

## CASE STUDY 14: CLEANING UP ARMENIA'S LAKE SEVAN

High in the mountains of Armenia lies Lake Sevan, the largest body of water in the Caucasus. It is the country's main water resource and an important tourist and recreational attraction.

Over the past decade most of the region's small waste-water treatment plants have fallen into disrepair and a number of new plants remain unfinished. As a result, the lake's waters have become polluted by effluent from the towns that encircle it, upsetting the ecological balance and threatening its natural beauty.

An action plan to address these issues was put together by the EBRD's Project Preparation Committee (PPC), the Armenian water and waste-water authorities and other national bodies. The plan identified a number of waste-water treatment plants that were in need of urgent repair – specifically the construction of a new mechanical treatment capability at the waste-water treatment plant in Gavar, together with the modernisation of the sewerage system. The waste-water plants in the cities of Vardenis and Martuni will undergo renovation of their biological treatment capabilities as well their sewage collection networks. There will also be improvements made to the sewerage systems in the towns of Sevan and Jermuk.

Financing for the project included an EBRD loan of €7 million in April 2007, complemented by an investment grant of €5 million from the EU and a €1.2 million grant for technical assistance from the multi-donor ETC Fund.

The challenge has been to provide the much-needed infrastructure improvements and institutional support, all within affordability constraints and the requirement for concessional lending agreed between Armenia and the IMF. The project was modelled on two previous water projects in Georgia that used an affordable loan combined with investment grants and technical cooperation targeted at a local authority to achieve transition impact and address implementation risk.