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Over 88,000 Farmers in Armenia Will Benefit from Rehabilitation of Irrigation Schemes

World Bank Supports Rural Employment through Infrastructure Rehabilitation

WASHINGTON, October 25, 2011 - The World Bank's Board of Executive Directors today approved a US\$18 million loan for the Additional Financing of the **Irrigation Rehabilitation Emergency Project (IREP)** for **Armenia**. The scale up and restructuring of this project will improve water use efficiency in the selected irrigation schemes, as well as foster immediate rural employment in seven regions of Armenia.

Rehabilitation works will include 50 km of main and secondary canals serving around 52,000 hectares (ha) in Aragastotn, Kotayk, Shirak, Lori, Ararat, and Armavir regions, which will allow reducing water losses by an estimated 34.4 million cubic meters and will potentially restore irrigation on about 4,700 ha. In addition, rehabilitation of another 63 km of tertiary networks in 19 communities of Lori, Shirak, Gegharkunik, and Armavir regions will reduce water losses by 9.9 million cubic meters, will improve existing irrigation water services on over 2,500 ha, and potentially restore irrigation on 1,760 ha. Annual water savings (44.2 million cubic meters) equivalent to US\$1.4 million of the financial price of water will enable some 6,500 ha of previously irrigated lands to be restored.

"This Project will directly benefit over 88,000 farmers who will see their farm profitability and incomes rise," said **Mr. Asad Alam, World Bank Regional Director for the South Caucasus**. *"This Project supports the government's efforts to improve agricultural productivity and boost long-term growth".*

"The irrigation rehabilitation will also generate about 7,000 person-months of temporary employment, and potentially may add about 2,100 permanent jobs in agriculture" said **Mr. Jean-Michel Happi, the World Bank Country Manager for Armenia**. *"Job creation is an important dimension of this project."*

Under the original IREP, some 89.4 km were rehabilitated, including 57.7 km in Talin and 31.7 km in Armavir main canals. Water losses declined by about 96.9 million cubic meters from around 114. Temporary jobs created during construction equaled to about 11,379 person/months (of the targeted 9,000 person/months), of which 67 percent was unskilled labor, primarily benefitting poorer households. Longer term development impacts include an estimated 8,000 ha returned to irrigation to the benefit of small-scale farmers in surrounding areas. Over time this is expected to provide incentives for cultivation of higher value crops, which should result in additional long-term job creation and improved livelihoods for poorer households.

"This Project will also strengthen the sustainability of progress made in the irrigation sector by improving water service delivery and water management," added **Mr. Giuseppe Fantozzi, Task Team Leader for the Project**. *"It will strengthen the institutions that are particularly relevant for the ongoing reforms, especially through training the Water User Associations."*

The Project was prepared in close cooperation with the Millennium Challenge Corporation (MCC) Program, which prepared the preliminary designs for construction works.

Total financing of the Project is US\$ 21.6 million, of which the Government of Armenia will finance US\$3.4 million and US\$0.2 million will be provided by beneficiaries (already collected under the MCC Program funds). The IBRD loan carries a maturity of 25 years including a grace period of 10 years.

Since joining the World Bank in 1992 and IDA in 1993, the total IDA and IBRD commitments to Armenia amount to US\$1, 506 million.

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