

Minutes

of the Steering Committee meeting of the National Policy Dialogue in Armenia

2 – 3 June 2010, Conference Hall of the Golden Tulip Hotel, Yerevan, Armenia

1. The Steering Committee was **opened** by Mr. Volodya Narimanyan, Deputy-Head for water Management; Chairman of the NPD Steering Committee who welcomed the participants of the Steering Committee. Mr. Narimanyan **informed** the participants that the purpose of the meeting was to agree on activities which could help future development of water management in Armenia. Upon this introduction the agenda of the meeting was **adopted**.
2. In the **opening statement** Ms. Gulnara Roll, UNECE **emphasized** the importance of the meeting to promote NPD on water with the aim to assist water management in Armenia. Ms Roll **informed** the participants, that the SC would discuss a continuation of the NPD adding new activities on “water and health” and “ecosystem valuation”.

Mr. Peter Borkey, OECD Environmental Directorate, **informed** the participants of the importance of developing a better understanding and good practices for financing of water resources management in Armenia and that OECD has a broader global interest in this area. He continued stressing that the Marmarik study is an important pilot work- which will be discussed further during the SC meeting and that the SC would also look at how this work could lead to work in a bigger basin in Armenia.

Mr. Palle Lindgaard-Jørgensen, EUWI EECCA component Technical Secretariat **informed** about the global EUWI objectives to support better water management and in particular the role of the National Policy Dialogues as a mechanism to identify national priorities and initiate target activities of national importance. The EECCA component has spearheaded a number of developments on financing strategy for urban and water supply and sanitation and will now continue this work in financing of water resources management.

3. In Session I: Institutional and legal reforms in the water resources management sector Mr. Volodya Narimanyan, Deputy-Head for water Management **informed** the SC that the policy and legal aspects, national water resources inventory and national water programme has been developed in Armenia and that the national level institutional structure is in place. Mr. Narimanyan **informed** the SC that the first phase of the water management sector reform has been finalized and that the second phase would be to strengthen the decentralization to the river basin level. In taking this step it is necessary to have a water resources management plan and further Armenia will also aim at harmonizing with the EU WFD. Mr Narimanyan continued informing the SC that the study in Marmarik water basin supported by UNECE has developed the water management plan for the basin and through support from OECD the financing of this plan has been assessed.

Mr. Aram Gevorgyan, project expert of the EU Kura Tacis Phase II project **informed** the SC that the objective of the project is to improve river water quality through a transboundary water management approach. The project aims at developing draft water management plans for river

basins using the WFD methodology and in addition to improve the water quality monitoring. It also includes public awareness activities and capacity building of the organizations involved. A number of key documents have been developed. In pilot basins the work will lead to "Programme of Measures". For the pilot basin selected by Armenia, the Debed basin- a pilot plan using the principles of the WFD will be developed. Harmonization across borders between Armenia and Georgia is done using identical procedures. The SC was informed that additional information can be found at (www.kuraarasbasin.net).

Mr. Palle Lindgaard-Jørgensen, EUWI EECCA Technical Secretariat **commented** the presentations emphasizing the Armenia had made significant progress in water resources management and that the next logical step would be to strengthen the decentralization. To do this there is a need to strengthen the water management planning and build the necessary capacity at decentralized levels. The pilot activities under the NPD and other related activities would provide a good basis for Armenia to take this further step in the reform process of water management.

The discussion focused on the importance of basin planning to be informed by scientific information on the water resources. Also that there is a the need also to focus on lake Sevan as this is important for the national water resources management and that much information is available for this lake.

4. In Session II: Follow up to the policy packages drawn up under the NDP IWRM Process, Ms Emma Akhayan, NGO Armenian Women for Health and a Healthy Environment **informed** the SC that the NGO is part of the NPD in Armenia has participated in the development of the project proposal presented in this SC meeting. Ms Akhayan further informed that they want to participate in the work on water and health protocol activities on "data of water supply and sanitation", "water outbreaks", and undertake a number of workshops with public participation. The information obtained in the project will be used by the NGO to inform their activities on local water management.

Ms Nune Barkuntz, Ministry of Health of Armenia **provided the perspective** from the Ministry of Health on the implications of implementation of the water and health protocol. A draft project proposal has been developed by the Ministry of Health, regional office of WHO, UNECE and Armenian Women for Health and a Healthy Environment Women to develop indicators using the indicator list developed by the working groups of the "Water and Health Protocol". The draft project proposal was approved in principle by the SC at its fourth meeting in March 2010. Ms Barkuntz informed that the project would prepare the way for Armenia to take a decision on the ratification of the Protocol.

Mr. Karri Eloheimo, Finnish Institute of Environmental Protection-SYKE, informed about the plans to support the NPD on water resources management in Armenia under the Finnish Wider Europe Initiative (WEI). The proposal on "Water and Health" was received from Armenia on improving health in Armenia through target setting to ensure sustainable water management and access to safe water and sanitation. Mr. Eloheimo informed that the programme will most likely comply with the requirements for obtaining support through the

FinWater WEI programme. Most a detailed project proposal could be developed by a mission visiting Armenia in August/September and the activities could start in the spring of 2011.

The discussion focused on the kind of areas which could be supported under the “Water and Health” proposal. Mr. Narimanyan informed that the areas were described in the presentation of Ms Nune Bakuntz and that more institutions would be involved in the development of the project when Finnish experts will visit Armenia. A question was raised whether the project could also develop a priority list of villages which presently does not have any water and sanitation coverage. The response was that there will be a meeting with participation of many stakeholders when the Finnish Experts come to Armenia.

5. In Session III: Innovative Mechanisms for financing water management

Ms Tatiana Efimova, OECD, **informed** about the current OECD work in the Marmarik river basin which is focused on the assessing the costs (O&M and investments) of the water resources management of the basin, the available funding and the gap analysis. The result of phase 1 was that there’s a small gap in financing of the baseline scenario, however there is a larger gap in the improvement scenario, which is not realistic to close with available funds in Armenia. Ms Efimova further informed that it was therefore agreed at the March SC meeting that the list of activities in the improvement scenario should be revisited and prioritized during the next phase 2. This resulted in a reduced investment program (still in draft) and the extended planning period up to 20 years. The result of the study will be available by June 2010 and a policy document compiling the results of the two stages will be available by September 2010. A CD-ROM containing the analysis presented at the March 2010 SC meeting was distributed to the participants of the meeting.

Mr Vahagn Tonoyan **presented** the preliminary results of the study in the Marmarik basin where the future development scenarios were analyzed based on the forecasted water demand and economic growth in the basin. He further informed the SC that the water flow in the basin would decrease by 20% by 2030 due to climate change. He informed that totally five scenarios have been developed and that the financial gaps may potentially be closed for some of the scenarios with increased water charges provided that the revenues from the charges will stay in the basin but not be transferred to the state public budget as non-earmarked revenues.

Mr Peter Börkey **raised** the issue of importance of payments for services of water resources management by all water users and beneficiaries. For example, despite that hydropower is a non-consumptive water user it may contribute to financing of the river basin management. At the same time, if the reservoir is built in the Marmarik river basin there will be more water flow during the summer time and from that may benefit downstream users and also it may reduce the instances of floods.

The SC was informed that the Marmarik reservoir will be commissioned by the end of 2010; so this specific activity can be taken out from the investment program and development scenarios. The representative of the Ministry of Energy noticed that taxing of hydropower plants is not easily done and it would be difficult to change it as it has been connected with investments agreements. If the flow regulation increases the energy production during low water flow the additional revenue created may eventually be taxed. Taxing small scale hydropower plants may

be also a possibility. The further discussion emphasized the need to make more focus on the recreational value of the Marmarik basin and that charges from tourists visiting the Marmarik basin could be a source of financing of water resources management. Regarding the other sectors using water in the basin Mr. Tonoyan confirmed that climate change had actually been factored in the forecast of water balance in the basin.

Based on the results of the discussion Mr Peter Börkey noticed that in case of commissioning of the reservoir the downstream users would also benefit. According to the information received the reconstruction of the reservoir has been funded by funds outside the basin including the public budget. He stressed the need to look at the recreational value of the basin and payments for water use in the basin, e.g. overnight tourists can be easy to tax, while one day tourists are more difficult to tax. Regarding the potential to tax the revenue of hydro-sector it might be difficult both politically and from the investor side, while more realistic is to tax benefits generated by hydropower plants through better flow regulation.

Since the OECD is planning to launch a similar work in a bigger river basin in Armenia already during 2010, Mr. Börkey suggested identifying some criteria for selection of a basin. Among the criteria could be 1) importance of the basin in terms of GDP share produced, variety of economic activities and water users 2) considerable share of country population living in the basin to produce the results which can be shared in the region and globally through OECD (250.000 people) 3) water scarcity in the summer period and 4) available data of water quality and quantity.

The SC agreed on the following list of criteria 1) one of the 14 hydrological basins but not one of the six agglomerated basins where river basin organizations have been established 2) presence of various sectors water users 3) climate change prone 4) water scarcity - stressing water management needs and needs of conservation 5) population size 6) sectoral and regional development plans available 7) basin representative and typical for the rest of the country 8) considerable catchment area 9) it should not necessarily be transboundary.

Mr. Narimanyan **concluded** that the SC had agreed on the criteria and candidate basins would be assessed against the criteria also depending of the financing available. For the further consideration there was agreed a short list of candidate basins among which Sevan basin, Kasakh river basin, Hrazdan river basin and Debed river basin. The SC will be informed about the selection results at the next SC meeting.

6. In Session IV: Cross-Fertilization among the NPD process and technical assistance projects in Armenia Ms. Naria Aslanyan from UNDP Climate Change Project presented the outcome of Climate Change projects in Armenia. The second national communication on climate change assessment for Armenia was prepared since 2007 through GEF funding. The report is in draft and will be presented in Mexico at COP 16 this year. Armenia signed the convention in 1993 and has no commitments to reduce emissions of CCG. The scenarios for climate changes in Armenia show significant impacts on temperature in Armenia precipitation patterns. Floods and drought will be more frequent and melting of snow will increase. In general the river flows will decrease on an annual average situation. Adaptation measures are on water resources to

revise the management regime, improvement in the system of irrigation, increased in water conservation and water efficiency, Hydro-meteorological system should be improved, construction of reservoirs to regulate water flows (more information is available on the web site www.nature-ic.am). UNDP did a pilot study in Marmarik basin and evaluated the impacts on 2030, 2070 and 2100. The water balance changes significantly because evaporation increases, the precipitation decreases.

In the discussion of the study a question was raised on the needs to develop more realistic scenarios with lower temperature increases. UNDP suggested that comments could be made to the report as the report is still not published.

Mr. Beniamin Zaqaryan, Director of "GeoInfo" Ltd., informed about the experiences in developing the payment for ecosystem services in Kyrgyzstan. This practice is important for Armenia. The methodology document is developed by UNECE- and can be applied in the water sector and can also be used in other sectors. What needs to be done in Armenia is to introduce the methodology and to design TOR in view of water resources management and ecosystem assessments in Armenia

Ms. Gulnara Roll, UNECE **informed** the SC that UNECE support analytical work on a number of MEA and conventions. UNECE works to assist the EECCA countries including Armenia and also in raising funds. Environment is not the only area of UNECE activities. The land, environment and housing commission has a number of subprograms where Armenian experts also participate. The NDP is thus only part of the UNECE activities this also includes issues like the transboundary water assessment where Armenian Experts also participated. Another issue is climate change adaptation- and UNECE suggest that Armenia participates in the program. A number of pilot projects have been started- however none in the Caucasus. The web-page is www.unece.org. Gulnara emphasized the importance of the input from the NPD SC on priorities on water management. Involvement of researches can be achieved through e.g. the EU funded programme INCONET.

Mr. Karri Eloheimo, Finnish Institute of Environmental Protection-SYKE **informed** the SC that Water sector is a part of the WEI team but is also a cross cutting issue in all other activities. WEI (for 2009-2013) is an initiative under the EUWI EECCA initiative and the Environment for Europe Process. The principal water sector instruments are the water convention and the protocol of the water and health. Under FinWater WEI a pipeline of 10 projects has been developed- support themes are water and health, transboundary issues, water and sanitation. The pipeline includes: 2nd assessment of transboundary waters (UNECE) ; EUWI NPD on IWRM in Kyrgyz republic (UNECE); EUWI NPD – Access to water services and strengthening water institutions (OECD); Promoting adaptation to climate change in transboundary water management (UNE CE); Capacity building program- new generation of experts in water management for young water specialists (Finnish Institutions); Support to EECCA representatives to take part of international/regional meetings (Finnish EPA); Environmental monitoring and assessment in Central Asia (Kyrgyz)SYKE; Environmental Monitoring and management system in Georgia (SYKE).

7. In Session V: decisions of the Steering Committee and future activities: Ms Gulnara Roll, **informed** the SC about the NPD IWRM 2010-2012 work-plan for UNECE including:

- The proposal to SYKE to support the UNECE/WHO Protocol on Water and health. This proposal was agreed in principle by the SC meeting in March 2010. The way forward is to field a consultant and have an expert meeting in Armenia and to forward the draft project proposal to SYKE in fall 2010 with a possible start 2011.
- Pilot under the UNECE recommendation on Payment for ecosystem services- expecting TOR in summer 2010 to start in 2010 (under which funding window)
- Preparation of a policy brief on the future cooperation with Armenia in the context of the NPD.
- New proposals may be on new pilot analyses, a comparative analysis of Armenian Water code and EU WFD

Mr. Peter Borkey informed about the future work from the OECD side:

- To scale up the work for the Marmarik basin based on the input from the discussion. It will take some time to assess the data on basins and criteria (mentioned earlier) and to put the TOR together and to get the consultants. The result of this assessment will be presented at the next NDP SC meeting. The follow on project may take more time to implement than the Marmarik basin- 12 months implementation period may be realistic.
- To finalize the work in the Marmarik basin. On the basis of the discussion Mr. Borkey assessed that a) more information is needed on the status of the rehab of the reservoir b) hydropower plant to pay c) tourism and its ability to pay including data on more tourism in the basin d) adding a perspective of the benefits not least for downstream users. The report will be circulated well in advance of the next SC meeting. Ms Tatiana Efimova **encouraged** the SC participants to provide comments by e-mail to OECD to the reports prepared for the Marmarik basin.

Mr. Palle Lindgaard-Jørgensen, EUWI Technical Secretariat emphasized the importance of Armenia to present the work of the NPD in Armenia in the next EUWI EECCA WG meeting to take place in Romania later this year.

Mr. Volodya Narimanyan summarized the **decisions** taken by the Steering Committee

- Water resources management in Armenia goes from phase 1 to phase 2- ie basin planning and management.
- Accepted and acknowledged the Finnish commitment to support the Water and Health protocol and to work with SYKE to develop this further.
- Expresses satisfaction of the work in Marmarik and its commitment to work in larger basin using the criteria agreed by the SC.
- Expresses its satisfaction on the commitment to prepare the TOR for ecosystem services.
- It was further agreed to circulate the minutes to the Water Council of Armenia.

Upon this Mr. Volodya Narimanyan informed the participants that the **6th Steering Committee of the NDP** would take place in fourth quarter of 2010 and will be organized by OECD. Upon this Mr. Volodya Narimanyan **thanked** UNECE, OECD, Green Lane and the interpreters and the participants of meeting and finally **closed** the 5th Steering Committee Meeting.