

CASE STUDY

ARMENIA WATER SUPPLY SECTOR PROJECT

TOKYO, JAPAN
4 JUNE 2015

ADRIAN TORRES
SENIOR PPP SPECIALIST
ASIAN DEVELOPMENT BANK

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Public-Private Partnership Operational Plan 2012-2020

Realizing the Vision for Strategy 2020:
The Transformational Role of Public-Private Partnerships
in Asian Development Bank Operations



Asian Development Bank

Pillar 1

Advocacy and Capacity
Development



Pillar 2

Enabling Environment



Pillar 3

Project Development



Pillar 4

Project Financing

LEGISLATIVE FRAMEWORK AND INSTITUTIONAL SETUP IN ARMENIA

- Laws relevant to PPPs
 - The Water Code of Armenia adopted in June 2002
 - The National Water Program established in 2006
 - Law on Procurement was changed in December 2010
 - Law on Value-Added Tax and the Law on Profit Tax changed in May 2011 to give taxation relief to private partners
- In addition, the Government approved the following
 - Set criteria and procedures for concessions
 - Set standards and steps on how to partner with the private sector

THE PROJECT – BRIEF BACKGROUND

- Project
 - Armenia Water Supply Sector Project
- Objectives
 - Upgrade and rehabilitate water supply and sewerage systems
 - Improve public health and environment
- Project = Original Project + Additional Financing
 - \$76m loan
 - Benefitting about 600,000 residents across 300 villages

KEY CONCERNS

- Non-revenue water (NRW)
 - Considerably high
 - Due largely to commercial losses
 - Under the revised Management Contract, NRW will need to go down to 75%
- Tariff
 - Relatively low (at AMD180/m³)
 - Same level since project commencement (in 2008)

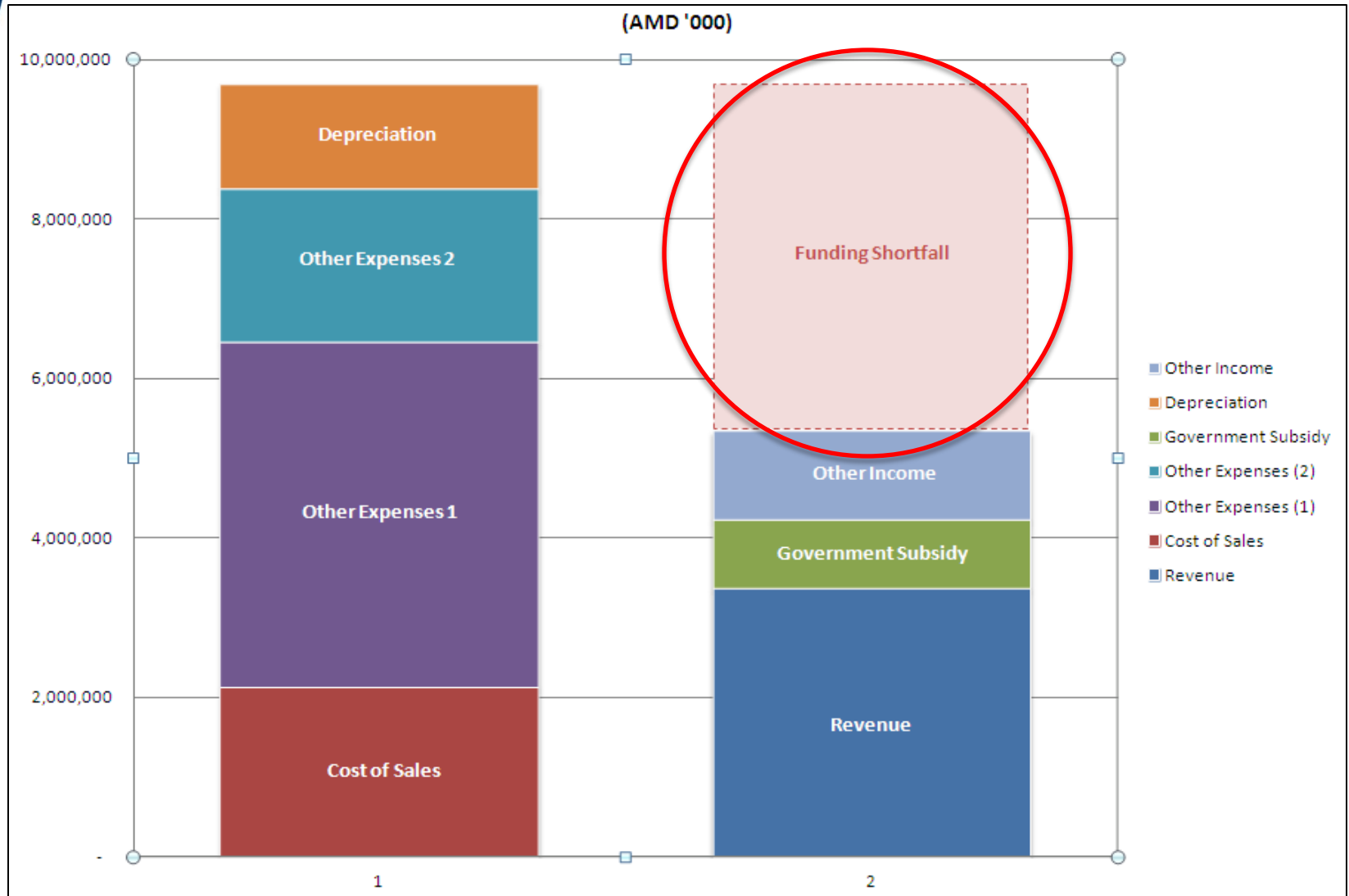
“tariff levels at AMD180/m³ appear low in relation to regional and international norms (where typical examples are around AMD400/m³)”

- Armenia Water Sector Note, 2011

“a typical cost of water for one month for a family in the AWSC area is equivalent to 3 packets of cigarette”

Note: AMD 180 = USD 0.38

REVENUE AND OPERATION COST PROFILES



REVENUE AND OPERATION COST PROFILES (CONT'D)



PROJECT OUTCOMES

- In 2004, Saur, a French utility company was engaged under a fee-based management contract to manage the Armenian Water and Sewerage Company
- The management contract has been signed for an initial period of 4 years then extended until 2016 (possible upgrade to a Lease Contract post 2016)
- The project has increased potable water supply by at least 12 hours per day
- Potable water is delivered to over 600,000 people in over 300 villages outside of Yerevan

PROJECT OUTCOMES (CONT'D)

Key Performance Indicators	Initial Targets (in 2008)	Actual (as of 2015)	Status
Public satisfaction rate (in terms of availability, quality and quantity of water)	42%	75%	✓
Average number of daily hours of drinking water services	11 hours	17 hours	✓
Number of residents with access to potable water	150,000 residents	600,000 residents	✓
Commercial orientation, financial autonomy and full recovery of operation and maintenance costs	Tariff = AMD180/m ³	Tariff = AMD 180/m ³	✗
	Tariff Collection Rate = 61%	Tariff Collection Rate = 93%	✓
Non-revenue water	90%	75%	✓

POST-SCRIPT

- AWSC winner of the Water Performance Initiative of the Year Award
 - Awarded to AWSC at the Global Water Summit in Rome in May 2012
 - Other finalists in the category included water companies from Saudi Arabia, Italy, Madagascar, and Macau, China.



“For an initiative undertaken by a water utility company which represents the most significant commitment to improving the long-term performance of water services to the public”

- Global Water Awards, 2012