



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

January 31, 2013; 1.00 pm
Government of the Republic of Moldova, office 524

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 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. Eduard BĂNĂRUC - Deputy Secretary General of the Government, *representing*

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

3. Victor BARBĂNEAGRĂ - Deputy Minister of Finance, *representing 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. Valentina BADRAJAN - Executive Director, Millennium Challenge Account Moldova

Secretary of the Steering Committee:

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

Invitees:

- Igor Perjan - Deputy Executive Director of MCA Moldova
- Valentin Bozu - Deputy Executive Director of MCA Moldova
- Anatol Usatîi - Road Rehabilitation Project 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
- Andrei Băț - Monitoring and Evaluation Director of MCA Moldova
- Inga Burlacu - Communication and Documentation Director of MCA Moldova

Agenda:

1. Report on the MCA Moldova activities in 2012 and approval of the MCA Moldova 2013 Work Plan.
2. Report on the budget execution in 2012 and approval of the 2013 Compact budget.
3. Approval of the Monitoring and Evaluation Plan as amended (third edition).
4. Approval of the amendments to the Implementing Entity Agreement signed between MCA Moldova and the Credit Line Directorate of the Ministry of Finance on September 16, 2011.
5. Report on the „shopping” procedures made by MCA Moldova in the period of September 2012 – January 2013.

6. Extension of the terms of office of two members of the MCA Moldova Consultative Group.

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:

- Victor Bodiu, Secretary General of the Government, deputy chair of the MCA Moldova Steering Committee, who delegated Eduard Bănăruc, Deputy Secretary General of the Government, to the meeting;
- Veaceslav Negruța, Minister of Finance, who delegated Victor Barbăneagră, Deputy Minister of Finance, to the meeting.

The two representatives, *i.e.* Eduard Bănăruc and Victor Barbăneagră, 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 1 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 the MCA Moldova activities in 2012 and approval of the MCA Moldova 2013 Work Plan.

Valentina Badrajan, the Executive Director of MCA Moldova, reported on the activities carried out in 2012 and the MCA Moldova 2013 work plan by projects and monitoring and administration activities:

I. Road Rehabilitation Project (RRP)

The key task of RRP in 2012 was to start the rehabilitation works. According to the work plan, invitations for bids for construction of the M2 road sector (Sarateni-Sorooca to the Drochia junction) and for construction supervision services were announced. Two international companies (ONUR and Strabag – 4 contracts) were selected for construction works and other two companies for construction supervision – Engineers (Louis Berger SAS and IRD Engineering SRL). The companies mobilized in due time and in August 2012 started the rehabilitation works, more specifically the earthworks.

Additionally, Mrs Badrajan said that in 2012 the deadline of minor activities related to the implementation of the Resettlement Action Plan (RAP) was extended. The review of the rehabilitation design found that the engineering networks (gas, telecommunications, electricity) were designed beyond the right-of-way and, therefore, there are other project affected persons and the need to procure additional land plots. These activities did not prevent the timely implementation of the project.

Regarding the 2013 work plan for RRP Mrs. Badrajan reported that about 60% of the activities related to RRP are expected to be carried out and RAP implementation to be completed. MCA Moldova also plans to start the construction of bypass roads to schools, hospitals and other social facilities in the RRP area and commission the design of about 650 m of road to the fire station in Soroca to be rehabilitated with the support of the US Department of Defense.

Mrs. Badrajan added that according to the Compact Agreement, there is a precondition under the RRP related to the allocations to the Road Fund. The Road Fund Law no. 720-XIII of 02.02.1996, as amended, states the amount of allocations to the Road Fund from the total amount of excise duties for oil products. The precondition to allocate at least 80% of the excise duties for oil products in 2012 was fulfilled.

II. Transition to High Value Agriculture (THVA)

Mrs. Badrajan reported that in 2012 four major activities were implemented under the THVA project of the Compact.

The major tasks planned under the *Irrigation Sector Reform Activity* were fully fulfilled. More specifically, 11 Water Users' Associations (WUAs) were registered, training was delivered to WUAs and the regulation and draft of the irrigation management transfer agreement developed for 7 irrigation systems. The draft decision on the irrigation management transfer will be soon submitted for Government review and approval. The signing of IMT agreement is a precondition for the start of the construction works.

One of the THVA project relates to the development of the relevant regulations to enable the enforcement of the Water Law and the design of the common hydrologic modeling platform. These regulations were drafted and consulted with the experts of the Ministry of Environment and other relevant entities and will be submitted for Government approval by June 2013.

The technical concept of the common hydrologic modeling platform was designed and consulted with all the entities engaged in water management. The technical concept of the Common Platform for Water Use Authorization was also designed. This platform will be put in place in concert with the e-Government Center and the Ministry of Environment based on the cooperation agreement signed in November 2012 by MCA Moldova, the e-Government Center and the Ministry of Environment. Both platforms will be deployed in 2013.

Mrs. Badrajan added that equipment for the common hydrological modeling platform will have been procured by the end of 2013. The equipment for the national water quantity monitoring network will be installed once the State Hydrometeorologic Service identifies and secures the locations for equipment and once the weather allows for it.

Regarding the *Centralized Irrigation Systems Rehabilitation Activity (CISRA)* Mrs. Badrajan reported that the surveys and investigations required for the detailed design were completed. The rehabilitation costs estimated during the design process exceeded significantly the Compact budget allocated for this purpose based on the feasibility studies conducted initially by a company contracted by MCC.

Therefore, MCC requested a revision of the rehabilitation concept which resulted in the revision of the contract with the designer and extension of deadlines for delivery of designs. Consequently, other actions related to the delivery of designs were also delayed, more specifically completion of RAPs and start of their implementation, and announcement of the invitations for bids for construction and construction supervision.

So far the designs for 3 CIS (Lopatna and Criuleni) have been completed. The bidding for the rehabilitation works is underway – the deadline for submission of bids is February 5, 2013. The invitation for bids for construction supervision is at the final stage – bid evaluation.

Mrs. Badrajan informed the SC members that the design documents and the invitations for bids for construction and construction supervision for the other CIS will be completed and advertised in the first quarter of the year. The rehabilitation works are expected to last about 18 months. RAP will be implemented along with the rehabilitation works.

The designs of two CIS (Cahul and Chircani – Zîrnești) were excluded from the contract with the design company because the updated cost estimates exceed significantly the costs estimated by the feasibility studies and because of specific environmental issues. A new implementation concept will be developed for these systems depending on the availability of funds.

In order to reduce the rehabilitation costs, new technical approaches were adopted which are different from the technical practices and requirements in Moldova, but largely applied in USA and Europe. More specifically, reduction in the capacity of pumps and resizing of pipes, location of pipes at a lesser depth (1.15m instead of 1.5 m according to the standard); considerable reduction in the width of trenches, revision of parameters on the sand bed etc.

Mrs. Badrajan informed the SC members about the need to hold a meeting soon focusing on the Centralized Irrigation Systems Rehabilitation Activity under the THVA project.

Regarding the *Access to Agricultural Finance Activity*, Mrs. Badrajan reported that all the related activities laid down in the MCA Moldova 2012 work plan were carried out. Twenty-one loans were made amounting to 4.3 mil.USD, 16 of which amounting to about 3.2 mil. USD (about 75%) were used to build or equip cold storage for fruits and vegetables with the total capacity of about 16.5 thousand tons.

In 2013 MCA Moldova and the Credit Line Directorate will continue evaluating the disbursement requests, drawing down funds and releasing post-harvest infrastructure loans.

Mrs. Badrajan reported that following the MCC decision, AAFA will continue until the total amount of 12 mil. USD is disbursed to specific geographic areas, more specifically 8 rayons covered by the 11 CIS to be rehabilitated with Compact funds (Ungheni, Nisporeni, Leova, Cahul, Orhei, Criuleni, Dubăsari and Anenii Noi). In February – March 2013 AAFA will be evaluated by two MCC consultants in terms of the Credit Facility requirements, including the eligible area. Their recommendations will be used to decide on whether to keep or expand the eligible areas, as well as revise the Credit Facility requirements (target-beneficiaries, eligible investments etc.).

Regarding the fulfillment of preconditions, Mrs. Badrajan reported that the preconditions related to (1) establishment of WUAs and (2) restoration of the facilities of the national phytosanitary laboratory and securing the installed equipment were achieved in 2012.

III. Monitoring and Evaluation (M&E)

According to Mrs. Badrajan, most of the M&E activities planned for 2012 were carried out. There were some delays in the first stage of the enterprise and household survey. The deadlines were revised so as the survey to not match the farming season.

The approach to the monitoring and evaluation component of the Management Information System was revised. MCC decided to design a standard system common to all the Compacts (MIDAS) that MCA Moldova is using for monitoring and evaluation purposes. It should be noted that the delays in the M&E implementation does not cause delays in other Compact activities.

Mrs. Badrajan noted that besides the monitoring and evaluation activities started in 2012, in the period of July – December 2013 a mid-term evaluation of the Compact implementation is expected to be conducted. It is compulsory for all the similar MCC programs. Its major goal is to review the progress made in the first 2.5 years of implementation, revise the Program objectives and identify opportunities to reallocate resources among projects and activities to achieve the maximum impact of the Compact.

M&E also involves some activities meant to build the capacities of the MCA Moldova staff and implementing entities through training, experience exchange and participation in international conferences.

IV. Program Administration

Mrs. Badrajan reported that the Program Administration activities planned for 2012 included the audit of the Compact operations, outreach and development of the anti-corruption action plan.

All these actions were fully carried out. 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.

In the first quarter of 2013 MCA Moldova plans to announce the invitation for bids for audit services for the following 3 periods.

Transparency in the decision making and outreach about the Compact activities will be ensured in accordance with the MCA Moldova Bylaws and internal policies and through the efforts of the management bodies and team of MCA Moldova. The major issues will be addressed at the meetings of the Steering Committee and Consultative Group. The latter besides being an advisory body, is also a tool to ensure transparency and outreach. Therefore, in 2013 MCA Moldova plans meetings of the Consultative Group, site trips and meetings with beneficiaries, which will facilitate the outreach of the Compact progress.

To ensure efficient outreach, relevant materials will be published, in particular the monthly and quarterly Newsletter, brochures and leaflets that will be disseminated to beneficiaries and other stakeholders.

A distinct Program Administration activity is the implementation of the anti-corruption action plan. The MCA Moldova management team will report to the SC on a quarterly basis on the implementation of this action plan and the measures taken to prevent and mitigate fraud and corruption in MCC operations.

Therefore, MCA Moldova asked for the approval of the MCA Moldova 2013 Work Plan for Compact implementation.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting took note of the MCA Moldova activities in 2012 and unanimously approved the MCA Moldova 2013 Work Plan for Compact implementation.

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

Item 2. *Report on the budget execution in 2012 and approval of the 2013 Compact budget.*

Mrs. Elena Bodiu, the Finance and Administrative Director of MCA Moldova, reported on the budget execution in 2012 by Compact activities and projects and the budget lines for 2013:

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

Mrs. Bodiu said that the detailed description of spending in 2012 and 2013 is in the briefing memo that the SC members received before the meeting and asked for the approval of the 2013 budget of the Compact implemented by MCA Moldova.

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 2012 and unanimously approved the allocated budget for 2013.

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

Item 3. *Approval of the Monitoring and Evaluation Plan as amended (third edition).*

Andrei Bat, the Monitoring and Evaluation Director of MCA Moldova reported that in May 2012 MCC approved two key documents on the monitoring and evaluation of the Compacts:

- Policy for Monitoring and Evaluation of Compacts and Threshold Programs as amended; and
- Guidance on common indicators.

To align the Monitoring and Evaluation Plan (the M&E Plan) of MCA Moldova with the new provisions, it was amended as follows:

- (a) the structure of the M&E Plan was revised to make it consistent with the new requirements;
- (b) the definition of beneficiaries was revised. Therefore, according to the Guidelines for economic and beneficiary analysis, beneficiaries are the people expected to feel an improvement of the life standards following the implementation of the Compact. MCC defines and includes in the list of beneficiaries all the members of a household, in which the incomes of at least one person have increased;
- (c) the hierarchy of indicators was revised – four (instead of five): process indicators, outcome indicators, output indicators and target indicators. The following subchapters were added: 4.1.2. Indicator Classification, 4.1.3. Common indicators, 4.1.4. Indicator Documentation Table, 4.1.9. Table of Indicator Baselines and Targets, 4.2. Data Quality Reviews, 4.3. Standard Reporting Requirements.
- (d) Chapter 6. "Evaluation" was included in Chapter 5.0. The subchapters 5.1.3. MCC Impact and Performance Evaluations and 5.3. Specific Evaluation Plans were revised.
- (e) Chapter 7. "M&E Implementation and Management" was included in Chapter 6.0. Subchapter 6.1. Responsibilities was added.
- (f) A couple of chapters and subchapters were added: "M&E Budget", "M&E Requirements for Disbursements" and "M&E Assumptions and Risks";
- (g) The definitions of 31 common indicators were updated according to the MCC Guidance on common indicators;
- (h) The outcome indicator Enterprises that have applied improved techniques (managerial and processing) under the Transition to High Value Agriculture Project, Growing High Value Sales Activity, was added, while the Roughness indicator of the Road Rehabilitation Project was revised.

Mr. Bat added that the Monitoring and Evaluation Plan as amended was approved by MCC.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the Monitoring and Evaluation Plan as amended (third edition).

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

Item 4. *Approval of the amendments to the Implementing Entity Agreement signed between MCA Moldova and the Credit Line Directorate of the Ministry of Finance on September 16, 2011.*

Mr. Valentin Bozu, the Deputy Executive Director of MCA Moldova, reported that the Post-Harvest Credit Facility is implemented according to the Implementing Entity Agreement signed between MCA Moldova and the Credit Line Directorate (CLD) of the Ministry of Finance on

September 16, 2011. On June 29, 2012 the Steering Committee approved the signing of the Amendment no.1 with minor, technical amendments to the Implementing Entity Agreement.

Mr. Bozu added that the need to amend this agreement again was caused by the need to enable MCA Moldova to approve and pay to CLD the Credit Facility Administration Fee (CFAF) for the reported quarter, provided that there is a prior approval of the relevant quarterly/annual report. According to the provisions of the Implementing Entity Agreement, CFAF shall be paid from the interest paid to the Participating Financial Institutions (PFIs) from the Compact loans provided by MCA Moldova. The amendments will also allow for the approval of new versions or amendments to the Credit Facility Policy and Procedure Manual without requiring the amendment of the Implementing Entity Agreement. These amendments were consulted with CLD and approved by MCC.

Mr. Bozu asked for the approval of the signing of the Amendment no.2 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 unanimously approved the signing of the Amendment no.2 to the Implementing Entity Agreement signed on September 16, 2011 between the Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance.

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

Item 5. *Report on the „shopping” procedures made by MCA Moldova in the period of September 2012 – January 2013.*

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

Mr. Mazilu, therefore, reported on such procurements made in the period of September 2012 – January 2013.

Having reviewed the materials received, the voting members of the Steering Committee present at the meeting approved unanimously the „shopping” procurements made by MCA Moldova in the period of September 2012 – January 2013.

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

Item 6. *Extension of the terms of office of two members of the MCA Moldova Consultative Group.*

Inga Burlacu, the Communication and Documentation Director of MCA Moldova, reported that the terms of office of two out of 7 members of the Consultative Group (CG) of MCA Moldova –Sergiu Harea, CG chairman, and Viorel Chivriga, end in April. The terms of the other CG members end in September 2013 because they were selected through a re-advertised competition in the summer of 2011.

The individuals mentioned above were approved as CG members through the Decision of the Steering Committee dated April 22, 2011. Mrs. Burlacu stressed that according to clause 55 of the MCA Moldova Bylaws, in the event that there are vacancies in the CG, the nongovernmental members of the Steering Committee will have to select new members to the CG from the additional list developed at the time of the competition. Given that following the competition held in May 2011 there were no organizations qualified enough to be put on the additional list, at the moment

there are no candidates to fill in the two vacancies. Therefore, in order to secure continuity of CG and prevent any obstacles to its smooth operation, Mrs. Burlacu asked for:

- extension of the term of office of two members of the Consultative Group of MCA Moldova – Sergiu Harea and Viorel Chivriga – till September 14, 2013;
- launch in July 2013 the selection of the new members of the Consultative Group according to the Regulation on the selection of the members of the Consultative Group of MCA Moldova approved on 18.02.2011.

Having reviewed the materials received, the nongovernmental members of the Steering Committee present at the meeting approved unanimously Mrs. Burlacu's proposals.

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

1. Take note of the report on the activities carried out by MCA Moldova in 2012 and approve the MCA Moldova 2013 Work Plan for Compact implementation (according to annex no. 1).
2. Take note of the report on budget execution in 2012 and approve the 2013 Compact budget (according to annex no. 2).
3. Approve the Monitoring and Evaluation Plan as amended, third edition (according to annex no. 3).
4. Approve the signing of the Amendment no.2 to the Implementing Entity Agreement signed on September 16, 2011 between the Millennium Challenge Account Moldova and the Credit Line Directorate of the Ministry of Finance (according to annex no. 4).
5. Approve the „shopping” procurements made by MCA Moldova in the period of September 2012 – January 2013 (according to annex no. 5).
6. Approve (*by the nongovernmental members of the Steering Committee of the MCA Moldova*):
 - extension of the terms of office of two members of the Consultative Group of MCA Moldova – Sergiu Harea and Viorel Chivriga till September 14, 2013;
 - start in July 2013 the selection of the new members of the Consultative Group according to the provisions of the Regulation on the selection of the members of the Consultative Group of MCA Moldova approved on 18.02.2011.

Vladimir FILAT

_____ (signature) _____

Prime Minister of the Republic of
Moldova

Chair of the Steering Committee

Valentina BADRAJAN

_____ (signature) _____

Executive Director of MCA Moldova

Ion BORS

_____ (signature) _____

Acting Legal Advisor,
Secretary of the Steering Committee of
MCA Moldova