

Quarterly Progress Report

(Accumulative for 2 quarters - 6 months)

October 2009- March 2010

Project Number: 40296

Loan Number: 2363-ARM

April 2010

ARM: Water Supply and Sanitation Sector Project

CURRENCY EQUIVALENTS
(as of 31 December 2009)

Currency Unit	–	dram (AMD)
AMD1.00	=	\$0.0026462
\$1.00	=	AMD 377.89

(as of 31 March 2010)

Currency Unit	–	dram (AMD)
AMD1.00	=	\$0.0024968
\$1.00	=	AMD 400.50

ABBREVIATIONS

ADB	–	Asian Development Bank
AWSC	–	Armenian Water and Sewerage Company
BCR	–	benefit-cost ratio
EA	–	executing agency
EIRR	–	economic internal rate of return
EMP	–	environmental management plan
FIRR	–	financial internal rate of return
IA	–	implementing agency
ICB	–	international competitive bCSing
IEE	–	initial environmental examination
lpcd	–	liter per capita per day
m ³	–	cubic meter
NCB	–	national competitive bCSing
O&M	–	operation and maintenance
PAM	–	Project Administration Memorandum of June 2008
PCU	–	project coordination unit
PMU	–	project management unit
PPMS	–	project performance management system
PGC	–	project governing council
QCBS	–	quality and cost-based selection
RF	–	Resettlement Framework
RP	–	Resettlement Plan
SCWS	–	State Committee of Water Systems
SIEE	–	summary initial environmental examination
TA	–	technical assistance
TOR	–	Terms of Reference
UFW	–	unaccounted-for water
WACC	–	weighted average cost of capital
WSS	–	water supply and sanitation

NOTES

- (i) The fiscal year of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

CONTENTS

I.	PROJECT DESCRIPTION	5
	A. Impact and Outcome	5
	B. Outputs	6
	C. Special Features	7
II.	MUNICIPAL INFRASTRUCTURE REHABILITATION AND IMPROVEMENT	7
	A. Overview	7
	B. Engineering Designs	7
	C. Safeguard Compliance	11
	D. Construction Supervision	14
III.	MANAGEMENT IMPROVEMENT AND CAPACITY BUILDING	14
	A. Overview	14
	B. Technical Staff Training	15
	C. Financial Management	15
	D. Public Outreach Program	16
	E. Management Information System	16
	F. Asset Management	16
	G. Water Quality	16
	H. Human Resources Development	17
IV.	COST ESTIMATES AND FINANCING PLAN	17
	A. Overview	17
	B. Cost Estimates and Financing Plan	17
	C. Allocation of Loan Proceeds	18
V.	PROCUREMENT	18
	A. Overview	18
	B. Procurement Status	18
	C. Procurement Plan	19
VI.	DISBURSEMENT	19
	A. Overview	19
	B. Disbursement Status	19
	C. Withdrawal Applications and Reimbursements	19
	D. Counterpart Funds	19
VII.	PROJECT REPORTING, MONITORING AND EVALUATION	20
	A. Reporting	20
	B. Implementation Progress	20
	C. Project Review	20
	D. Design Changes	20
VIII.	ACCOUNTING, AUDITING AND ANTICORRUPTION	20
	A. Accounting Requirement	20
	B. Auditing Requirement	20
	C. Anticorruption	21
IX.	KEY ISSUES AND PLAN FOR NEXT QUARTER	21
	A. Key Issues	21
	B. Plan for Next Quarter	22
X.	PCU ACTIVITIES AND ORGANIZATION OF PROJECT GOVERNING COUNCIL'S WORKS	23

APPENDICES

Appendix 1	:	Disbursement Progress
Appendix 2	:	Procurement Plan
Appendix 3	:	Implementation Schedule with Weights
Appendix 4	:	Implementation Schedule
Appendix 5	:	Project Performance Management System
Appendix 6	:	Pictures from Site Visits
Appendix 7	:	Reviewed Work Plan under the Component B
Appendix 8	:	Disbursement Projections for 2010
Appendix 9	:	Covenant Compliance status

TABLES

Table I-1: Performance Targets and Indicators	5
Table I-2: Key Assumptions and Risks.....	6
Table I-3: Project Outputs	6
Table II-1: Status of Preparation of Preliminary and Detailed Designs	8
Table II-2: Status of Physical Progress of Ongoing Contracts	9
Table IV-1: Project Investment Plan	18
Table IV-2: Financing Plan.....	18
Table IV-3: Key Project Inputs.....	18
Table V-1: Procurement Status	18
Table VI-1: Disbursement Status	19
Table VI-2: Counterpart Funds.....	19
Table VII-1: Design Changes	20

I. PROJECT DESCRIPTION

A. Impact and Outcome

1. The Water Supply and Sanitation Sector Project (Project) is aimed at improving the public health and environment for about 576,000 people living in 16 towns and about 125 villages through safe and reliable water supply and improved sewerage and sanitation facilities. Based on the submission made by the Government of the Republic of Armenia (GRA) and as appraised by the Asian Development Bank (ADB), there are approximately 18 subprojects covering towns and villages where there is an urgent need for WSS improvements. The Project will help the Government provide the required institutional and management support to the Armenia Water and Sewerage Company (AWSC) and local municipal governments to enable them to be more self-disciplined in financial, managerial, and technical aspects.

Up to 01.04.2010 16 towns and 93 villages were selected for the urgent WSS improvements under the 18 subprojects and now are being covered by the Project.

In the frame of the amount of about 6.0 mln USD which has been reallocated from different Categories to the Civil Works it is planned to implement the urgent WSS improvements in additional 7 subprojects covering 7 rural towns and 4 villages.

2. The outcome of the Project is improved access to safe, reliable, and sustainable water supply and sanitation (WSS) services managed on commercial principles and environmentally sound practices. The Project will focus first on optimizing the operation of existing infrastructure and maximizing the operating efficiency of WSS service providers, followed by constructing new infrastructure.

3. Below mentioned Table I-1 summarizes the details of the key performance targets as follows

Table I-1: Performance Targets and Indicators¹

Item	Rating (HS,S,PS,U)	Current Status
1. Public satisfaction with the availability, quality, and quantity of water is increased (to be quantified when baseline is established through a social survey at project inception)	S	PPMS is done, baseline information will be fulfilled the end of 2008. The PPMS is presented in Appendix 5. The updated information for the end of 2009 would be presented in the next QPR.
2. Number of households with a water tap inside the home increases from 51% in 2007 to 75% in 2012	S	no progress during the period, WSS construction works ongoing
3. 100% of population has access to a safe and reliable source of water for at least 12 hours per day by 2012	S	no progress during the period, WSS construction works ongoing
4. Commercially oriented operations, financial autonomy, and full recovery of operation and maintenance for all project towns and villages covered by AWSC by 2012	S	As of 31 March 2010, only 5 villages from the project area were selected and agree to be taken into the AWSC service perimeter, they will be automatically operated and maintained by the AWSC
5. About 310,000 residents in the project towns and villages provided with potable water supplies that meet Armenia quality standards for at least 12 hours per day by 2012	S	no progress during the period, WSS construction works ongoing
6. Technical, financial, and managerial capacity of water supply company is improved by 2012	S	Consultant mobilized on 1 April 2008 and is still working on this

4. Below mentioned Table I-12 summarizes the details of the key assumptions and risks as follows:

¹ As required in the PPR Impact and Outcome Supplementary Document.

Table I-2: Key Assumptions and Risks²

Item	Rating	Current Status
Assumptions		
The improved water supply systems are effective and will be sustained	S	no progress during the period, WSS construction works ongoing
Project communities remain committed to paying for improved services	S	no progress during the period,
Satisfactory arrangements are made for the management and operation of the water utility company after the current management contract expires	S	AWSC professional and support staff is well-trained and all the required arrangements for further management and operation of water utility is on place.
Local communities are willing to enter into water service agreements with the water utility company	S	As of 31 March 2010 only Surenavan, Armash, Yeraskh, Malishka and Nor Aznaberd villages were selected for Investment under WSS Project and are willing to enter AWSC service perimeter.
Water resources remain protected and reliable	S	Consultant mobilized on 1 April 2008 and has started working on this
Water quality standards do not change	S	Consultant mobilized on 1 April 2008 and has started working on this
All communities are willing to pay for improved water supply and sanitation (WSS) services	S	Surenavan, Armash, Yeraskh, Malishka and Nor Aznaberd communities are willing to pay for improved water supply and sanitation (WSS) services
AWSC remains a privatized company	S	AWSC is 100% state-owned company which is currently under the management of private French operator.
Risks		
Possibility of start-up delays caused by unfamiliarity of Armenian Water Supply Company (AWSC) with the use of ADB's Procurement Guidelines	S	The ADB fielded a Loan Inception Mission (the Mission) from 12 to 21 June 2008 to provide guidance and assistance to the EA and the IA at the initial stage of the project implementation to ensure smooth commencement of implementation of the Project.
Upward adjustment in tariff is not supported by all communities	S	The State Tariff Committee is establishing and regulating the Tariff issues and all the communities covered by the AWSC perimeter are automatically supporting the established Tariff
Delays in the implementation of agreed improvements to be made in financial and legal reforms	S	The ADB fielded a Loan Review Mission from 20 – 25 November 2009. The main purpose of the Mission was to review the implementation status of each project component together with compliance of social and environmental safeguards and the loan covenants, and agree on time-bound actions related to identified issues and constraints.

B. Outputs

5. Below mentioned Table I-3 summarizes the Project outputs as follows.

Table I-3: Project Outputs³

Item	Indicators / Targets	Current Status
Rehabilitated, replaced, and expanded water supply and sewerage systems in project towns and villages	1. Water supply and sewerage systems in 16 towns and 125 villages rehabilitated, replaced and/or extended by 2012.	As of 31 March 2010 the following have been implemented: <ul style="list-style-type: none"> • Preliminary survey of settlements' W&W systems are implemented in 256 settlements, • 125 settlements are selected in the short list for FS and PD development, • 109 settlements (16 towns and 93 villages) are selected for the investment after completion of PD and DD, • FS, PD and DD are completed for the Subprojects I – XVIII,

² As required in the PPR Impact and Outcome Supplementary Document.

³ As required in the PPR Implementation Progress Supplementary Document.

		<ul style="list-style-type: none"> • FS and PD are ongoing for the new 7 Subprojects, • Construction works under 21 contracts are ongoing. • Construction works under 11 contracts are completed with hand-over
	2. Water meters installed to all bulk and domestic consumers in 16 towns	Water meters installed in the frame of the works under 11 contracts, the others will be installed after the completion of the construction works
Improved water services in project towns and villages	100% population in project towns and villages have access to safe water supply for at least 12 hours per day by 2012, with 100% coverage of sewerage system	Will be achieved after detailed design, tendering and completion of the construction works
Strengthened AWSC and institutionalized project villages not covered by AWSC	1. Non-revenue water is reduced from 40-90% in 2007 in various towns and villages to 30% in all locations by 2012.	Consultant mobilized on 1 April 2008 and has started working on this, AWSC's training strategy works are being implemented accordingly
	2. Tariff collection efficiency is improved from 40% in 2007 to 90% in 2012	AWSC's training strategy works are being implemented accordingly
	3. Technical and financial management training provided to all project towns and villages	Consultant mobilized on 1 April 2008 and has started working on this matter in close collaboration with AWSC
Improved community management skills	1. 35 small water management units for the project villages not covered by AWSC are developed by 2012	Due to the changes on project outputs raised by the AWSC this target is not valid any more. The issue is discussed with ADB during the Loan Review Mission from 20 – 25 November 2009
	2. Technical and financial management training provided to all small water management units.	Due to the changes on project outputs raised by the AWSC this target is not valid any more. The issue was discussed with ADB during the Loan Review Mission from 20 – 25 November 2009

C. Special Features

6. **Optimization of Existing Infrastructure.** All works, strategies, subprojects selection criteria on the Municipal Infrastructure Rehabilitation and Improvement under the subprojects are focusing on optimizing the operation of existing infrastructure and maximizing the operating efficiency of WSS service providers and have logical sequence of interventions. As of 31 March 2010 during the Feasibility Studies, Preliminary and Detailed Design process about 52 meetings on the above-mentioned issues were held in the AWSC with the involvement of JINJ-HGSN consortium (the Consultant), PMU experts, regional WSS experts and AWSC technical department staff. This will allow the Project to economize the investment, achieve considerable development impacts, and ensure sustainability of the WSS system with sound technical and financial management.

II. MUNICIPAL INFRASTRUCTURE REHABILITATION AND IMPROVEMENT

A. Overview

7. As it is known, 256 residential areas of 9 marzes of Republic of Armenia were preliminary listed settlements of the project. As a result of the meetings held at AWSC for the selection of the shortlist for investments, only 109 settlements (5 from which were under the management of local communities) have been selected out of 256 in the frame of the 18 subprojects as of 31 March 2010. It is planned to implement the urgent WSS improvements in additional 7 subprojects covering 13 settlements (7 rural towns and 4 villages).

B. Engineering Designs

1. Feasibility Studies (FS), Preparation of Preliminary (PD) and Detailed Designs (DD)

8. As of 31 March 2010 works for development of Environmental Management Plans (EMP) and Monitoring measures have been done for all 33 Civil-Works Contracts concluded or to be concluded in the frames of the project's 18 Subprojects.

As of 31 March 2010 the Consultant submitted all FS, PD and DD in the frame of 33 Civil-Works Contracts. Out of **33 Civil-Works Contracts, 32 Contracts** are concluded and **1** is now at the stage of the Government approval. Out of **32 Contracts, 11** are already completed with hand-over and Us Build Drawings and **21 Civil-Works Contracts are ongoing**. For the Amount of about 6 mln. USD, which was reallocated for the Civil Works, the Consultant should conduct and submit the FS, PD and DD for additional new 7 Subprojects. For this propose the Contract with the Consultant will be amended (the amount for implementation of new scope should be discussed and added to the Contract) by the end of May 2010.

The preliminary list of new Subprojects as well as the scope and indicative budgets for the new 7 Subprojects was prepared and elaborated by the AWSC top management staff together with PMU and discussed at the SCWS. The information on the status of works for new 7 Subprojects presented in the table below. The new 7 Subprojects are selected in accordance with the ADB's subproject selection criteria's.

Table II-1: Status of Preparation of Preliminary and Detailed Designs (updated as of 1 May 2010)

N	Subproject	Settlements	Contr. No	Date of contract signing	% Completed	Activ. Stage	Remarks on Implementation
1	Artashat	Lanjazat, V.Dvin, Dvin, Mrgavet	1-06	12.12.2008	97%	CS	Extended to 01.07.2010
		Kaghtsrashen, Norashen, Getazat, Arevshat, Abovyan, Kanachut	1-24	16.09.2009	100%	CS	Completed 03.03.2010
		Artashat town	1-25	25.02.2010	20%	CS	Ongoing
2	Vedi	Surenavan, Armash, Yeraskh	1-05	02.02.2009	100%	CS	Completed 02.02.2010
		Vedi town	1-07/1	07.04.2009	100%	CS	Completed 24.12.2009
		Tapetakan, Ginevet, Nor Ughi, Vanashen, Urtsadzor, Dashtakar	1-07/2	07.04.2009	100%	CS	Completed 10.12.2009
3	Masis	Getapnya, Darakert, Dashtavan, Norabats	1-08/1	16.02.2009	100%	CS	Completed 16.02.2010
		Masis, Nor Kyuri, Marmarashen	1-08/2	18.02.2009	100%	CS	Completed 15.01.2010
		Ghukasavan, Khachpar, Arbat, Zorak	1-08/3	07.05.2009	100%	CS	Completed 24.02.2010
		Ayntap, water main (DN500, L=250,0m)	1-08/4	03.07.2009	100%	CS	Ongoing
		DRR, water main (2xDN400, 2xL=900,0m)	1-08/5	11.09.2009	65%	CS	Ongoing
		Ghukasavan-Geghanist water main (2xDN300, L=1350,m 2xde250, E=750,0m)	1-08/6	27.02.2009	97%	CS	Extended to 01.10.2010
4	Sevan	Sevan town-Tsamakaberd district, Tsovazard, Lchashen	1-09/1	08.04.2009	92%	CS	Extended to 01.07.2010
		DRR, Hayravank, Berdkunk, Lchap	1-09/2	30.07.2009	70%	CS	Ongoing
5	Echmiatsin-1	Echmiatsin city	1-03	04.12.2008	100%	CS	Extended to 28.02.2010, Completed 26.02.2010
		Echmiatsin city, Voskevaz	1-10/1	18.07.2009	100%	CS	Completed 22.02.2010
		Voskehat (Arg), Oshakan	1-10/2	22.07.2009	65%	CS	Ongoing
6	Abovyan	Abovyan city, Kaghsi, Karashamb	1-11	11.09.2009	55%	CS	Ongoing
7	Aparan	Tsaghkahovit, Shenkani, Rya Taza, Vardablur, Sangyar, Geghadzor, Berkarat, Amre Taza, Geghadir, Hnaberd	1-12	25.12.2009	30%	CS	Ongoing
8	Berd	Berd town	1-13	11.08.2009	35%	CS	Ongoing
9	Noyemberyan	Noyemberyan, Ayrum towns, Haghtanak, Deghdzavan,	1-14	01.03.2010	65%	CS	Ongoing
10	Charentsavan	Charentsavan, Solak, Argel	1-15	02.04.2010	0%	CS	Ongoing
11	Echmiatsin-2	Talin town	1-04	07.11.2008	100%	CS	Extended to 15.12.2009, completed 15.11.2009
		Ujan, Aragatsotn, Nor Yedesia, Kosh, Dprevank, Shamiram	1-16	18.02.2010	15%	CS	Ongoing

12	Armavir	Argina, Shenik, Arevadasht, Artamet	1-17	05.03.2010	6%	CS	Ongoing
13	Meghri	Agarak town, Karchevan	1-18	29.12.2009	25%	CS	Ongoing
14	Goris	Goris town	1-01	30.09.2008	100%	CS	Extended to 31.12.2009, completed 26.12.2009
		Goris town and villages	1-19	29.01.2010	15%	CS	Ongoing
15	Sisian	Sisian town and villages	1-20	30.12.2009	25%	CS	Ongoing
16	Artik	Mantash river intake	1-02	09.01.2009	96%	CS	Extended to 01.07.2010
		Artik town and villages	1-21		0%		In Government
17	Ashotsk	Ashotsk, Torosgyugh, Vardablur, Musayelyan, Hartashen, Zuygaghbyur, Karmravan, Bavra	1-22	10.03.2010	18%	CS	Ongoing
18	Yeghegnadzor	Yeghegnadzor town, Getap, Gomq, Maliska, Shatin, Nor Aznaberd	1-23	02.04.2010	15%	CS	Ongoing
New Additional 7 Subprojects							
19	Kapan	Improv. of Kapan Town WS Systems	1-26		50%	PD	Ongoing
20	Ijevan	Improv. of Ijevan Town WS Systems	1-27		50%	PD	Ongoing
21	Tashir	Improv. of Tashir Town WS Systems	1-28		50%	PD	Ongoing
22	Stepanavan	Improv. of Stepanavan Town WS Systems	1-29		50%	PD	Ongoing
23	Alaverdi, Axtala	Improv. of Alaverdi, Axtala Town WS Systems	1-30		50%	PD	Ongoing
24	Sevan-Gagarin Main	Improv. of Sevan Main Moovement, Gagarin Town WS Systems	1-31		50%	PD	Ongoing
25	Vedi-Ararat	Improv. of Noyakert, Yeghegnavan, Aygetap, Mkchan viil. WS Systems	1-32		50%	PD	Ongoing

2. Physical Progress of Ongoing Contracts

9. Below is presented the Status of Physical Progress of Ongoing Contracts as of 1 May 2010.

Table II-2: Status of Physical Progress of Ongoing Contracts (updated as of 1 May 2010)

N	Contract No.	Name of Contract	No. Town/Villages included	Popul.	Date of Contract Award Constr. Start	Date of Contract Completion Constr. Finish	Constr Time	Time Elapsed %	Phys Progr %
1	L2363-NCB-1-01	Impr. of Goris Town WSS	1	22300	30.09.2008	Completed 26.12.2009	452	124	100
2	L2363-ICB-1-02	Impr. of Artik Town WSS	1	17560	09.01.2009	Extended to 01.07.2010	538	147	96
3	L2363-ICB-1-03	Impr. of Echmiatsin Town WSS	1	56900	04.12.2008	Completed 26.02.2010	449	123	100
4	L2363-NCB-1-04	Impr. of Talin Town WSS	1	7500	07.11.2008	Completed 15.11.2009	373	102	100
5	L2363-ICB-1-05	Impr. of Suren, Armash, Yeraskh WSS	3	6500	02.02.2009	Completed 02.02.2010	365	100	100
6	L2363-NCB-1-06	Improvement of Artashat WSS	4	9900	12.12.2008	Extended to 01.07.2010	566	155	97
7	L2363-NCB-1-07/1	Impr. of Vedi-Ararat Reg.Setl.WSS, Pack.1	1	14800	07.04.2009	Completed 24.12.2009	261	71	100
8	L2363-NCB-1-07/2	Impr. of Vedi-Ararat Reg.Setl.WSS, Pack.2	6	12340	07.04.2009	Completed 10.12.2009	247	67	100
9	L2363-NCB-1-08/1	Impr. of Masis Reg.Setl. WSS, Package 1	4	9200	16.02.2009	Completed 16.02.2010	365	100	100
10	L2363-NCB-1-08/2	Impr. of Masis Reg. Setl. WSS, Package 2	3	26500	18.02.2009	Completed 15.01.2010	331	90	100
11	L2363-NCB-1-08/3	Impr. of Masis Reg.Setl. WSS, Package 3	5	8790	07.05.2009	Completed 24.02.2010	293	80	100

12	L2363-NCB-1-08/4	Impr. of Masis Reg.Setl. WSS, Package 4	1	9040	03.07.2009	03.07.2010	365	100	100
13	L2363-NCB-1-08/5	Impr. of Masis Reg.Setl. WSS, Package 5 (DRR and the part of Main pipe)	0	0	11.09.2009	11.09.2010	365	100	65
14	L2363-NCB-1-08/6	Impr. of Masis Reg.Setl. WSS, Package 6 (the part of Main pipe)	0	0	27.02.2009	Extended to 01.10.2010	581	159	97
15	L2363-NCB-1-09/1	Impr. of Sevan Reg.Setl.WSS, Package 1	3	8090	08.04.2009	Extended to 01.07.2010	541	148	92
16	L2363-NCB-1-09/2	Impr. of Sevan Reg.Setl. WSS, Package 2	3	2414	30.07.2009	30.07.2010	365	100	70
17	L2363-NCB-1-10/1	Impr. of Echmiatsin Reg. Setl. WSS, Package 1	2	61900	18.07.2009	Completed 22.02.2010	219	60	100
18	L2363-NCB-1-10/2	Impr. of Echmiatsin Reg. Setl. WSS, Package 2	2	6730	22.07.2009	22.07.2010	365	100	65
19	L2363-ICB-1-11	Impr. of Abovyan Reg. Setl. WSS	3	49865	11.09.2009	11.03.2011	546	149	55
20	L2363-ICB-1-12	I Impr. of Aparan Region Setl. WSS	10	9117	25.12.2009	25.12.2010	365	100	30
21	L2363-NCB-1-13	Impr. of Berd Reg. Setl. WSS	1	8600	11.08.2009	11.08.2010	365	100	35
22	L2363-NCB-1-14	Impr. of Noyemberyan Reg. Setl. WSS	4	11201	01.03.2010	01.03.2011	365	100	65
23	L2363-NCB-1-15	Impr. of Charentcavan Reg. Setl. WSS	3	34642	02.04.2010	02.04.2011	365	100	0
24	L2363-NCB-1-16	Impr. of Echmiatsin-2 RS WSS	6	12140	18.02.2010	18.02.2011	365	100	15
25	L2363-NCB-1-17	Impr. of Armavir Reg. Setl. WSS	4	2258	05.03.2010	05.03.2011	365	100	6
26	L2363-NCB-1-18	Impr. of Meghri Reg. Setl. WSS	2	6303	29.12.2009	29.12.2010	365	100	25
27	L2363-NCB-1-19	Impr. of Goris Reg. Setl. WSS	1	23200	29.01.2010	29.01.2011	365	100	15
28	L2363-NCB-1-20	Impr. of Sisian Reg. Setl. WSS	1	16800	30.12.2009	30.12.2010	365	100	25
29	L2363-NCB-1-21	Impr. of Artik Reg. Setl. WSS	14	42637					
30	L2363-NCB-1-22	Impr. of Ashotsk Reg. Setl. WSS	9	5911	10.03.2010	10.03.2011	365	100	18
31	L2363-NCB-1-23	Impr. of Yeghegnadzor Reg. Setl. WSS	6	19614	02.04.2010	02.04.2011	365	100	15
32	L2363-NCB-1-24	Impr. of Artashat Reg. Setl. WSS	6	14734	16.09.2009	Completed 03.03.2010	168	46	100
33	L2363-NCB-1-25	Impr. of Artashat Town WSS	1	25733	25.02.2010	25.02.2011	365	100	20
34	L2363-ICB-1-26	Impr. of Kapan Town WSS	1	45711					
35	L2363-NCB-1-27	Impr. of Ijevan Town WSS	1	20223					
36	L2363-NCB-1-28	Impr. of Tashir Town WSS	1	9540					
37	L2363-NCB-1-29	Impr. of Stepanavan Town WSS	1	20223					
38	L2363-NCB-1-30	Impr. of Alaverdi, Axtala Town WSS	2	19076					
39	L2363-NCB-1-31	Impr. of Sevan Main Moovement, Gagarin Town WSS	1	0					
40	L2363-NCB-1-32	Impr. of Noyakert, Yeghegnavan, Aygetap, Mkchyan viil. WSS	4	9735					
TOTAL			119	590967	-	-	-	-	-

3. Technical Expertise

10. The dates for Expertise of Subproject's Designs are presented in the table below:

Name of Subproject	Dates of Technical Expertise approval
Subproject 1 – (Artashat) packages 1	03.11.2008
Subproject 1 – (Artashat) packages 1.1	14.07.2009
Subproject 1 – (Artashat) packages 1.2	09.12.2009
Subproject 2 – (Vedi) (packages 2.1 and 2.2)	28.10.2008
Subproject 3 – (Masis) package 3.1	02.12.2008
Subproject 3 – (Masis) package 3.2	10.12.2008
Subproject 3 – (Masis) package 3.3	03.03.2009
Subproject 3 – (Masis) package 3.4	15.04.2009
Subproject 3 – (Masis) package 3.5	28.04.2009
Subproject 3 – (Masis) package 3.6	16.01.2009
Subproject 4 – (Sevan) packages 4.1	16.02.2009
Subproject 4 – (Sevan) packages 4.2	14.04.2009
Subproject 5 – (Echmiatsin-1) (packages 5.1 and 5.2)	09.04.2009
Subproject 6– (Abovyan)	03.04.2009
Subproject 7– (Aparan), package 7.1	27.05.2009
Subproject 7– (Aparan), package 7.2	09.07.2009
Subproject 8– (Berd)	22.05.2009
Subproject 9– (Noyemberyan)	15.09.2009
Subproject 10– (Charentsavan)	26.10.2009
Subproject 11– (Echmiatsin-2)	15.08.2009
Subproject 12– (Armavir)	15.12.2009
Subproject 13– (Meghri)	26.10.2009
Subproject 14– (Goris)	30.10.2009
Subproject 15– (Sisian)	09.11.2009
Subproject 16– (Artik)	17.12.2009
Subproject 17– (Ashotsk)	30.12.2009
Subproject 18– (Yeghegnadzor)	20.11.2009

C. Safeguard Compliance

1. Environmental and Social Safeguard Compliance

11. As of 31 March 2010, 32 sub-projects proceed in the frame of the Project. Nine contracts were signed during the reporting period, which are listed as follows:

Contract No.	Works Description	Date of Signing
L2363-ICB-1-12	Improvement of Aparan region 10 villages water supply systems	25 December 2009
L2363-NCB-1-18	Improvement of Water Supply and Wastewater Systems of Agarak town and karchevan village in Meghri region	29 December 2009
L2363-NCB-1-20	Improvement of Water Supply and Wastewater Systems of Sisian Town	29 December 2009
L2363-NCB-1-19	Improvement of Water Supply and Wastewater Systems of Goris town	29 January 2010
L2363-NCB-1-25	Improvement of Water Supply and Wastewater Systems Artashat town	25 February 2010
L2363-ICB-1-16	Improvement of Water Supply and Wastewater Systems of Echiazin – 2 Region	18 February 2010
L2363-ICB-1-14	Improvement of Water Supply and Wastewater Systems of Noemberyan Region	1 March 2010
L2363-ICB-1-17	Improvement of Water Supply and Wastewater Systems of Armavir Region	5 March 2010
L2363-NCB-1-22	Improvement of Water Supply and Wastewater Systems of Ashotsk Region	10 March 2010

IEE and EMP were developed for all start-up subprojects. EMPs were provided to the involved Contractors who were obliged to follow the mitigation and safety measures. It was planned to organize information meetings regarding the implementation of the mitigation and safety measures for Implementing organizations and technical supervisors.

A discussion meeting on environmental issues was conducted on 20 October 2010 for the civil works contractors and supervisors involved in the ADB Water and Sanitation Sector Project. The discussion was held at “Jinj” LLC office with the participation of E.Mesropyan, Director of the Consultant Organization and A.Hovsepyan, the Environmental Specialist.

The main subject of the meeting was to discuss the violations and omissions encountered during the civil works and site restoration implemented within the preceding period.

Several deviations with regard to restoration works under the EMP were reported in almost all the sub-projects during the numerous visits carried out by the Environmental Specialist within the last period.

In this respect, various photos were displayed during the discussion as proof of the respective findings, as well as once again the environmental impact mitigation measures stipulated in the EMP were explained in detail.

The Initial Environmental Examinations (IEE), as well as the Environmental Management Plan (EMP) submitted by the Consultant for the new sub-projects; particularly for Goris, Arthashat, Echmiatsin-2, Noyemberyan, Armavir, Ashotsk, Sisian, were summarized and prepared during the previous quarter.

A range of visits were fielded to the construction sites during the reporting period to check the compliance of the measures with the EMP.

The site visits fielded by the Environmental Specialist are listed as follows:

- Visit dated 23.10.09 to Goris town
- Visit dated 04.10.09, to Masis and Artashat regions villigies
- Visit dated 24.11.09 to Echmiadzin town and region
- Visit dated 17.12.09 to Vedi regional villages Surenavan, Armash, Eraskh
- Visit dated 11.03.10 to Noemberyan town
- Visit dated 17.03.10 to Armavir regions and villages
- Visit dated 24.03.10 to Sisian and Goris towns
- Visit dated 26.03.10 to Ashotsk region

Pictures of the site visits are attached in the **Appendix 6** “Pictures from Site Visits”.

2. Initial Environmental Examination and Environmental Impact Assessment

12. According to the studies carried out by the Consultant, the following conclusions regarding the Environmental Expertise and Initial Environmental Examination were made for all ongoing projects finalized during the reporting period. All subprojects underwent initial environmental examination, based on the findings of which it was determined if those particular subprojects needed EMP, and if it was needed to submit them to RA Ministry of Nature Protection for environmental expertise conclusion. Nevertheless, IEEs are included in Environmental Management Plans even of those subprojects that do not require environmental expertise conclusion.

Aparan Subproject

Package VII: 10 villages: Tsaghkahovit, Sangyar, Vardablur, Shenkani, Ria Taza, Amre Taza, Geghadzor, Hnaberd, Geghadir, Berqarat.

According to the ADB Environmental policy (November 2002), the subprojects are ranked as Category B, which does not require a full scale EIA. This subproject does not require conclusion of environmental impact assessment in accordance with the RA legislation - RA Law on Environmental Impact Assessment (20 November 1995) and RA Government’s Decision on limit sizes of planned activities

subject to Environmental Impact Assessment (N-139, 30 March 1999). As a result, the environmental management plan (EMP) and monitoring plan are environmental assessment documents and are included in the detailed designs.

Meghri subproject

Package XIII. 1 town-Agarak, 1 village -Karchevan

According to the ADB Environmental policy (November 2002), the subprojects are ranked as Category B, which does not require a full scale EIA. This subproject does not require conclusion of environmental impact assessment in accordance with the RA legislation - RA Law on Environmental Impact Assessment (20 November 1995) and RA Government's Decision on limit sizes of planned activities subject to Environmental Impact Assessment (N-139, 30 March 1999). As a result, the environmental management plan (EMP) and monitoring plan are environmental assessment documents and are included in the detailed designs.

Sisian subproject

Package XV: 1 town -Sisian

According to the ADB Environmental policy (November 2002), the subproject is ranked as Category B, which does not require a full scale EIA. The subproject does not require also Conclusion of Environmental Impact Assessment, in accordance with the RA legislation - RA Law on Environmental Impact Assessment (20 November 1995) and RA Government's Decision on limit sizes of planned activities subject to Environmental Impact Assessment (N-139, 30 March 1999). As a result, the environmental management plan (EMP) and monitoring plan are environmental assessment documents and are included in the detailed designs.

Goris subproject

Package 14: 1 town – Goris

According to the ADB Environmental policy (November 2002), the subprojects are ranked as Category B, which does not require a full scale EIA. The 1st package of this subproject does not require conclusion of environmental impact assessment in accordance with the RA legislation - RA Law on Environmental Impact Assessment (20 November 1995) and RA Government's Decision on limit sizes of planned activities subject to Environmental Impact Assessment (N-139, 30 March 1999). As a result, the environmental management plan (EMP) and monitoring plan are environmental assessment documents and are included in the detailed designs.

Artashat subproject

Package I.2:1 town-Artashat

According to the ADB Environmental policy (November 2002), the subprojects are ranked as Category B, which does not require a full scale EIA. The 4th and 5th packages of this subproject do not require conclusion of environmental impact assessment in accordance with the RA legislation - RA Law on Environmental Impact Assessment (20 November 1995) and RA Government's Decision on limit sizes of planned activities subject to Environmental Impact Assessment (N-139, 30 March 1999). As a result, the environmental management plan (EMP) and monitoring plan are environmental assessment documents and are included in the detailed designs.

Echmiadzin-2 subproject

Package XI: 6 villages: Ujan, Aragatsotn, Nor Edesia, Kosh, Dprevank, Shamiram

According to the ADB Environmental policy (November 2002), the subprojects are ranked as Category B, which does not require a full scale EIA. The 4th and 5th packages of this subproject do not require conclusion of environmental impact assessment in accordance with the RA legislation - RA Law on Environmental Impact Assessment (20 November 1995) and RA Government's Decision on limit sizes of planned activities subject to Environmental Impact Assessment (N-139, 30 March 1999). As a result, the environmental management plan (EMP) and monitoring plan are environmental assessment documents and are included in the detailed designs.

Noyemberyan subproject

Package IX: 2 town- Noyemberyan, Ayrum, 2 villages: Haghtanak, Deghdzavan

According to the ADB Environmental policy (November 2002), the subprojects are ranked as Category B, which does not require a full scale EIA. The 4th and 5th packages of this subproject do not require

conclusion of environmental impact assessment in accordance with the RA legislation - RA Law on Environmental Impact Assessment (20 November 1995) and RA Government's Decision on limit sizes of planned activities subject to Environmental Impact Assessment (N-139, 30 March 1999). As a result, the environmental management plan (EMP) and monitoring plan are environmental assessment documents and are included in the detailed designs.

Armavir subproject

Package XII: 4 villages-Argina, Shenik, Artamet, Arevadasht

According to the ADB Environmental policy (November 2002), the subprojects are ranked as Category B, which does not require a full scale EIA. The 4th and 5th packages of this subproject do not require conclusion of environmental impact assessment in accordance with the RA legislation - RA Law on Environmental Impact Assessment (20 November 1995) and RA Government's Decision on limit sizes of planned activities subject to Environmental Impact Assessment (N-139, 30 March 1999). As a result, the environmental management plan (EMP) and monitoring plan are environmental assessment documents and are included in the detailed designs.

Ashotsk subproject

Package XVII: 9 villages-Torosgyugh, Vardablur, Musayelyan, Hartashen, Zuygaghbyur, Karmravan, Ashotsk, Bavra.

According to the ADB Environmental policy (November 2002), the subprojects are ranked as Category B, which does not require a full scale EIA. The 4th and 5th packages of this subproject do not require conclusion of environmental impact assessment in accordance with the RA legislation - RA Law on Environmental Impact Assessment (20 November 1995) and RA Government's Decision on limit sizes of planned activities subject to Environmental Impact Assessment (N-139, 30 March 1999). As a result, the environmental management plan (EMP) and monitoring plan are environmental assessment documents and are included in the detailed designs.

Indigenous People

13. Although the project includes construction works, it has no adverse impact on the owners' houses, lands, buildings, as well as on the loss of crop, trees and other assets, hence no problem of compensation arises. In the project implementation area the poor and women are not subject to the project adverse impact.

Gender

14. During the field visits the environmental specialist communicated with local people, particularly with women regarding the problems connected with water supply and the measures aimed to improve it. Pictures are attached. The Consultant conducted gender research during the phase of design and implementation of current subprojects, the findings of which prove the importance of women for ensuring public hygiene and health. The participation and involvement of women in the project implementation must be extended through public awareness campaigns and field visits.

D. Construction Supervision

15. Physical implementation of the Project for the reporting period is presented in the Attached Procurement Plan (**Appendix 2**). The site visits of PMU, PCU key staff are being conducted systematically. Each Monday morning there is a meeting of PMU staff, Construction Supervision Specialists and Designers of the Consultant.

III. MANAGEMENT IMPROVEMENT AND CAPACITY BUILDING

A. Overview

16. It was decided during the Loan Review Mission, 26 March - 3 April 2009 that both AWSC and the Consultants would jointly review and amend the TOR for the Component B activities and review the new

staff list of the Consulting firm. The Consultant is now working according to the new Work Plan since 1st of June 2009.

As of 1st of January 2010, all the works designed for Component B sections (Improvement of financial management system, management information system, asset management and human resources development, training of technical staff, water quality) were completed. Several Summary reports on the implemented works are submitted to AWSC. The Final summarized Report will be presented in a separate appendix to the next QPR. During the reporting period the designed public relations and community management campaigns continued to be implemented in accordance with the working plan. The only activity remaining to be implemented under this component during the Project Implementation is the Public Outreach Program.

B. Technical Staff Training

17. During the reporting period the Consultant implemented the following tasks:

- Construction supervision staff training completed. **The final training report will be submitted to the Client on 20.05.2010.** The Consultant has implemented AWSC's construction supervision staff training needs assessment in its office through survey questionnaires, and using the answers to the survey and personal interviews, the Consultant carried out knowledge assessment, as a result of which the main issues which must be emphasized during the training courses were determined. The training courses (74 man/hour in total) were implemented at the Consultant's office, in the third quarter of 2009.
- Asset management group training completed. **The final training report was submitted to the Client on 21.03.2010.** The training courses (70 man/hour in total) were held at AWSC's Training Center in Echmiadzin involving 5 asset management specialists of AWSC.

C. Financial Management

18. Accounting staff training (item 5 of the detailed work plan) - completed. **The final training report is prepared and will be submitted to the Client by 20.05.2010.**

- The training courses (240 man /hour in total) were held at AWSC's Training Center in Echmiadzin involving 15 accountants and financial department employees of AWSC.
- Improvement of the Company's financial, commercial and technical management systems:
 1. **Assessment of the existing accounting system** (including the established procedures and the accounting software efficiency and reliability). A special report was prepared and submitted to AWSC for discussion.
 2. Elaborating development strategy basics of the accounting system, determination of optimal organizational structure for improvement of accounting performance, discussing the advisability to transfer from the existing branch structure to centralized structure – a special report was prepared and submitted to AWSC for discussion on 18.11.09 and the **final revised report was submitted to the Client on 18.01.2010.**
 3. Revision of Accounting policy (adding a new chapter on income and cost centers and revision conditioned with changes in accounting standards) – a special report was prepared and submitted to AWSC for discussion on 18.11.09, and the **final revised report was submitted on 18.01.2010.**
 4. Revision of Accounting Handbook, joint discussions and submission of proposals – a special report was prepared and submitted to AWSC for discussion and the final revised report was submitted on 18.01.2010.

5. Determination of the requirements for the new accounting software – a special report was prepared and submitted to AWSC for discussion on 18.11.09 and the **final revised report was submitted on 18.01.2010.**
- Under the Commercial management system improvement activity, the Consultant implemented the following:
 1. Assessment of the existing billing software and proposing an efficient reporting system, revision of the existing AWSC's Commercial policy. A special report has been prepared that **will be submitted to the Client by 31.05.2010.**
- For improvement of the mechanisms for ensuring systematized information flows, the Consultant implemented the following:
 1. Improvement of the mechanisms for ensuring systematized information flows between the Technical, Investment and Commercial Departments. **Presentation is prepared and will be submitted to the Client by 31.05.2010.**
 2. Improvement of the mechanisms for ensuring systematized information flows between the Commercial and Legal Departments, development of analytical report forms. **A special report is prepared and will be submitted to the Client by 31.05.2010.**
 3. The Consultant developed the basics of the concept of data models for water supply and wastewater networks of AWSC and prepared the basics of the ToR - item 7 of the detailed work plan. **The preliminary report was submitted to the Client on 15.03.2010.**

D. Public Outreach Program

19. Considering the fact, that most part of construction activities were stopped because of winter season, the public awareness campaigns designed for the previous quarter are postponed to the 2nd quarter of 2010. **A summary progress report was prepared and submitted to the Client on 11.03.2010.**

E. Management Information System

20. Development of the basics of the concept of Management Information Systems of AWSC and steps of its realization – a special report was prepared and submitted to AWSC for discussion. Further, in accordance with the detailed work plan, it was renewed, involving a new Chapter in "MIS and Performance Indicators". **The renewed report will be submitted to the Client for discussion by 20.05.2010.**

F. Asset Management

21. The basics of the concept of Asset Management System of AWSC are developed. **The preliminary report was submitted to the Client on 18.11.09.**

G. Water Quality

22. Water quality monitoring plan is developed for the water springs and the water supply systems. Within the framework of the "Water quality monitoring plan development for water springs and water supply systems" task, the Consultant studied AWSC's drinking water monitoring system. As a result of the study of AWSC's current water quality monitoring plan, its conformity with the requirements of the existing RA standards was proved (No. 2-III-A 2-1 sanitary norms and rules in force in the Republic which were approved by the Ministry of Health on 25.12.2002 and registered at the Ministry of Justice, No. 100022419 as of 28.12.2002), except for some items that were revised.

H. Human Resources Development

23. The Consultant has studied the existing organizational structure of the AWSC in terms of functionality and efficiency and submitted improvement proposals to the AWSC management. **A special report was prepared and submitted to the Client on 11.03.2010.**

IV. COST ESTIMATES AND FINANCING PLAN

A. Overview

24. There are no new issues in the current quarter.

B. Cost Estimates and Financing Plan

25. The Project investment cost is estimated at \$45.0 million, including \$6.7 million of taxes and duties. A summary of the cost estimates is in **Table IV-1**.

Table IV-1: Project Investment Plan (\$ million)

	Item	Amounts
A.	Base Cost ^{a b}	
	1. Component A: Infrastructure Investment	37.4
	2. Component B: Management Improvement & Development	0.8
	Subtotal (A)	38.2
B.	Contingencies ^c	5.6
C.	Financing Charges During Implementation ^d	1.2
	Total (A+B+C)	45.0

^a Includes taxes and duties of \$6.7 million.

^b In mid-2007 prices.

^c Physical contingencies computed at 10.0% for materials and equipment, 5.0% for civil works and other components, including field research and development, training, surveys and studies. Price contingencies computed at 2.4% on foreign exchange costs and 4.0% on local currency costs for 2007–2008, then 3.0% from 2009 onward; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest during implementation.

Source: Asian Development Bank estimates.

26. The financing plan is summarized in **Table IV-2**.

27. The country cost-sharing limit has not yet been determined for Armenia. At present, ADB financing in Armenia has a cost-sharing limit that would have applied to Armenia prior to the Innovation and Efficiency Initiative policies as of August 2005, which is 75%. Considering that the Project targets poor communities that are currently facing serious problems of shortage and poor quality of drinking water caused by deteriorated infrastructure, a 5% variance from the said cost-sharing limit is justified and the Government counterpart financing is pegged at 20% of the Project cost.

Table IV-2: Financing Plan
(\$ million)

Source	Total	%
Asian Development Bank	36.00	80.00
Government	9.00	20.00
Total	45.00	100.00

Source: Asian Development Bank estimates.

28. The Government of Armenia has relend the loan to AWSC under a subsidiary loan agreement upon the same terms and conditions as the ADB loan. AWSC will bear the foreign exchange risk and the Government will finance all the taxes and duties.

C. Allocation of Loan Proceeds

29. The allocation of loan proceeds showing the percentage of ADB financing by loan category is presented in the table below:

Table IV-3: Key Project Inputs⁴

Categ. No.	Loan Category	Amount Disbursed – Project to Date	Amount Disbursed – ADB Financing	Amount Disbursed – Govt. Financing
1	Works	\$11 934 281.50	\$ 9 015 760.94	\$ 2 918 520.66
2	Equipment and Materials	\$4 357 407.36	\$ 3 710 851.35	\$ 646 556.01
3	Training	0	0	0
4	Consulting Services	\$ 2 042 989.18	\$ 1 735 507.73	\$ 307 481,45
4A	Management, Design and Supervision	\$ 1 693 159.30	\$ 1 411 639,81	\$ 281 519,49
4B	Project Management	\$ 349 829,88	\$ 323 867,92	\$ 25 961,96
5	Interest Charge	\$ 80 975.22	\$ 80 975.22	0
6	Unallocated	0	0	0
7	Incremental Costs	\$ 126 265,64	\$ 121 494,48	\$ 4 771,16

V. PROCUREMENT

A. Overview

30. Procurement financed under the Project is carried out in accordance with ADB's Procurement Guidelines (2007, as amended from time to time). The award of all contracts is subject to prior approval by ADB. The procurement plan is attached in **Appendix 2**. During the reporting period (01.10.09-01.04.10) 12 Bids were announced, 12 Bids were evaluated, 12 Contracts were awarded to the lowest evaluated substantially responsive bidders.

B. Procurement Status

31. The Procurement status for the reporting period is presented in the table below:

Table V-1: Procurement Status⁵

Cat'y	Description	Type	Invitation for Bid	Bid Evaluation	Contract Signing	Contr. No.
1.	Improvement of WSS Systems					
1.12	Improvement of Aparan Region Setl. WSS	W	02-09-09	26-10-09	25-12-09	1-12
1.13	Improvement of Berd Reg. Setl. WSS	W	02-06-09	10-08-09	11-08-09	1-13
1.14	Improv. of Noiemberyan Reg. Setl. WSS	W	12-10-09	18-12-09	1-03-10	1-14
1.15	Improv. of Charentcavan Reg. Setl. WSS	W	02-12-09	26-01-10		1-15
1.16	Improvement of Echmiatsin-2 RS WSS	W	24-09-09	07-12-09	18-02-10	1-16
1.17	Improv. of Armavir Reg. Setl. WSS	W	21-01-10	03-03-10	05-03-10	1-17
1.18	Improvement of Meghri Reg. Setl. WSS	W	04-10-09	29-12-09	29-12-09	1-18
1.19	Improvement of Goris Reg. Setl. WS Systems	W	26-11-09	28-01-10	29-01-10	1-19
1.20	Improvement of Sisian Reg. Setl. WSS	W	13-11-09	29-12-09	30-12-09	1-20
1.21	Improvement of Artik Reg. Setl. WS Systems	W	25-01-10			1-21
1.22	Improvement of Ashotck Reg. Setl. WSS	W	21-01-10	05-03-10	10-03-10	1-22
1.23	Improv. of Eghegnadzor Reg. Setl. WSS	W	08-12-09	8-02-10		1-23
1.24	Improv. of Artashat Reg. Setl. WS Systems	W	18-07-09	11-09-09	16-09-09	1-24
1.25	Improv. of Artashat Town WS Systems	W	13-01-10	24-02-10	25-02-10	1-25
2.	Equipment and Materials					
2.6	Equipment and Materials	G	14-09-09			2-06

⁴ As required in the PPR Implementation Progress Supplementary Document.

⁵ Details in **Appendix 2**, Procurement Plan

C. Procurement Plan

32. The updated Procurement Plan is presented in the **Appendix 2**. The Procurement Plan is to be approved by the PGS in May 2010.

VI. DISBURSEMENT

A. Overview

33. Within the period of the project implementation till now the following payments under the following Expenditure Categories have been made:

1. Category 2 - Procurement of office furniture, IT equipment and Vehicles for PMU and PCU, and accounting Software. Also under this category are the equipment and materials for civil works.
2. Category 4A – Seven quarterly invoice payments for the Designs implemented by the Consultant.
3. Category 4B - Remuneration payments to PMU and PCU staff and to legal consultant.

The **Appendix 3** provides details on the disbursements made from Imprest Account during the reporting period. The Projections for the disbursement in 2010 are presented in the **Appendix 8**.

B. Disbursement Status

34. The Disbursement progress by the Categories is presented in the table below:

Table VI-1: Disbursement Status⁶

Category No.	Loan Category	Amount Disbursed – Current Quarter	Amount Disbursed – Year to Date	Amount Disbursed – Project to Date
1	Works	\$ 892 592.64	\$ 892 592.64	\$ 11 934 281.60
2	Equipment and Materials	\$ 1 514 747.31	\$ 1 514 747.31	\$4 355 699 .81
3	Training	0	0	0
4	Consulting Services	\$ 300 920.82	\$ 300 920.82	\$ 2 042 989.18
4A	Management, Design and Supervision	\$ 264 649.79	\$ 264 649.79	\$ 1 693 159.30
4B	Project Management	\$ 36 271.03	\$ 36 271.03	\$ 349 829.88
5	Interest Charge	\$ 53 468,03	\$ 53 468 ,03	\$ 80 975,22
6	Unallocated	0	0	0
7	Incremental Costs	\$ 12 724.65	\$ 12 724.65	\$ 126 265.64

C. Withdrawal Applications and Reimbursements

35. The Withdrawal Applications are being prepared in accordance with ADB's Loan Disbursement Handbook (2007, as amended from time to time). In the first quarter of 2010 the applications No.23 - No.25 were submitted to ADB. Reimbursement for the above mentioned applications was done as follows: WA No.23 -2,078,245.48 USD, WA No.24 – 607,883.11USD

D. Counterpart Funds

36. There were no difficulties in getting Counterpart Funds during the reporting period.

Table VI-2: Counterpart Funds

Item	Particulars
Amount requested by the Executing Agency for allocation in the annual budget	\$ 4 462 800. 00
Amount approved by the Government in the annual budget	\$ 4 462 800. 00
Amount of utilization to date	\$ 1 129 183.27
Difficulties in getting the allocated amount released due to budgetary or other procedures	None

⁶ Details in **Appendix 1**, Disbursement Progress

VII. PROJECT REPORTING, MONITORING AND EVALUATION

A. Reporting

37. The PMU is preparing quarterly progress reports (QPR) indicating progress made, problems encountered during the review period, steps taken or proposed to remedy the problems, proposed program of activities, and progress expected for the following quarter. The report shall be submitted to ADB within the first month after the reporting quarter.

The PMU will ensure that the reports are consolidated and submitted to ADB in a timely manner. Within 6 months of physical completion of the Project, the PMU, in coordination with the PCU, will submit a PCR.

B. Implementation Progress

38. The "Implementation Schedule with Weights" and the "Implementation Schedule" Charts are attached in the **Appendixes 3 and 4**. [The baseline dates for the end of 2008 were fulfilled in the Project Performance Management System table. The baseline dates for the end of 2009 will be submitted in the next QPR. The PPMS is attached in the Appendix 5.](#)

39. [The Covenant Compliance status for the reporting period is presented in the Appendix 9.](#)

C. Project Review

40. ADB has fielded the Loan Review Mission (the Mission) in the period of 26 March - 3 April 2009. The main purpose of the Mission was to review the implementation status of each project component together with compliance of social and environmental safeguards and the loan covenants, and agree on time-bound actions related to identified issues and constraints. All information, findings and suggestions are presented in the Aide Memoire (AM) and Project Administration Memorandum (PAM) prepared by the representative of the Mission.

41. [There were no new recruitments during this Quarter. The Consulting firm staff list was amended with the increased number of engineers in order to follow the reviewed action plan.](#)

D. Design Changes

42. Major or minor changes in project scope, design, costs, and implementation arrangements are described in Project Administration Instructions (PAI) 5.04 which can be downloaded from the following website <http://www.adb.org/Documents/Manuals/PAI/default.asp>. The approval date of changes should be recorded in the following matrix.

Table VII-1: Design Changes

Design Changes	ADB Approval
No design changes made up to date.	not applicable

VIII. ACCOUNTING, AUDITING AND ANTICORRUPTION

A. Accounting Requirement

43. The PMU maintains the records and accounts that identify the works, goods and services financed from the loan proceeds, financing resources received, expenditures incurred for the Project, and use of local funds.

B. Auditing Requirement

44. The annual Project accounts of PCU and PMU, and each set of financial statements, will be audited by auditors acceptable to ADB. A separate audit report on the use of imprest accounts and statement of expenditures procedure will be provided to ADB. The audit reports, management letter, and related financial statements will be submitted to ADB not later than 6 months after the end of the fiscal year to which they relate, or the project closing date if earlier. The Government has noted the ADB policy on submission of audited accounts, which covers failure to submit audited accounts and financial

statements by the due date. A formal warning will be issued for accounts more than 6 months overdue, and disbursements will be suspended for accounts that are 12 months overdue. The first audit “Independent Auditors Report and Management Letter as of 31 December 2008” have been conducted (the contract was signed on 30.03.09 with “GT Amiot” audit firm) for accounts incurred from loan effectiveness up to 31 December 2008 and the respective report was submitted to ADB on 30 June 2009. The second audit “Independent Auditors Report and Management Letter as of 31 December 2009” will be conducted for the accounts incurred from loan effectiveness up to 31 December 2009 and the respective report is planned to be submitted to ADB in June 2010.

C. Anticorruption

45. The AWSC, PMU and PCU are aware on ADB policy on Anticorruption. Following this policy no cases of corruption were noticed or recorded during the reporting period.

IX. KEY ISSUES AND PLAN FOR NEXT QUARTER

A. Key Issues

46. The Key Issues during the reporting period are presented in the table below:

Key Issues	Subprojects (Towns and Villages)	Comments
Additional Subprojects	New Subprojects I – VII	In the frame of the amount of about 6.0 mln. USD which has been reallocated from the different Categories to the Civil Works it is planned to implement the urgent WSS improvements in additional 7 subprojects covering 7 rural towns and 4 villages.
Status of feasibility studies (FS), preparation of Preliminary and Detailed Designs (PD and DD) for the main 18 and the new 7 Subprojects	Subprojects I – XVIII New Subprojects I – VII	FS, PD, DD – completed for 18 Subprojects FS finalized for new additional 7 Subprojects, PD is ongoing
EMP done for the Subprojects:	I - XVIII	EMP's are done for the Subprojects 1 to 18
Status of Physical Progress of Ongoing Contracts	the construction works under 21 Civil Works contracts are ongoing, 11 contracts are completed	12 contracts for Improvement of Water Supply and Sanitation are signed during the reporting period
Loan Review Mission	from 26 March to 3 April 2009	The Mission visited 5 subprojects and reviewed the quality and place of construction, compliance of environmental and social safeguards, and also the public satisfaction level was checked.
Progress on Component B of the Contract with consulting Firm:	-	All components are finalized except for the Public Outreach Program which should be continued until the completion of all Civil Works Contracts. Consultant is acting in accordance to the new schedule.
The Project Governing Council (“PGC”)	-	7 sessions of PGC were held: N8, N9, N10, N11 correspondingly on 4 November 2009, 17 November 2009, 21 December 2009 and 28 December 2009, and N12, N13, N14 correspondingly on 15 January 2010, 16 February 2010 and 30 March 2010
Counterpart Financing	-	adequately provided for the IV quarter of 2009 and the I quarter of 2010

B. Plan for Next Quarter**COMPONENT A. MUNICIPAL INFRASTRUCTURE REHABILITATION AND IMPROVEMENT**

47. In the next II-nd quarter of 2010 (April 1 to June 30, 2010) the Consultant will implement the following:

Subprojects	Works
Subproject 1 – (Artashat) package 1	Construction Supervision (CS) ongoing, will be continued
Subproject 1 – (Artashat) package 1.1	Completed
Subproject 1 – (Artashat) package 1.2	Construction Supervision (CS) ongoing, will be continued
Subproject 2 – (Vedi), Suren., Arm., Yeraskh, Contract No. 1-05	Completed
Subproject 2 – (Vedi) package 2.1	Completed
Subproject 2 – (Vedi) package 2.2	Completed
Subproject 3 – (Masis) package 3.1	Completed
Subproject 3 – (Masis) package 3.2	Completed
Subproject 3 – (Masis) package 3.3	Completed
Subproject 3 – (Masis) package 3.4	Construction Supervision (CS) ongoing, will be continued
Subproject 3 – (Masis) package 3.5	Construction Supervision (CS) ongoing, will be continued
Subproject 3 – (Masis) package 3.6	Construction Supervision (CS) ongoing, will be continued
Subproject 4 – (Sevan) packages 4.1	Construction Supervision (CS) ongoing, will be continued
Subproject 4 – (Sevan) packages 4.2	Construction Supervision (CS) ongoing, will be continued
Subproject 5 – (Echmiatsin-1), Echmiatsin Town, Contract No. 1-03	Completed
Subproject 5 – (Echmiatsin-1) package 5.1	Completed
Subproject 5 – (Echmiatsin-1) package 5.2	Construction Supervision (CS) ongoing, will be continued
Subproject 6– (Abovyan)	Construction Supervision (CS) ongoing, will be continued
Subproject 7– (Aparan)	Construction Supervision (CS) ongoing, will be continued
Subproject 8– (Berd)	Construction Supervision (CS) ongoing, will be continued
Subproject 9– (Noyemberyan)	Construction Supervision (CS) ongoing, will be continued
Subproject 10– (Charentsavan)	Construction Supervision (CS) ongoing, will be continued
Subproject 11– (Echmiatsin-2), Talin, Contract No. 1-04	Completed
Subproject 11– (Echmiatsin-2)	Construction Supervision (CS) ongoing, will be continued
Subproject 12– (Armavir)	Construction Supervision (CS) ongoing, will be continued
Subproject 13– (Meghri)	Construction Supervision (CS) ongoing, will be continued
Subproject 14– (Goris), Goris Town, Contract No. 1-01	Completed
Subproject 14– (Goris)	Construction Supervision (CS) ongoing, will be continued
Subproject 15– (Sisian)	Construction Supervision (CS) ongoing, will be continued
Subproject 16– (Artik), Mantash river intake, Contract No. 1-02	Ext., Construction Supervision (CS), will be continued
Subproject 16– (Artik)	Construction Supervision (CS), will be started in June
Subproject 17– (Ashotsk)	Construction Supervision (CS) ongoing, will be continued
Subproject 18– (Yeghegnadzor)	Construction Supervision (CS) ongoing, will be continued
New Additional Subprojects	Works
Subproject 19– (Kapan)	DD works will be finalized in July 2010
Subproject 20– (Ijevan)	DD works will be finalized in July 2010
Subproject 21– (Tashir)	DD works will be finalized in July 2010
Subproject 22– (Stepanavan)	DD works will be finalized in July 2010
Subproject 23– (Alaverdi, Akhtala)	DD works will be finalized in July 2010
Subproject 24– (Sevan- Gagarin Main)	DD works will be finalized in July 2010
Subproject 25– (Vedi-Ararat)	DD works will be finalized in July 2010

COMPONENT B. MANAGEMENT IMPROVEMENT AND DEVELOPMENT

48. Considering the fact, that the most part of construction activities was stopped because of winter season, the public awareness campaigns designed for the previous quarter are transferred to the 2nd quarter of 2010.

They include the following:

1. Goris region, XIV sub – project, CS phase works for Goris region’s Goris urban community
2. Meghri region, XII sub-project, CS phase works for Agarak urban and Karchevan rural communities.
3. Sisian region, Sub – project XV, CS phase works for Sisian urban community.
4. Noyemberyan region, IX sub-project, CS phase works for Noyemberyan and Ayrum urban communities and Haghtanak and Deghdzavan rural communities.
5. Armavir region, XII sub-project, CS phase works
6. Ashotsk region, XVII sub-project, CS phase works
7. Yeghegnadzor region - XVIII sub-project, CS phase works for Yeghegnadzor town and 5 rural communities.

Public relations and participation management works will be implemented according to the detailed Work Plan.

The Final Reports on all the Component B works regarding improvement of financial management system, management information system (MIS), asset management, technical staff training and water quality will be summarized and presented in the II Quarter of 2010. The details are presented in the **Appendix 9**.

X. PCU ACTIVITIES AND ORGANIZATION OF PROJECT GOVERNING COUNCIL’S WORKS

A. Organization of PGC sessions

IV Quarter 2009

49. The Project Governing Council’s sessions N8, N9, N10 and N11 were held correspondingly on 4 November 2009, 17 November 2009, 21 December 2009 and 28 December 2009.

The following issues were considered during the sessions:

- Approval of the “AWS” CJSC Report on Implementation Progress of the Water Supply and Sanitation (Sector) Project during the Third Quarter of 2009.
- Approval of the Results of L2363-ICB-1-12 “Improvement of Water and Sanitation Systems of Aparan Region 10 Villages” Bidding held within the framework of the Water Supply and Sanitation (Sector) Project.
- Amendments to the Procurement Plan of the Water Supply and Sanitation (Sector) Project (Noyemberyan subproject).
- Approval of the Results of L2363-ICB-1-16 “Improvement of Water Systems of Ujan, Aragatsotn, Nor Edesia, Kosh, Dprevank, Shamiram and Nor Amanos Villages” Bidding held within the frame of the Water Supply and Sanitation (Sector) Project.
- Amendments to the Procurement Plan of the Water Supply and Sanitation (Sector) Project (Yeghegnadzor subproject).

Approval of the Results of L2363-ICB-1-14 “Improvement of Water and Sanitation Systems of Ayrum, Noyemberyan towns and Deghdzavan, Haghtanak Villages” Bidding held within the frame of the Water Supply and Sanitation (Sector) Project.

I Quarter 2010

The Project Governing Council's sessions N12, N13, and N14 were held correspondingly on 15 January 2010, 16 February 2010 and 30 March 2010.

The following issues were considered during the sessions:

- Postponement of Approval of the "AWS" CJSC Report on Implementation Progress of the Water Supply and Sanitation (Sector) Project during the Fourth Quarter of 2009.
- Approval of the Results of L2363-ICB-1-15 "Improvement of Water and Sanitation Systems of Charentsavan town and Solak and Argel Villages, Reconstruction of Makravan-2 Pumping Plant" Bidding held within the framework of the Water Supply and Sanitation (Sector) Project.
- Approval of the Results of L2363-ICB-1-23 "Improvement of Water and Sanitation Systems of Yeghegnadzor town and Getap, Gomq, Malishka, Nor Aznaberd and Shatin Villages" Bidding held within the frame of the Water Supply and Sanitation (Sector) Project.
- Approval of the "AWS" CJSC Report on Implementation Progress of the Water Supply and Sanitation (Sector) Project during the Fourth Quarter of 2009 and the Annual 2009.
- Approval of the Water Supply and Sanitation (Sector) Project Budget for 2010.
- Approval of the 2010 Expenses and the Staff-lists for Water Supply and Sanitation (Sector) Project Management Unit and Project Coordinating Unit.

B. Preparation and Submission of Government and Prime Minister Decrees

50. During the first quarter of 2010 the following Government and Prime Minister Decrees were prepared and submitted to the Government of RA for approval:

- Addendum to the Prime Minister's Decree N 719-N of 16 September 2008 (Prime Minister's Decree N 75-N of 9 February 2010)
- Approval of the Results of L2363-ICB-1-16 "Improvement of Water Systems of Ujan, Aragatsotn, Nor Edesia, Kosh, Dprevank, Shamiram and Nor Amanos Villages" Bidding held within the frame of the Water Supply and Sanitation (Sector) Project (Government Decree N 145-A of 18 February 2010)
- Approval of the Results of L2363-ICB-1-14 "Improvement of Water and Sanitation Systems of Ayrum, Noyemberyan towns and Deghdzavan, Haghtanak Villages" Bidding held within the frame of the Water Supply and Sanitation (Sector) Project (Government Decree N 161-A of 25 February 2010)
- Approval of the Results of L2363-ICB-1-15 "Improvement of Water and Sanitation Systems of Charentsavan town and Solak and Argel Villages, Reconstruction of Makravan-2 Pumping Plant" Bidding held within the frame of the Water Supply and Sanitation (Sector) Project and of the Results of L2363-ICB-1-23 "Improvement of Water and Sanitation Systems of Yeghegnadzor town and Getap, Gomq, Malishka, Nor Aznaberd and Shatin Villages" Bidding held within the frame of the Water Supply and Sanitation (Sector) Project (Government Decree N 346-A of 1 April 2010).

C. Organization of Meetings for ADB Mission

51. Meetings with the SCWS Chairman and Deputy Chairman with the ADB mission held on 20-25 November 2009 were organized. The corresponding documentation and information was provided both to SCWS and ADB. The Action Plan according to the Aide Memoire was prepared and is under PCU monitoring.

D. Selection of Project Communities

52. During the fourth quarter of 2009 and the first quarter of 2010 the Project Coordinator – Engineer participated in the meetings on technical and economic issues of the Project held between AWSC, PCU, PMU, Project Consultants and regional WSS specialists.

According to the Minutes of the Meeting of AWSC, PCU, PMU and the Project Consultants with the Chairman of SCWS organized by PCU, PCU coordinated the preparation of references on the substantiation of the Project communities' selection presented by the Project Consultant and PMU, discussed these references with the SCWS departments and presented the respective summary conclusions to the SCWS Chairman.

E. Participation in Bidding Processes

53. Being the member of the Bidding Committee, the Project Coordinator – Engineer participated in the biddings organized in the scope of the Project including the Tender Evaluation Process.

F. Site Visits

54. Together with the AWSC management, PMU and Project Consultants, the Project Coordinator – Engineer carried out site visits including meetings with the constructors in Echmiadzin, Talin and Vedi-Ararat regions.

G. Withdrawal Applications

55. Together with the SCWS Financial Department presentation of withdrawal applications to the SCWS administration and to the Ministry of Finance for approval.

H. Submission of information regarding project implementation to the State Committee of Water Systems under RA Ministry of Territorial Administration

56. Submission of monthly statements to the Chairman and Deputy Chairman of the State Committee of Water Systems regarding i) project implementation progress, ii) implemented and iii) upcoming tenders, iv) tender participants, the v) construction process and vi) financial status of the construction. Presentation to the SCWS management the challenges arisen during the Project implementation and organization of their discussions upon request.

Before the SCWS Chairman's and the Deputy Chairman's each visit to the regions of Armenia, PCU provided references concerning the works implemented in the subject region in the scope of the Project. Working meetings on Project issues were organized with representatives of PGC, ADB, AWSC, Project Consultants and corresponding NGOs.

I. Submission of information regarding project implementation to the Government of RA, Ministries and other Government Bodies

57. Upon request statements and references were submitted to the Government of RA, Ministries and other Government Bodies.