



TRACECA Investment Forum

ID: AM01

## TRACECA PROJECT FICHE

# NORTH-SOUTH ROAD CORRIDOR INVESTMENT PROGRAM: TRANCHE 4 (ARTASHAT-KAJARAN SECTION-ABOUT 304KM)

## 1. BASIC INFORMATION

**TITLE:** North-South Road Corridor Investment Program: Tranche 4  
(Artashat-Kajaran section-about 304km)

**SECTOR:** Road

**LOCATION:** Armenia (from the North to the South)

## 2. OBJECTIVES

### 2.1 OVERALL OBJECTIVES

Facilitating communication with neighboring countries; expanding and facilitating access to the foreign market towards Central Asia and Europe; developing major economic spheres and export expansion (industry, agriculture, mining industry, construction, tourism), etc.

### 2.2 PROJECT PURPOSE

Improving safety and comfort, reducing time and financial costs, integrating possible necessary telecommunication and other infrastructures.

### 2.3 CONTRIBUTION TO NATIONAL DEVELOPMENT PLAN

The project's implementation is in the context of the following Armenian Government projects: "Reconstruction of the Gyumri Techno City", "Tatev Tourist Center", "Development of the Jermuk town" and "the Zvartnots Free Economic Zone". The implementation of the North-South Road Corridor will significantly contribute to the efficiency of the mentioned projects and to the achievement of the program goals.



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The Project is implemented with multi-tranche financing. It's subdivided into Tranches, and separate loan agreements are signed in the framework of each Tranche.

### 2.4 CROSS BORDER IMPACT

Provides access to the Black Sea through the territory of Armenia and Georgia and further to the European countries. Improving the Europe-Caucasus-Asia road communication at the intersection of West Asia and East Europe.

## 3 DESCRIPTION

### 3.1 BACKGROUND AND JUSTIFICATION

"North-South Road Corridor Investment Program" is a major infrastructure project which aims at the reconstruction of a 560km long highway of the 2nd and 3rd category with 60 km/h speed in average from Bavra (Georgian border) to Agarak (Iranian border) reaching it through 470km, 1st category highway with the speed of 100-110km/h as a result of which the crossing of the mentioned section shall be reduced from the current 9-9.5 hours to 4.5 hours also ensuring the goal of becoming a freight transit and transport movement route from the East to the West and from the North to the South. The current highway shall be reduced by about 90km.

The North-South Road Corridor connects China, India and Central Asia first of all to Iran, then to Georgia, the Russian Federation and Europe. Crossing the territory of Armenia from the South to the North (Meghri-Kapan-Artashat-Yerevan-Ashtarak-Gyumri-Bavra) it connects to the Georgian roads near the southern borders of Georgia, leading to the Poti and Batumi ports and from there to Russia, other CIS and the European Union countries, allowing passenger and cargo transportation in compliance with the European standards.

The Project is implemented by multi-tranche financing. It's subdivided into five Tranches, and separate loan agreements are signed in the framework of each Tranche.



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Tranche 1 (Yerevan – Artashat, Yerevan – Ashtarak, about 31km, financed by the Asian Development Bank). Constructed and the road sections were opened for two carriageway traffic on 29.12.2015.

Tranche 2 (Ashtarak-Talin, about 42km, financed by the Asian Development Bank). Under construction.

Tranche 3 (Talin-Lanjik about 18,7km, financed by the Asian Development Bank). Under construction.

Tranche 3 (Lanjik-Gyumri -about 27,5km, the European Investment Bank). Under construction.

Tranche 4 (Kajaran-Agarak section-about 42km, Anti-Crisis Fund of the Eurasian Development Bank).

Summarized: A detailed design for the 32km road from Agarak to the Tunnel outlet, preparation of the Land Acquisition and Resettlement plan and the Authorized Supervision, as well as the detailed design of the 7km road, the Tunnel entrance to Kajaran and the 6km of the tunnel and landing routes, preparation of the Land Acquisition and Resettlement Plan (in accordance with the International Competitive Bidding (QCBS) Method for the Procurement of Consultants' Services) results of the first phase, a short list of 18 organizations with interest applications has been drawn up /6 organizations/, which was approved by the Eurasian Development Bank.

Tranche 5 (Gyumri by the pass Gyumri-Bavra section-about 63km, financed by the European Investment Bank). Detailed design of about 63 km of Gyumri by the pass Gyumri-Bavra section is done. For the implementation of the construction of the mentioned 63km, a Preliminary agreement was reached with the EIB to provide loan funds of about 120 million Euro amount and if possible to involve grant funds of about 12 million Euro.

### **3.2. LINKED ACTIVITIES**

Review of the current road and roadside assets management practice.



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Development and installation of the Road Network Maintenance System (RNMS), including a specific Study on Private Sector Strategic Options and hiring a Transaction advisory specialist to develop a commercially viable Public Private Partnership (PPP) project for the different sections of the North-South Road Corridor.

Installing the modern Road Management System (RMS).

Capacity building for the RMS operation incorporating relevant international best practices.

Develop the Intelligent Transport System (ITS) for the country roads network with a defined logical frame, key principles and install ITS as a Pilot Project for one section of the North-South Road Corridor.

### **3.3 LESSON LEARNT**

Considering that the project will be a “pilot” in the country there are no learnt lessons available.

### **3.4 ACTIVITIES**

Reconstruction of the current road and construction of the highway.

#### **RESULTS/DELIVERABLES**

Improved road corridor in compliance with the international standards, four-lane Category 1 road on the Yerevan-Gyumri and the Yerevan-Ararat sections, other road sections meeting the international standards with the possibility to be widened up to a four-lane road in the future, efficient and safe road corridor traffic management.

## **4 PROJECT ORGANISATION**

### **4.1 INSTITUTIONAL FRAMEWORK**

“Transport Projects Implementation Organization” State Non-Commercial Organization. The organization comprises of 35 permanent highly-qualified staff members with project management and implementation experience.



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### 4.2 OWNERSHIP/IMPLEMENTING PARTY

For the implementation of this vital project, contracts were signed with the Asian Development Bank (ADB), the European Investment Bank (EIB) and the Eurasian Development Banks (EDB). The project is open for any investors and the responsible entities are ready to discuss any reasonable proposal, which will contribute to the implementation of the requirements of the Project within the defined period.

### 4.3 ORGANISATION STRUCTURE

The North-South Road Corridor Investment Program is implemented by the "Transport Projects Implementation Organization" State Non-Profit Organization (SNCO).

"North-South Road Corridor Investment Program Organization" SNCO was established by the Government of the Republic of Armenia, according to the decision No 446-N dated March the 11<sup>th</sup>, 2010.

With the Decree 1304-A of the Government of the Republic of Armenia dated December the 15<sup>th</sup>, 2016, the "Transport Projects Implementation Unit" State Institution and the "North-South Road Corridor Investment Program Implementation Company" SNCO were reorganized and merged. "Transport Projects Implementation Organization" SNCO was approved by the Decree 217-A of the Minister of Transport, Communication and Information Technologies on March the 1<sup>st</sup>, 2017.

The Project Management Board is the Project Coordinator and Supervisory Body whose core functions are:

- Project Implementation Policy, Strategic Orientation and Planning Direction;
- Coordination and management of the funds provided by international financial organizations;
- Supervision over the implementation of the Project Implementation Entity.



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### 5 DETAILED BUDGET (EUR/\$)

The estimated preliminary cost of the construction works of the Artashat-Kajaran road section is about 1,8 billion USD (including the cost of consulting services, without VAT and the land acquisition and resettlement costs), out of which the financing of the Kajaran-Agarak section of 150 million USD is already being implemented by Armenia with the EDB funds.

No.	Description	Investment	Financing	Co-Financing	Total
1. Artashat-Sisian	The current length is approximately 182km.  Based on the preliminary design the constructed length will be 160km.	The estimated cost is about 1.25 billion USD without VAT and the land acquisition costs.	Investment and PPP implementation possibilities	VAT and the land acquisition costs will be co-financed by the Government of RA.	1.25 billion USD
2. Sisian-Kajaran	The current length is approximately 118km. Based on the final design the constructed length will be 60km.	The estimated cost is about 490 million USD without VAT and the land acquisition costs.	Investment and PPP implementation possibilities	VAT and the land acquisition costs will be co-financed by the Government of RA.	490 million USD
Total: 1.74 billion USD					

### 6 RISK ASSUMPTIONS AND CONSTRAINTS

The fact that the project will be a “pilot” in the country will be perceived as risky by the private sector due to the lack of past experience both on the private side (no learnt lessons available) and on the public side (no know-how within public management in terms of skills and procedure in order to sustain the project development). PPPs





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financed by the private sectors allow spreading the project cost for the public over a longer period of time. PPPs require a stable, long-term planning horizon.

## 7 IMPLEMENTATION SCHEDULE

### 7.1 PHASE 1

There is no specific schedule as there is no financing available yet.

### 7.2 PHASE 2

There is no specific schedule as there is no financing available yet.

### 7.3 PHASE N-TH

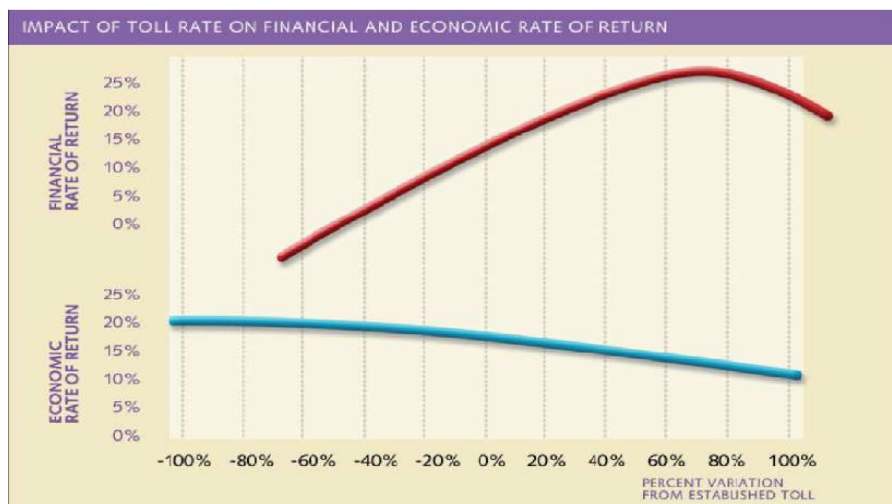
The total duration of the work must be considered about 5 years.

## 8 ENVIRONMENT

There are no Environmental and/or Social considerations.

## 9 RATES OF RETURN

### 9.1 FINANCIAL RATE OF RETURN (PERIOD OF ANALYSIS IN YEARS):



### 9.2 ECONOMIC INTERNAL RATE OF RETURN (PERIOD OF ANALYSIS IN YEARS):

The expected internal rate of return (EIRR) is 14%.

### 9.3 HAVE THE FEASIBILITY STUDIES BEEN COMPLETED AND WHEN:

The feasibility study was completed in summer, 2016.



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### **9.4 ECONOMIC ASSESSMENT:**

During the feasibility study an economic assessment was carried out.

### **10 INVESTMENT CRITERIA**

#### **10.1 SOURCES OF FINANCING**

**Investment and PPP implementation possibilities.**

#### **10.2 CO-FINANCING**

The cost of acquiring land for the construction, possible resettlement, as well as VAT will be financed from the state budget of the Republic of Armenia.

#### **10.3 ADDITIONALITY**

N/A

#### **10.4 PROJECT READINESS AND SIZE**

The North-South Road Corridor Investment Program is a major infrastructure project in Armenia of high priority, and is at the implementation stage.

#### **10.5 SUSTAINABILITY**

Armenia has the most favorable legislative framework in the transport sector, as well as there are numerous bilateral and multilateral interstate agreements that provide the most favorable mode of implementation of transportation through the territory of Armenia. Highlighting the importance of the sector, the Government of the Republic of Armenia established an environment that has resulted in major transport and logistics enterprises to be established in our country, unique in their organizational skills and capacity in the region.

#### **10.6 CONDITIONALITY AND SEQUENCING**

The North-South Road Corridor connects China, India and Central Asia first of all to Iran, then to Georgia, the Russian Federation and Europe. Crossing the territory of Armenia from the South to the North (Meghri-Kapan-Artashat-Yerevan-Ashtarak-Gyumri-Bavra) it connects to the Georgian roads near the southern borders of Georgia, leading to the Poti and Batumi ports and from there to Russia, other CIS and the European Union countries, allowing passenger and cargo transportation in compliance with the European standards.





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This project is an important part of the TRACECA Road Corridor development and the Silk Road projects. Its implementation becomes more reasonable and justified by the fact that the latter almost repeats the route of the Silk Road, which as such existed up to the 2<sup>nd</sup> century BC, when the trade gradually expanded between the Roman and the Chinese (during the Han dynasty) empires.

The Iranian Bandar Abbas port city located on the shore of the Persian Gulf will have a very important role in cargo transportation both on the land and over the sea, and it is also one of the most important Iranian naval bases. It also has a great importance for Russia as the imported cargo from India, Central Asia and Iran reaches the Russian Federation via the Caspian Sea with small cash investments and within short timeframes.