Case 11

Armenia

Water Sector

Public Private Partnerships in the Water Sector in Armenia

Gagik Khachatryan
Public Private Partnership in the Water Sector of Armenia

15 years of PPP experience

Content

• Background and rationale for the reforms
• The main objectives of the reforms
• Main Directions of the reforms
• PPPs in Water Supply Companies of Armenia
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Background and Rationale for PPPs in Armenia

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

The main objectives of the reforms

- Improving WSS sector governance and regulation
- Clarification and separation of Governmental bodies’ functions
- Ensuring proper financial flows in the sector
- Identification of centralized and decentralized forms of management in the sector
- Strengthening the sustainability of WSS companies
Main Directions of the Reforms

Legal Reforms
Institutional Reforms
Investment Priorities
Tariff Policy
Water Metering

National Water Council

Overall State Policy on Water Resources

Water Resources Management Agency
(Ministry of Nature Protection)

State Committee of Water Economy of the
RA Ministry of Agriculture

Public Services Regulatory Committee

Tariff policy

Water and Sewerage Companies
Yerevan Djur CJSC

Form of management: **Lease contract**
Operator: Véolia, France
Term of leasing: 2006-2016
Service area: Yerevan city and nearby 32 rural settlements
Population under the service area: 1123 thousand people
## Comparative Data of Yerevan Water Utility

<table>
<thead>
<tr>
<th>Main Performance Indicators</th>
<th>One year before Private Sector Involvement, /2000/</th>
<th>At the end of the Management Contract with A-Utility, /2005/</th>
<th>Lease Contract with Véolia Water, /2015/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply Duration (hours)</td>
<td>4-6</td>
<td>18.4</td>
<td>23.5</td>
</tr>
<tr>
<td>Water Quality (%)</td>
<td>96.5</td>
<td>97.2</td>
<td>100</td>
</tr>
<tr>
<td>Energy Consumption (Million Kw/H)</td>
<td>240.3</td>
<td>124.2</td>
<td>24.5</td>
</tr>
<tr>
<td>Collection Efficiency (%)</td>
<td>21</td>
<td>86</td>
<td>98</td>
</tr>
</tbody>
</table>

## Armenian Water and Sewerage CJSC

- **Form of management:** Management Contract
- **Operator:** Saur, France
- **Term of contract:** 2004-2016
- **Service area:** 37 urban and 271 rural settlements
- **Population under the service area:** 612 thousand people
### Progress of Key Performance Indicators of Armenian Water and Sewerage Company

#### Main Performance Indicators

<table>
<thead>
<tr>
<th>Main Performance Indicators</th>
<th>2004 Base Year</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply Duration (hours)</td>
<td>4-6</td>
<td>18.7</td>
</tr>
<tr>
<td>Water Quality (%)</td>
<td>94</td>
<td>98.7</td>
</tr>
<tr>
<td>Energy Consumption (Million Kw/H)</td>
<td>64.4</td>
<td>32.5</td>
</tr>
<tr>
<td>Collection Efficiency (%)</td>
<td>48</td>
<td>91.0</td>
</tr>
</tbody>
</table>

### Shirak, Lori and Nor Akunq Water Sewerage Companies

- **Form of management:** Management Contract
- **Operator:** Consortium consisting of SAUR, MVV decon GmbH, MVV Energie AG and AEG Service LLC
- **Term of Contract:** 2004-2016
- **Service area:** 5 urban and 61 rural settlements
- **Population under the service area:** 375 000 people
Progress of Key Performance Indicators 3 utilities

<table>
<thead>
<tr>
<th>Performance Indicators of 3 RC</th>
<th>Company</th>
<th>2009 Base Year</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply Duration (hours)</td>
<td>Lori WS</td>
<td>6.5</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Shirak WS</td>
<td>7.7</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Nor Akunq</td>
<td>21.1</td>
<td>24</td>
</tr>
<tr>
<td>Water Quality (Number of incompliant tests)</td>
<td>Lori WS</td>
<td>211</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Shirak WS</td>
<td>71</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Nor Akunq</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Water Losses (%)</td>
<td>Lori WS</td>
<td>70.3</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>Shirak WS</td>
<td>82.3</td>
<td>79</td>
</tr>
<tr>
<td></td>
<td>Nor Akunq</td>
<td>74.4</td>
<td>67.4</td>
</tr>
<tr>
<td>Collection Ratio (%)</td>
<td>Lori WS</td>
<td>77</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Shirak WS</td>
<td>76</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>Nor Akunq</td>
<td>100</td>
<td>98</td>
</tr>
</tbody>
</table>

Compliance with the OECD PPP Principles

The results of the review of «Regional Meeting on Private Sector Participation in Water Supply and Sanitation Systems in EUCCA countries», Moscow, January 28-29, 2010 (EUWI, OECD)
The most important features of the Second Generation of the Reforms

- Initiating necessary arrangements and actions related with main strategic directions and policy issues
- Applying for a lease contract of 15 years
- Transferring the duties of 5 water utilities to a single operator
- Applying unified tariff for 15 years (2016-2030)

Lessons Learned

- PPPs should be part of a broader sector reform process rather than an isolated undertaking
- Implementation of PPP contracts requires strong political consensus and continuous support from the Government
- The public sector should obtain serious capacity
- The different kinds of PPP models need to be adapted to case-specific contexts
Impact of the Armenian Reforms in the framework of the SDGs (1)

Water duration in the country is currently 19-23 hours
Universal and equitable access to water has been provided

Responsible consumption by all
Against the water consumption norm of 400 l/cd before, currently it has become 100-120 l/cd

Water complies with quality standards
Access to safe water has been provided

Solved health issues
Coming from improper water quality before

Created relatively resilient infrastructures
Encourages the private sector to implement advanced forms of PPPs

Impact of the Armenian Reforms in the framework of the SDGs (2)

Positive impact has been made in decreasing poverty level
Access to affordable water has been provided, currently average tariff is $0,35 against affordable 4% level $0,85

Mechanisms of partnerships and the role of respective national authorities have been set
In the framework for managing water sector under 1st and 2nd generation of reforms the role of respective national authorities was set

Process for implementation of IWRM has started
It has introduced major institutional and policy reforms for ensuring good management and development of water resources for further implementation of IWRM