

Minutes No. 50

**MCA-Armenia Governing Council Session
16:00, March 12, 2010
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	Deputy Chairman of the MCA-Armenia Governing Council, Chief Economic Advisor to President of Armenia
Vardan Aramyan	RA Deputy Minister of Finance
Gerasim Alaverdyan	RA Minister of Agriculture
Gurgen Sargsyan	RA Minister of Transport and Communication
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
Karen Zadoyan	Chairman of “Armenian Young Lawyers’ Association” NGO
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
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
Simon Ghonaghchyan	Head of Economic Department, Government Staff
Shushanik Hovsepyan	Expert of Economic 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 – XV, 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 Draft Amendment to the Contract for Institutional Strengthening of Irrigation Management Entities under the Water-to-Market Activity of the Irrigated Agriculture Project of MCA-Armenia Program.

3. Discussion and approval of the Draft Contract for GIS Program for WUAs and WSAs under the Water-to-Market Activity of the Irrigated Agriculture Project of MCA-Armenia Program.
4. Presentation of the Guidelines for the Program Closure of Millennium Challenge Compacts and determination of the MCA-Armenia's further steps.
5. Other issues.
 - a) Discussion and approval of draft contract IA/CB/CW-08/010 on "Rehabilitation of Ararat valley drainage system"
 - b) Discussion and approval of draft contract IAP/IC-08 on "Infrastructure Activity technical auditor"
 - c) Submission of information on resolving of the MCA-Armenia Stakeholders' Committee, suspension of SC' By-Laws and new SC elections.

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 by Disbursement Request XV MCA-Armenia is expecting to receive USD 18,966, USD from MCC USD 18,276,992 of which will be directed to fund Irrigated Agriculture Project.

Regarding conditions precedent Ara Hovsepyan informed that WUAs related cost recovery condition precedent was satisfied, since according to revised indicators scale of the given condition precedent, cost recovery interest of WUAs during reporting period should have been equal to 42%, however based on the estimates of the MCA-Armenia Consultant it presently equals to 41.3%. Taking into account that the deviation between planned and actual indicators is less than 10 percent, the given indicator is considered to be satisfactory.

Governing Council members were also informed that there were no funds envisaged in 2010 budget for irrigation system maintenance and MCC provided one year waver for that condition precedent on the condition that 2011 state budget shall envisage at least 1,5 billion AMD for irrigation system maintenance, the same amount, which was stipulated for 2009.

When addressing the Procurement Plan Ara Hovsepyan informed that a new line for procurement of heavy machinery for WUAs and WSAs was added in it. The mentioned procurement will be based on Needs Assessment of WUAs and WSAs conducted by the MCA-Armenia Consultant. The details of the mentioned procurement have been already discussed with RA Deputy Prime Minister and Chairman of State Committee on Water Economy of RA Ministry of Territorial Administration. It was also informed that a new line was added in the Procurement Plan, according to which it is planned to hire a Consulting Company for development of Irrigation Strategy and drafting corresponding legal acts or modifications of legal acts.

Karen Zadoyan was interested to know the amount planned by Procurement Plan for the credit component.

Ara Hovsepyan answered that credit component was not included in the Procurement Plan, since the latter was not considered to be procurement. During the coming quarter under the credit component it is planned to allocate 2 mln. USD equivalent Armenian drams.

Andranik Andreasyan mentioned that Ara Hovsepyan had already talked about rather high cost recovery interest of WUAs and the condition precedent satisfied, however it should be particularly stated that the given indicator is unusual for the past years.

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

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

Ara Hovsepyan informed that the Consultant on Institutional Strengthening of Irrigation Management Entities recommended to organize a study tour to a developed country to study progressive experience of WUAs. There were two proposals received and US, California was chosen. Within the frames of the visit it is planned to study modern experience of WUAs.

RA Prime Minister was interested to know why California was selected.

Vahram Nercissyantz informed that the most developed experience in management of irrigation systems and modern WUAs are in California and Mexico.

RA Prime Minister wanted to know who the participants of a study tour would be.

Ara Hovsepyan informed that the study tour will involve officials who are directly and indirectly related to water management entities, as well as WUAs representatives. The final list of participants will be agreed with RA Ministry of Territorial Administration and MCC. Ara Hovsepyan added that the study tour will involve persons who never had similar trainings before. MCA-Armenia is proposing to provide the Consultant with the resources to organize the training, because in that case it will be quicker and more effective. Ara Hovsepyan also mentioned that the visit will have positive impact for the development of Irrigation Strategy since during the training the participants will have an opportunity to get familiar with management systems in modern WUAs and receive answers to challenging questions, such as WUAs tax exemption issue.

Andranik Andreasyan informed that there were several trainings conducted in Mexico, which were rather effective. Progressive experience is very important. It is also important that training participants will be representatives of relevant management entities.

Vahram Nercissyantz proposed to conduct one part of the training in California and another part in Mexico. This option will give an opportunity to conduct comparative study and will be more useful. Vahram Nercissyantz also proposed to use sphere related handbook, written by him, which is also available in internet.

After discussions it was **unanimously decided** to approve Draft Amendment to the Contract for Institutional Strengthening of Irrigation Management Entities under the Water-to-Market Activity of th Irrigated Agriculture Project of MCA-Armenia Program.

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

Ara Hovsepyan informed that MCA-Armenia Consultant studied all 44 WUAs and 3 WSAs and conducted Needs Assessment. In the result of Needs Assessment the Consultant proposed to introduce Geographic Information System (GIS) in water management entities (WUAs and WSAs). The system will serve to model, manage and count water demand in WUAs and WSAs. It is planned to introduce GIS in 22 WUAs and 3 WSAs, upgrade GIS system in 20 WUAs, as well as train WUAs and WSAs staff members to use GIS system.

Viktor Engibaryan was interested to know the price of GIS system and training.

Ara Hovsepyan replied that the total amount planned for introduction of 22 WUAs and 3 WSAs, upgrade of GIS system in 20 WSAs, training and all other types of works stipulated by contract is 103,664,000 AMD.

RA Prime Minister was interested to know whether MCA-Armenia was confident that in case of single source procurement the price will be acceptable.

Ara Hovsepyan informed that MCA-Armenia studied the market and it became clear that in any case any company wishing to implement the given works should use data base of the given company. In past Jravan Ltd. collected data base for 20 WUAs. The company is also the author of the software to apply this base.

Andranik Andreasyan informed that there were two persons in the team assisting State Committee on Water Economy who developed that software by their own initiative without any state order or grant and reserved all copyrights. State Committee on Water Economy does not have any relations with that company. Andranik Andreasyan informed that he was confident that the proposal of the company was transparent in spite of the fact that MCA-Armenia proposed competitive bidding.

Ara Hovsepyan informed that based on timing, amount, as well as program implementation efficiency after receiving MCC approval MCA-Armenia proposes to choose single source procurement.

Vardan Aramyan was interested to know the model used in the system and also whether it enables to plan the demand.

Andranik Andreasyan answered that the model was very interesting. The parameters have to be included in the system and then it automatically counts for example the demand of irrigation water to cultivate the given crop variety on any area in hectares. Data related to each water user is also input. Andranik Andreasyan suggested presenting the system if necessary.

Armen Gevorgyan was interested to know that taking into account the fact that the system would be also introduced in WSAs whether it would be possible to make any changes in the system, which will enable to clear water losses.

Andranik Andreasyan answered that WUAs information would be output for WSAs. From the content point of view the system will have all information, but water losses regulation needs legal justifications.

After discussions it was **unanimously decided** to approve the Draft Contract for GIS Program for WUAs and WSAs under the Water-to-Market Activity of the Irrigated Agriculture Project of MCA-Armenia Program.

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

Ara Hovsepyan informed that on September 8, 2009 MCC approved Guidelines for the Program Closure of Millennium Challenge Compacts. In accordance with the Guidelines 15 months prior to completion of any program funded by MCC Program Implementation Organization has to present Program Closure Plan and at least 12 months prior to completion of Program the plan should be approved by MCC and MCA-Armenia Governing Council. The Guidelines incorporates the principal clauses, which should be presented in the closure stage of the program, in particular further status of Program Implementation Organization, the issue of goods transfer to other bodies, the issue of transferring contracts in the deffecs liability period and other. Ara Hovsepyan suggested to cooperate with Nerses Yeritsyan, MCA-Armenia Principal Representative and RA Minister of Economy to develop the mentioned plan and then the final draft of the document will be submitted to MCA-Armenia Governing Council for discussion and approval.

Karen Zadoyan mentioned that it was necessary to talk about the future of credit resources, since the resources were provided to banks and universal credit organizations until 2015.

Ara Hovsepyan informed that the issue raised was one of the main issues that should be reflected in Program Closure Plan.

Vardan Aramyan suggested that Program Closure Plan is to be also discussed with RA Ministry of Finance, since there can be issues related to budgetary planning.

After discussions it was **unanimously decided** to approve Guidelines for the Program Closure of Millennium Challenge Compacts and determination of the MCA-Armenia's further steps.

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

Ara Hovsepyan informed that in case of the given contract the planned works should be completed on July 31, 2011, less than two months prior to completion of the MCA-Armenia Program. MCA-Armenia had serious discussions with MCC on timing of Contract on second package of Ararat Valley drainage system rehabilitation. In the result of discussions MCA-Armenia was instructed to inform MCA-Armenia SNCO Governing Council that in case if after September 29, 2011 there will be resources necessary to complete the works planned the expenses should be covered by RA Government. Ara Hovsepyan also informed that negotiations were conducted with the representatives of the winning company and in accordance with the schedule and Minutes of the meeting the latter assured that they would manage to finish the implementation of works prior to completion of contract.

After presentation of Agenda item it was **unanimously decided** to approve draft contract IA/CB/CW-08/010 on "Rehabilitation of Ararat valley drainage system.

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

Ara Hovsepyan informed that by this Contract MCA-Armenia is planning to hire an independent consultant to conduct technical audit of the works carried out under MCA-Armenia Infrastructure Activity.

RA Prime Minister was interested to know whether there were local technical auditors.

Andranik Andreasyan informed that there were serious engineers in RA, however most likely they did not participate in the given tender.

RA Prime Minister wanted to know how long the technical auditor would work.

Ara Hovsepyan answered that under the given Contract it is planned to have one month duration three missions to Armenia and after the missions there is time allocated for the preparation and submission of relevant mission reports.

Andranik Andreasyan mentioned that the reports should be also presented to technical supervisor as well.

Ara Hovsepyan informed that it would be definitely done and MCA-Armenia already had similar experience when the reports, prepared by Rural Roads Project technical auditor have been also submitted to technical supervisor, focusing the attention of the latter to shortcomings and weaknesses available.

After discussions it was **unanimously decided** to approve draft contract IAP/IC-08 on “Infrastructure Activity technical auditor”.

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

Ara Hovsepyan informed that MCC has already prepared and will send to MCA-Armenia Implementation Letter stating the terms for resolving the present SC composition, suspending the existing SC by-law, initiating new elections and extension of the next SC authority till the completion of the MCA-Armenia Program. The Implementation Letter will be presented to RA Minister of Economy for countersigning.

RA Prime Minister suggested not discussing the issue since there is a decree available on the latter and according to decree if the representatives of civil society do not come to agreement SC new elections should be initiated.

Viktor Engibaryan mentioned that it was stated in the Reference that SC selection Regulation should be presented to RA Minister of Economy, however it was not clear how the latter relates to the mentioned process.

Ara Hovsepyan informed that Nerses Yeritsyan is MCA-Armenia Principal Representative appointed by RA Government and that was the basis for the proposal.

Karen Zadoyan asked RA Prime Minister to assure that no state management body would interfere the process.

RA Prime Minister informed that he would assure that.

Arman Voskanyan informed that he had already presented his opinion on that issue, however he would like to stress once again that he opposes the new elections, since it can serve as precedent for repeated similar cases.

RA Prime Minister Tigran Sargsyan mentioned that the decision has been made and therefore it is necessary to stick to decision and organize new elections.

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