



STATE COMMITTEE OF WATER SYSTEM UNDER THE MINISTRY OF
TERRITORIAL ADMINISTRATION OF THE REPUBLIC OF ARMENIA

Public Private Partnership

Case of Water Infrastructure of the Republic of Armenia

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Background and Rationale for PPP in Armenia

- The water sector of Armenia faced serious problems following the collapse of the Formal Soviet Union
- Insufficient funding, poor management led to the deterioration of network and increased losses
- Water supply duration was insufficient and the quality of the supplied water was at hazardous level

The customers received average 4-6-hour water supply per day, and in some areas even this quantity wasn't provided.

- The financial situation of the water utilities was precarious

The collection rate for water and wastewater services was at low level and covered only 15% which could be hardly enough for covering the costs of energy power.

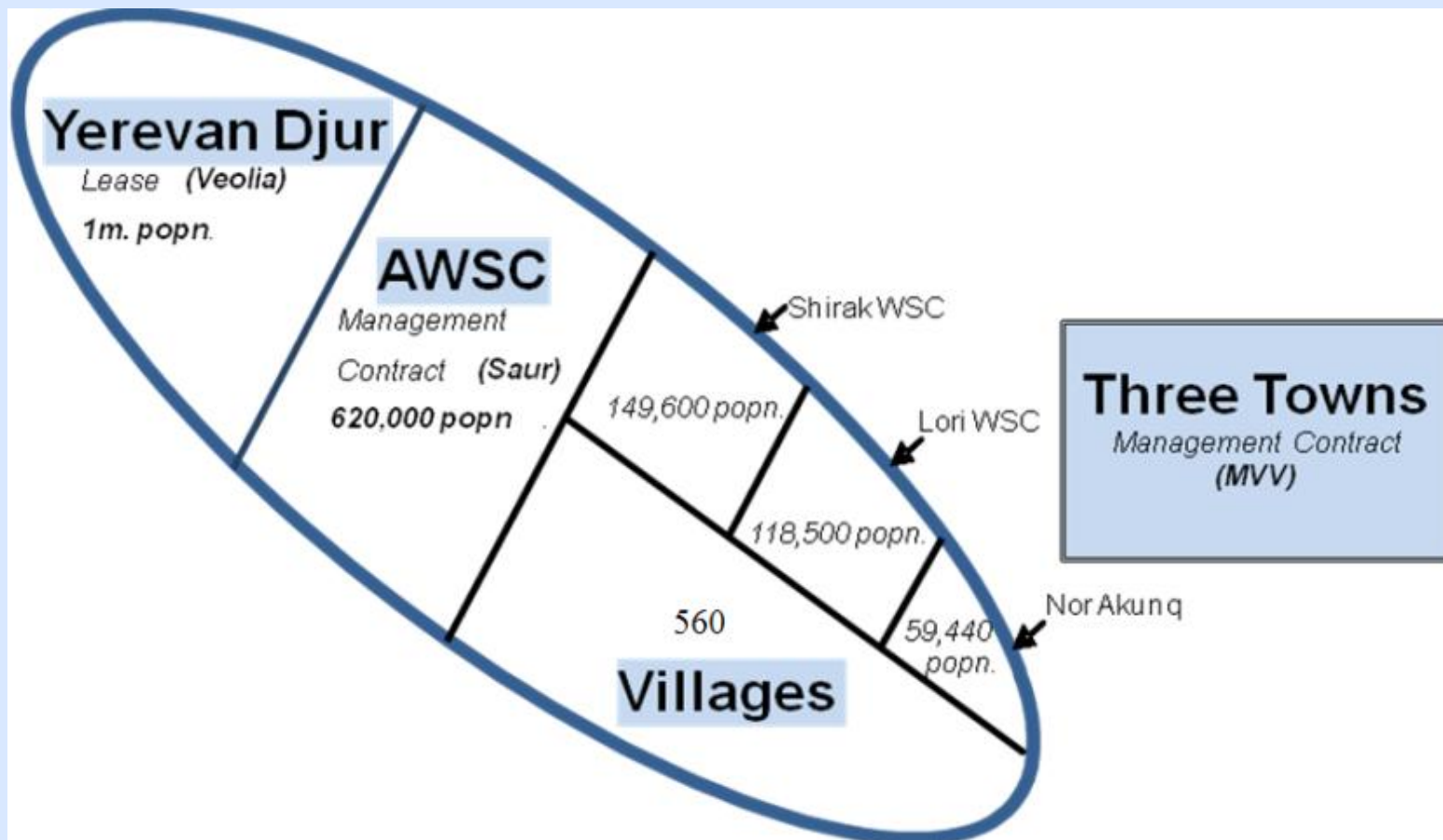
Reforms Directions

- Legal Reforms
- Institutional Reforms
- Investment Policy
- Tariff Policy
- Water Metering and Accounting

Deciding on Public or Private Provision of Infrastructure Services (key points)

- Concepts and Principles
- Public or Private Sectors
- Local or International Operator

Water Supply Companies of Armenia



Yerevan Djur CJSC

- *The form of management:* ***Lease contract***
- *Operator:* ***Véolia, France***
- *The term of leasing:* ***2006-2016***
- *Service area:* ***Yerevan city and nearby 32 rural settlements***
- *Number of population under the service area:* ***1030 thousand people***
- *Investment projects:*
 - ***World Bank loan first project*** ***1998 - 2005***
 - ***World Bank loan second project*** ***2006 - 2011***
 - ***France Government loan project*** ***2008 – 2013***

Lease Contract Main Performance Standards

- improvement of water supply duration
- water quality
- responsiveness to consumers complaints

Comparative Data of Yerevan Water Utility

<i>Standards</i>	<i>Unit</i>	<i>One year before Private Sector Involvement, /2000/</i>	<i>At the end of the Management Contract with A-Utility, /2005/</i>	<i>within 5 years of Lease Contract with Véolia Water, /September 2011/</i>
Water Supply Duration	Hours	4-6	18.4	20.8
Energy Consumption	Million kiloWatt-hour	240.3	124.2	73.2
Collection Efficiency	%	21	86	98
Installed Water Meters	% of customers	0.8	87	97
Water Consumption	lcd	By norm 250	110	100
Tariff	USD/m ³	0.1	0.27	0.47
Number of Employees	people	1165	1588	1263
Average Yearly Public Subsidies	Million USD	4	0.7	-
Unaccounted for Water	%	72	79	82.6

Armenian Water and Sewerage CJSC

- *The form of management:* ***Management contract***
- *Operator:* ***Saur, France***
- *The term of contract:* ***2004-2008, to be extended till 2014***
- *Service area:* ***37 urban and 271 rural settlements***
- *Number of population under the service area:* ***619 thousand people***
- *Investment projects:*
 - ***World Bank loan project I*** ***2005 - 2008***
 - ***World Bank Loan project II*** ***2009 - 2011***
 - ***EBRD loan and grant project*** ***2007 - 2012***
 - ***ADB loan and grant project*** ***2008 - 2012***

Data on Basic Indicators of Management Contract

<i>Main Performance Indicators</i>	<i>Unit</i>	<i>2004 Base Year</i>	<i>2011 September</i>
Water Supply Duration	hours	4-6	14.4
Unaccounted Water	%	74	84
Energy Consumption	Million kiloWatt-hour	64.4	18.7
Weighted average water bacteriological safety compliance	%	94	98.5
Collection Efficiency	%	48	92.5
Installed Water Meters	% of customers	40	81
Tariff	USD/m ³	0.09	0.46
Total staff per 1000 individual subscribers	people	9.5	5.9
Number of Employees	people	2400	1664

Shirak, Lori and Nor Akunq Water Sewerage Companies

- *The form of management:* *Closed joint stock company with participation of communities with State share of 51% and municipal share of 49%*
- *Operator:* *MVV decon GmbH, MVV Energie AG /Germany/and AEG Service LLC /Armenia/*
- *Service area:* *5 urban and 61 rural settlements*
- *Number of population under the service area:* *375 thousand people*
- *Investment projects:*
 - *KfW loan project I* *2000-2010*
 - *KfW loan and grant project II with 2 phases* *2004-2014*

Performance Indicators Foreseen Change

<i>Indicator</i>	<i>Company</i>	<i>Unit</i>	<i>2009 Base Year</i>	<i>2011 September</i>
Water Supply Duration	Lori WS	hour/day	6.46	9.84
	Shirak WS		7.69	10.49
	Nor Akunq		21.14	22.35
Water Quality	Lori WS	not complied test	211	0
	Shirak WS		71	0
	Nor Akunq		0	0
Water Losses	Lori WS	%	73.8	62.8
	Shirak WS		84.4	79
	Nor Akunq		74.4	63.9
Collection Ratio	Lori WS	%	77	94
	Shirak WS		76	98
	Nor Akunq		100	100

Lessons Learned

- PPPs should be part of a broader sector reform process, rather than an isolated undertaking, PPP Contract alone cannot resolve all sector challenges. PSP is just the instruments and not the ultimate goal;
- Implementation of performance-based contracts requires strong political consensus and support from the Government;
- It's not reasonable to transfer all the risks to the private sector as in some cases this can make the whole project very expensive;
- There is no such definition of the different kinds of PSP models, which would be appropriate for all the cases, i.e. no “one size fits all”;

Lessons Learned

/continuation/

- Covering a long period of time PPP contracts should be flexible and should imply some possibilities for necessary changes in them;
- The less is the number of Performance Indicators the easier is the monitoring and management;
- Operator will make possible to attract new capital from different financial institutions but at the same time the operator itself is just an instrument and not a financial organization.



THANK YOU