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**MCA - ARMENIA: SUCCESSES
AND FAILURES**

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ՆՈՅԵՄԲԵՐ 2007

This policy brief covers the development of public participation process during second half of 2007 under the MCA-Armenia. It mostly

covers Stakeholders' Committee recent elections and partly reflects the programmatic progress of rural roads rehabilitation and

irrigated agriculture components of the MCA-Armenia project.

Millenium Challenge Account-Armenia: Stakeholders' Committee Elections

Stakeholders' Committee is a key consulting body that represents the civil society in the process of implementing MCA-Armenia project. It is called to ensure equal participation of different stakeholders. The Stakeholders' Committee consists of maximum 15 representatives of various stakeholders of the MCA-Armenia project, including NGOs, the Water User Associations and farmer groups. The Stakeholders' Committee consists of 15 members including:

- 9 representatives from NGOs,
- 2 representatives from the Water User Associations,
- 2 representatives from farmer groups,
- 2 representatives from beneficiary communities.

The members of the Stakeholders' Committee shall serve for a term of one year, but may be re-elected as well². They should rotate each year. Since September 2007, the term of eleven SC members serving run off - elections of new members were held.

Therefore, on 29 September 2007 elections for new members of Stakeholders' Committee for 2007-2008 were held. As a result, 11 members of Stakeholders' Committee were elected due to the expiration date as new members and representatives of civil society in the stakeholders'

In January 2004, by the Millennium Challenge Act, the U.S. Government established an entity called Millennium Challenge Corporation (MCC). It aims at providing assistance for global development through economic growth that will eliminate extreme poverty and strengthen good governance, economic freedom, and investment in people.

In 2005, the MCC Board of Directors selected 17 out of 64 candidate states as eligible for funding under the Millennium Challenge Account. The selection was made based on a study into all efforts exerted by a state in the areas of ruling justly, democratic governance, liberal economy, and prosperity for the people. Armenia was positively assessed for policies of ruling justly, promotion of economic freedoms, and investment in human capital.

As a result, on March 27, 2006 the Millennium Challenge Corporation signed a five-year USD 235.65 m Compact Agreement with the Government of Armenia. The

committee. As the other four members out of 15 had been elected for a term of two years³ before they did not run for the office. However, it is worth to mention that starting from 2008 (2008-09, 2009-10, 2010-11) each member will be elected for one-year term and SC members will be rotated each year.

In 2007, about 262 organizations registered for voting, of which 45 (out of 52 existing in Armenia) were water user associations. Approximately 248 organizations against 213 in 2006 - have voted and each had the right to vote for up to five members.

Out of all registered only 51 (including three water user associations) nominated their representatives to run for SC membership (in contrast to 83 in 2006). Out of 51 candidates of 2007 elections 18 also were running as candidates and 5 took part only as voters during 2006 elections. 45 participants out of 262 organizations participated in 2007 elections also took part during 2006 elections as voters (constituency this year as well) and 75 as candidates. It is worth to mention that in 2006 NGOs and WUA representatives voted separately. Some of 2/3 participants in the 2006 elections were stripped of the right to put their candidacies during 2007 elections. Due to September 4, 2007 Stakeholders' Committee decision, international organizations and consumer cooperatives in Armenia were stripped

Armenia Compact focuses on reducing rural poverty through sustainable increase in the economic performance of the agricultural sector¹.

Millennium Challenge Account-Armenia (MCA-Armenia), a State Owned Foundation established by the Government of Armenia, is responsible for overseeing the transparent implementation of the Compact signed between the Millennium Challenge Corporation (MCC) and the Government of Armenia.

MCA-Armenia composed of the *Governing Board* that is responsible for the oversight of the MCA-Armenia responsibilities under the Compact and the *Management Unit* - responsible for the implementation process. In addition, a *Stakeholders' Committee* is entitled to nominate voting members from the Armenian civil society to serve together with government representatives on the Governing Board.

of the right to participate in 2007 SC elections. Some NGOs did not participate for different reasons. Like in 2006, the elections were held in American University of Armenia Hall.

The following representatives of organizations win the elections with majority vote and became the members of SC.

Table 1: Stakeholders' Committee Elected Members

ORGANIZATION	REPRESENTATIVE	VOTES
Agridevelopment NGO	Ashot Voskanyan	113
Shenik WUA	Tonakan Ghazaryan	82
Association of Agriculture Federation	Vardan Hambarzumyan	76
Journalists Asparez Club	Levon Barseghyan	75
National Union of Farmers NGO	Vanik Soghomonyan	60
Azatan Community Center	Seiran Martirosyan	59
Association of Municipal Councilor of Armenia NGO	Araik Hovhannisyan	51
Union of Young Environmental Economists NGO	Andranik Hovhannisyan	47
Ararat WUA	Vilik Barseghyan	46
Aygabats Youth Research Center NGO	Lilit Avagyan	45
Meghvik Children and Youth NGO	Vehanush Hovhannisyan	44

Source: MCA-Armenia

According to the results, seven members of Stakeholders' Committee out of eleven were reelected: Ashot Voskanyan, Tonakan Ghazaryan, Vardan Hambardzumyan, Levon Barseghyan, Vanik Soghomonyan, Araik Hovhannisyan and Vehanush Hovhannisyan. The other four members Seiran Martirosyan, Andranik Hovhannisyan, Vilik Barseghyan and Lilit Avagyan- were elected for the first time. As a result of this election, 2007-2008 Stakeholders' Committee has been formed.

According to the Stakeholders' Committee regulations five representatives of civil society should be delegated to the MCA-

Armenia program Governing Board. Since the serving term of the previous representatives to the Governing Board run off in 2007, new elections were held. As a result, on 12 October 2007 five members of Stakeholders' Committee had been elected as proxies in the MCA-Armenia Governing Board to represent the Armenian civil society.

Out of 15 members 10 members nominated their candidates to this position. During the elections 5 new members were elected by simple majority.

The results of the elections are presented below⁴:

Table 2: Stakeholders' Committee Candidates to Governing Council

NAME	ORGANIZATION	VOTES
Hakob Abrahamyan	Pyunic Armenian Union of the Disabled	5
Levon Barseghyan	Asparez Journalists Club NGO	7
Araik Hovhannisyan	Association of Municipal Councilor of Armenia NGO	8
Vehanush Hovhannisyan	Meghvik Children and Youth NGO	5
Tonakan Ghazaryan	Shenik WUA	7
Seiran Martirosyan	Azatan Community Center	6
Karen Nazaryan	Armenia Inter Church Charitable Round Table Foundation	11
Ashot Voskanyan	Agridevelopment NGO	9
Hrachik Javadyan	Applied Research and Agribusiness Foundation	9
Vanik Soghomonyan	National Union of Farmers NGO	8

Source: *MCA-Armenia*

As a result, the following five members were elected as representatives: Karen Nazaryan (11 votes), Ashot Voskanyan (9 votes), Hrachia Javadyan (9 votes), Araik Hovhannisyan (8 votes) and Vanik Soghomonyan (8 votes)

The unprecedented case occurred on November 2, 2007 during the Stakeholders' Committee meeting⁵. As was found out one of the members of Stakeholders' Committee Mr. Andranik Hovhannisyan put his candidacy at Stakeholders' Committee elections in September 2007 and then participated in October 2007 election illegally and violated electoral procedure adopted by the Stakeholders' Committee. The procedure clearly states, that those who held positions in legislative, executive and judicial branches of power have no right to put their candidacy at the elections.

The issue was raised by Mr. Levon Barseghyan, Stakeholders' Committee member and Chairman of the Asparez Club Board. He noted that Mr Andranik Hovhannisyan, Chairman of the Union of Young Environmental Economists NGO, is at the same time the main specialist at the youth policy department of the Ministry of Culture and Youth Affairs of Armenia. He did not mention about his position at the Ministry in his application to the SC membership. Accordingly, he was registered as a representative of the civil society and gained the right to participate both as a voter and a candidate in Stakeholders' Committee elections.

As was found out, the MCA-Armenia Chief Executive Officer Mr. Ara Hovsepyan was informed about that in advance. He stated that Mr. Hovhannisyan was unaware of the restrictions for civil servants. He also informed that Mr. Hovhannisyan and agreed to resign the office.

However, this incident had a crucial impact (the matter concerns one vote possessed by A. Hovhannisyan) on elections results to the Governing Board. The issue is laid in votes gained by candidates during Governing Board elections. One vote would change the whole picture, because Mr. Levon Barseghyan lost elections only with one vote. The results could have been different if Mr. Hovhannisyan had been stripped from his voting right prior to election. Accordingly, the natural resolution of this situation, was to cancel the election results and held new elections. However, instead of canceling of election results, a logical and legal consequence of such situation, the SC

refused to reconsider the results of elections to the Governing Board. Mr. Ashot Voskanyan, SC meeting chairperson, even refused to bring the question to a vote, by that obviously abusing his power and violating rules. This is the first such case out of 25 meetings held so far. It is intentional restriction of members rights. Unexpectedly, only Mr. Levon Barseghyan out loud again such practice and called Stakeholders' Committee other members, MCA-Armenia representatives, chairman, Governing Board other members to give their assessment and comments about this case. Others, however, remained silent.

Consequences...

Thus, Mr. Hovhannisyan resigned from the Stakeholders' Committee, but the election results to the Governing Board still remain the same because the notion to reelect representatives to the Governing Council has been refused by the Stakeholders' Committee. The results of the elections put on doubt the legitimacy of members of Governing Board and Stakeholders' Committee.

The Stakeholders' Committee 15th vacant position (as a result of Mr. Hovhannisyan resignation) was filled by Aram Sukiasyan (president of National Youth Council of Armenia NGO). Besides, Artur Sakunts (Helsinki Citizens' Assembly Vanadzor Office NGO) automatically became a member of SC instead of Nazeli Vardanyan (her 2 year-term expired).

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Programmatic Progress

Although this policy brief focuses on the public participation process, it is worth to mention some projects implemented so far under the MCA-Armenia.

Rural Roads Rehabilitation Project

The Armenian government will rehabilitate 943 km of rural roads that resulted in rural communities access to markets, services, and the major road network.

Procurement is proceeding on contracts for maintenance, design and feasibility, construction supervision. Construction of 24.5 km. road part in the Gyumri region has been already started.

Irrigated Agriculture Project

✍ Infrastructure Activity:

MCA-Armenia is finalizing the procurement for the design and supervision of 18 irrigation schemes throughout Armenia.

In February 2007, MCA-Armenia signed an agreement with the Irrigation Project Implementation Unit to oversee implementation of the civil works of the Irrigated Agriculture Project.

MCA-Armenia has signed several contracts for design and feasibility studies of canals, reservoirs, and environmental oversight so far.

✍ Water-to-Market Activity:

MCA-Armenia signed a contract that amounts to \$18.5 million for ACDI/VOCA in order to manage the Water-to-Market Project.

The random selection of the timing to determine when communities would receive training under the Water-to-Market Activity took place in a public forum on August 15, 2007. The event included representatives from the MCA-Armenia Stakeholders'

Committee, Water Users' Associations and Armenian government officials.

On October 16, 2007, an agreement was signed between MCA-Armenia and the Rural Finance Facility Project Implementation Unit, which will facilitate the implementation and monitoring of the MCA-Armenia Water-to-Market activity credit program⁶.

Expectations

From the first sight everything is smooth but the reality is quite different. For instance, despite properly conducted meetings along with hot discussions, signed agreements (reviewed many times), and diverse agenda (with the same content mostly) there are overlapping of programs and incorrect planning cases. This mainly related to the rural roads incorrect planning and overlapping cases with works implemented by the Lincy Foundation. There are sectors of roads that have been reconstructed by the Lincy project and the same sectors are included in the rural roads rehabilitation project (primary plan) under the MCA-Armenia as well.

Besides, there is tension between Stakeholders' Committee and Governing Board. Recent Stakeholders' Committee elections is a vivid example of it, where Governing Board member refused to put a SC member's offer on vote.

The key point of tension existing between Stakeholders' Committee and Governing Board is that Governing Board in general does not take seriously problems presented by the SC. Various minutes, reports, and other documents of the Stakeholders' Committee show that they have no enough power and capacity for implementing its commitments whose agenda scope mainly cover statutes and structural discussions. However, the ability of MCA-Armenia Stakeholders' Committee to accomplish its tasks is in doubt - mainly due to lack of experience according to the Stakeholders' Committee Report 2006-2007. This report is prepared by the SC members, where they mentioned their poor experience in overall management of the MCA-Armenia program components.

Meanwhile, the civil society remains a vital link between public and government and if this link is broken than the whole process should be questioned.

Civil society organizations should be more active and open in this process. On the other

hand, the Government should provide better opportunities for full participation of the civil society and integration in the process of the MCA-Armenia project.

Notes

¹Armenia seeks to achieve this through a 5-year program of strategic investment in rural roads, irrigation infrastructure and technical and financial assistance to improve the supply of water and to support farmers and agribusinesses. Over one million Armenians live in rural areas and depend on semi-subsistence agriculture. Farmers operate on small plots of land, constrained by poor roads, inadequate irrigation, and an under-developed market. The Program will directly impact approximately 750,000 of these people - 75% of the rural population, and is expected to reduce the rural poverty rate and boost annual incomes. Compact-Eligible Country Report, 2007, available at www.mcc.gov/documents/all-csr.pdf

²For more information on Stakeholders' Committee election procedure see the SPDC web-bulletin issue No 1, Social Policy and Development Center, available at: http://www.cspda.org/Web-Newsletter/Newsletter_arm1.pdf

³Hrachik Zavadyan (Applied Research and Agribusiness Foundation), Hakob Abrahamyan (Pyunic Armenian Union of the Disabled), Karen Nazaryan (Armenia Inter Church Charitable Round Table Foundation) and Nazeli Vardanyan (Armenian Forest Environmental NGO).

⁴Stakeholders' Committee Meeting Minute 12 October 2007, available at http://www.mca.am/new/armversion/stakeholders_2007/summary2.pdf

⁵Available at www.asparez.am/aboutus/projects/jca-mca-osi-info&advocacy-15.10.2006-31.8.2007/lb-statement-on2.11.2007mcascmeeting.htm

⁶Available at <http://www.mcc.gov/documents/all-csr.pdf>

The Social Policy and Development Center (SPDC)

The Social Policy and Development Center (SPDC) is a nonprofit, non-governmental organization established in 2004. It is an independent and critical voice that does not depend on government funding and is not affiliated with any political party.

The aim of the SPDC is to create a new physical and conceptual space with an explicit agenda to bring new and fresh thinking about social development. SPDC promotes social policy that creates new and better ways to meet needs, solve problems and build better communities with particular attention to the three core issues of poverty reduction, fighting corruption and social integration, in contributing to the creation of a community that enables the building of secure, just, free and harmonious society offering opportunities and higher standards of living for all. SPDC believes in the enduring need for strong social policy to fight poverty and corruption, ensure social and economic security and achieve social justice.

Relevant sources:

- ♦Public Participation In MCA Implementation (policy brief), SPDC, 2007
- ♦MCA-Armenia Stakeholders' Committee Report (2006-2007), MCA-Armenia, 2007
- ♦Proposal for Millennium Challenge Account (MCA) Assistance, RA Government
- ♦MCA-Armenia Stakeholders' Committee Election Procedure, 2007, November
- ♦Governance Agreement by and among Millennium Challenge Corporation, the Staff of the Republic of Armenia Government on Behalf of the RA Government and Millennium Challenge Account-Armenia, 2006