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World Bank Provides US\$ 39 Million to Strengthen Power Supply Reliability in Armenia

WASHINGTON, May 26, 2011 – The World Bank Board of Executive Directors today approved a US\$ 39 million loan for the **Electricity Supply Reliability (ESR) Project for Armenia**. This project is designed to enhance the reliability of the power supply in the country by improving the capacity of the power transmission network back-bone infrastructure by replacing a section of around 230 km of out-dated transmission lines.

The transmission infrastructure in Armenia is old and under-maintained. The average age of the transmission assets is around 45 years, and there have not been any substantial investments in rehabilitation of the transmission lines over the past decades. The country's High Voltage Electric Networks (HVEN) estimates that around 520 km – or 33 percent – of the 220 kV transmission lines (conductors, pylons, concrete foundations, insulators and other key pieces of infrastructure) need urgent rehabilitation or replacement to increase the reliability of power supply in the country.

“This project supports a key strategic objective of our Country Partnership Strategy: to support Armenia’s competitiveness,” says **Asad Alam, World Bank Regional Director for the South Caucasus Countries**. *“The rehabilitation of the targeted section of the transmission line will improve system efficiency and reliability, and bring direct benefits to all power consumers in Armenia.”*

The targeted segment of the transmission line was constructed in 1956-1958. It connects two key generation plants and serves large electricity consumers in the Central-Eastern part of the country.

“The investments will replace a section of around 230 km of transmission line from the Hrazdan Thermal Power Plant to Vorotan Cascade of hydro power plants, which accounts for about 45 percent of the 220 kV transmission lines that need urgent rehabilitation,” says **Jean-Michel Happei, World Bank Country Manager for Armenia**. *“The capacity of this section of the transmission line will increase from 250 MW to 310 MW, with a sharp reduction in current outages.”*

“A small technical assistance component of the project will strengthen the capacity of the HVEN staff in technical supervision, planning, procurement, financial management, and project management, as well as finance computer software for transmission network system planning and analysis,” said **Ani Balabanyan, the Task Team Leader for this Project**. *“This is essential to ensure the efficient management and sustainability of the new investments.”*

The Project builds on the World Bank experience, and draws extensively upon the lessons of previous engagement in the power sector of Armenia as well as on transmission projects implemented in other countries.

Total financing of the Project is US\$ 52 million, of which the Government of Armenia will finance US\$ 13 million. 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, 488 million.

Contacts:

In Yerevan: Vigen Sargsyan, (374 10) 520-992, vsargsyan@worldbank.org

In Washington: Jonathan Daly (202) 473-2588, jdaly1@worldbank.org

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