

ARMENIA WATER INVESTMENT PROGRAMME

Procurement ref: TCS 348
Country: Armenia
Sector: Municipal and environmental infrastructure
Project number:
Funding sources: It is expected that the Assignment will be funded by the EBRD Technical Cooperation funds. Contracting will be subject to availability of funding.
Contract type: Consultancy Services
Notice type: Invitation for expressions of interest (CSU)
Issue date: 5 Nov 2014
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16:00 (Yerevan time)

Armenia Water Investment Programme - PPP Transaction Adviser

Background: The European Bank for Reconstruction and Development ("EBRD" or the "Bank") is considering providing a sovereign loan of up to EUR 30 million to be on-lent to the Armenia Water and Sewerage CJSC (the "Company" or "AWSC"). The Bank's loan would be co-financed by a sovereign loan from EIB of EUR 30 million and an investment grant from international donor(s) of EUR 20 million. The proceeds of the loan and grant will be used to rehabilitate water supply in ten regions of Armenia and wastewater infrastructure in three regions of Armenia. It will also be used to procure operating assets such as water meters, control systems and pumps. The investments will reduce water losses and improve system performance and reduce operational costs. The wastewater investments will significantly reduce pollution through untreated sewerage.

The Government of Armenia ("GoA") has embarked on sector reforms in the water and wastewater sector. During the last decade, the GoA has restructured the water sector and adopted a new water code. The State Committee on Water Economy ("SCWE") of the Ministry of Territorial Administration ("MTA") was established in 2002. Management and lease contracts with private water operators have been concluded along with high investments in water infrastructure upgrades. All this resulted in a remarkable improvement in service delivery, the reduction of operation costs and the increase of revenues.

Currently there are five water companies which are managed by three private operators. The SCWE has delegated the management of state water and sewerage infrastructure to the following companies:

- Yerevan Djur – serving 1 million population under a Lease Arrangement with Veolia;
- AWSC – serving 0.62 million population under a Management Contract with SAUR;
- Regional Utilities (Nor Akunq, Lori and Shirak) - serving 0.32 million population under a Management Contract with a consortium of companies MVV decon, MVV Energie, AEG Service under SAUR's leadership (since January 1, 2014).

All these Public-Private Partnership ("PPP") contracts expire in May 2016 and will be subject to new tenders.

Outside of service areas of the 5 major water and sewerage companies, there are about 560 communities (with a population of 650,000) which have different organisational arrangements for water system management.

However, there are several key challenges remaining to be addressed in the next decade: (i) low levels of tariff resulting in inadequate financial viability of water companies and low investments in capital maintenance and repair, (ii) low level of service and high investment needs for communities not covered by water operators, (iii) high level of water losses in the systems, (iv) lack of strategic planning in the sector, (v) low coverage of wastewater services and wastewater treatment.

The GoA is therefore about to launch a "second generation" of reforms in the water sector. It is agreed that after termination of the ongoing lease and management contracts the sector weaknesses should be addressed by restructuring not only the water management system but also the legal and regulatory framework with particular focus on institutional solutions for the rural water sector.

For that purpose the government in cooperation with international financial institutions (e.g. the Bank, WB, KfW, ADB and EIB,) has initiated implementation of several technical assistance projects in order to properly design the "architecture" of the second generation of reforms in the water sector. The Water Sector Study, supported by KfW, has assisted the GoA in preparing and implementing a water sector reform and resulted in the following main findings upon which the government will base its decisions on water sector institutional and financial set up for long-term period:

-Tariffs: application of unified water tariffs without state subsidies for operational and maintenance expenses after May 2016 is recommended. In the meantime, water tariffs until 2033 have been forecasted.

-Operators/service areas: it is recommended to involve one operational private company serving all five water utilities' service areas, taking into account that under consideration of affordable unified water tariffs without any governmental subsidies for operational expenses after May 2016 one operational private company is the only feasible option. However, there are some risks related to limited competition for the next PPP-contract (due to market entry barriers). These risks might be mitigated through including appropriate provisions in the PPP-contract and strengthening state authorized asset manager's capacities in asset management and PPP monitoring.

-Contract type and term: a lease contract for 15 years is recommended.

-Procurement procedure: the consultant shall recommend the most suitable procedure based on the results of existing surveys and additional studies, if necessary.

The main beneficiary of this assignment is the SCWE. SCWE's main responsibilities are (i) the general oversight for sector management and operation, (ii) overall authority for the management and operation of state owned drinking water supply, wastewater collection, treatment and disposal facilities, and (iii) issuance and monitoring of contracts for third party management, operation and maintenance of water systems.

Other main stakeholders and project partners are: the Water Resources Management Agency and Public Services Regulatory Commission

Assignment Description: The State Committee for Water Systems ("SCWS" or the "Client") now intends to retain a consultant (the "Consultant") to generally assist in the sustainable development of water infrastructure in the urban and rural water supply and sanitation sector in Armenia as well as to improve sector efficiency and effectiveness.

Specifically, the Consultant will (i) elaborate and support the implementation of the appropriate PPP modalities for the structuring, financing and implementation of the PPP arrangement; (ii) prepare the tender documents of the PPP arrangements to be ready to submit to the bidders; and (iii) support SCWE during tender and in negotiations with and selection of the preferred bidder (the "Assignment").

The following tasks will have to be carried out:

- Review the current situation of the water sector and make recommendations for any improvements, if deemed necessary;
- Carry out tasks related to base year report (report 2014);
- Elaborate a draft water system use permit;
- Elaborate on the PPP Procurement Strategy and Plan;
- Develop request for proposals ("RFP");
- Develop bid evaluation criteria, bid process design;
- Elaborate a draft PPP agreement for leasing;
- Manage PPP procurement;
- Carry out administration of the bidding processes;
- Carry out evaluation of bids;

- Conduct PPP agreement negotiations and management plan; and
- Carry out PPP agreement signature, close-out report and financial closure.

Status of Selection Process: Interested firms or group of firms are hereby invited to submit expressions of interest.

Assignment Start Date and Duration: The Assignment is expected to start in March 2015 and has an estimated overall duration of 14 months.

Cost Estimate of the Assignment: EUR 600,000. (exclusive of VAT).

The Consultant must determine whether any indirect taxes/VAT are chargeable on the proposed services and state the basis for such. If any indirect taxes/VAT are payable, the Client will have to pay indirect taxes/VAT element to the services directly to the Consultant unless otherwise agreed.

Funding Source: It is expected that the Assignment will be funded by the EBRD Technical Cooperation funds. Contracting will be subject to availability of funding.

Eligibility: There are no eligibility restrictions.

Consultant Profile: Corporate services are required. The Consultant will be a firm or a group of firms with extensive previous project experience in a) advising on PPP Transaction projects preferably in the water sector and the region, b) in completing similar tasks as summarised in "Assignment Description".

The Consultant's team of experts is expected to include the following positions:

- Team Leader

The Team Leader will be responsible for the overall project planning and implementation as well as coordination and management of the experts proposed for the project. He/she will promote the exchange of the knowledge and experience between the team members, provide liaison with relevant Government Departments and assure timely and accurate reporting. He/she should have preferably a Master's degree/Diploma in a related field with preferably 10 years of professional experience; have at least one assignment as a Team Leader in PPP projects in water sector. It is expected that the Team Leader will ensure the presence in the field in Armenia during 75% of the overall period of the project. Former experience with similar or related assignments in Armenian water sector will be considered as an asset.

- PPP Expert

PPP Expert shall have an excellent knowledge of Public-Private Partnership (PPP) contracts and rules for the development of PPP projects including feasibility assessments, negotiations and PPP contracts. He/she shall have preferably a Master's Degree in Economics, Management Science or related field with preferably 10 years of professional experience. Past international experience in PPP projects in water sector, including ECA region. Past involvement in similar or related assignments in Armenia will be considered as an asset.

- Institutional Expert

The institutional expert shall have at least a Master's Degree/Diploma in Economics or related field, and preferably 10 years of professional experience; previous professional experience in water sector institutional strengthening issues including past involvement in similar assignments. He/she shall have good knowledge of regulatory and institutional framework of water sector in Armenia.

- Legal/Regulatory Expert

The expert shall have preferably a Master's Degree/Diploma in Law and preferably 10 years of experience with water sector and other infrastructures. He/she shall have proven experience in conducting legal and regulatory assessment,

drafting contracts as well as negotiation experience along public officials and utility staff in the water sector. He/she shall have good knowledge of legal and regulatory framework of water sector in Armenia.

- **Technical Water and Sanitation Expert**

The Technical Water and Sanitation Expert will be responsible for assessing the technical parts of the assignments. He/she should have preferably a Master's Degree/Diploma in engineering or a related field with preferably 10 years of professional experience. Proven experience in similar positions in PPP projects would be an asset.

- **Financial Expert**

The financial expert will mount the expected financial setup of the proposed solution and undertake financial analyses of the PPP arrangement. The analysis will be based on best practice financial models. The expert shall have preferably Master's Degree/Diploma in economics, finance or related field with preferably 10 years of professional experience. Proven experience in project planning and evaluation with emphasis on PPP projects in the water sector is highly preferred for such position.

- **Socio-economic Expert**

The socio-economic expert shall have preferably a Master's Degree/Diploma in economics, with preferably 10 years of experience on economic and socio economic analysis. He/she should have good knowledge on statistical and econometric analysis of the data, modeling and forecasting.

Submission Requirements: In order to determine the capability and experience of Consultants seeking to be shortlisted, the information submitted should include the following:

(a) brief overview of the firm/group of firms including company profile, organisation and staffing;

(b) details of similar experience of firm or group of firms and related assignments undertaken in the previous five years, including information on contract value, contracting entity/client, project location/country, duration (mm/yy to mm/yy), expert months provided, assignment budget, percentage carried out by consultant in case of association of firms or subcontracting, main activities, objectives;

(c) CVs of **key experts** who could carry out the Assignment detailing qualifications, experience in similar assignments, particularly assignments undertaken in the previous five years, including information on contracting entity/client, project location/country, duration (mm/yy to mm/yy), expert months provided, assignment budget, main activities, objectives.

(d) Completed Consultant Declaration and Contact Sheet, the template for which is available from the following web-link:

http://www.ebrd.com/pages/workingwithus/procurement/notices/csu/contact_sheet.doc

The expression of interest shall not exceed 20 pages (excluding CVs and Consultant Declaration and Contact Sheet).

One original and two copies of the expression of interest, in **English and either in Armenian or in Russian**, shall be submitted to the Client in an envelope marked "EXPRESSION OF INTEREST for Armenia Water Investment Programme – PPP Transaction Advisor", to reach Client not later than the date and time indicated above. The expressions of interest should be submitted to the Client electronically as well by the same due date.

Electronic copies in English language (preferably in pdf) should also be submitted to the EBRD's contact person by the same due date by email (scheffej@ebrd.com).

Important Notes:

1. Following this invitation for expressions of interest, a shortlist of qualified firms will be formally invited to submit proposals. Consultant selection and contracting will be subject to availability of funding.

2. Shortlisting criteria and respective weightings are:

1. Firm's experience in PPP transactions, preferably in the water sector - 35%
2. Firm's experience working in the region - 15%
3. CVs of key experts with relevant experience as per above - 50%.

3. Two additional technical cooperation assignments will be published in due course in relation to 1) Armenia Water Investment Programme - Project Preparation, and 2) Armenia Water Investment Programme - Project Implementation Support. Firms may apply for all assignments but will only be eligible to be awarded one.

CONTACTS

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