



**MINUTES no. 3
Steering Committee
of Millennium Challenge Account Moldova (MCA Moldova)**

*June 29, 2012; 11.00 am
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 NEGRUȚA - Minister of Finance
4. Vasile BUMACOV - Minister of Agriculture and Food Industry
5. Anatolie ȘALARU - Minister of Transport and Road Infrastructure
6. Gheorghe ȘALARU - Minister of Environment
7. Alecu RENIȚĂ - Leader, Environmental Movement in Moldova
8. Alexandru SLUSARI - President, National Federation of Employers in Agriculture and Food Industry
9. Emilia MALAIRĂU - 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 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. 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 NEGRUȚA - Minister of Finance
4. Vasile BUMACOV - Minister of Agriculture and Food Industry

5. Anatolie ŞALARU - Minister of Transport and Road Infrastructure
6. Rodion BAJUREANU - Deputy Minister of Environment, *representing the Minister of Environment*
7. Valentin BOBEICA - Deputy Leader of the Environmental Movement in Moldova, *representing Alecu RENITA, Leader of the Environmental Movement in Moldova*
8. Alina GHELEŢCHI - Economist, National Federation of Employers in Agriculture and Food Industry, *representing Alexandru Slusari, President of the National Federation of Employers in Agriculture and Food Industry*
9. Emilia MALAIRĂU - Executive Director, Employers' Association „American Chamber of Commerce in Moldova”
10. Dumitru URŞU - President, Banks' Association in Moldova
11. Dumitru ALBULESA - Advisor to the President of the Employers' Association “Union of Transporters and Road Workers 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 McCUAIG - Country Director for Moldova, Millennium Challenge Corporation
2. Valentina BADRAJAN - Executive Director, Millennium Challenge Account Moldova

Secretary of the Steering Committee:

- Ion BORŞ - Acting Legal Advisor of the Millennium Challenge Account Moldova

Invitees:

- Anatolii Usatii - Road Rehabilitation Project Director, Millennium Challenge Account Moldova
- Ion Josan - Procurement Director, Millennium Challenge Account Moldova

Agenda:

1. Approval of amendments to the Implementing Entity Agreement dated February 8, 2011 between the Millennium Challenge Account Moldova and SE State Road Administration.
2. Approval of the signing of the amendment to the contract with the Procurement Agent Booz Allen Hamilton.
3. Report on the bid challenge related to the award of the road rehabilitation contract.
4. Approval of the amendments to the Implementing Entity Agreement dated September 16, 2011 between the Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance.
5. Report on the extension of the deadline for submission of deliverables by the audit company Ernst & Young SRL.
6. Approval of the MCA Moldova staff lists (as amended) and appointment of the Deputy Executive Director of MCA Moldova.

7. Report on the extension of the individual employment contract of the Executive Director of MCA Moldova.
8. Report on the „shopping” procurements made by MCA Moldova in the period of March 2012-June 2012.

The meeting was chaired by Vladimir Filat, Prime Minister of the Republic of Moldova and chair of the Steering Committee.

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

- Gheorghe Salaru, Minister of Environment, who delegated Rodion Bajureanu, the deputy minister of environment, to the meeting;
- Alexandru Slusari, President of the National Federation of Employers in Agriculture and Food Industry, who delegated Alina Ghelețchi, economist of the National Federation of Employers in Agriculture and Food Industry, to the meeting;
- Alecu Renita, Leader of the Environmental Movement in Moldova, who delegated Valentin Bobeica, deputy leader of the Environmental Movement in Moldova, to the meeting;
- Vladimir Florea, President of Employers’ Association “Union of Transporters and Road Workers in the Republic of Moldova”, who delegated Dumitru Albulesa, Advisor to the President of Employers’ Association “Union of Transporters and Road Workers in the Republic of Moldova”.

The four representatives, *i.e.* Rodion Bajureanu, Alina Ghelețchi, Valentin Bobeica and Dumitru Albulesa, according to the provisions of the MCA Moldova Bylaws, were approved by the Millennium Challenge Corporation (MCC).

The chair 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 11 voting members out of 11 and 2 non-voting observers were present, the chairman of the session found that all the requirements for convening the meeting were met.

All the members of the Steering Committee received the materials before the meeting for review and approval of the decisions on all the issues on the agenda. The members of the Steering Committee confirmed the receipt of the materials before the session and got familiar with them.

The chair of the Steering Committee confirmed the agenda and suggested it should 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 amendments to the Implementing Entity Agreement dated February 8, 2011 between the Millennium Challenge Account Moldova and SE State Road Administration.

The report was delivered by Anatol Usatii, the Road Rehabilitation Project Director of MCA Moldova, who informed the SC members that, according to the Implementing Entity Agreement signed on February 8, 2011 the State Road Administration (SRA) is the implementing entity for the procurement processes under the Road Rehabilitation Project.

SRA managed the procurements of works and services for the implementation of the Road Rehabilitation Project in the period of December 2011- May 2012.

During the recent mission of the Millennium Challenge Corporation (MCC) to Moldova, MCC found that SRA cannot serve anymore as a Procurement Agent.

Therefore, the Implementing Entity Agreement was revised so as to provide for the termination of the SRA role as Procurement Agent. Mr. Usatii stressed that SRA will continue to consult MCA Moldova and provide technical assistance related to the pre-construction activities, project management in order to secure the timely implementation of the project, development and management of the implementation schedule, development and implementation of a Quality Plan, progress monitoring, health management and security on construction sites, monitoring and reporting on the status of works, social and environment protection activities.

Mr. Usatii asked for the approval of the signing of the Implementing Entity Agreement with SRA as amended.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the signing of the Implementing Entity Agreement with SRA as amended.

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

Item 2. *Approval of the signing of the amendment to the contract with the Procurement Agent Booz Allen Hamilton.*

The report was delivered by Ion Josan, the Procurement Director of MCA Moldova, who reported that to manage the procurement processes, according to the implementation arrangements, two Procurement Agents were contracted: SRA for procurements under the Road Rehabilitation Project, through the Implementing Entity Agreement signed on February 8, 2011, and Booz Allen Hamilton to manage the procurements under the Transition to High Value Agriculture Project and the administrative needs of MCA Moldova, based on the Agreement signed on September 7, 2010.

SRA procured in the period of December 2011- May 2012 the works and services for the Road Rehabilitation Project.

As mentioned in the first report, during the last MCC mission to Moldova, MCC found that SRA cannot serve as a Procurement Agent anymore.

Given that Booz Allen Hamilton is a good performer, the suggestion is to transfer these obligations to the latter.

Therefore, the amendment to the contract with Booz Allen Hamilton was developed and negotiated, so as to provide for the contract management under the Road Rehabilitation Project for a one-year term since the signing of the amendment.

Mr. Josan asked the Steering Committee to approve the signing of the amendment to the contract with Booz Allen Hamilton on the delivery of Procurement Agent services.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the signing of the amendment to the contract with the Procurement Agent Booz Allen Hamilton.

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

Item 3. *Report on the bid challenge related to the award of the road rehabilitation contract.*

The report was delivered by Anatol Usatii, who reported that 13 international companies submitted 10 technical proposals for the rehabilitation works for a 93 km segment of the Sarateni-Sorooca- Drochia junction road.

The bid evaluation panel approved by MCC was made of two international experts selected on a competitive basis, one representative of MCA Moldova and one representative of the State Road Administration. The MCC representative observed the performance of the evaluation panel, which evaluated the bids and selected the winners.

- for lots 1 and 2 – the consortium ONUR and SUMMA (Turkey).
- for lots 3 and 4 – STRABAG (Austria).

One bid was disqualified because the validity period was shorter than required.

After the approval of the Bid Evaluation Report by MCC, on April 30 MCA Moldova informed the bidders about the results of the competition.

According to the Procurement Directives and the bidding documents the companies may challenge the bid results and the challenges will be reviewed in accordance with the provisions of the Bid Challenge System (BCS) of the MCA Moldova approved by MCC in October 2010.

According to BCS the bidders may challenge the results of the bidding within 5 business days from the date of the receipt of the notification. The bid challenge period was, therefore, May 2-8, 2012. MCA Moldova received one bid challenge after the challenge deadline.

The Bid Challenge Panel established in accordance with the Bid Challenge System Regulation, which is the first body to review the challenges, did not review the challenge of the bidder and rejected it on May 23, because of late submission of the challenge.

The bidder challenged the decision of the Bid Challenge Panel. In accordance with the Bid Challenge System Regulation, on June 7, 2012 a Bid Challenge Tribunal was formed of international experts to review the challenge.

The Bid Challenge Tribunal requested from MCA Moldova and the challenging bidder to deliver additional documents and information before June 18, 2012. Mr. Usatii reported that although the Tribunal was expected to deliver a decision on this issue on July 2, 2012, it asked for the extension of the deadline for issuance of the decision till July 6, 2012.

Mr. Usatii also stressed that in the meantime the contracts were awarded to the winning companies and all the MCA Moldova actions related to the bid challenge were consulted with the Procurement Agent and coordinated with MCC.

Therefore, according to the MCC Procurement Directives, the SC members took note of the report of the executive body of MCA Moldova on the bid challenge related to the contract award for road rehabilitation works.

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

Item 4. *Approval of the amendments to the Implementing Entity Agreement dated September 16, 2011 between the Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance.*

This report was delivered by Valentina Badrajan, Executive Director of MCA Moldova, who reported that in furtherance of the Compact Agreement, the SC approved in September 2011 the signing of the Implementing Entity Agreement between MCA Moldova and the Credit Line Directorate (CLD) of the Ministry of Finance.

The implementation of the Post-Harvest Credit Facility is governed by this agreement, part and parcel of which is the Policy and Procedure Manual.

Mrs. Badrajan reported that, due to the new amendments to the MCC policies (on the construction loans available under the Compact and the pilot-phase impact evaluation methodology), and given the experience of Credit Facility implementation in 6 months since its

launch, in April the Executive Committee approved the Policy and Procedure Manual as amended.

Approval of the PPM required amending the Implementing Entity Agreement between MCA Moldova and CLD. These are minor, technical amendments which entail revision of several references to a section of PPM.

The amendments were consulted in advance with CLD and MCC.

Therefore, Mrs. Badrajan asked for the approval of the signing of the Amendment no.1 to the Implementing Entity Agreement between MCA Moldova and the Credit Line Directorate on the implementation of the Post-Harvest Credit Facility.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the signing of the Amendment no.1 to the Implementing Entity Agreement between Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance.

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

Item 5. *Report on the extension of the deadline for submission of deliverables by the audit company Ernst & Young SRL.*

This report was delivered by Valentina Badrajan, who reported that in the period of March – April Ernst & Young audited the Compact and 609g Grant funds. The audit covered the period of October 2009-December 2011.

Mrs. Badrajan stressed that the audit found no errors or noncompliance with the internal procedures of MCA Moldova and the MCC Guidebooks, no spending for other purposes than the Compact ones or noncompliance with the internal control system of MCA Moldova. Moreover, due to this fact, MCC included Moldova on the list of the countries subjected to annual audit, instead of the semi-annual one.

On April 15, 2012 Ernst & Young sent the audit report to the USAID Office of Inspector General (OIG) for review and approval.

MCA Moldova has not received the approval of the final report, so as the following audit cannot be started. In this sense, MCA Moldova in consultation with MCC started amending the contract between MCA Moldova and Ernst&Young SRL.

The contract with the audit company states the basic period and two options: the first option – the audit for January-June 2012 and the second one – the audit for July-December 2012. MCA Moldova intends to activate the first option.

Mrs. Badrajan informed the SC members about the key amendments to the audit contract, more specifically:

- notification of the audit company about the activation of Option 1 of the contract within 30 days after the receipt of the approval of the Final Audit Report by OIG;
- submission of the Audit Plan by Ernst&Young within 30 days from the notification of option activation;
- submission of the draft Audit Report to OIG by October 30, 2012.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting took note of the report on the extension of the deadline for submission of deliverables by the audit company Ernst & Young SRL.

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

Item 6. *Approval of the MCA Moldova staff lists (as amended) and appointment of the Deputy Executive Director of MCA Moldova.*

The report was delivered by Valentina Badrajan, who reported that the organizational chart of MCA Moldova was developed considering the MCC recommendations and approved by SC in July 2010. The organizational chart was fully consistent with the goals and needs of MCA Moldova related to the fulfilment of the pre-conditions required for the entry into force of the Compact Agreement and Compact implementation after its entry into force in September 2010.

According to the Compact Agreement, a large part of the Compact activities are implemented by contractors, while the Management Team of MCA Moldova ensures the overall management of the implementation of the projects and the cooperation with the relevant public entities. MCA Moldova also develops, supervises, manages, coordinates and implements the procedures and policies required for the efficient Compact implementation.

So far most of the contractors have been contracted and mobilized – Fiscal Agent, Procurement Agent, the company responsible for the implementation of the Irrigation Sector Reform, the project implementation manager for the central irrigation systems rehabilitation activity (CISRA) and the designer for CIS rehabilitation.

The contracts with the companies that will rehabilitate the 93 km road segment and supervise the rehabilitation works have been recently signed and the contractors have already started mobilization.

Additionally, Mrs. Badrajan stressed that implementing entity agreements were signed with SRA, Apele Moldovei Agency, and Credit Line Directorate.

According to the MCA Moldova Bylaws and organizational chart of the management unit, only the Executive Director is in charge of all the activities and processes of MCA Moldova. In the meantime, the number of activities has increased, along with the information flow and the need of additional efforts to ensure smooth communication, cooperation and coordination of all the processes to secure efficient Compact implementation.

Mrs. Badrajan informed the SC members that in the near future procurements for CIS rehabilitation and construction supervision are expected to be announced and this will increase even more the complexity of the implementation activities and, therefore, the coordination and monitoring efforts.

Taking this all into account and based on a preliminary evaluation of the organizational chart of the MCA Moldova and the efforts required to ensure the smooth operation of the management team and the MCC experience in implementing other Compacts, MCC suggested that the organizational chart should be revised and the positions renamed and some of the responsibilities of the Executive Director assigned to other positions.

The most appropriate option is to rename and realign some of the positions, keeping their number (39) unchanged. This would require least resources, in terms of time and funds. The salaries will remain the same as approved at the meeting of the Steering Committee on July 16, 2010.

The improvements to the organizational chart considered the fact that in most of the Compact implementation entities the management team includes, besides an Executive Director, several Deputy Directors, in charge of the projects or areas of operations.

In the case of MCA Moldova, the most appropriate option would be to have one Deputy Director in charge of the Road Rehabilitation Project (RRP) and one Deputy Director in charge of the Transition to High Value Agriculture Project (THVA).

Mrs. Badrajan mentioned the proposed improvements to the structure of the management team.

The organizational chart of MCA Moldova will have 39 positions as before, with 7 new positions instead of the renamed positions.

One Deputy Director will manage the RRP activities, procurements and administrative activities of MCA Moldova.

The second Deputy Director will be in charge of the THVA project and the social and environmental activities.

The legal, financial, communication and documentation, monitoring and evaluation activities and the strategic guidance will be ensured by the Executive Director.

The proposed improvements to the organizational chart of the Management Team will help better coordinate and monitor the Compact activities, including the contractors, and ensure timely decision making.

Regarding the new position of Deputy Director, in order to delegate as soon as possible the responsibilities related to the THVA Project and given that the applicant for this position is now Legal Advisor of MCA Moldova selected through competition, it is appropriate to appoint Mr. Valentin Bozu as Deputy Director of MCA Moldova.

In this respect Mrs. Badrajan reported that Mr. Bozu had been engaged in the design and implementation of the Compact since 2007 and had been General Counsel since October 2010 and that he has a rich experience in business consultancy and development projects funded by external donors.

Therefore, Mrs. Badrajan proposed:

1. Approval of the MCA Moldova organizational chart and staff list as amended with the salaries as approved at the Steering Committee meeting on July 16, 2010.
2. Approval of Valentin Bozu as the Deputy Director of MCA Moldova.

After the approval of the organizational chart, the MCA Moldova Bylaws will be subjected to an additional review in terms of the reassignment of responsibilities. In the event that any revisions will be made, they will require approval by the Steering Committee.

Mrs. Leslie McCuaig, the MCC Country Resident Director for Moldova, informed the SC members that MCC approves the MCA Moldova organizational chart and staff list as amended, reassignment of some of the tasks of the Executive Director to the Deputy Directors and appointment of Valentin Bozu as Deputy Director.

After the report the voting SC members present at the meeting decided unanimously to:

- approve the MCA Moldova organizational chart and staff list as amended with the salaries as approved at the Steering Committee meeting on July 16, 2010;
- approve Valentin Bozu as Deputy Director of MCA Moldova to be further approved by MCC.

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

Item 7. *Report on the extension of the individual employment contract of the Executive Director of MCA Moldova.*

The report was delivered by Ion Bors, the acting Legal Advisor of MCA Moldova, who reported that according to point 70 of the MCA Moldova Bylaws, the Executive Director is

appointed by the Steering Committee following the coordination with MCC and works in accordance with the contract signed by the chair of the Steering Committee.

Mr. Bors reported that the individual employment contract for a fixed period signed with the Executive Director of MCA Moldova, Valentina Badrajan, ends on July 1, 2012. Mr. Bors stressed that in accordance with art. 55 paragraph (2) item i) of the Labour Code, similar individual employment contracts were signed with the Deputy Director and the Administrative and Finance Director of MCA Moldova.

According to points 8.1 and 8.2 of the abovementioned contract, the latter can be extended for 12 calendar months.

Moreover, the successful Compact implementation requires sustainability and assignment of responsibilities by the MCA Moldova management in order to ensure efficient implementation of the Compact projects.

Therefore, Mr Bors asked the SC members to approve extension of the individual employment contract with Valentina Badrajan, the Executive Director of MCA Moldova, for 12 calendar months till July 1, 2013. The extension of the contract with the Executive Director had been consulted with MCC.

Following the report, the CS voting members present at the meeting decided unanimously to extend the individual employment contract with Mrs. Valentina Badrajan, Executive Director of MCA Moldova, for 12 calendar months till July 1, 2013.

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

Item 8. *Report on the „shopping” procurements made by MCA Moldova in the period of March 2012-June 2012.*

Ion Josan reported that according to the amendments to the Procurement Directives approved on October 4, 2011, the MCA Moldova management body must be informed on a quarterly basis about the „shopping” procurements (at least three proposals).

Mr. Josan reported on all the procurements made through the shopping procedure in the period of March 2012 – June 2012.

Following the report, the SC members present at the meeting approved unanimously the „shopping” procurements made by MCA Moldova in the period of March 2012 – June 2012.

Vladimir Filat requested the decision makers and the relevant participants in the Steering Committee to use all the surveys, reports developed as part of the Compact implementation in other similar projects in order to use efficiently the investments.

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

1. Approve the signing of the Implementing Entity Agreement with SRA as amended (according to annex no.1).
2. Approve the signing of the amendment to the contract with the Procurement Agent Booz Allen Hamilton (according to annex no.2).
3. Take note of the bid challenge related to the contract award for road rehabilitation works.
4. Approve the signing of the Amendment no.1 to the Implementing Entity Agreement dated September 16, 2011 between the Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance (according to annex no.3).
5. Take note of the extension of the deadline for submission of deliverables by the audit company Ernst & Young SRL.

6. Approve the organizational chart and staff list of MCA Moldova as amended with the salaries as approved at the Steering Committee meeting on July 16, 2010 (according to annexes no.4 and 5).
7. Approve the designation of Valentin Bozu as Deputy Director of MCA Moldova to be further approved by MCC.
8. Extend the individual employment contract with Valentina Badrajan, Executive Director of MCA Moldova, for 12 calendar months till July 1, 2013.
9. Approve the „shopping” procurements made by MCA Moldova in the period of March 2012 – June 2012 (according to annex no.6).

Vladimir FILAT

_____ (signature) _____

Prime Minister of the Republic of
Moldova

Chair of the Steering Committee

Valentina BADRAJAN

_____ (signature) _____

Executive Director of MCA Moldova

Ion BORȘ

_____ (signature) _____

Acting Legal Advisor,

Secretary of the Steering Committee of
MCA Moldova