

Armenia

Project names: Municipal Development Project (P035805); the Yerevan Water and Wastewater Project (P087641); Municipal Water and Wastewater Project (P063398)

Effective Date: The Municipal Development Project (MDP) was effective September 16, 1998; the Municipal Water and Wastewater Project (MWWP) was effective July 2004, and the Yerevan Water and Wastewater Project (YWWP) was effective September 15, 2005.

Closing Date: January 31, 2006 for the Municipal Development Project; February 28, 2009 for the Municipal Water and Wastewater Project; and February 28, 2011 for the Yerevan Water and Wastewater Project.

Project description: Prior to 1998, despite an abundance of water in the country, water provision was low, and maintenance and performance were very poor. Two public enterprises were responsible for the provision of water in urban Armenia. One, the Yerevan Water and Sewerage Enterprise (YWSE), covered a population of about 1.3 million people in the Yerevan area. The other, the Armenia Water and Sewerage Enterprise (AWSE), covered many of the larger municipalities outside of Yerevan. The remaining small communities were serviced by self-operating systems. For almost all Armenians, water shortage was a chronic condition—water was available for a few hours a day with poor pressure and quality, and high leakage and waste. In 1998, the Municipal Development Project (MDP) supported the introduction of a private international operator to manage YWSE (now YWSC). The result has been dramatic improvements in access, reliability and quality of water supply in Yerevan, particularly for the poor, and major operational and management efficiencies. Based on the experience under the MDP, The Municipal Water and Wastewater Project (MWWP) sought to replicate this positive experience by introducing a similar private international operator in the other utility (AWSE, now AWSC), in the areas outside Yerevan, covering about 33 percent of the population. At the project end, the expected results include improved reliability and increased hours of service, improved water quality, greater operating efficiency, and improved profitability and liquidity for AWSC. The Yerevan Water and Wastewater Project builds upon the reforms in YWSC, begun under the first project to continue to strengthen Yerevan's water supply while reducing environmental pollution.

Impact: *The quality, reliability, and efficiency of water supply services improved dramatically for the Yerevan service area of around 1.3 million—some 37 percent of the population. Water services have also begun to improve for the larger communities outside of Yerevan, consisting of over 300 municipal and rural communities.*

Some highlights:

- In Yerevan, supported by the Municipal Development Project and the Yerevan Water Supply and Wastewater Project, water supply has increased from about 7 hours to about 18.5 hours a day (and more than 70 percent of Yerevan now has

24-hour service). YWSC is progressively extending the hours supply throughout of Yerevan.

- Under the Municipal Water and Wastewater Project, these efforts have expanded outside Yerevan. It is estimated that 16.5 percent of the population in the service area now has access to 24-hour water supply, as compared to 4 percent in the base year. Taken together, this implies that around 33 percent of the population now has 24-hour service.
- Collections are increasing and the water utilities, which are either under a management or lease contract, show steady improvement in financial performance.
- Water quality is better monitored, with modern chlorination equipment and improved security at all water sources
- Energy consumption decreased by about 48 percent as a result of using gravity-powered water sources, increased efficiency in operation of plants, and reduction in the number of booster pumps for high-rise apartments.
- A project component supported by the Japan Social Development Fund (JSDF) renovated internal plumbing in 1,808 residences in Yerevan, resulting in a reduction in water losses of some 35 percent, and installed 2,634 water meters for YWSC subscribers.
- Metering is now near universal in Yerevan, resulting in a significant reduction in water wastage and savings on monthly bills for households.

Total Financing: The MDP total cost was US\$36 million, with an IDA financing of US\$30 million, and the remainder from Government contributions. The follow-up YWWP cost was US\$22 million, with IDA financing of US\$20 million and US\$2 million from Government contributions. The MWWP cost \$25.6 million, with \$23 million from IDA, and the remainder from the Government contribution.

IDA Contribution: IDA leveraged its extensive experience in water supply across countries and played a crucial role in designing an effective public-private partnership and facilitating private sector participation in all the three of Armenia's water supply operations. Private sector participation in Armenia water sector would have not materialized without Bank financial and advisory support. Most private operators are more likely to participate in institutions supported by the Bank, because it reduces their exposure in countries which they consider risky. Its role in strengthening the Yerevan water service enabled it to replicate this and scale it up for a larger population outside of Yerevan.

Linkages: As a result of the good progress made in improving the quality of water and sanitation services in Yerevan and Armenia, other donors have begun to show keen interest in following up with additional investments in the sector. Germany's KfW is one such donor, which is financing water supply investments in AWSC service area in northern Armenia.

The improvement in water quality and reduction of environmental pollution in water sources is having a positive impact on the health of the population benefiting from the projects. IDA is effectively strengthening water supply throughout Armenia, with support

to smaller communities driven by a parallel Social Investment Fund. Finally, IDA has played an important policy role in improving the regulation of water supply through its policy loans which has expanded Armenia's regulatory commission to include both energy and water regulation.

Next Steps: Armenia appears to be on target to achieve the MDG target for water and sanitation by 2015. However, significant investment is still needed to rehabilitate poor water and wastewater infrastructure, as well as to continue institutional and financial capacity building. There is also potential to expand central services outside the areas serviced by YWSC and AWSC.