



**MINUTES no. 2  
Steering Committee  
of Millennium Challenge Account Moldova (MCA Moldova)**

*March 28, 2013; 3:00 pm*

*Government of the Republic of Moldova, office 524*

**Members of the Steering Committee:**

1. Vladimir FILAT - Acting 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 - Acting Minister of Finance
4. Vasile BUMACOV - Acting Minister of Agriculture and Food Industry
5. Anatolie ȘALARU - Acting Minister of Transport and Road Infrastructure
6. Gheorghe ȘALARU - Acting 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 URUSU
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 - Acting 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. Victor BARBĂNEAGRĂ - Deputy Minister of Finance, *representing the acting Minister of Finance Veaceslav Negruța,*
4. Vasile BUMACOV - Acting Minister of Agriculture and Food Industry

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| 5. Anatolie ŞALARU   | - Acting Minister of Transport and Road Infrastructure   |
| 6. Gheorghe ŞALARU   | - Acting Minister of Environment   |
| 7. Alecu RENIŢĂ      | - Leader, Environmental Movement in Moldova  |
| 8. Alina GHELEŢCHI   | - <i>representing Alexandru Slusari, President of the National Federation of Employers in Agriculture and Food Industry</i>                    |
| 9. Emilia MALAIRĂU   | - Executive Director, Employers' Association „American Chamber of Commerce in Moldova”   |
| 10. Dumitru ALBULESA | - <i>representing Vladimir Florea, President of Employers' Association “Union of Transporters and Road Workers in the Republic of Moldova”</i> |

**Observers:**

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|--------------------|--|
| Leslie McCuaig     | - Country Director for Moldova, Millennium Challenge Corporation |
| Valentina BADRAJAN | - Executive Director, Millennium Challenge Account Moldova       |

**Secretary of the Steering Committee:**

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| Ion BORŞ | - Legal Advisor of the Millennium Challenge Account Moldova |
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**Invitees:**

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| Kara McDonald | - Deputy Chief of Mission, Embassy of the United States                   |
| Igor Perjan   | - Deputy Executive Director of MCA Moldova                                |
| Valentin Bozu | - Deputy Executive Director of MCA Moldova                                |
| Sergiu Iuncu  | - Director of Transition to High Value Agriculture Project of MCA Moldova |
| Elena Bodiu   | - Finance and Administrative Director of MCA Moldova                      |
| Leonid Mazilu | - Procurement Officer of MCA Moldova                                      |
| Inga Burlacu  | - Communication and Documentation Director of MCA Moldova                 |

**Agenda:**

1. Report on and approval of the decision of the evaluation panel for ESA Director of MCA Moldova.
2. Approval of the complements to the MCA Moldova staff list.
3. Approval of the MCA Moldova Procurement Plan for the period of April-September 2013.
4. Approval of the „shopping” procurements made by MCA Moldova in the period of February-March 2013.
5. Approval of the audit report delivered by Ernst & Young SRL for the period of January – June 2012.
6. Report on the status of the Centralized Irrigation Systems Rehabilitation Activity (CISRA) of the Transition to High Value Agriculture Project (THVA).

7. Report on the extension of the terms of office of the nongovernmental members of the Steering Committee of the MCA Moldova.
8. Designation of one member of the MCA Moldova Steering Committee, representing the civil society and the private sector, to the Executive Committee (*issue to be addressed by the nongovernmental members of the Steering Committee*)

*The meeting was chaired by Vladimir Filat, Acting 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:

- Alexandru Slusari, President of the National Federation of Employers in Agriculture and Food Industry, who delegated Alina Ghelețchi to the meeting.
- Veaceslav Negruța, acting Minister of Finance, who delegated Victor Barbăneagră, deputy minister of finance, to the meeting.
- Vladimir Florea, President, Employers' Association "Union of Transporters and Road Workers in the Republic of Moldova", who delegated Dumitru Albulesa, to the meeting.
- Ursu Dumitru.

The three representatives, Victor Barbăneagră, Alina Ghelețchi 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 10 voting members out of 11 and 2 non-voting observer 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.** *Report on and approval of the decision of the evaluation panel for ESA Director of MCA Moldova.*

Valentina Badrajan, the Executive Director of MCA Moldova, reported that according to the MCA Moldova Bylaws, approved through the Government Decision no.161 of March 4, 2010, the Steering Committee, with the approval of MCC, has the prerogative to select through competition and approve the key staff of MCA Moldova.

Therefore, through the order of the Executive Director of MCA Moldova, a competition panel was established for the position of ESA Director of MCA Moldova, which is part of the entity's management team. The ESA Director will take part in all the meetings and relevant activities of MCA Moldova to make sure that all the social and environmental issues are in line with the Compact provisions.

Mrs Badrajan added that the job opportunity was advertised in „Logos Press” newspaper and on the MCA Moldova website. The deadline for submission of applications was February 22, 2013. The short-listed applicants were interviewed on February 26, 2013. The interviews were attended by a MCC representative.

She stressed that, following the review of applications and interviews, the evaluation panel unanimously found that the best applicant for ESA Director is Mr Corneliu Busuioc. The recruitment report was approved by MCC.

Mr. Busuioc has relevant skills and experience of more than 15 years in the social and environmental issues. He has good knowledge of the international environmental practices and provided technical assistance in the development and implementation of environmental policies, both at domestic and international levels (Russia, Ukraine, Kazakhstan, and Tajikistan). He took part in the implementation of the environmental conventions, development of environmental funding strategies, and revision and development of guidebooks on the environmental legislation.

Therefore, Mrs. Badrajan asked for the approval of the decision of the evaluation panel to select Corneliu Busuioc as ESA Director of MCA Moldova.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting unanimously approved the decision of the evaluation panel to select Corneliu Busuioc as ESA Director of MCA Moldova.

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

**Item 2.** *Approval of the complements to the MCA Moldova staff list.*

Mrs Badrajan reported that according to point 15 item (i) of the MCA Moldova Bylaws, the Steering Committee has the prerogative to approve the organizational chart and management team of MCA Moldova and revise and approve any amendments to the organizational chart of MCA Moldova.

The pilot stage of the Access to Agricultural Finance Activity (AAFA) was implemented in 2011-2012. In November 2012 MCC made a strategic decision to launch the second stage of AAFA, more specifically to disburse additionally about 10 million USD. Although the first stage was implemented successfully, there are some major challenges for the second stage:

1. The amount of the AAFA activities has significantly increased, which makes it difficult to carry out the management/coordination activities along with the technical/operational ones in an efficient manner. The amount of AAFA tasks is directly proportional with the AAFA portfolio and is expected to increase more than twice until the Compact close-out. It is also critical to maintain the AAFA credits at the standard quality in times of crisis;
2. The complexity of AAFA activities has increased significantly. MCC has recently decided to make the AAFA credits available to a limited number of eligible area and women entrepreneurs. It will take additional staff efforts to comply with these two requirements;
3. The amount and complexity of the cross-sector activities of MCA Moldova are on the rise.

Mrs. Badrajan added that to avoid a decrease in efficiency and/or quality of AAFA implementation, MCA Moldova intends to contract an experienced professional for AAFA Consultant, who will report to the THVA project director and will provide support in efficient implementation of AAFA. The AAFA Consultant will cooperate with the MCA Moldova staff, AAFA beneficiaries and potential applicants, partners/ contractors/implementers of MCA Moldova

and other stakeholders and will have responsibilities which include, but are not confined to, provision of support in the following areas:

- General coordination of AAFA activities between MCC, MCA Moldova, Credit Line Directorate (CLD), Participating Financial Institutions, other relevant stakeholders and donors;
- Development and implementation of outreach activities for potential beneficiaries, including women entrepreneurs;
- Monitoring the performance and quality of AAFA implementation;
- Coordination of CLD performance, revision of progress reports of CLD and ACED, identification of the needs to improve performance;
- Development/revision/amendment of THVA project/AAFA documents and the documents of the cross-sector departments, including the disbursement requests, procurement plans, progress reports and other reports/information/documents/comments/suggestions.

Employment of the AAFA Consultant is expected to increase the efficiency in addressing the challenges related to the entry of AAFA in the second implementation stage, the participation of the AAFA representatives in the internal and external activities/processes, which will finally help catalyze more investments into the post-harvest infrastructure. These changes were approved by MCC.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the amendments to the staff list and organizational chart of MCA Moldova, including one AAFA Consultant in the THVA project team.

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

**Item 3.** *Approval of the MCA Moldova Procurement Plan for the period of April-September 2013.*

The report was delivered by Leonid Mazilu, Procurement Director of MCA Moldova, who reported that according to the MCC Procurement Directives before starting any procurement activities, they should be stated in the Procurement Plan and approved. The senior management body of MCA Moldova, the Steering Committee, has the prerogative to approve the Procurement Plan of MCA Moldova, which requires further approval by MCC.

The Procurement Plan covers 6 months (April 2013 – September 2013). Mr Mazilu outlined all the activities in the Procurement Plan by projects:

## **I. Transition to High Value Agriculture**

### **1. Rehabilitation of central irrigation systems**

Following the receipt of the technical designs of the central irrigation systems (SIC) Criuleni and Lopatna, the invitations for bids for their rehabilitation were launched last November. The selection of the construction company was subjected to all the technical and financial evaluation stages and MCC approvals and is now at the final stage before contract signing.

Mr. Mazilu stressed that in the upcoming months MCA Moldova will announce the invitations for bids for the rehabilitation of another SIC with Compact funds.

### **2. Construction supervision services**

Mr Mazilu reported that in November 2012 the invitation for bids was launched for construction supervision consultancy services for the CIS Criuleni and Lopatna. The Final Report on the selection of the consultancy company is under review and approval by MCC.

For the other CIS to be rehabilitated with Compact funds, the invitation for bids for rehabilitation works will be announced along with the invitation for bids for construction supervision consultancy services.

### **3. Equipment for the national real time water quantity and quality monitoring network (continued from the previous period)**

According to Article 5 of the Implementing Entity Agreement signed between MCA Moldova and Apele Moldovei Agency, MCA Moldova will procure and deliver to beneficiaries' equipment for the national real time water quantity and quality monitoring network, including installation and calibration services.

This equipment (laboratory equipment for monitoring water quality, geographic information system server, software application for GIS, database management software application, geospatial modeling software application, data base management system software, PCs and printers) and the relevant services will be procured through competitions, included in the previous procurement plan. Some goods and services have already been procured, but the procurement process has not completed yet and these procurements are, therefore, transferred for the following period.

### **4. Implementation of the AAFA outreach strategy**

Mr. Mazilu reported that following the MCC decision dated November 2012 on the Credit Facility and according to the AAFA Outreach Plan, MCA Moldova plans to scale up the outreach campaign targeting the potential beneficiaries (including women entrepreneurs), whose businesses, eligible for loans, are/will be located in the new eligible areas (including rayons covered by the central irrigation systems to be rehabilitated with Compact funds). Therefore, funds will be allocated from the MCA Moldova budget for the following activities to be carried out in the period of April-September 2013:

- development and posting of advertising materials on TV/radio/internet (video/audio spots, posting the banner on the websites of partners, relevant organizations etc);
- development and dissemination of the promotional materials (leaflets etc);
- articles in written media and/or posted online;
- outreach/training events, including for the members of Water Users' Associations established with the Compact support.

### **5. Consultancy services for the implementation of Resettlement Action Plans (RAP) developed under CISRA**

According to the MCC requirements and the World Bank Operational Policies 4.12, MCA Moldova contracted a consultant to develop RAP under **CISRA**.

To implement RAP, according to the World Bank and the Moldovan law, a company shall be contracted to deliver consultancy services which will include:

- Updating and recalculation of compensation during the construction works;
- Payment of compensations to the project affected persons;
- Arrangements for Complaint Review Panels.

Mr Mazilu added that the invitation for bids for RAP implementation for Criuleni and Lopatna systems has been recently announced.

### **6. Procurement of services of one or, if appropriate, several Contract Management Experts for CISRA**

In the upcoming months at least 3 international construction companies (Contractors) are expected to be contracted and mobilized to rehabilitate CIS and other 2 consultancy companies that will deliver construction supervision services (Engineer), according to the requirements of the International Federation of Consulting Engineers (FIDIC). Following the biddings, MCA Moldova will sign the contracts with these companies and it should be noted that the key to the successful implementation of CISRA is efficient administration and management of the contractual relations.

MCA Moldova does not have enough human capacity for this, while the previous recruitment experience revealed lack of local qualified experts on the domestic market.

Therefore, MCA Moldova recommends that a competition should be announced for procurement of one or several contract management and administration experts (as appropriate) for CISRA to:

- Revise the reports delivered by Contractors and Engineers and recommend MCA Moldova to approve or reject them;
- Anticipate/revise the potential claims from contractors and formulate solutions to prevent/deal with them;
- Register and store the data and information about compliance with the contractual terms and performance of contractors according to the FIDIC rules;
- Recommend and develop drafts of amendments to the contracts with Engineers in case of change orders or to the contracts with entrepreneurs in the event of major deviations from the cost estimates (significant change orders), etc.

## **7. Procurement of a River Basin Management Consultant**

Mr. Mazilu reported that River Basin Management is a very complex activity which requires involvement in various activities. The major ones are: (i) development of the legal framework for the enforcement of the Water Law, (ii) procurement of real time water monitoring equipment, (iii) procurement of equipment and software for water resources modeling and (iv) development of the management plan for the Nistru river basin district.

So far the responsibility for the coordination of these activities has lain on the ESA Director of the MCA Moldova. Given the increasing amount of work related to the M2 road rehabilitation and the contracts expected to be signed soon on the rehabilitation and construction supervision under THVA, the human capacity of the Environmental and Social Department needs to be developed by employing one environmental expert, who will coordinate all the activities of the River Basin Management, while the ESA Director will provide overall guidance of the ESA Department and the social and environmental issues of the MCA Moldova.

## **Monitoring and Evaluation Activities**

### **1. Compact mid-term evaluation**

Mr. Mazilu reported that according to the MCC Monitoring and Evaluation Policy and MCA Moldova Monitoring and Evaluation Plan, a mid-term evaluation of the Compact must be conducted within 36 months after the Compact entry into force.

The objective of the mid-term evaluation is to evaluate the progress made in the Compact implementation including:

- review of the first lessons learned;
- identification of the gap between the expected results and actual achievements;
- review of the reasons for such a gap.

The mid-term evaluation will formulate recommendations for MCA Moldova related to:

- possibility to achieve the Compact objectives in the time left and, if need be, their redefinition;

- approval of an implementation strategy to achieve the redefined objectives for the following 30 months;
- supporting the projects with the best Economic Return Rate.

Mr Mazilu added that to conduct this survey MCA Moldova plans to contract the services of a consultancy company in September 2013.

## **II. Program Administration and Audit**

### **1. Program Audit**

According to the Compact Agreement all the Compact disbursements must be audited at least twice a year. Given the positive findings of the previous audits, MCC suggested that MCA Moldova should be subjected to the annual audit. This will enable it, as well as the implementing entities and contractors, to save funds and time.

The Compact operations for the period of 2009-2012 were audited by the international company Ernst & Young. All the audit reports and approval letters are available on the official website of MCA Moldova.

For transparency purposes, MCA Moldova plans to start procurement of audit services for the period of January 2013 to the Compact close-out and will apply the „least-cost” procedure. The list of eligible companies to deliver audit services was approved by OIG in 2010.

The audit period will also cover the option of the audit of the Compact close-out operations, which will last 120 days since the day of Compact close-out. The winning company will conduct the audit of all the funds. The audit reports, once approved by MCC, will be posted on the MCA Moldova website to ensure transparency of the use of the allocated and used resources.

Therefore, MCA Moldova included procurement of audit services in the procurement plan for the period of April-September 2013.

### **2. Training of MCA Moldova staff**

Training in organizational leadership will be delivered to the directors of the MCA Moldova (10-15 people) in order to develop their skills to be able to:

- manage the organizational changes and engage the staff in achievement of the Compact strategic goals;
- use and manage the available resources;
- make decisions and delegate tasks;
- consolidate and motivate the team, etc.

### **3. Training in Environment Protection, Occupational Health and Safety**

Once the rehabilitation works on the M2 Sarateni-Drochia junction start and given that the rehabilitation of the central irrigation systems is expected to start soon, training will be delivered in environment protection / occupational health and safety to the MCA Moldova staff engaged in such activities (10-15 people). This training is expected to build the skills of the MCA Moldova experts for evaluation of the contractors’ operations related to the environment protection, mitigation of harms or negative impact on the people and pollution, noise and other consequences of their operations. The MCA Moldova staff is also expected to gain practical skills for the evaluation of the activities carried out by the contractors related to the health and safety of the contractors’ staff and/or beneficiaries.

### **4. Time Management Training**

Training will be delivered to the MCA Moldova staff (30 people) in time management. More specifically:

- Identification and prioritization of the activities supporting the achievement of the individual and organizational objectives.
- Elimination of time eaters.
- Efficient planning, arrangement and performance of activities with the contractors and implementation partners.

The training will be delivered by international experts. The cost of each training session will be estimated following the bidding.

## **5. Procurement of the services of a Procurement and FIDIC Contract Administration Expert (continued from the previous period)**

Mr. Mazilu reported that to administer the procurement processes in accordance with the international standards and to administer the contracts according to the FIDIC requirements, the procurement of one expert in procurement and FIDIC contract administration was transferred to this procurement plan. This expert will enhance the capacities of MCA Moldova in contract implementation and management in compliance with the FIDIC requirements.

One of the major tasks of this expert will be to provide consultancy in coordination of the activities of the Procurement Agent, MCA Moldova and procurement/contract administration consultants contracted by MCA Moldova. This recruitment was consulted with MCC and MCA Moldova and the MCC Procurement Director.

## **6. Visibility and outreach activities**

Mr. Mazilu reported on the Compact visibility and outreach activities for the period of April-September 2013 covered in the procurement plan:

### **6.1. Printing of the quarterly newsletter from June 2013 to September 2015**

To keep the partners, beneficiaries and other stakeholders updated with the Compact status, in particular the progress made and planned activities, MCA Moldova will continue printing the quarterly newsletter (600 copies in Romanian, 200 copies in English). The newsletter is distributed countrywide, to the local governments and beneficiaries of the Compact activities who have limited access to Internet and, therefore, to the website or the electronic monthly newsletter.

### **6.2. Procurement of personalized items**

MCA Moldova will procure personalized items with the MCA Moldova and MCC logos. These will be reflective vests, T-shirts, bags etc. that will be provided to beneficiaries, the WUA and SIMC members engaged in the monitoring and implementation of Compact projects.

### **6.3. Two-day training session on crisis communication**

Given that the construction works are expected to start in 2013, crisis situations are likely to appear caused by the start of the works, interaction of contractors with the communities etc. and given the complexity of the Compact activities, it is critical that MCA Moldova and its implementation partners acquire crisis communication skills.

### **6.4. Media monitoring services from April 2013 to September 2015**

The monitoring of media coverage of the Compact activities in the period of March 2012 – March 2013 provided MCA Moldova with a clear picture of the visibility of the Compact in media. Therefore, it is appropriate to continue the monitoring of the Compact media coverage. On the other hand, regular consultative meetings will be held with the media representatives to request their opinion about the additional actions to be taken by MCA Moldova to ensure better outreach of the Compact activities and their impact.

### **6.5. Road safety outreach campaign**

Along with the rehabilitation of the Sarateni-Sorooca road, an education campaign will be conducted targeting drivers and pedestrians on the compliance with the traffic rules in order to increase the road safety along the rehabilitated road. This campaign will complement the efforts of the contractors to educate the communities in road safety rules (training for pupils, cart-drivers, other community members). Therefore, a company will be contracted to make the arrangements for and conduct the campaign, including production and dissemination of video spots, street banners, outreach materials etc.

#### **6.6. Production of 3D video shots for relevant segments of the Sarateni-Sorooca road.**

MCA Moldova will contract a company to produce a 3D video shot, which will depict the complexity of the rehabilitation works. This video shot will be shown to the Compact beneficiaries, civil society, local and central governments and potential investors in the area of the rehabilitated road in order to show the quality of the road and size of works.

### **III. Procurement of individual consultancy services**

Mr Mazilu reported that similarly to the previous plans, this procurement plan includes procurement of short-term (1-2 weeks) individual consultancy (international and local) for the purposes of the Road Rehabilitation Project and Program Audit and Administration.

More specifically: selection of members of ad-hoc tribunals to review potential bid challenges, as well as consultants for other activities not yet identified.

Therefore, Mr Mazilu asked for the approval of the MCA Moldova Procurement Plan for the period of April 2013 – September 2013.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the MCA Moldova Procurement Plan for the period of April 2013 – September 2013.

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

**Item 4.** *Approval of the „shopping” procurements made by MCA Moldova in the period of February-March 2013.*

Leonid Mazilu reported that according to the Amendments to the Procurement Directives approved by MCC on October 4, 2011 the MCA Moldova management body must be reported on a quarterly basis on the „shopping” procurements (at least three bids) made by MCA Moldova.

Mr. Mazilu informed the Steering Committee about the procurements made through the „shopping” procedure in the period of February 2013 – March 2013.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the „shopping” procurements made in the period of February 2013- March 2013.

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

**Item 5.** *Approval of the audit report delivered by Ernst & Young SRL for the period of January – June 2012.*

Elena Bodiu, the Finance and Administrative Director of MCA Moldova, reported that in September - October 2012 Ernst & Young SRL audited the financial operations with the Compact and 609g Grant funds in the period of January - June 2012.

According to the MCC procedures and MCA Bylaws, the audit report requires the approval of the Steering Committee.

Mrs. Bodiou said that the audit found no errors or noncompliance with the MCA Moldova internal procedures or MCC Guidebooks and no spending for other purposes than the Compact ones, or noncompliance with the internal control system of MCA Moldova.

On February 25, 2013 MCA Moldova received the final approval of the audit report by the Office of Inspector General. The Steering Committee took note of the OIG approval letter, which has been posted together with the audit report on the MCA Moldova website.

Because the audit report found no violations, MCC included MCA Moldova on the list of the countries subjected to the annual audit, instead of the semi-annual one, according to the general rules and Compact provisions. Therefore, since the Compact Agreement requires that the audit should be conducted every half year, MCA Moldova submitted an official request to the donor to formalize the shift to the annual audit.

According to the MCA Moldova work plan, MCA Moldova is expected to announce the invitation for bids for audit services for the time left till the Compact close-out. Three companies have pre-qualified for delivery of audit services Deloitte and Touche, KPMG and Ernst & Young SRL. The OIG representatives plan to undertake a visit to Moldova to consider enabling other companies to conduct the audit of Compact funds. The Steering Committee will be reported on the findings of the visit later.

Mrs. Bodiou asked for the approval of the Audit Report for the period of January – June 2012.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the Audit Report for the period of January - June 2012.

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

**Item 6.** *Report on the status of the Centralized Irrigation Systems Rehabilitation Activity (CISRA) of the Transition to High Value Agriculture Project (THVA).*

The report on this issue was delivered by Sergiu Iuncu, Director of the Transition to High Value Agriculture Project of the MCA Moldova, who reported the following:

**1. The work on the detailed designs of all 11 CIS started in October 2011 and was expected to complete in December 2012.**

According to the work plan of the design company, in the first 6-8 months (October 2011- May 2012) it conducted investigations and explorations to develop the designs of the CIS selected for rehabilitation with Compact funds. In the summer-autumn 2012 it delivered the detailed designs of the irrigation systems on the Nistru River, while the designs of the 5 systems on the Prut River were expected to be ready by the end of 2012.

The technical task of the design company (hereinafter Designer) was developed based on the Feasibility Survey (FS) conducted in 2009 by an American consultancy MWH (contracted and managed by MCC), used for the technical and financial substantiation of the feasibility of the CIS rehabilitation project. The feasibility survey also estimated the rehabilitation costs, which were included in the Compact Agreement as a budget line for the rehabilitation of 11 CIS. Therefore, all the instructions of the Designer related to the design criteria and parameters of the design

documents were consistent with the recommendations and principles of the FS, the major ones being as follows:

- Hydromodule (capacity of the irrigation system to deliver water in critical conditions when the entire area is irrigated simultaneously) = 1 liter/second/hectare;
- Partial rehabilitation of the water supply network – same alignment, location depth and diameter of pipes;
- Partial rehabilitation of pumps, equipment and electro-mechanical pieces;
- Partial rehabilitation of the facilities of the pump stations, premises, structures, hydrants, venting valves, etc.

**2. The CIS rehabilitation budget estimated in the design documents developed by the Designer following the above mentioned principles far exceeds the allocated Compact budget.**

Mr. Iuncu communicated that there are some objective reasons for this and the major ones are:

- The technical condition of the pump stations, supply networks and their components – in most of the cases the Designer found that things are different than described in FS;
- The FS recommendation to rehabilitate partially the systems is not acceptable, because this will unreasonably undermine the investments made in CIS (for instance: pumps and engines or the electro-mechanical pieces and wiring cannot be rehabilitated partially because of the incompatibility between the equipment in place and the new one, shorting risk, loss of warranty for the newly installed equipment and other).

**3. In August-September 2012 MCC and MCA Moldova started seeking for more efficient design alternatives to ensure successful achievement of the project objectives.**

Mr. Iuncu reported that in the period of October – December 2012 the donor mobilized a team of international experts to identify the reasons for the excessive CIS rehabilitation cost and to seek design alternatives to reduce the costs.

He added that the investigation mission and field surveys ended in November – December 2012 and the design concepts of 9 CIS (except for CIS Cahul and Chircani-Zarnesti) were delivered from the second half of December and till February 18, 2013.

**4. Since the second half of December 2012 and by the end of February 2013 the Designer received (for 9 CIS) system by system (or groups of systems) the new design instructions and parameters to develop new design documents, making it necessary to extend the deadline for submission of design documents by June 2013.**

**5. Current situation and further detailed design plans:**

- The design documents for 2 systems (Criuleni and Lopatna) were delivered in December 2012 and procurement of the construction company (hereinafter Contractor) and construction supervision consultant is at the final stage. The Contractor is expected to mobilize and the rehabilitation works to start by the end of June – beginning of July 2013;
- The first drafts of the new design documents for 3 CIS on the Nistru River (Jora de Jos, Puhaceni, Roșcani) have been delivered to MCA Moldova and MCC for review and approval. The final drafts will be delivered by the end of April 2013 and the invitations for bids for selection of Contractor will be launched by the end of May-beginning of June 2013;
- The first draft of the design documents of CIS Cosnita will be delivered by mid April 2013 with the final approval by mid-May. The invitation for bids for selection of Contractor is expected to be launched in June;

- The detailed designs of CIS Blindesti, Grozesti and Leova will be ready by mid May 2013, with the approval of the final draft of the design documents by MCC and MCA Moldova by the beginning of June 2013. The invitation for bids for Contractor is expected to be launched in July 2013;
- The rehabilitation of 9 CIS will last 18-20 months, depending on the size of the systems;
- For the CIS Cahul and Chircani-Zarnesti, because of their complexity, size and environmental issues, additional investigations are required to define the possible design alternatives. According to the arrangements in place, all the investigations and exploration required to define the design parameters and concept, including development of 30% of the design documents, are expected to complete by September 2013, after which the invitation for bids for Contractor will be launched based on the yellow FIDIC contracts, meaning that the same company will complete the design documents and rehabilitate the systems. The design solutions for the irrigation systems in the low Prut area will be defined against such design criteria and parameters that will allow for their rehabilitation in 14-15 months at most.

#### **6. To conclude Mr Iuncu reported that:**

- The 54.9 million USD allocated for the rehabilitation of 11 CIS according to the Compact Agreement are not enough and reallocation of the savings from other project activities or budget lines is required;
- The communities in the command areas were largely engaged in the work on all the 11 CIS. They mobilized and made significant efforts to establish the Water Users Associations, and this made these communities have big expectations from the project.
- If the budget were enough all the 11 CIS may be successfully rehabilitated by the Compact close-out.

Finally, to support the rehabilitation of the 11 CIS selected for rehabilitation with Compact funds, the Steering Committee of MCA Moldova was asked to accept the reallocation of the savings from other THVA activities and the road rehabilitation project to CISRA, with the prior approval of the reallocation request by MCC.

The acting Prime Minister stressed how critical is the Compact for our country and reiterated the openness of the Moldovan Government to take all the required measures to complete the projects. The Compact is a real platform for the country's economic growth and its successful implementation might bring new development projects to Moldova.

Leslie McCuaig, the MCC Resident Country Director, stressed that all the efforts focus on the completion of the technical designs of the irrigation systems and contracting of companies and that the support of the Steering Committee is critical now, in particular that of the ministers, in delivering quick approvals, avoiding bureaucracy. This request was related in particular to the environmental issues, analyses, expertise and authorizations, including related to procurements, necessary for a smooth operation and quick implementation of the Compact activities. Both the MCC rules and Moldovan law are complied with and renowned engineering companies are engaged in this process.

Kara McDonald, Deputy Chief of Mission of US Embassy, acknowledged the strong commitment of the U.S. Government to support the successful implementation of the Compact and handle the challenges, given the major constraint, which is the fixed term of the program. Mrs McDonald reiterated what Mrs McCuaig said about the importance to join efforts to achieve the Compact objectives. She also stressed the need of support and the role of the Government of Moldova in this process and addressed the need to avoid the obstacles to the Compact

implementation. She thanked the acting Prime Minister and ministers present at the meeting for support and cooperation.

Having reviewed the materials received, the members of the Steering Committee present at the meeting took note of the report on the CISRA status and unanimously approved the reallocation of the savings from other THVA activities and the road rehabilitation project to CISRA requiring further approval of MCC.

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

**Item 7.** *Report on the extension of the terms of office of the nongovernmental members of the Steering Committee of the MCA Moldova.*

Ion Bors, the Legal Advisor of MCA Moldova, reported that the terms office of five members of the Steering Committee (SC) who represent the civil society and the private sector end on April 4, 2013. According to the MCA Moldova Bylaws, the prerogative to select the SC nongovernmental members belongs to the Consultative Group (CG). The Consultative Group reviewed at the meeting on February 19, 2013 the designation of the SC nongovernmental members.

During this meeting, the CG members heard an exhaustive report on the performance of the SC nongovernmental members and willingness of the SC members to stay in office for a new term. Given the experience of the SC nongovernmental members, their familiarity with the peculiarities of the Compact implementation, and the need to ensure stability in this critical period in the implementation of the Compact activities, the CG decided unanimously to appoint the SC nongovernmental members for a new 2-year term (April 5, 2013 – April 4, 2015):

1. Alecu RENIȚĂ, Leader of Environmental Movement in Moldova;
2. Alexandru SLUSARI, President of National Federation of Employers in Agriculture and Food Industry;
3. Emilia MALAIRĂU, Executive Director of Employers' Association „American Chamber of Commerce in Moldova”;
4. Dumitru URSU;
5. Vladimir FLOREA, President of Employers' Association “Union of Transporters and Road Workers in the Republic of Moldova.

Mr. Bors added that to enhance the communication between the nongovernmental members of SC and CG it was agreed to hold regular joint meetings to address the relevant issues and engage fully in the joint monitoring of the Compact implementation. The abovementioned candidates were approved by MCC.

The SC members took note of the report on the extension of the terms of office of the nongovernmental members of the Steering Committee of the MCA Moldova.

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

**Item 8.** *Designation of one member of the MCA Moldova Steering Committee, representing the civil society and the private sector, to the Executive Committee (issue to be addressed by the nongovernmental members of the Steering Committee)*

The members of the Steering Committee representing the civil society and the private sector suggested that Emilia Malairau should be designated to the MCA Moldova Executive Committee.

The SC members representing the civil society and the private sector present at the meeting unanimously approved the designation of Mrs. Emilia Malairau to the MCA Moldova Executive Committee for her term of office on the Steering Committee.

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

1. Approve the decision of the evaluation panel to select Corneliu Busioc as ESA Director of MCA Moldova.
2. Approve the complements to the staff list of MCA Moldova by establishing the position of AAFA Consultant in the THVA team with the monthly salary consistent with the approved payroll.
3. Approve the MCA Moldova procurement plan for the period of April 2013 – September 2013 (according to annex no. 1).
4. Approve the „shopping” procurements made by MCA Moldova in the period of February - March 2013 (according to annex no. 2).
5. Approve the Audit Report delivered by the audit company Ernst & Young SRL for the period of January 2012 – June 2012 (according to annex no. 3).
6. Take note of the report on the CISRA status and approve the reallocation of the savings from other THVA activities and the road rehabilitation project to CISRA, requiring further approval by MCC.
7. Take note of the extension of the terms of office of the nongovernmental members of the MCA Moldova Steering Committee.
8. Designate Emilia Malairau to represent the civil society and the private sector in the MCA Moldova Executive Committee (issue for the nongovernmental members of the Steering Committee).

**Vladimir FILAT**

Acting Prime Minister of the Republic \_\_\_\_\_/signature/\_\_\_\_\_  
of Moldova

Chair of the Steering Committee

**Valentina BADRAJAN** \_\_\_\_\_/signature/\_\_\_\_\_

Executive Director of MCA Moldova

**Ion BORȘ** \_\_\_\_\_/signature/\_\_\_\_\_

Legal Advisor,  
Secretary of the Steering Committee of  
MCA Moldova