



MINUTES no. 1
Steering Committee
of the Millennium Challenge Account Moldova (MCA Moldova)

February 12, 2014; 9.00 am
Government of the Republic of Moldova, conference room, floor 1

Members of the Steering Committee:

1. Iurie LEANCĂ - 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. Anatol ARAPU - Minister of Finance
4. Vasile BUMACOV - Minister of Agriculture and Food Industry
5. Vasile BOTNARI - 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 URȘU - 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. Victor BODIU - Secretary General of the Government, deputy chair of the Steering Committee
2. Victor BARBĂNEAGRĂ - Representative of Anatol ARAPU, Minister of Finance
3. Vasile BUMACOV - Minister of Agriculture and Food Industry
4. Vladimir CEBOTARI - Representative of Vasile BOTNARI, Minister of Transport and Road Infrastructure

5. Valentina ȚAPIȘ - Representative of Gheorghe ȘALARU, Minister of Environment
6. Alecu RENIȚĂ - Leader, Environmental Movement in Moldova
7. Alexandru SLUSARI - President, National Federation of Employers in Agriculture and Food Industry
8. Emilia MALAIRĂU - Executive Director, Employers' Association „American Chamber of Commerce in Moldova”
9. Dumitru URȘU - President, Banks' Association in Moldova
10. Dumitru ALBULESA - Representative of Vladimir FLOREA, President, Employers' Association “Union of Transporters and Road Workers in the Republic of Moldova”

Observers:

3. Leslie McCUAIG - Country Director for Moldova, Millennium Challenge Corporation
4. Valentina BADRAJAN - Executive Director, Millennium Challenge Account Moldova

Secretary of the Steering Committee:

- Ion BORȘ - Legal Advisor of the Millennium Challenge Account Moldova

Invitees:

- Valentin BOZU - Deputy Executive Director of MCA Moldova
- Leonid MAZILU - Procurement Director of MCA Moldova
- Elena BODIU - Finance and Administrative Director of MCA Moldova
- Inga BURLACU - Communication and Documentation Director of MCA Moldova
- Sergiu IUNCU - Director of Transition to High Value Agriculture Project of MCA Moldova
- Anatol USATÎ - Road Rehabilitation Project Director of MCA Moldova
- Andrei BĂȚ - Monitoring and Evaluation Director of MCA Moldova

Agenda:

- 1. Report on the performances of MCA Moldova in 2013 and approval of the MCA Moldova's 2014 work plan.**
- 2. Report on the budget execution in 2013 and approval of the 2014 Compact budget.**
- 3. Report on the implementation of the MCA Moldova's anti-fraud and corruption plan from July to December 2013.**
- 4. Approval of the Additional Agreement no.1 to the contract no. PP5/THVAP/CS/QCBS/14/270 signed with EGIS EAU, France for supervision of reconstruction works at irrigation systems.**
- 5. Report on the initiation of the signing of the Additional Agreement no.6 to the contract with Booz Allen Hamilton, the MCA Moldova's Procurement Agent.**

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

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

Item 1. Report on the performances of MCA Moldova in 2013 and approval of the MCA Moldova's 2014 work plan

Mrs. Badrajan, Executive Director of MCA Moldova, reported on the project activities and the monitoring and evaluation and administration activities carried out in 2013 and the MCA Moldova's 2014 work plan:

1. Road Rehabilitation Project (RRP)

The major RRP activities in 2013 related to the reconstruction works that started in 2012 and their supervision. The reconstruction works are expected to complete in the summer of 2014 when the one-year defect notification period will start.

In 2014 the rehabilitation works will continue on the M2 Sarateni-Soroca (Drochia junction) road along with the construction supervision services.

A particular focus at the reconstruction completion stage will be put on the social issues, in particular improved access to schools, hospitals and other social facilities in the local communities covered by the project.

Additionally, Mrs. Badrajan reported that all the preconditions for further disbursements were achieved according to the Compact Agreement.

2. Transition to High Value Agriculture (THVA)

Mrs. Badrajan reported that 4 major activities were implemented in 2013 under this project: rehabilitation of the central irrigation systems (CISRA), irrigation sector reform (ISR), access to agricultural financing (AAF) and growing high value sales activity (GHVS).

The major tasks of CISRA in 2013 related to the final approval of the technical designs of the central irrigation systems (CIR) to be rehabilitated, the launch of bidding for selection of construction companies, mobilization of contractors, the start of rehabilitation works and completion of the resettlement action plans and their implementation.

According to Mrs. Badrajan, the technical designs for the systems on the Nistru River – Criuleni, Lopatna, Jora de Jos, Cosnita, Roscani and Puhaceni – were approved in due time. As for the systems on the Prut River – Blindesti, Grozesti and Leova – the approval period was extended till June 2013 because of the need to optimize the CIS rehabilitation and operation costs. Changes in the alignment of the supply network were required to meet the needs of the members of the Water Users' Associations (WUAs) in these localities.

Consequently, the deadlines for announcing the bids were met for 6 CIS on Nistru, while for 3 CIS on Prut the deadline was extended for one month, because of the complex approval process. The mobilization of the construction companies for all CIS started in June 2013 and will continue till February 2014.

According to the signed contracts and the work plans the rehabilitation of the first two CIS – Criuleni and Lopatna – is expected to complete in 2014. As for the other four CIS on the Nistru River (Jora de Jos, Cosnita, Puhaceni and Roscani) and three CIS on the Prut River (Blindesti, Grozesti and Leova), the contractors are expected to mobilize and start the rehabilitation works by March this year.

The procurement and contracting of a construction company for one irrigation system on the Prut River (Chircani/Zirnesti) is expected to be done by April 2014, so as the contractor starts the reconstruction works by the end of May this year.

As for ISRA, Mrs. Badrajan said that in 2013 the major tasks were to sign the management transfer agreements with seven WUAs, deliver training and build the capacities of WUAs, install equipment for the national water quantity monitoring network, finalize the secondary legislation of the Water Law, procure equipment for the common hydrologic modelling platform with an IT geospatial data system and procure equipment for the common platform for authorization of special water use.

In 2014 WUAs will receive additional training, the register of water users will be integrated with the geospatial information system in seven WUAs and office furniture and equipment will be procured for four WUA offices for the CIS on the Prut River. Also, environmental and social management plans will be developed for 11 WUAs, the geospatial information system for the river basin will be integrated in the virtual space of the governmental information system to provide public access to data by implementing platforms 1 (authorization of special water use), 2 (hydrologic modelling with geospatial data information system) and 3 (river basin management information system on the Nistru River).

Assistance will be provided to the Ministry of Environment to develop an action plan for the district of the Nistru river basin for 2014 and monitor the water resources and conduct hydrological studies.

As for AAFA, Mrs. Badrajan mentioned that the related tasks were fulfilled according to the schedule.

She added that the Compact loans were invested in cold storage facilities with a total capacity of about 19 thousand tons, around 16 thousand of which have already been put in use, while the other 2 600 tons are expected to be put into use in 2014. The Compact indicator „New post-harvest infrastructure in high value agriculture” of 10 500 tons for 5 years was exceeded by 1.5 times.

A large AAF outreach campaign was conducted in 2013. It included 16 regional outreach sessions on the Compact loans for more than 1500 agricultural producers and representatives of nongovernmental organizations from the eligible regions. About 12 thousand brochures and leaflets on the benefits of the Compact loans were distributed and articles were published in 15 regional and national newspapers.

In 2014 MCA Moldova jointly with the Credit Line Directorate will continue receiving loan applications and providing loans in the post-harvest infrastructure.

Mrs. Badrajan informed that the loan terms had been revised, making more investments eligible for Compact funds, including for procurement, construction of and equipment for greenhouses, procurement of land for greenhouses, planting of orchards and vineyards with table grape, planting of berries, nurseries, procurement of new irrigation equipment and installation of new weather stations for farmers. On the other hand, the minimum loan amount was reduced from 20 thousand USD to 5 thousand USD.

By the end of this year, as suggested by MCC, a mechanism will be designed and put in place to support an investment fund in agriculture.

As for the Growing High Value Sales Activity, Mrs. Badrajan reminded that it is implemented by USAID, stressing that the planned actions were carried out according to the work plan. These actions included commercial missions and visits to international trade shows, training for agricultural producers in the value chains covered by the project (apples, table grape and tomatoes), assistance to develop business plans and access funds for investments in the post-harvest infrastructure.

In 2014 a training plan tailored to the needs of the producers from the Compact-covered CIS areas is expected to be developed and implemented; assistance provided to develop business and investment plan for post-harvest infrastructure and further training delivered to the participants in the value chains in high-value agriculture.

The THVA project preconditions for 2013 related to the transfer of irrigation management to WUAs were fulfilled.

3. Monitoring and Evaluation

Mrs. Badrajan communicated that most of the tasks related to monitoring and evaluation planned for 2013 had been carried out.

In 2014 MCA Moldova will continue implementing the Monitoring and Evaluation Plan and providing support to the implementing entities, delivering training to the staff of MCA Moldova and implementing entities.

4. Program Administration

The program administration activities included audit, increasing the Compact Visibility in the local mass media, promotion of the good practices developed during the Compact implementation, increasing the involvement of civil society in the implementation of the Compact activities, improvement of the cooperation mechanism with the local public administration, increasing the number of people informed about the Compact implementation and implementation of the anti-fraud and corruption action plans.

The audit procedures had completed. The audit report delivered by Ernst & Young SRL was approved by the Office of Inspector General (OIG) on August 22, 2013. This audit found no errors or noncompliance with the internal procedures of MCA Moldova and MCC Guidelines or costs other than for the Compact purposes. No violations of the MCA Moldova's internal control system were found. According to the MCA Moldova's work plan the bidding for audit services for the left Compact period had been launched and the winning company was ICS KPMG Moldova Srl.

To increase the Compact visibility in the regional media, activities for regional journalists were carried out, along with public events with the participation of civil society organizations dealing with environment protection, women from the Compact areas and journalists.

The members of the Consultative Group (CG) were regularly invited to take part in the MCA Moldova's public events. In July-August 2013 the new members of the CG were selected because the terms of office of 5 CG members had ended. The new membership of the CG is already functional. The new CG held 2 meetings, selected the chairman and addressed and approved the CG's work objectives for 2014.

The local governments are actively involved in the Compact activities by taking part directly or by formulating recommendations, issuing documents etc.

Mrs. Badrajan added that the implementation of the 2013 anti-fraud and corruption action plan was according to the schedule. The MCA Moldova's Anti-Fraud and Anti-Corruption Policy was approved in June 2013. For the successful implementation of these documents, a special section was created on the MCA Moldova's website dedicated to the anti-fraud and corruption mechanism. Additionally, MCA Moldova held outreach sessions for the SIMC members on the anti-fraud policy.

In 2014 the program administration activities will include the program audit and communication activities. Additionally, according to the Compact Agreement, MCA Moldova jointly with the Government of Moldova is expected to develop a Program Closure Plan.

A distinct activity related to Program Administration is the implementation of the earlier approved MCA Moldova's anti-fraud and corruption plan. MCA Moldova will further develop and

deliver to the Steering Committee quarterly Reports on the implementation of the MCA Moldova's anti-fraud and corruption action plan.

Mrs. Badrajan added that according to the MCC requirements in the upcoming period MCA Moldova must develop a Program Closure Plan that will state the entities that will take over specific Compact activities, ensure the sustainability of the Compact investments and identify funds for the Compact closeout.

To secure the sustainability and continuation of the Compact activities related to the irrigation management transfer Mrs. Badrajan asked for the support of the Steering Committee and the Government of Moldova to ensure the sustainability of the Monitoring and Supervision Unit (MSU) established as part of the Apele Moldovei Agency to be in charge of the coordination, support, supervision and monitoring of WUAs according to the Law on the Water Users' Associations, after the Compact closeout.

Therefore, Mrs. Badrajan asked the Steering Committee to approve the MCA Moldova's work plan for 2014.

The members of the Steering Committee unanimously approved the MCA Moldova's work plan for 2014.

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

Item 2. Report on the budget execution in 2013 and approval of the 2014 Compact budget.

Mrs. Elena Bodi, the Finance and Administrative Director of MCA Moldova, reported on the budget execution in 2013 by Compact activities and projects and the budget lines for 2014:

- Road Rehabilitation Project;
- Transition to High Value Agriculture Project;
- Monitoring and Evaluation;
- Program Management and Supervision.

Mrs. Bodi said that the detailed description of spending in 2013 and 2014 is in the briefing memo that the SC members had received before the meeting and asked for the approval of the 2014 Compact budget.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting took note of the report on the spending in 2013 and unanimously approved the 2014 budget.

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

Item 3. Report on the implementation of the MCA Moldova's anti-fraud and corruption plan from July to December 2013.

Mrs. Badrajan communicated that MCA Moldova must deliver regular reports to the Steering Committee and the MCC Country Resident Director on the implementation of the anti-fraud and corruption action plan.

Therefore, different actions were taken to secure the continuation of transparent and appropriate procurement of reconstruction and supervision companies in the period of July-December 2013.

Mrs. Badrajan stressed the involvement of different stakeholders (MCC, supervision companies, independent engineers and MCA Moldova) in making decisions related to the revision of design documents, variation orders the amount of which exceeds 10% of the initial contract

amount etc. and the participation of beneficiaries in the supervision of the reconstruction works to increase the responsibility of the companies for quality and timely performance of contractual commitments.

For quality and timely performance of works and to avoid any misunderstanding between the construction and supervision companies, MCA Moldova holds and will further hold weekly visits to the construction sites, along with ad hoc and random meetings.

Moreover, at every stage of the construction works tests were performed according to the methodology approved by Engineer.

All the stakeholders were asked to contribute to increasing the responsibility for fraud and corruption prevention. To this end, MCA Moldova kept updated the section „Report any fraud and corruption” on its website. There had been different media reports on the MCA Moldova’s efforts and the status of Compact implementation.

Mrs. Badrajan added that to implement its anti-fraud and corruption policy MCA Moldova opened an Infoline (0-8001-08-08), as a mechanism to report fraud and abuse. The staff, contractors, consultants and the public at large are free to report any suspicion of fraud on the phone, email or mail.

Mrs. McCuaig appreciated the MCA Moldova’s report and stressed that the Compact enters a period with a high fraud and corruption risk, in particular in construction. These risks are specific to any country, not just to Moldova.

The members of the Steering Committee took note of the Report on the implementation of the anti-fraud and corruption action plan for the period of July – December 2013.

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

Item 4. Approval of the Additional Agreement no.1 to the contract no. PP5/THVAP/CS/QCBS/14/270 signed with EGIS EAU, France, for supervision of reconstruction works at irrigation systems

Valentin Bozu, the Deputy Executive Director, communicated to the members of the Steering Committee that the bidding for engineering services for supervision of the construction works (hereinafter Engineer) for 4 CIS on the Nistru River (Jora de Jos, Coșnița, Puhăceni, Roșcani) was announced on May 27.

The bidding for the Engineer for CIS Jora de Jos, Coșnița, Puhăceni and Roșcani was won by EGIS EAU, France. It signed the contract with MCA on November 22, 2013. The contract includes two additional options for the irrigation systems on the Prut River, one for the CIS Blindești, Grozești and Leova and the other one for the Chircani – Zirnesti system.

Given the good past performance and experience with the Engineer (EGIS EAU), MCA Moldova decided to proceed to option I covering supervision services for these 3 systems on the Prut River.

Therefore, according to the technical task delivered by MCA Moldova in December 2013, the Engineer submitted its technical and financial offer for this option for negotiations. It should be noted that the cost of services for activation of option I was estimated according to the rates included in the basic contract that had been coordinated with MCC.

According to the MCC’s Procurement Directives and MCA Moldova’s Bylaws, these amendments require the approval of the Steering Committee and MCC considering the amount proposed for this option. On January 28, this year, this Additional Agreement was approved by MCC.

Mr. Bozu asked the Steering Committee of MCA Moldova to approve the Additional Agreement no.1 to the contract no. PP5/THVAP/CS/QCBS/14/270 of November 22, 2013 signed with EGIS EAU, France, responsible for the supervision of construction works.

The members of the Steering Committee unanimously approved the Additional Agreement no. 1 to the contract no. PP5/THVAP/CS/QCBS/14/270 of November 22, 2013 with EGIS EAU.

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

Item 5. Report on the initiation of the signing of the Additional Agreement no.6 to the contract with Booz Allen Hamilton, the MCA Moldova's Procurement Agent.

Leonid Mazilu, Procurement Director, reported that the recommendation on the extension of full assistance of the Procurement Agent in Moldova for the next 18 months (till September 1, 2015) was issued on February 7, 2014. The Consultant's tasks in this period will be defined in cooperation with MCC and will focus on the bidding and evaluation for procurement of a construction company for the rehabilitation of the Chircani-Zirnesti irrigation system, several small procurements for MCA Moldova's needs, contract administration and activities related to the Compact closeout.

The Steering Committee took note of and approved the initiation of the signing of the Additional Agreement no.6 to the contract with Booz Allen Hamilton, the MCA Moldova's Procurement Agent.

At the end of the meeting, Valentina Tapis expressed gratitude to the MCA Moldova team for the efficient cooperation with, assistance and equipment provided to the Ministry of Environment and subordinated entities.

HAVING EXAMINED THE REPORTS, THE STEERING COMMITTEE DECIDED TO:

1. Take note of the report on the MCA Moldova performance in 2013 and approve the MCA Moldova's work plan for 2014 (*according to annexes no.1 and no. 2*).
2. Take note of the report on budget execution in 2013 and approve the Compact budget for 2014 (*according to annex no. 3*).
3. Take note of the Report on the implementation of the MCA Moldova's anti-fraud and corruption action plan for the period of July-December 2013 (*according to annex no. 4*).
4. Approve the Additional Agreement no.1 to the contract no. PP5/THVAP/CS/QCBS/14/270 of November 22, 2013 signed with EGIS EAU, France, responsible for the supervision of the reconstruction of irrigation systems (*according to annex no. 5*).
5. Take note of the report on the initiation of the signing of the Additional Agreement no.6 to the contract with the MCA Moldova's Procurement Agent - Booz Allen Hamilton.

Victor BODIU

Secretary General of the Government,
deputy chair of the Steering Committee

_____ (signature) _____

Valentina BADRAJAN

Executive Director of MCA Moldova

_____ (signature)_____

Ion BORȘ

Legal Advisor of MCA Moldova,

Secretary of the Steering Committee of MCA
Moldova

_____ (signature)_____

The minutes was communicated to:

Iurie LEANCĂ

Prime Minister of the Republic of Moldova

Chair of the Steering Committee

_____ (signature)_____