



MINUTES no. 10
Steering Committee
of Millennium Challenge Account Moldova (MCA Moldova)

September 14, 2011; 14:00

Government of the Republic of Moldova; office 524

Steering Committee Members:

1. Vladimir FILAT - Prime Minister of the Republic of Moldova, chair of the Steering Committee
2. Victor BODIU - Secretary General of the Government, deputy chair of the Steering Committee
3. Veaceslav NEGRUTA - Minister of Finance
4. Vasile BUMACOV - Minister of Agriculture and Food Industry
5. Anatolie SALARU - Minister of Transports and Road Infrastructure
6. Gheorghe SALARU - Minister of Environment
7. Alecu RENITA - Leader, Environmental Movement in Moldova
8. Alexandru SLUSARI - President, National Federation of Employers in Agriculture and Food Industry
9. Emilia MALAIRAU - Executive Director, Employers Association „American Chamber of Commerce in Moldova”
10. Dumitru URSU - President, Banks Association in Moldova
11. Vladimir FLOREA - President, Employers Association “Union of Transporters and Road Workers in the Republic of Moldova”

Observers:

1. Leslie J McCUAIG - Country Director for Moldova, Millennium Challenge Corporation
2. Valentina BADRAJAN - Executive Director, Millennium Challenge Account Moldova

The meeting was attended by:

Members of the Steering Committee:

1. Victor BODIU - Secretary General of the Government, deputy chair of the Steering Committee
2. Anatolie SALARU - Minister of Transports and Road Infrastructure
3. Alecu RENITA - Leader, Environmental Movement in Moldova

4. Alexandru SLUSARI - President, National Federation of Employers in Agriculture and Food Industry
5. Elena BUZU - Project Manager, Employers Association „American Chamber of Commerce in Moldova” *representing Mrs. Emilia MALAIRAU, Executive Director, Employers Association „American Chamber of Commerce in Moldova”*
6. Dumitru URSU - President, Banks Association in Moldova
7. Ghenadie TAULEAN - Head of Information and Consular Service Section, International Association of Transporters in the Republic of Moldova, *representing Vladimir FLOREA, President of Employers Association “Union of Transporters and Road Workers in the Republic of Moldova”*

Observers:

1. Leslie J McCUAIG - Country Director for Moldova, Millennium Challenge Corporation
2. Valentina BADRAJAN - Executive Director, Millennium Challenge Account Moldova

Secretary of the Steering Committee:

- Ion JOSAN - Procurement Director, Millennium Challenge Account Moldova

Invitees:

- Sergiu IUNCU - Transition to High Value Agriculture Project Director, Millennium Challenge Account Moldova
- Ion JOSAN - Procurement Director, Millennium Challenge Account Moldova
- Inga BURLACU - Public Outreach and Media Officer, Millennium Challenge Account Moldova
- Sergiu LUCHITA - Access to Agricultural Finance Activity Officer, Millennium Challenge Account Moldova
- Jennifer Lappin - Deputy Director, Resident Country Mission to Moldova

Agenda:

1. Approval of the signing of the Implementing Entity Agreement between the public institution Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance of the Republic of Moldova.
2. Approval of the MCA Moldova Procurement Plan for October 2011 – March 2012.
3. Approval of procurements made by MCA Moldova through the shopping procedure over the period April 2011 – August 2011.

Issues to be discussed by the civil society and private sector representatives in the Steering Committee:

4. Nomination of the newly-selected members of the MCA Moldova Consultative Group.

The meeting was chaired by Victor Bodi, Secretary General of the Government of Moldova and deputy chair of the Steering Committee.

For job-related reasons the following members were not present at the meeting:

- Vladimir Filat, Prime Minister of the Republic of Moldova, chair of the Steering Committee;
- Veaceslav Negruta, Minister of Finance;
- Vasile Bumacov, Minister of Agriculture and Food Industry;
- Gheorghe Salaru, Minister of Environment;
- Emilia Malairau, Executive Director, employers association „American Chamber of Commerce in Moldova”, represented by Elena Buzu, Project Manager, employers association American Chamber of Commerce in Moldova;
- Vladimir Florea, President of employers association “Union of Transporters and Road Workers in the Republic of Moldova”, represented by Ghenadie Taulean, Head of Information and Consular Service Section, International Association of Transporters in the Republic of Moldova.

Representation by Elena Buzu and Ghenadie Taulean was approved by the Millennium Challenge Corporation (MCC) prior to the meeting.

The chairman of the session announced that, according to clause 32 of MCA Moldova Bylaws, the meeting was deemed deliberative when at least 6 voting members were present. Since 7 voting members out of 11 and 2 non-voting observers were present, the chairman of the session found that all the conditions for convening the meeting were met.

Valentina Badrajan, MCA Moldova Executive Director, informed the Steering Committee members that the MCA Moldova Legal Advisor, acting as the Secretary of the Steering Committee pursuant to the provisions of MCA Moldova Bylaws, was absent for health reasons. Therefore, Ion Josan, MCA Moldova Procurement Director, was appointed as secretary under clause 36.

Prior to the meeting all the Steering Committee members had received the relevant materials on all the items on the agenda for review. The members of the Committee confirmed that they had received the materials beforehand and got familiar with them.

The chair of the session introduced the agenda and proposed that it be approved.

Having looked through the agenda, the Steering Committee members had no objections to it and, upon the proposal of the chair of the session, approved it unanimously.

Item 1. *Approval of the signing of the Implementing Entity Agreement between the public institution Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance of the Republic of Moldova.*

Sergiu Iuncu, Transition to High Value Agriculture Project Director informed the members of the Steering Committee that the Compact projects must be implemented by implementing entities pursuant to the implementing entity agreements signed with MCA Moldova stating the tasks and obligations of both parties.

In this sense, according to the Compact Agreement (clause B.1.(a).(iii).(1) of Annex I) the Implementing Entity for the sub-activity Post-Harvest Credit Facility (Credit Facility) of the Access to Agricultural Finance Activity (AAFA) is the Credit Line Directorate of the Ministry of Finance of the Republic of Moldova (CLD).

The Credit Facility will provide credits to agricultural producers, groups of producers and businesses operating in the rural area amounting to 50 000 – 600 000 USD (or the equivalent in MDL or EUR) per end-borrower for a term of 3 to 7 years at an interest rate calculated twice a year depending on the inflation rate (for the credits in MDL) or 6-month LIBOR rate (for the credits in EUR or USD). The credits will be provided through the participating financial institutions (PFI) that will take the lending risk and will have to reimburse the loan taken from MCA Moldova and the accrued interest whether or not the end-borrowers repay the PFIs that are solely responsible for making lending decisions. The funds resulting from the repayment of loans by IFP to the Credit Facility and payment of accrued interest will be provided as credits for new business projects in the same sector.

Furthermore, S. Iuncu stressed that, as required by clause B.1.(a).(iii).(1) of Annex I to Compact Agreement, MCA Moldova developed the Post-Harvest Credit Facility Policies and Procedures Manual (the Manual), which describes in detail the procedures and policies applying to the Credit Facility implementation and management. Among the issues it addresses are: participants in the Credit Facility implementation and their responsibilities, initial and ongoing IFP due diligence, eligibility criteria for end-borrowers, lending terms for end-borrowers, disbursement procedure, PFI reporting etc. The Manual was coordinated with CLD and MCC and approved by the MCA Moldova Executive Committee on August 17, 2011.

MCA Moldova drafted the Credit Facility Implementing Entity Agreement, according to the Compact Agreement and Program Implementation Agreement.

The Implementing Entity Agreement has 8 distinct articles and 7 annexes, focused on, but not confined to the following:

- general provisions, purpose of the agreement, relevant Compact documents;
- rights and responsibilities of MCA Moldova and CLD related to the implementation of the AAFA Credit Facility;
- resources to be provided to CLD to implement the project;
- CLD staff and consultants to be engaged in project implementation;
- indicators used to monitor and evaluate the AAFA objectives, outcomes and outputs.

Hence, according to the Agreement and the Policies and Procedures Manual, DLC will be responsible for:

- Initial and ongoing due diligence of the financial institutions applying for or engaging in the Credit Facility implementation meant to ensure ongoing eligibility and compliance with the provisions of the Manual and Loan Agreements signed with PFIs and monitoring of the use of Credit Facility funds by PFIs;
- Acting as voting member in the PFI Selection Committee;
- Contracting the environment and social consultant; developing and updating the social and environmental monitoring plan (approved by MCA Moldova) and performing regular spot checks to monitor the environmental performance of the Credit Facility loans;
- Reviewing PFI disbursement requests for the approved loan applications and checking on the compliance of end-borrowers and investments with all the eligibility requirements and the lending terms and conditions; making decisions to approve loan applications or reject the loans up to 250 000 USD (or the equivalent) per end-borrower or affiliated group of end-borrowers; reviewing and advising MCA Moldova to review the applications for large loans (exceeding 250 000 USD);
- Calculating the interest rates for the PFI loans and the minimal interest rate for end-borrowers;

- Submitting the disbursement requests to MCA Moldova for the approval of disbursement of funds to PFIs;
- Collecting the nonperforming IFP loans, accrued interest and taxes;
- Ongoing monitoring of IFP loans, balance and accrued interest;
- Monitoring (including on-site visits) and reviewing (on a sample basis) end-borrowers to verify whether Credit Facility funds on-lent by PFIs were granted to eligible end-borrowers for eligible investments and under terms and conditions of the Manual;
- Submitting to MCA Moldova monthly, quarterly and annual reports/information/data on Credit Facility implementation and management.

For these services, MCA Moldova will pay CLD a Credit Facility Administration Fee which will include the administrative costs incurred by CLD and Payment for the environmental and social consultant to cover the costs of environmental and social evaluation of the Credit Facility loans.

S. Iuncu added that according to Article 2, Section 2.13 of the Program Implementation Agreement, there are several preconditions for the disbursement of MCC funds for the Credit Facility. More specifically:

- approval of Credit Facility Policies and Procedures Manual by MCA Moldova: - done;
- coordination of the Credit Facility Pilot Impact Evaluation Design - done;
- signing of the Implementing Entity Agreement with CLD.

The draft of the Credit Facility Implementing Entity Agreement was coordinated with CLD and MCC.

Hence, MCA Moldova asked for the approval of the signing of the Credit Facility Implementing Entity Agreement between the public entity Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance of the Republic of Moldova.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the signing of the Post-Harvest Credit Facility Implementing Entity Agreement between the Millennium Challenge Account Moldova and the Credit Line Directorate.

The chair of the session suggested proceeding to the second item on the agenda.

Item 2. *Approval of the MCA Moldova Procurement Plan for October 2011 – March 2012.*

Ion Josan, MCA Moldova Procurement Director, informed the members of the Steering Committee that, according to the MCC Procurement Guidelines, before initiating any procurement, it should be included in the Procurement Plan to be approved by the Steering Committee and then by MCC. MCA Moldova submitted for approval the 6-month Procurement Plan for the period October 2011 – March 2012.

I. Josan highlighted that the Procurement Plan describes the main procurements under each specific project. Therefore, **Transition to High Value Agriculture Project** plans to procure equipment to enhance the water quantity and quality monitoring national network. According to Article 5 of the Implementing Entity Agreement signed between MCA Moldova and the Apele Moldovei Agency approved by the Steering Committee on April 22, 2011, MCA Moldova is in charge of the procurement and delivery of equipment to enhance the water quality and quantity

monitoring network in line with the EU water management principles. The equipment will be provided to the entities implementing the River Basin Management activity and will include:

- up to 10 real time water quantity and quality monitoring stations;
- geographic information system server;
- software for the geographic information system; software for database management;
- software for hydrological modeling;
- up to 20 PCs.

The **Road Rehabilitation Project** plans to procure consultancy services for monitoring the implementation of the Resettlement Action Plan. According to the World Bank Operational Policy 4.12 on the development and implementation of Resettlement Action Plans, a company needs to be contracted to monitor the implementation of the Resettlement Action Plan under the Road Rehabilitation Project and:

- check the amounts allocated for compensations;
- monitor payment of compensations to individuals and businesses;
- monitor the exchange of lands;
- monitor performance of Petition Review Committees.

I. Josan added that the **Program Administration and Audit** activity also plans procurement of services as follows:

Services related to the implementation of the Compact outreach strategy to inform the partners, beneficiaries and other stakeholders of the status of Compact objectives, as well as to ensure their participation in the implementation of Compact projects. These are expected to be services that will scale up communication between MCA Moldova, Compact contractors and mass media; production of publications etc.

Procurement of office equipment

Office equipment was one of the items of the previous procurement plan. However, it was included in the current procurement plan since MCA Moldova needs additional equipment and software.

MCA Moldova website design

For transparency purposes, as well as to make any information related to the implementation of Compact projects available to the public at large, clause 2.12 of the Program Implementation Agreement, signed between MCC and the Republic of Moldova on January 22, 2010 requires that MCA Moldova should post on its website any information related to the agreements signed with MCC, the minutes of the Steering Committee and Consultative Group, the monitoring and evaluation plan, social and environmental evaluation reports, audit reports, procurement notices. Hence, a company needs to be contracted to design a new website.

The contracted company will have to develop the website design, reconfigure the program and transfer the information from the old website to the new one; develop a website user guide and deliver relevant training for the MCA staff.

This procurement was also in the previous procurement plan approved by the Steering Committee and since the procurement failed, for certain reasons, including its small budget, the budget was revised and the procurement was included in the procurement plan for the upcoming period.

Procurement of audit services

The Compact Agreement requires that all the disbursements of MCC funds should be subjected to financial audit at least twice a year.

The USAID Office of Inspector General, as per the Financial Audit Guidelines, selected the companies eligible to conduct the financial audit of the MCA Moldova funds. The list contains names of international audit companies with representative offices in Moldova.

This procurement was in the previous procurement plan. However, since, following the bidding and negotiations the selected company refused to sign the contract, the bidding needs to be re-announced.

The audit will cover the period of October 2009 - December 2011. The contract will be signed for two optional periods, i.e. January – June 2012 or July – December 2012. The winning company is expected to conduct the audit of all the financing sources of MCA Moldova.

Once approved by MCC, the audit report will be posted on the MCA Moldova website for transparency purposes.

Fiscal Agent Services

To ensure financial accountability during Compact implementation MCC requires that an external fiscal agent should be contracted. The role of the Fiscal Agent is to ensure transparency of financial management, payments made, accounts, financial reports. One of the key functions of the Fiscal Agent is to act as a sole signatory authority for fund drawing from bank accounts on behalf of MCA Moldova. The MCC regulations on performance appraisal of contractors require that any company should be subject to performance appraisal, the findings of which should be submitted to MCC and, if negative, may become a reason for termination of contracts.

The 1.5-year performance appraisal of the company providing fiscal agent services found that it demonstrated poor performance, and in spite of any warning by MCA Moldova, it failed to improve performance.

MCA Moldova included in the previous procurement plan procurement of Fiscal Agent services for the period following program implementation; as the bidding was not announced, this activity was included in the procurement plan for the following period.

Finally, similarly to the previous procurement plan, the procurement plan for the following period contains activities common to all projects, i.e. **procurement of short-term (2-3 weeks) individual consultancy** (international and local) for instance: for technical evaluation panels, ad-hoc tribunals (paid once such tribunals are established) to review the challenged procurement decisions, as well as consultancy for other activities unidentified for the moment.

Since some of the activities were transferred from the previous procurement plan, already approved by the Steering Committee, to the procurement plan for the following period, the members of the Steering Committee did not dwell much on them.

Therefore, MCA Moldova asked for the approval of the MCA Moldova procurement plan for the period October 2011 – March 2012.

Having looked through the materials, the voting members of the Steering Committee present at the meeting approved unanimously the MCA Moldova procurement plan for the period October 2011 – March 2012.

The chair of the session suggested proceeding to the third item.

Item 3. *Approval of procurements made by MCA Moldova through the shopping procedure over the period April 2011 – August 2011.*

Ion Josan, MCA Moldova Procurement Director, informed the members of the Steering Committee that, according to the MCC Procurement Guidelines, all the procurements made through the shopping procedure (at least three bids) should be submitted to the MCA Moldova governing body for approval on a monthly basis.

On April 20, 2011 MCC approved a new procedure for approving „shopping” procurements, i.e. any procurement should be approved by the Executive Committee, provided that the Steering Committee is informed about the procurements exceeding 25 000 USD once convened.

As the last time the „shopping” procurements were approved by the Steering Committee on April 22, 2011 I.Josan told the members of the Steering Committee what were the procurements made through the shopping procedure from April 22, 2011 onwards.

Having looked through the relevant materials, the Steering Committee members present at the meeting approved the procurements made by MCA Moldova through the shopping procedure in the period of April 2011 – August 2011.

Further, as per clauses 40 and 55 of the MCA Moldova Bylaws, the civil society and the private sector representatives in the Steering Committee examined the following issues:

Item 4. *Nomination of the newly-selected members of the MCA Moldova Consultative Group.*

Inga Burlacu, MCA Moldova Public Relations and Media Officer, communicated that, according to the MCA Moldova Bylaws, the nongovernmental members of the Steering Committee should select the members of the Consultative Group.

On April 5, 2011 the Consultative Group nominated four of its members to the Steering Committee, as stated in the MCA Moldova Bylaws, and approved a new member of the Consultative Group.

As per the decision of the nongovernmental members of the Steering Committee dated April 22, 2011 MCA Moldova announced on April 27 a competition for Consultative Group membership. Four civil society organizations applied:

- National Farmers Federation – represented by Valeriu Cosarciuc,
- Public association Partnership for Development – represented by Buzu Alexei,
- Public association “Visatoarele” from Grozesti village, Nisporeni (village covered by Compact assistance into the rehabilitation of irrigation systems) – represented by Lefter Mihaela.
- Congress of Local Public Authorities – represented by Viorel Furdui.

The members of the Steering Committee – representatives of the civil society and the private sector - voted unanimously to nominate Valeriu Cosarciuc, Buzu Alexei and Viorel Furdui as members of the Consultative Group.

Having examined the information provided, **the Steering Committee DECIDED to:**

1. Take note of the results of the selection of the MCA Moldova Consultative Group members and nongovernmental members of the MCA Moldova Steering Committee.
2. Approve the signing of the Implementing Entity Agreement between the Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance of the Republic of Moldova.
3. Approve the MCA Moldova Procurement Plan for the period of October 2011 – March 2012.
4. Approve the procurements made by MCA Moldova through the shopping procedure in the period of April 2011 – August 2011.
5. Nominate to the MCA Moldova Consultative Group:
 - Valeriu Cosarciuc, National Farmers Federation;
 - Viorel Furdui, Congress of Local Public Authorities;
 - Buzu Alexei, public association Partnership for Development.

Victor BODIU

Secretary General
of Moldovan Government
Deputy Chair of Steering Committee

Valentina BADRAJAN

Executive Director of MCA Moldova
