

The Iranian Water and Wastewater Sector: A Growing Market Opportunity for German Water Companies

by Dr. Shahrooz Mohajeri

In recent months, investments in the water and wastewater sector in Iran have reached a new high. A host of projects with a total contract value of several hundred million Euros are currently being tendered internationally for the construction of water works, pipe networks for drinking water, sewers and pump stations. This activity was prompted by the realization that investment is indispensable for Iran to modernize its struggling water and wastewater sector, which is currently faced with significant challenges.

Provision of drinking water, for instance, has been a mixed picture in recent years in the Islamic Republic of Iran, with urban provisions relatively highly developed and rural provisions lagging. Coverage estimates of improved drinking water for 2004 (WHO / UNICEF 2006) reveal a high degree of total coverage (99%) and household connections (96%) in urban areas, while estimates for 2000 show rural areas to have 84% total coverage and only 69% household connections.

Much remains to be done to improve the Iranian water management. In comparison to other countries in the region and particularly to developed countries, the wastewater treatment systems in place in Iran are severely underdeveloped. In light of the predicted population increase from 65.4 million in 2004 to 90.5 million in 2025 and the continued urbanization process (by 2020, it is predicted that 75% of the Iranian population will live in cities), the future demands imposed on wastewater management, particularly in cities, will be immense.

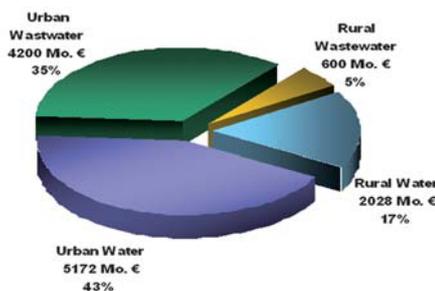
Having recognized the magnitude of this challenge, the Iranian Ministry of Energy drew up an Outlook Plan four years ago, one of the main objectives of which is to connect 60% of the urban and 30% of the rural population to a modern sanitation system.

The step-by-step expansion of the Iranian wastewater system is executed within a five-year plan framework. One target of the fourth Five-Year Development Plan (2005 – 2009) is to increase the proportion of the population with a modern sanitation connection from 24% to 40% in urban areas and from 0.5% to 8% in rural areas.



In the framework of the fourth five-year Development Plan, the Ministry of Energy has estimated the costs of the expansion and maintenance of water supply and wastewater disposal as a whole to be 12 billion Euros. Some 20% of these investment costs are to be covered by foreign loans from the World Bank, the IDB, as well as domestic and private investors. Iran has earmarked 4.2 billion Euros for the expansion of the wastewater system in the cities and 0.6 billion in the rural areas.

Investment in the water and wastewater sectors in the 4th plan



The cooperation with the World Bank has created a great opportunity for the participation of international consultants, contractors and manufacturers in Iran. Currently, the World Bank investment in the water and wastewater sector in Iran stands at 1.1 billion USD. Of this total, 700 million will be disbursed as loans towards the development of water and wastewater systems in the 7 cities of Tehran, Shiraz, Ahwaz, Rasht, Anzali, Babul and Sari.

An important feature of the projects that has attracted European and Canadian firms to the water and wastewater sector of Iran concerns the World Bank guidelines and regulations on referring works to consultants and contractors in these projects.

In this context, the German, French, Austrian and Canadian firms have had a high profile participation in the bidding process. In all the short lists thus far, the maximum participation of a single country in the bidding process (2 firms) has been reached each time in the case of German applicants, showing the interest of German water companies in the water and wastewater sector throughout Iran. This interest has translated into successful cooperation and has yielded a host of positive returns for German water businesses. For instance, a German firm has been awarded the Design-Build-Operate (DBO) contract for one of the largest wastewater treatment works in Shiraz, while another German firm is undertaking a similar assignment in Ahwaz. In both cases, the winning companies were in close competition with other renowned German contractors. Meanwhile in Teheran, the design, supervision and operation of the city's 7th Water Treatment Works is also in the hands of a German firm.

Capacity building and the transfer of know-how and technology are the main objectives pursued by Iran in inviting foreign investors and expertise. The Iranian consultants and contractors are also aware of advantages of international relations and contacts, and the resulting joint ventures have so far been quite successful.

In the area of research and capacity building as well, recent years have witnessed the development of a very constructive cooperation between Iran and Germany, particularly with the German Ministry for Education and Research (GMER). For example, in a memorandum of understanding between the Ministry of Energy in Iran and the GMER, several research plans have been jointly defined and successfully executed. At the same time, an array of workshops as well as training and education projects has been carried out with the support of both ministries or has been developed bilaterally by German and Iranian companies.

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Assessment of major Water & Wastewater Sector until 2050

Time section Parameter title		Base year 2004	4th Plan		Projection		
			Begin	End	10 years	20 years	
			2005	2009	2015	2025	
Predicted population (in Millions)	Urban	43.9	45.2	50.1	56.1	70.0	
	Rural	21.5	22.7	21.2	21.0	20.5	
Population coverage (%)	Water	Urban	97.7	98.0	100	100	100
		Rural	57.5	62.0	88.0	94.0	100
	Waste-water	Urban	17.7	24.0	40.0	49.0	60.0
		Rural	0.45	0.5	8.0	16.0	30.0