

Public Private Partnership

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Background

- ☞ The Armenian Government has identified PPP as an efficient mechanism for attracting investments in order to boost economic development.
- ☞ PPPs can be found in every major part of economic infrastructure in Armenia, including energy, telecommunication, transport, postal service, water distribution, local utilities and urban development.
- ☞ All main types of PPP models – concessions, divestitures, greenfield projects, and management and lease contracts are present in the country.

The Government of Armenia approved PPP Concept Paper aimed at ensuring efficient implementation of PPP projects in the country.

☞ Armenia has an impressive track record of implementing PPPs in its infrastructure, making the country one of the PPP leaders in the region in terms of improving service delivery and infrastructure for certain sectors, and collecting tariffs at or close to the cost recovery basis.

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☞ In Armenia none of PPP projects have been cancelled or re-nationalized.

☞ Armenia already has a successful history of PPP application on the national level, and is taking its first steps on the level of local government.

PPP Priorities

- ☞ Ensuring stability and application of laws and contracts, creation of clear and applicable legal framework;
- ☞ Responsiveness to the investor's needs, increase of administrative efficiency;
- ☞ Abatement of the Government's interference as much as possible; allowing the investors to manage their income on their own;
- ☞ Ensuring efficient supervision of the investments by the investors.

PPP Best Practices in Armenia

Water sector 2 largest private sector participants

*The form of management is **lease contract** the duration of which is 2006-2016, the operator is General des Eaux, Véolia Water (private company, France), the service area is Yerevan city and nearby 32 rural settlements;

*The form of management is **management contract**, the operator is Saur (France), service area is 37 urban and 280 rural settlements (100% state shareholding).

Electricity: In this sector PPP is not considered a standard one since it was given to a private partner (100% of ownership in Electricity Networks of Armenia was sold to Russian RAO UES) for an infinite period (Build Own Operate).

Tourism Development: Tatev Revival Project is a successful PPP model involving the Government, the Church, private supporters and commercial businesses aimed at leveraging capital investments in such a way as to make the project self-sustaining.

Yerevan Airport: Under the concession agreement signed on June 2002 between the RA Government and Argentinean 'Corporacion America' company 'Zvartnots' International Airports has been landed over to 'Armenia' International Airports' CJSC concession management for the period of 30 years.

Lessons Learned

- ✎ PPPs can act as agents of change by bringing in new skills and competencies;
- ✎ PPPs should be part of a broader sector reform process, rather than an isolated undertaking;
- ✎ Sustained political support and commitment helps build trust and relationships;
- ✎ Flexibility and commitment by both parties to restructure the contract are critical to success;

Current PPP Related Issues

- ⌘ PPP in Armenia needs to be taken to the regions;
- ⌘ Deep PPPs require access to long-term project financing, as well as legal and regulatory institutions that investors can trust. Even though in relation to concession activity is generally in compliance with international standards, there is an acute need to develop a specific law on concession.

Thank You

