



Armenia: Second Water Supply and Sanitation Sector Project

Project Name	Second Water Supply and Sanitation Sector Project
Project Number	49384-002
Country	Armenia
Project Status	Proposed
Project Type / Modality of Assistance	Loan
Source of Funding / Amount	Loan: Second Water Supply and Sanitation Sector Project Ordinary capital resources US\$ 55.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth
Drivers of Change	Governance and capacity development Knowledge solutions Private sector development
Sector / Subsector	Agriculture, natural resources and rural development - Water-based natural resources management Water and other urban infrastructure and services - Urban policy, institutional and capacity development - Urban sanitation - Urban water supply
Gender Equity and Mainstreaming	Effective gender mainstreaming
Description	The proposed project will focus on Yerevan city, Ararat, Armavir, and the mountainous Aragatsotn region. These regions have a combined population of 1.8 million (50% of the country's population) and cover an area of more than 5,400 square kilometers. The main reasons for focusing on this geographical area, especially Yerevan and the Ararat, are their economic importance, vulnerability to over abstraction of ground water, drought, climate change, and absence of intersectoral river basin management plans.

Project Rationale and Linkage to Country/Regional Strategy

After the collapse of the Soviet Union in 1992, service coverage in water supply and sanitation plummeted in Armenia. By 2002, intermittent water services were as low as 2 hours a day in some areas, 55% of collected wastewater was discharged without any treatment, non-revenue water was as high as 90% in some areas, and the revenue collection rate was around 15%. By 2007, when ADB prepared its first loan for the sector, over 60% of the WSS infrastructure in 50 towns and 300 villages was in very poor condition, and about 50% of the water and sewage networks needed major rehabilitation and/or replacement. This situation was further exacerbated by oversized infrastructure, the dwindling economic base in most secondary cities, rising environmental and climate change vulnerabilities, and the global economic crisis.

A management contract was introduced in the capital city, Yerevan, in 1998. This was followed by four additional management contracts that resulted in improvements in service performance, including collection efficiency, quality of water, and efficiency in service delivery. These contracts have enabled the transition to a unified lease contract for the country, expected to be effective in Q1 2017. In parallel, ADB has also supported this transition through a policy-based loan, enabling reforms on broader sector governance issues including the revision of the Water Code, and building capacity of the Public Services Regulatory Commission and the State Committee for Water Economy. Although many improvements were made over the past 2 decades, five key issues remain in the sector:

- (i) High NRW. In earlier projects, when access to water improved, leakages and therefore NRW increased as more water was pumped through the system and pressure increased. A study to understand the causes of high NRW and identify remedial measures was commissioned by ADB in 2013, which among others, concluded that a 50% reduction in NRW could be achieved by changing regulations related to meters and ownership of infrastructure assets located inside condominiums.
- (ii) Pollution of water bodies. Sanitation was not addressed in the earlier projects due to the absence of solid waste infrastructure countrywide that would have allowed for the treatment and disposal of sludge generated in the wastewater treatment plants.
- (iii) Sustainability of ground water sources. In Ararat and Armavir, ground water abstraction for fish farms and agriculture has been intensive. In the proposed project, this will be partially addressed through the introduction of remote sensing technologies and water reuse.
- (iv) Energy efficiency. There are potentials for energy consumption reduction, even to obtain zero energy balance within some subprojects.
- (v) Cost recovery and financing. Due to the different private sector arrangements, the government was unable to implement countrywide tariff reforms. The World Bank provided policy support on tariff design for the proposed lease contract.

The proposed Second Water Supply and Sanitation Sector Project (WSSSP2) is in line with ADB's Water Operational Plan. WSS is a key sector in the country partnership strategy, 2014-2018 for Armenia. The proposed project aims to support the government by: (i) increasing capital investments in WSS including wastewater treatment; (ii) reducing water pollution, reusing treated wastewater, managing ground water resources, and assisting associated regulatory reforms; (iii) improving the capacity of the SCWE and State Committee of the Real Property Cadaster in using remote sensing technology, geographic information system (GIS), and supervisory control and data acquisition (SCADA) system to monitor ground round ground water and provide data for river basin management; (iv) piloting new WSS system approaches in geographical areas vulnerable to drought; (v) reducing cost of services through energy efficiency improvement and regulatory reforms for NRW; and (vi) building capacity.

Impact	Environmental conditions and health of residents in four main regions improved.
Outcome	Access to high quality and financially sustainable water supply and sanitation services increased
Outputs	Management of commercial contracts improved Water supply infrastructure constructed and rehabilitated Sanitation infrastructure constructed and rehabilitated Environmental impacts and climate change resilience improved

Geographical Location

Safeguard Categories

Environment	B
Involuntary Resettlement	B
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer	Llorens, Cesar
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Urban Development and Water Division, CWRD
Executing Agencies	<i>Ministry of Energy and Natural Resources of the Republic of Armenia Government Building 2, Republic Square 375010 Yerevan, Republic of Armenia</i>

Timetable

Concept Clearance	02 Dec 2016
Fact Finding	08 May 2017 to 19 May 2017
MRM	11 Jul 2017
Approval	-
Last Review Mission	-
Last PDS Update	07 Dec 2016

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