources, provided by Government and have a caring attitude and feeling of ownership towards canals.

Alex Russin also reminded that during Compact negotiations 30 percent co-financing was discussed, which was reduced to 15 percent by the request of Government prior to Compact signing.

After discussions it was **unanimously decided** to approve draft Contract IA/CB/CW-08/004 for rehabilitation of tertiary canals (Package 1).

When the agenda items were expired, 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