

Quarterly Progress Report

(Accumulative for II-nd and III-th quarters of 2010)

October 2010

Project Number: 40296
Loan Number: 2363-ARM
October 2010

ARM: Water Supply and Sanitation Sector Project

CURRENCY EQUIVALENTS
(as of 30 September 2010)

Currency Unit	–	dram (AMD)
AMD1.00	=	\$0.0027677
\$1.00	=	AMD 361.31

(as of 30 June 2010)

Currency Unit	–	dram (AMD)
AMD1.00	=	\$0.0027210
\$1.00	=	AMD 367.50

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	8
II.	MUNICIPAL INFRASTRUCTURE REHABILITATION AND IMPROVEMENT	9
	A. Overview	9
	B. Engineering Designs and Construction Implementation	9
	C. Safeguard Compliance	13
	D. Construction Supervision	14
III.	MANAGEMENT IMPROVEMENT AND CAPACITY BUILDING	15
	A. Overview	15
	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	16
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	21
	A. Accounting Requirement	21
	B. Auditing Requirement	21
	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	24

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 2011
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.....	20
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 01.10.2010 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 additionally reallocated from different Categories to the Civil Works, the urgent WSS improvements in additional 7 subprojects covering 7 rural towns and 7 villages will be implemented.

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

Initial Item	Revised 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).	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 is fulfilled for the end of 2008. In 2008 the Public satisfaction ratio was 40% in the Areas covered by the Project, which is in 2009 is approximately 50% (10% progress in spite of the project in 2009 was just fully started).
2. Number of households with a water tap inside the home increases from 51% in 2007 to 75% in 2012	2.1 # of consumers with access to the basic level of supply (50 liters per capita per day (l/c/d) within 150 meters of the home)	S	To be fullfield in the 1-st quarter QPR of 2011, by the comparison of relevant indicators of 2009 with the baseline in 2008.
	2.2 # of consumers with access to the medium level of supply (piped water in the home available for 12 hours per day)		To be fullfield in the 1-st quarter QPR of 2011, by the comparison of relevant indicators of 2009 with the baseline in 2008.
	2.3 # of consumers with access to the full level of supply (piped water in the home available for 24 hours per day)		To be fullfield in the 1-st quarter QPR of 2011, by the comparison of relevant indicators of 2009 with the baseline in 2008.
3. 100% of population has access to a safe and	3.1 # of consumers with access to the medium level of supply (piped	S	To be fullfield in the 1-st quarter QPR of 2011, by the comparison of relevant indicators of 2009 with the

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

reliable source of water for at least 12 hours per day by 2012	water in the home available for 12 hours per day)		baseline in 2008.
	3.2 # of consumers with access to the full level of supply (piped water in the home available for 24 hours per day)		To be fullfield in the 1-st quarter QPR of 2011, by the comparison of relevant indicators of 2009 with the baseline in 2008.
4. Commercially oriented operations, financial autonomy, and full recovery of operation and maintenance for all project towns and villages covered by AWSC by 2012	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	The issue of full recovery of operation and maintenance for all project towns and villages covered by AWSC by 2012 depends on the tariff level. The tariff of 2009 was adopted on 1 March 2009 at the rate. The State Committee of Water Systems of RA (SCWS) has already started the process of introducing the Lease Contract for water services to be concluded in 2011. The Management Contract with SAUR Company has been prolonged from 19 October 2010 to 19 October 2011. The financial criterion for the lease contract tender will probably be the lowest tariff which will then be applied as the effective tariff.
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	5. About 620,000 residents in the project towns and villages benefits directly or indirectly from improved Water Supply Services. The supplied potable water meets Armenia quality standards and the residents receive water for at least 12 hours per day by 2012.	S	The weighted average number of daily hours of drinking water services according to the Baseline of 2008 was 8 hours per day in the Project area settlements. Currently there are about 626,714 residents in the project towns and villages. All of them will be provided with potable water supplies that meet Armenia quality standards for at least 12 hours per day by 2012, upon the project completion. The comparison of the 2008 baseline weighted average number of daily hours of drinking water services with 2009 will be done in the 1-st quarter QPR of 2011.
6. Technical, financial, and managerial capacity of water supply company is improved by 2012	6. Technical, financial, and managerial capacity of water supply company is improved by 2012	S	The company operation will be transferred from the Management Contract to the Lease Contract in 2011. Besides as of 1st of January 2010, all the works designed for the Consultant under the Component B - Management Improvement and Capacity Building (Improvement of financial management system, management information system, asset management and human resources development, training of technical staff, water quality) under the ADB WSS Project was completed.

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

Table I-2: Key Assumptions and Risks²

Item	Rating	Current Status
Assumptions		
The improved water supply systems are effective and will be sustained	S	The tariff of 2009 was adopted on 1 March 2009 at the rate of 179.78 AMD and came into force from 1 April 2009. Regarding the tariff increase for 2010, the State Committee of Water Systems of RA (SCWS) has already started the process of introducing the Lease Contract for water services to be concluded in 2011. The Management Contract with SAUR Company has been prolonged from 19 October 2010 to 19 October 2011. The donors like WB, EBRD and ADB also are ready to continue the investment for AWSC after the completion of the current WSS investment projects for nearest five years.
Project communities remain committed to paying for improved services	S	As of 30 September 2010, all the communities covered by the Project remains committed to paying for improved services
Satisfactory arrangements are made for the management and operation of the water utility company after the current	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.

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

management contract expires		
Local communities are willing to enter into water service agreements with the water utility company	S	As of 30 September 2010 only 8 villages presented below were selected for Investment under WSS Project and are willing to enter AWSC service perimeter: Surenavan, Armash, Yeraskh, Malishka, Nor Aznaberd, Aygetap, Metsavan and Sarchapet
Water resources remain protected and reliable	S	As of 30 September 2010 all water resources under the Project remain protected and reliable
Water quality standards do not change	S	During the WSS Construction Works, the Water quality standards are directly improved in the 6 Subproject's settlements i.e. Artik, Ashotcq, Aparan, Yeghegnadzor, Berd and Noyemberyan Subprojects, due to the rehabilitation of the sources and chlorination.
All communities are willing to pay for improved water supply and sanitation (WSS) services	S	All 8 communities which will enter the AWSC service perimeter 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. The AWSC will be transferred to the Lease Contract operation in 2011.
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 starting from 2008 fielded 1 (one) Loan Inception Mission and 4 (four) Loan Review Missions (the Mission) in order to provide guidance and assistance to the EA and the IA at the initial stage of the project implementation and to ensure smooth commencement of implementation of the Project: 12 – 21 June 2008, 26 March – 3 April 2009, 20 – 25 November 2009, 3 – 9 May 2010, 21 – 27 November 2010
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. The AWSC will be transferred to the Lease Contract operation in 2011.
Delays in the implementation of agreed improvements to be made in financial and legal reforms	S	The ADB starting from 2008 fielded 1 (one) Loan Inception Mission and 4 (four) Loan Review Missions (the Mission) in order to provide guidance and assistance to the EA and the IA at the initial stage of the project implementation and to ensure smooth commencement of implementation of the Project. 12 – 21 June 2008, 26 March – 3 April 2009, 20 – 25 November 2009, 3 – 9 May 2010, 21 – 27 November 2010. The State Committee of Water Systems of RA (SCWS) has already started the process of introducing the Lease Contract for water services to be concluded in 2011. The Management Contract with SAUR Company has been prolonged from 19 October 2010 to 19 October 2011. The financial criterion for the lease contract tender will probably be the lowest tariff which will then be applied as the effective tariff.

B. Outputs

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

Table I-3: Project Outputs³

Item	Indicators / Targets	Revised 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.	1. Water supply and sewerage systems (sewerage systems only subject to urgent rehabilitation) in 23 towns and 116 villages rehabilitated, replaced (partially or fully) and/or extended by 2012.	As of 30 September 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, • Additionally 14 settlements (7 towns and 7 villages) are selected for the investment in the frame of the new added 7 subprojects after draft submission of FS and PD. • FS, PD and DD are completed for the Subprojects I – XVIII, • FS, PD and DD are ongoing for the New 7 Subprojects,

³ As required in the PPR Implementation Progress Supplementary Document.

			<ul style="list-style-type: none"> • Construction works under 18 contracts are ongoing, 1 (one) is terminated. • Construction works under 13 contracts are completed with hand-over, 1 (one) more contract physically completed and now under the hand-over preparation.
	2. Water meters installed to all bulk and domestic consumers in 16 towns	2. Water meter chambers with water meters installed in all areas of project implementation, with the total number of about 19,000 water meter chambers.	About 9,000 water meters out of about 19,000 installed in the frame of the works under 14 WSS 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	100% of population in project towns and villages has access to safe water supply in average for at least 12 hours per day by 2012. The urgent sewerage rehabilitation works will be done only, because the lack of the investment	Up to now 14 contracts from 33 are completed, the rest 18 are under the construction and 1 (one) is terminated. In the areas which are covered by 14 physically completed Civil Works contracts, 100% population in project towns and villages have access to safe water supply, that meet Armenia quality standards, for about 16 hours per day in the average by 30.10.10. Only few extremely urgent sewerage rehabilitation works have been done in the frame of 14 physically completed Civil Works contracts, due to the lack of the investment amount.
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.	1. Non-revenue water is reduced from 40-90% in 2007 in various towns and villages to 30% in all locations by 2012.	AWSC's training strategy works are being implemented accordingly
	2. Tariff collection efficiency is improved from 40% in 2007 to 90% in 2012	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	3. Technical and financial management training provided to all project towns and villages	AWSC's training strategy works are being implemented accordingly
Improved community management skills	1. 35 small water management units for the project villages not covered by AWSC are developed by 2012		Based on the discussions with ADB during the Loan Review Mission from 20 – 25 November 2009, it was decided not to cover this task under the Project. The villages which will enter AWSC perimeter during the Project Implementation will automatically be maintained and operated by AWSC.
	2. Technical and financial management training provided to all small water management units.		Based on the discussions with ADB during the Loan Review Mission from 20 – 25 November 2009, it was decided not to cover this task under the Project. The villages which will enter AWSC perimeter during the Project Implementation will automatically be maintained and operated by AWSC.

C. Special Features

6. **Current status of Pilot Zone - Qarashamb Project (part of Subproject VI - Abovyan).** To demonstrate 100% water supply coverage, 100% metering, 24-hour water supply, and 100% collection efficiency, the Project planned to select a pilot zone and fix all the identified problems related to physical

interventions and improve governance. The purpose of this exercise is to help gain the confidence of consumers in the project area in an efficient and strongly governed water supply and sanitation system that can work for people's welfare, and help the AWSC to replicate it smoothly on other project areas.

To this end, AWSC has selected a pilot zone in Qarashamb. As of 30 September 2010, the people in the village already receive 24-hour water supply. In spite of the fact that Subproject VI - Abovyan is not completed yet, as of 30 September 2010 in Qarashamb village 100% network rehabilitated, 100% water meter chambers with water meters already installed, Daily Regulation Reservoir (DDR) rehabilitated and 100% collection efficiency expected, so the major actions and/or measures are already taken. This information was/will be disseminated to other project towns and villages for replication. The overall progress of the pilot zone scheme is 93% and it will be completed by the end of the year.

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 **263** preliminary studied in the frame of the **18** subprojects as of 31 March 2010. The urgent WSS improvements will be implemented in additional 7 subprojects covering 14 settlements (7 rural towns and 7 villages).

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 30 September 2010 during the Feasibility Studies, Preliminary and Detailed Design process about 64 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.

B. Engineering Designs and Construction Implementation

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

8. As of 30 September 2010, the works for development of Environmental Management Plans (EMP) and Monitoring measures have been done for all **33 Civil-Works Contracts** concluded in the frames of the project's 18 Subprojects. Out of **33** Contracts, **13** are already completed with hand-over, **1** (one) is physically completed and under the hand-over preparation, **18 Civil-Works Contracts ongoing** and **1 (one) NCB No. L2363-NCB-1-18 "Improvement of Water Supply and Wastewater Systems of Agarak Town and Karchevan Village in Meghri Area" Contract is terminated** as of 17.08.2010. The reason for the termination of the above mentioned Contract was the fact that the Contractor fails to proceed with the Contract Works. It is planned to re-bid the tender for the rest scope of works in November 2010.

For the Amount of about **6 mln. USD**, which was reallocated for the Civil Works, the Consultant conducts and implementing the FS, PD and DD works in the frame of 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 October 2010).

The preliminary list of new 7 Subprojects as well as the scope and indicative budgets for the new 7 Subprojects was reviewed by the AWSC in the II Quarter of 2010. The information on the status of works for 18 Subprojects and 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 Construction Supervision activities as well as Preparation of Preliminary and Detailed Designs for New 7 subprojects (as of 30 September 2010)

N	Subproject	Settlements	Contr. No	Date of contract signing	% Completed	Activ. Stage	Remarks on Implementation
1	Artashat	Lanzajat, V.Dvin, Dvin, Mrgavet	1-06	12.12.2008	98%	CS	Extended to 01.12.2010
		Kaghtsrashen, Norashen, Getazat, Arevshat, Abovyan, Kanachut	1-24	16.09.2009	100%	FC	Completed 03.03.2010
		Artashat town	1-25	25.02.2010	68%	CS	Ongoing
2	Vedi	Surenavan, Armash, Yeraskh	1-05	02.02.2009	100%	FC	Completed 02.02.2010
		Vedi town	1-07/1	07.04.2009	100%	FC	Completed 24.12.2009
		Taperakan, Ginevet, Nor Ughi, Vanashen, Urtsadzor, Dashtakar	1-07/2	07.04.2009	100%	FC	Completed 10.12.2009
3	Masis	Getapnya, Darakert, Dashtavan, Norabats	1-08/1	16.02.2009	100%	FC	Completed 16.02.2010
		Masis, Nor Kyuri, Marmarashen	1-08/2	18.02.2009	100%	FC	Completed 15.01.2010
		Ghukasavan, Khachpar, Arbat, Zorak	1-08/3	07.05.2009	100%	FC	Completed 24.02.2010
		Ayntap, water main (DN500, L=250,0m)	1-08/4	03.07.2009	100%	FC	Completed 14.05.2010
		DRR, water main (2xDN400, 2xL=900,0m)	1-08/5	11.09.2009	97%	CS	Extended to 30.12.2010
		Ghukasavan-Geghanist water main (2xDN300, L=1350,m 2xde250, E=750,0m)	1-08/6	27.02.2009	97%	CS	Extended to 30.12.2010
4	Sevan	Sevan town-Tsamakaberd district, Tsovazard, Lchashen	1-09/1	08.04.2009	98%	CS	Extended to 30.11.2010
		DRR, Hayravank, Berdkunk, Lchap	1-09/2	30.07.2009	74%	CS	Extended to 30.12.2010
5	Echmiatsin-1	Echmiatsin city	1-03	04.12.2008	100%	FC	Extended to 28.02.2010, Completed 26.02.2010
		Echmiatsin city, Voskevaz	1-10/1	18.07.2009	100%	FC	Completed 22.02.2010
		Voskehat (Arg), Oshakan	1-10/2	22.07.2009	100%	FC	Extended to 01.09.2010, Completed 31.08.2010
6	Abovyan	Abovyan city, Qahsi, Qarashamb	1-11	11.09.2009	71%	CS	Ongoing
7	Aparan	Tsaghkahovit, Shenkani, Rya Taza, Vardablur, Sangyar, Geghadzor, Berkarat, Amre Taza, Geghadir, Hnaberd	1-12	25.12.2009	42%	CS	Ongoing
8	Berd	Berd town	1-13	11.08.2009	61%	CS	Extended to 01.12.2010
9	Noyemberyan	Noyemberyan, Ayrum towns, Haghtanak, Deghdzavan,	1-14	01.03.2010	73%	CS	Ongoing
10	Charentsavan	Charentsavan, Solak, Argel	1-15	02.04.2010	7%	CS	Ongoing
11	Echmiatsin-2	Talin town	1-04	07.11.2008	100%	FC	Extended to 15.12.2009, completed 15.11.2009
		Ujan, Aragatsotn, Nor Yedesia, Kosh, Dprevank, Shamiram	1-16	18.02.2010	57%	CS	Ongoing
12	Armavir	Argina, Shenik, Arevadasht, Artamet	1-17	05.03.2010	45%	CS	Ongoing
13	Meghri	Agarak town, Karchevan	1-18	29.12.2009	31,7%	CS	Terminated
14	Goris	Goris town	1-01	30.09.2008	100%	FC	Extended to 31.12.2009, completed 26.12.2009
		Goris town and villages	1-19	29.01.2010	55%	CS	Ongoing
15	Sisian	Sisian town and villages	1-20	30.12.2009	58%	CS	Ongoing
16	Artik	Mantash river intake	1-02	09.01.2009	100%	FC	Extended to 01.09.2010 Physically completed
		Artik town and villages	1-21	18.06.2010	15%	CS	Ongoing
17	Ashotsk	Ashotsk, Torosgyugh, Vardablur, Musayelyan, Hartashen, Zuygaghbyur,	1-22	10.03.2010	86%	CS	Ongoing

		Karmravan, Bavra					
18	Yeghegnadzor	Yeghegnadzor town, Getap, Gomq, Maliska, Shatin, Nor Aznaberd	1-23	02.04.2010	48%	CS	Ongoing
Average Progress of Construction Implementation					77,8%		
New Additional 7 Subprojects							
19	Kapan	Improv. of Kapan Town WS Systems	1-26		100% 80%	PD DD	Completed Ongoing
20	Ijevan	Improv. of Ijevan Town WS Systems	1-27		100% 80%	PD DD	Completed Ongoing
21	Tashir	Improv. of Tashir Town and Metsavan, Sarchapet vill. WS Systems	1-28		100% 50%	PD DD	Completed Ongoing
22	Stepanavan	Improv. of Stepanavan Town WS Systems	1-29		100% 50%	PD DD	Completed Ongoing
23	Alaverdi, Axtala	Improv. of Alaverdi, Axtala Towns and Odzun vill. WS Systems	1-30		90% 0%	PD DD	Ongoing Ongoing
24	Sevan-Gagarin Main	Improv. of Sevan Main Movement, Gagarin Town WS Systems	1-31		90% 0%	PD DD	Ongoing Ongoing
25	Vedi-Ararat	Improv. of Noyakert, Yeghegnavan, Aygetap, Mkchan vill. WS Systems	1-32		100% 80%	PD DD	Completed Ongoing

2. Physical Progress of Ongoing Contracts

9. The average Physical Progress Ratio (PPR) for **33** already signed contracts **as of 30 September 2010** is **PPR1 = 78,23%**; the PPR for both of signed and future **40** contracts is **PPR2 = 64,54%**. The detailed information is presented in the table below. For the actual understanding of the Construction Progress Activity/ Speed under the Project it would be better to accept the **PPR1**. The Project Implementation Period is 5 years (2008, 2009, 2010, 2011, 2012). Taking into the consideration the fact that the Loan was declared Effective on 28 May 2008, we can say that as of **30 September 2010** only 2,4 years of the Project Implementation Elapsed. So up to now **48%** of time elapsed and **78%** of Civil Works already done and about **20%** of civil works was added (New 7 Subprojects). Under the Project up to now covers the population of about **626,714** residents of the project towns and villages, comparing to the population of **576,000** residents of the project towns and villages, preliminary indicated in the "Report and Recommendation of the President to the Board of Directors" of 40296-ARM-RRP.

Table II-2: Status of Physical Progress of Ongoing and Future Contracts (as of 30 Sept. 2010)

N	Contract No.	Name of Contract	No. Town/Villages included	Popul.	Date of Contract Award Constr. Start	Date of Contract Completion Constr. Finish	Prelimin. Construction Duration	Constr Time	Time Elapsed %	Phys Progr %
1	L2363-NCB-1-01	Impr. of Goris Town WSS	1	23200	30.09.2008	Completed 26.12.2009	365	451	124	100
2	L2363-ICB-1-02	Impr. of Artik Town WSS	1	21500	09.01.2009	Extended to 01.09.2010	365	646	178	100
3	L2363-ICB-1-03	Impr. of Echmiatsin Town WSS	1	57200	04.12.2008	Completed 26.02.2010	365	448	123	100
4	L2363-NCB-1-04	Impr. of Talin Town WSS	1	7540	07.11.2008	Completed 15.11.2009	365	373	102	100
5	L2363-ICB-1-05	Impr. of Suren, Armash, Yeraskh WSS	3	5654	02.02.2009	Completed 02.02.2010	365	365	100	100
6	L2363-NCB-1-06	Improvement of Artashat WSS	4	9859	12.12.2008	Extended to 01.12.2010	365	680	186	98
7	L2363-NCB-1-07/1	Impr. of Vedi-Ararat Reg.Setl.WSS, Pack.1	1	14800	07.04.2009	Completed 24.12.2009	365	261	71	100
8	L2363-NCB-1-07/2	Impr. of Vedi-Ararat Reg.Setl.WSS, Pack.2	6	12333	07.04.2009	Completed 10.12.2009	365	247	67	100
9	L2363-NCB-1-08/1	Impr. of Masis Reg.Setl.WSS, Package 1	4	9134	16.02.2009	Completed 16.02.2010	365	365	100	100
10	L2363-NCB-1-08/2	Impr. of Masis Reg.Setl.WSS, Package 2	3	26391	18.02.2009	Completed 15.01.2010	365	331	90	100

11	L2363-NCB-1-08/3	Impr. of Masis Reg.Setl.WSS, Package 3	4	8986	07.05.2009	Completed 24.02.2010	365	293	80	100
12	L2363-NCB-1-08/4	Impr. of Masis Reg.Setl.WSS, Package 4	1	9040	03.07.2009	Completed 14.05.2010	365	311	85	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	Extended to 01.12.2010	365	355	100	97
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 01.12.2010	365	552	151	97
15	L2363-NCB-1-09/1	Impr. of Sevan Reg.Setl.WSS, Package1	3	30365	08.04.2009	Extended to 30.11.2010	365	510	139	98
16	L2363-NCB-1-09/2	Impr. of Sevan Reg.Setl.WSS, Package2	3	2414	30.07.2009	Extended to 30.12.2010	365	425	116	74
17	L2363-NCB-1-10/1	Impr. of Echmiatsin Reg. Setl. WSS, Package 1	2-1	4700	18.07.2009	Completed 22.02.2010	365	219	60	100
18	L2363-NCB-1-10/2	Impr. of Echmiatsin Reg. Setl. WSS, Package 2	2	6730	22.07.2009	Completed 31.08.2010	365	434	119	100
19	L2363-ICB-1-11	Impr. of Abovyan Reg. Setl. WSS	3	49865	11.09.2009	11.03.2011	548	384	70	71
20	L2363-ICB-1-12	Impr. of Aparan Region Setl. WSS	10	9117	25.12.2009	25.12.2010	365	279	76	42
21	L2363-NCB-1-13	Impr. of Berd Reg. Setl. WSS	1	8600	11.08.2009	Extended to 01.12.2010	365	415	113	61
22	L2363-NCB-1-14	Impr. of Noyemberyan Reg. Setl. WSS	4	13264	01.03.2010	01.03.2011	365	209	57	73
23	L2363-NCB-1-15	Impr. of Charentcavan Reg. Setl. WSS	3	30740	02.04.2010	02.04.2011	365	178	49	7
24	L2363-NCB-1-16	Impr. of Echmiatsin-2 RS WSS	6	10772	18.02.2010	18.02.2011	365	225	62	57
25	L2363-NCB-1-17	Impr. of Armavir Reg. Setl. WSS	4	2258	05.03.2010	05.03.2011	365	208	57	45
26	L2363-NCB-1-18	Impr. of Meghri Reg. Setl. WSS	2	6303	29.12.2009	Terminated 17.08.2010	365	275	75	31,7
27	L2363-NCB-1-19	Impr. of Goris Reg. Setl. WSS	1-1	0	29.01.2010	29.01.2011	365	245	67	55
28	L2363-NCB-1-20	Impr. of Sisian Reg. Setl. WSS	1	16800	30.12.2009	30.12.2010	365	274	75	58
29	L2363-NCB-1-21	Impr. of Artik Reg. Setl. WSS	14-1	22278	18.06.2010	18.06.2011	365	102	28	15
30	L2363-NCB-1-22	Impr. of Ashotsk Reg. Setl. WSS	9	5353	10.03.2010	10.03.2011	365	170	46	86
31	L2363-NCB-1-23	Impr. of Yeghegnadzor Reg. Setl. WSS	6	19614	02.04.2010	02.04.2011	365	178	49	48
32	L2363-NCB-1-24	Impr. of Artashat Reg. Setl. WSS	6	14734	16.09.2009	Completed 03.03.2010	365	197	54	100
33	L2363-NCB-1-25	Impr. of Artashat Town WSS	1	25733	25.02.2010	25.02.2011	365	218	60	68
34	L2363-ICB-1-26	Impr. of Kapan Town WSS	1	46750	-	-	-	-	-	0
35	L2363-NCB-1-27	Impr. of Ijevan Town WSS	1	20400	-	-	-	-	-	0
36	L2363-NCB-1-28	Improv. of Tashir Town and Metsavan, Sarchapet vill. WS Systems	3	22752	-	-	-	-	-	0
37	L2363-NCB-1-29	Improv. of Stepanavan Town WS Systems	1	16600	-	-	-	-	-	0
38	L2363-NCB-1-30	Improv. of Alaverdi, Axtala Towns and Odzun vill. WS Systems	3	16957	-	-	-	-	-	0
39	L2363-NCB-1-31	Improv. of Sevan Main Movement, Gagarin Town WS Systems	1	6672	-	-	-	-	-	0
40	L2363-NCB-1-32	Improv. of Noyakert, Yeghegnavan, Aygetap, Mkchan vill. WS Systems	4	11306	-	-	-	-	-	0
TOTAL			123	626714		-	-	-	-	-

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 30 September 2010, the number of 19 Civil Works Contracts proceeds in the frame of the Project out of 33 Civil Works Contracts and 14 Civil Works Contracts are completed.

The information on environmental impact mitigation measures determined in the EMPs has been updated once again for the civil works carried out under the ongoing Contracts. Information meetings have been held for the construction companies, as well as for the technical supervision team.

During the acceptance of the completed Civil Works Contracts special attention has been paid to the restoration of the construction sites. Based on the EMP, each construction site should be turned into its former appearance after completion of the civil works. The compliance of environmental impact mitigation measures during restoration of the construction site has been controlled by the Environmental Specialist via visits thereto. In all towns the destroyed asphalt covers of the roads have been reinstated after completion of the rehabilitation of water supply networks, the installation of water meter chambers and other civil works, and in the subject rural communities the earth roads have been restored. The photos are attached in the Appendix 6 “Pictures from Site Visits”. As a summary of III quarter 2010 a training-discussion was held in AWSC Training Center on Environmental issues and Safety measures. The initiator of the meeting was the General Director of AWSC Mr. Patrick Lorin. All the materials related to the Environmental Impact and Technical Safety was prepared by the respective specialist.

There were invited the Contractors who implemented the construction works in the frame of “Water Supply and Sanitation (Sector) Project” financed by ADB, “Lake Sevan Environmental project” financed by the EBRD, as well as other contractors who implemented the works within the service area of AWSC.

The main objective of the meeting was to notify once again about the nature protection requirements and safety measures during the physical implementation, as many deviations were recorded.

By means of pictures taken in the construction sites the Contractors were explained in detailed the importance of strict compliance with the environmental and safety measures. It was also stated that all the financial institutions were strictly followed these issues, as the non-compliance with the defined requirements would lead to the negative relationships with donors and would definitely hinder the process of receiving the additional financing.

The general director particularly mentioned that the mechanism of penalties and fines which ought to be applied for the negative impact to the environment, were not applied so far. Hence, it was decided, anyway, to apply the financial penalty mechanism to the Contractors, because the defined environmental and safety rules were continuously violated.

Site visits fielded by the environmental specialist revealed many deviations from the mitigation measures prescribed in the EMP in almost all the subprojects.

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 20.04.10 to Goris town
- Visit dated 06.05.10, to Masis and Artashat regions villigies
- Visit dated 13.05.10 to Echmiadzin town and regions
- Visit dated 13.05.10 to Vedi regional villages Surenavan, Armash, Eraskh
- Visit dated 03.06.10 to Noemberyan town
- Visit dated 15.06.10 to Armavir regions and villages
- Visit dated 24.06.10 to Sisian and Goris towns

Visit dated 28.03.10 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, 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.

3. 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.

4. 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. Numerous people, particularly women, at the meetings held in the sites of completed projects have voiced their positive opinions about the water issues resolved in the result of the civil works implemented.

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. The TOR for the Component B activities was jointly review by both AWSC and the Consultants during the Loan Review Mission in the period of 26 March - 3 April 2009 and amended on 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. All Summary reports on the implemented works are submitted to AWSC. The only remained activity under the Project current implementation in the frame of this component is the Public Outreach Program.

B. Technical Staff Training

17. Under the Financial Management Improvement task the following was implemented:

- Construction supervision staff training completed. **The final training report submitted to AWSC 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.
- Asset management group training completed. **The final training report submitted to AWSC 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. Under the Financial Management Improvement task the following was implemented:

- Accounting staff training (item 5 of the detailed work plan) - completed. **The final training report submitted to the Client on 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 tasks are completed.
 1. **Assessment of the existing accounting system** (including the established procedures and the accounting software efficiency and reliability). The strategy basics of the accounting system is developed, the options for the optimal organizational structure for improvement of accounting performance are determined, the advisability to transfer from the existing branch structure to centralized structure is discussed. **The special report was prepared and submitted to AWSC on 18.01.2010.**
 2. Accounting policy (adding a new chapter on income and cost centers and revision conditioned with changes in accounting standards) revised. **The special report was prepared and submitted to AWSC on 18.01.2010.**
 3. Accounting Handbook revised, joint discussions are carried out. **The special report was prepared and submitted to AWSC on 18.01.2010.**

4. Determination of the requirements for the new accounting software was carried out. **The special report was prepared and submitted to AWSC on 18.01.2010.**
- Under the Commercial management system improvement activity, the assessment of the existing billing software and proposing an efficient reporting system, revision of the existing AWSC's Commercial policy were carried out. **A special report has been prepared and submitted to AWSC on 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 has been prepared and submitted to the Client on 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 has been prepared and submitted to the Client on 31.05.2010.**
 3. The Consultant developed the basics of the concept of data models for water supply and wastewater networks of AWSC. **The preliminary report has been prepared and submitted to the Client on 15.03.2010.**

D. Public Outreach Program

19. The public awareness campaign works have been restarted from the 2nd quarter of 2010. **A summary progress report has been prepared and submitted to the Client on 15.10.2010.**

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 has been prepared and submitted to the Client on 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 has been 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 for Armenia has been changed to 95%.** 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	\$13 710 914.63	\$ 10 176 745.25	\$ 3 534 169.38
2	Equipment and Materials	\$10 195 410.83	\$ 8 599 020.37	\$ 1 596 390.46
3	Training	0	0	0
4	Consulting Services	\$ 2 285 004.75	\$ 1 945 841.28	\$ 339 163.47
4A	Management, Design and Supervision	\$ 1 843 534.26	\$ 1 536 952.27	\$ 306 581.99
4B	Project Management	\$ 441 470.49	\$ 408 889.01	\$ 32 581.48
5	Interest Charge	\$ 164 098.95	\$ 164 098.95	0
6	Unallocated	0	0	0
7	Incremental Costs	\$ 168 846.68	\$ 163 161.56	\$ 5 685.12

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 (01.04.10-01.10.10) under the Category No.1 "Works"; 3 Civil Works Contracts were awarded to the lowest evaluated substantially responsive bidders, 3 Civil Works Contracts were physically completed (two of them with the take over certificates) and one Civil Works contract was terminated.

Under the Category No.2 "Equipment and Materials"; 2 ICB contracts for the Procurement of Equipment and Materials, one shopping contract for the Procurement of Steel Pipes and one direct contract for the Procurement of Office Equipment were signed.

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	Contract Signing	Contract Completion, planned or actual	Contr. No.	Status
1.	Improvement of WSS Systems					
1.2	Impr. of Artik Town WSS	W	09.01.2009	Extended to 01.09.2010	1-02	Physically Completed
1.8.4	Impr. of Masis Reg.Setl.WSS, Package 4	W	03.07.2009	14.05.2010	1-08/4	Completed
1.10.2	Impr. of Echmiatsin Reg. Setl. WSS, Package 2	W	22.07.2009	31.08.2010	1-10/2	Completed
1.15	Improv. of Charentcavan Reg. Setl. WSS	W	02.04.2010	02.04.2011	1-15	Ongoing
1.18	Improvement of Meghri Reg. Setl. WSS	W	29.12.2009	17.08.2010	1-18	Terminated
1.21	Improvement of Artik Reg. Setl. WSS	W	18.06.2010	18.06.2011	1-21	Ongoing
1.23	Improv. of Eghegnadzor Reg. Setl. WSS	W	02.04.2010	02.04.2011	1-23	Ongoing
2.	Equipment and Materials					
1.2	Impr. of Artik Town WSS	G	09.01.2009	Extended to 01.09.2010	1-02	Physically Completed

⁴ As required in the PPR Implementation Progress Supplementary Document.

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

1.8.4	Impr. of Masis Reg.Setl.WSS, Package 4	G	03.07.2009	14.05.2010	1-08/4	Completed
1.10.2	Impr. of Echmiatsin Reg. Setl. WSS, Package 2	G	22.07.2009	31.08.2010	1-10/2	Completed
1.15	Improv. of Charentcavan Reg. Setl. WSS	G	02.04.2010	02.04.2011	1-15	Ongoing
1.18	Improvement of Meghri Reg. Setl. WSS	G	29.12.2009	17.08.2010	1-18	Terminated
1.21	Improvement of Artik Reg. Setl. WSS	G	18.06.2010	18.06.2011	1-21	Ongoing
1.23	Improv. of Eghegnadzor Reg. Setl. WSS	G	02.04.2010	02.04.2011	1-23	Ongoing
2.6.1	Equipment and Materials, Lot 1	G	24.08.2010		2-06/1	Ongoing
2.6.2	Equipment and Materials, Lot 2	G	02.09.2010		2-06/2	Ongoing
2.9.1	Office Equipment	G	20.04.2010		2-11	Ongoing
2.11	Steel Pipes	G	28.09.2010		2-12	Ongoing

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 October 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 1 and Category 2 - Current payments by the Interim Payment Certificates under the Civil Works Contracts under the 33 Civil Works Contracts.
2. Category 2 - Procurement of office furniture, IT equipment and Vehicles for PMU and PCU, and accounting Software.
3. Category 4A – Seven quarterly invoice payments for the Designs implemented by the Consultant.
4. Category 4B - Remuneration payments to PMU and PCU staff and to legal consultant.
5. Category 5 – Interest Charge is charged from ADB side periodically.
6. Category 6 – Incremental Costs is used in accordance with the current Project needs.

The **Appendix 3** provides details on the disbursements made from Imprest Account during the reporting period. The Projections for the disbursement in 2011 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	\$ 803 246.01	\$ 2 669 225.67	\$13 710 914.63
2	Equipment and Materials	\$ 3 854 495.41	\$ 7 354 458.33	\$10 195 410.83
3	Training	0	0	0
4	Consulting Services	\$ 131 458.05	\$ 542 936.39	\$ 2 285 004.75
4A	Management, Design and Supervision	\$ 82 965.88	\$ 415 024.75	\$ 1 843 534.26
4B	Project Management	\$ 48 492.17	\$ 127 911.64	\$ 441 470.49
5	Interest Charge	\$ 83 123.73	\$ 136 591.76	\$ 164 098.95
6	Unallocated	0	0	0
7	Incremental Costs	\$ 22 140.67	\$ 53 598.14	\$ 168 846.68

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

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 third quarter of 2010 the applications No.30 - No.33 were submitted to ADB. Reimbursement for the above mentioned applications was done as follows: WA No.29 -718 145.45 USD, WA No.30 – 930 352.12USD, WA No.31 – 652 261.21USD, WA No.32 – 871 800.02USD.

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	\$ 2,764,482.45
Difficulties in getting the allocated amount released due to budgetary or other procedures	None

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 current QPR is accumulative for both II and III quarters of 2010.](#)

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 \(PPMS\) table. The baseline dates for the end of 2009 will be submitted in the next IV QPR of 2010. 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 3 – 8 May 2010.](#) 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.](#)

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" have been conducted for the accounts incurred from 31 December 2008 up to 31 December 2009 and the respective report have been submitted to ADB on 29 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	The preliminary list of new 7 Subprojects as well as the scope and indicative budgets for the new 7 Subprojects was reviewed by the AWSC in the II Quarter of 2010 (see the Appendix 2 Procurement Plan)
Status of preparation of Preliminary and Detailed Designs (PD and DD) for the new 7 Subprojects	New Subprojects I – VII	PD is almost finalized for all new additional 7 Subprojects, DD is ongoing
EMP done for the Subprojects:	I - XVIII	EMP's are done for the Subprojects 1 to 18, after the Completion of DD's for new 7 Subprojects the 7 EMP's will be done accordingly
Status of Physical Progress of Ongoing Contracts	the construction works under 18 Civil Works contracts are ongoing, 1 is terminated, 14 contracts are physically completed (13 of them with hand over	During the reporting period (01.04.10-01.10.10) under the Category No.1 "Works"; 3 Civil Works Contracts were awarded to the lowest evaluated substantially responsive bidders, 3 Civil Works Contracts were physically completed (two of them with the take over certificates) and one Civil Works contract was terminated. Under the Category No.2 "Equipment and Materials"; 2 ICB

	certificates)	contracts for the Procurement of Equipment and Materials, one shopping contract for the Procurement of Steel Pipes and one direct contract for the Procurement of Office Equipment were signed. The progress with the construction is high, about 78%, only one contract was terminated, the Advance Payment and Performance Securities were withdrawn, for the rest scope the new tender would be announced in the end of November 2010.
Loan Review Mission	In 2010 ADB has fielded the Loan Review Mission (the Mission) in the period of 3 – 8 May 2010	The Mission visited 7 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”)	-	The total amount of 18 sessions of PGC was held from the beginning of the Project. The 4 sessions (No.15-No.18), during the II and III quarters.
Counterpart Financing	-	Adequately provided for the III quarter of 2010, the amount is still enough.

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	Ext., Construction Supervision (CS), will be completed
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	Completed
Subproject 3 – (Masis) package 3.5	Construction Supervision (CS) ongoing, will be completed
Subproject 3 – (Masis) package 3.6	Construction Supervision (CS) ongoing, will be completed
Subproject 4 – (Sevan) packages 4.1	Construction Supervision (CS) ongoing, will be completed
Subproject 4 – (Sevan) packages 4.2	Construction Supervision (CS) ongoing, will be completed
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	Completed
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 completed
Subproject 9– (Noyemberyan)	Construction Supervision (CS) ongoing, will be completed

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 completed
Subproject 12– (Armavir)	Construction Supervision (CS) ongoing, will be continued
Subproject 13– (Meghri)	Contract Terminated (CT), will be re-bided and continued
Subproject 14– (Goris), Goris Town, Contract No. 1-01	Completed
Subproject 14– (Goris)	Construction Supervision (CS) ongoing, will be completed
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 completed
Subproject 16– (Artik)	Construction Supervision (CS) ongoing, will be continued
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 November 2010
Subproject 20– (Ijevan)	DD works will be finalized in November 2010
Subproject 21– (Tashir)	DD works will be finalized in November - December 2010
Subproject 22– (Stepanavan)	DD works will be finalized in November - December 2010
Subproject 23– (Alaverdi, Akhtala)	DD works will be finalized in January 2011
Subproject 24– (Sevan- Gagarin Main)	DD works will be finalized in January 2011
Subproject 25– (Vedi-Ararat)	DD works will be finalized in November 2010

COMPONENT B. MANAGEMENT IMPROVEMENT AND DEVELOPMENT

48. The public awareness campaigns will be conducted for the ongoing and new added 7 subprojects respectively.

They include the following:

1. Abovyan region, VI Subproject, CS phase works for Abovyan urban and rural communities.
2. Aparan region, VII Subproject, CS phase works for Aparan urban and rural communities.
3. Charentsavan region, X Subproject, CS phase works for Charentsavan urban and rural communities
4. Armavir region, XII Subproject, CS phase works
5. Meghri region, XIII Subproject, CS phase works for Agarak urban and Karchevan rural communities.
6. Sisian region, Subproject XV, CS phase works for Sisian urban community.
7. Artik region, Subproject XVI, CS phase works for Artik urban community.
8. Ashotsk region, XVII Subproject, CS phase works
9. Yeghegnadzor region, XVIII Subproject, CS phase works for Yeghegnadzor town and 5 rural communities.
10. Kapan region, XIX Subproject, DD phase works
11. Ijevan region, XX Subproject, DD phase works
12. Tashir region, XXI Subproject, DD phase works for Tashir town and 2 rural communities.
13. Stepanavan region, XXII Subproject, DD phase works
14. Alaverdi-Akhtala region, XXIII Subproject, DD phase works for Alaverdi, Axtala towns and 1 rural community.
15. Sevan region, XXIV Subproject, DD phase works for Gagarin urban community.
16. Vedi-Ararat region, XXV Subproject, DD phase works for 4 rural communities.

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

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

A. Organization of PGC sessions

49. The Project Governing Council's session N15, N16, N17 and N 18 were held correspondingly on 22 April 2010, 19 May 2010, 11 June 2010 and 26 July 2010.

During the sessions the following issues were considered:

- Approval of reallocation of the means provided under the Loan Agreement N2363-ARM (SF) for the ADB Water Supply and Sanitation (Sector) Project.
- Approval of the Results of L2363-ICB-1-21 "Improvement of Water Systems of Artik town and the Settlements in the Area" Bidding Held in the Bounds of the Water Supply and Sanitation (Sector) Project.
- Postponing of Approval of the "AWSC" CJSC Report on Implementation Progress of the Water Supply and Sanitation (Sector) Project during the First Quarter of 2010.
- Approval of the "AWSC" CJSC Report on Implementation Progress of the Water Supply and Sanitation (Sector) Project during the First Quarter of 2010.
- Approval of the Water Supply and Sanitation (Sector) Project Procurement Plan.

Approval of the "AWSC" CJSC Report on Implementation Progress of the Water Supply and Sanitation (Sector) Project during the Second Quarter of 2010.

B. Preparation and Submission of Government and Prime Minister Decrees

50. During the second quarter of 2010 the following Government Decree was prepared and submitted to the Government of RA for approval:

- Approval of the Results of L2363-ICB-1-21 "Improvement of Water Systems of Artik town and the Settlements in the Area" Bidding Held in the Bounds of the Water Supply and Sanitation (Sector) Project (Government Decree N 738-A of 17 June 2010).

C. Organization of Meetings for ADB Mission

51. The following meetings were held during the reporting period:

- In frames of Nepali Study Tour to Armenia from September 14-19 organized by ADB, a meeting was organized with the SCWS and AWSC and the other meetings were coordinated together with ADB Liaison Office in Armenia.
- Coordination of corresponding meetings in frames of ADB Board of Directors visit to Armenia from September 30 to October 4 together with ADB Liaison Office in Armenia.
- Meeting with the SCWS Chairman and the ADB mission held on 3-9 May 2010 was organized. The corresponding documentation and information was provided both to SCWS and ADB. The Action Plan according to the Aide Memoir was prepared and is under PCU monitoring.

D. Site Visits

52. Together with the AWSC management, PMU and Project Consultants the Project Coordinator – Engineer had site visits to Artik, Echmiadzin, Masis and Vedi-Ararat regions.

E. Participation in the Bidding Commission works and Meetings on Technical and Economical Issues

53. The Project Coordinator – Engineer as a member of Bidding Commission participated in the organizational works of bidding processes as well as participated in the meetings on technical and economical issues of the Project held between AWSC, PCU, PMU, Project Consultants and regional WSS specialists.

F. Withdrawal Applications

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

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

55. Submission of monthly statements to the Chairman and Deputy Chairman of the State Committee on Water Systems regarding i) project implementation progress, ii) implemented iii) coming tenders, iv) tenders participants, v) construction process and vi) financial statue of the construction.

Presentation to the SCWS management of 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 the references concerning the works implemented in the particular region in the scope of the Project.

Working meetings on Project issues were organized with representatives of PGC, ADB Yerevan office, AWSC, Project Consultants and corresponding NGOs.

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

56. Submission Coordinating the Project issues and submitting statements and references to the Government of RA, Ministries and other Government Bodies upon request.