

Logistics Processes and Motorways of the Sea II

LOGMOS Master Plan – Annex 9.1

Country Profile

ARMENIA

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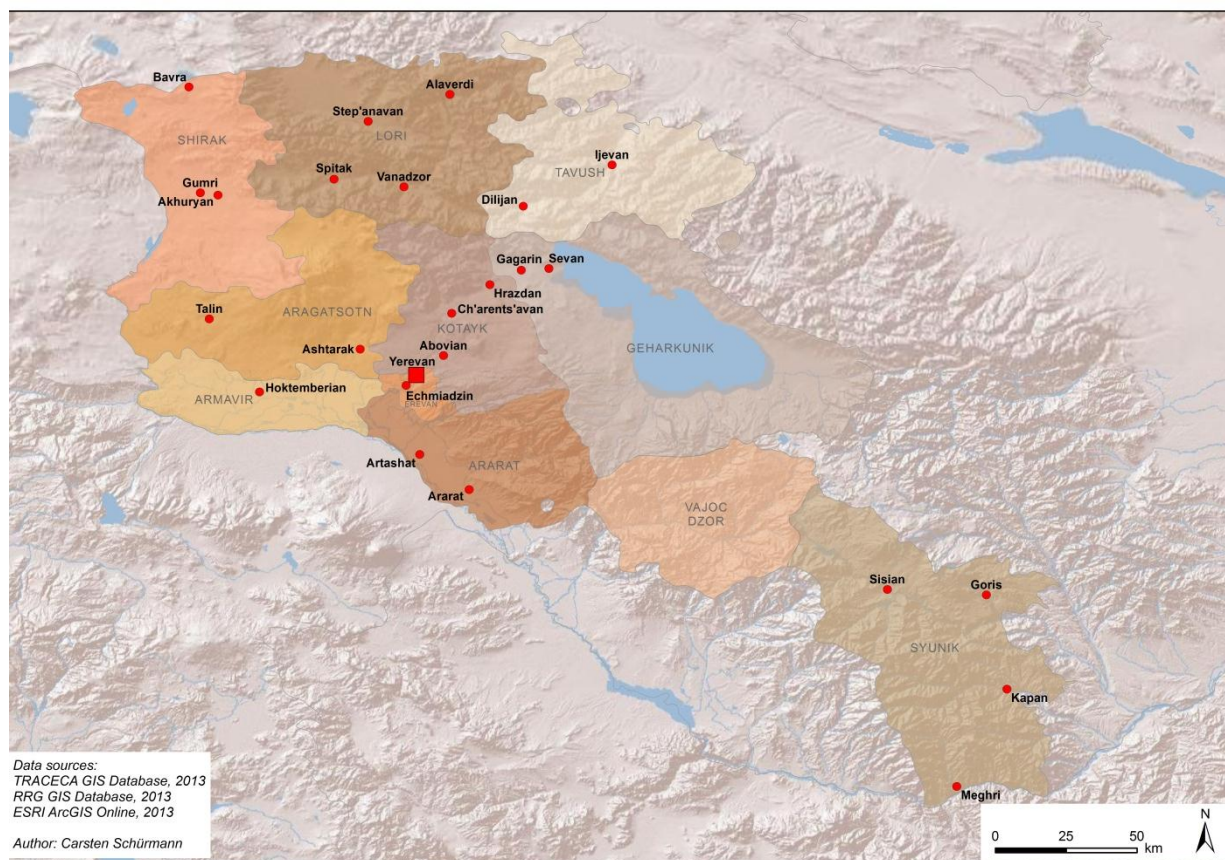
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Figure 1: General Map of Armenia

Administrative division of Armenia



Source: TRACECA (2013)



1 INTRODUCTION

The Republic of Armenia is situated in the south-western part of Asia at the junction with south-eastern part of Europe. This landlocked country occupies the North-Eastern part of the Armenian plateau, between Caucasus and Western Asia. It borders in the North and East with Georgia and Azerbaijan, and in the West and South with Turkey and Iran.

Road, rail and air routes are main transport modes in the Republic of Armenia. The length of the railway network is 1,328.6 km and the roads total about 7,750 km, of which 1,686 km are inter-state roads.

Two of the key problems identified in the field of transport are:

- Road transport: there are lack of roads in good technical conditions, and the sub-standard road parameters are rife. This makes the roads unsuitable for cargo transportation and a great deal of modernisation will be required to make them reliable for heavy commercial truck fleets.
- Rail transport: there is only one key railway line connection, which is now under development. However, there is still an urgent need to rehabilitate and reconstruct some of its sections and structures and to modernise the rolling stock.

World trade and logistics performance indicators

In 2012, Armenia was ranked 59th out of 132 countries in the Enabling Trade Index developed by the World Economic Forum (average score of 4.2/7). It occupied, in particular, the 13th position for access to market, the 85th position for border administration, the 63rd position for transport and communications infrastructure and the 61st position for business environment.

In the World Bank logistics performance index of 2012, Armenia was ranked 100th, compared to 112nd in 2010.

TRACECA Framework

Armenia has been an active member of TRACECA since the Brussels Conference in May 1993 where the TRACECA programme started.

The ten direct beneficiary countries under review by LOGMOS Project share a globally common legal and regulatory background for the transport sector, but also operate under different laws and rules that reflect their respective contexts and policies.

International Conventions and regional or bilateral agreements complete the framework, and there are expected moves at both national and regional (TRACECA and other groups) levels.

Any legal issue relating to the LOGMOS Project focuses on transport laws and regulations as well as on the aforementioned national, international, regional and bilateral conventions and agreements that have a direct or indirect impact on surface transport modes, particularly maritime and intermodal transport¹.

The TRACECA programme started out as one of the components of the intergovernmental TACIS program. The active participation of Armenia started in September 1998, when it signed without any restriction the Basic Multilateral Agreement (MLA) on the development of the transport corridor Europe–Caucasus–Asia, which was also signed by Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine and Uzbekistan.

¹ More detailed information can be found on the separate [legal report of the LOGMOS Master Plan](#)



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After the Intergovernmental Committee and Permanent Secretariat of TRACECA were established in 2000, Armenia set up a TRACECA National Commission headed by a National Secretary.

Armenian representatives take an active part in all conferences and working group's meetings organised by IGC TRACECA.



2 NATIONAL TRANSPORT POLICY

The governmental body in charge of regulation and defining the axes of development and the national transport policy is the Ministry of Transport and Communication of the Republic of Armenia (MoTC). It is composed of the transport department, which comprises the transport policy and the technical policy sections, the railway department and the road construction department.

Armenia's transport policy has been deeply redefined since the independence of the country in 1991. A first Development Strategy, prepared with the help of the World Bank, was adopted in 1997 and aimed to liberalise the transport sector and restructure the institutional framework.

Today, the national transport policy of Armenia is defined in two main documents, both approved in 2009:

- Armenia Transport Sector Development Strategy 2020
- National Road Safety Strategy for Armenia

The Armenia Transport Sector Development Strategy pursues improved management, enhanced infrastructure and technology to maximise the transport sector's performance until 2020. It also envisages long-term prosperity through the establishment of efficient, cost-effective and environmentally and socially sustainable transport infrastructure and services.

The Strategy has the following overarching goals:

- Efficient and cost-effective transport infrastructure and services for the whole country
- Cross-border trade facilitation
- Environmentally and socially sustainable transport infrastructure and services

The strategic objectives focus on:

- Upgrading international and inter-state road corridors gradually;
- Rehabilitating and developing infrastructure to appropriate standards;
- Providing sustainable transport infrastructure maintenance with adequate funding and effective management;
- Reducing congestion by means of managing transport demand and balancing modal supply;
- Enhancing supervision and regulation of service provision and operation;
- Improving institutional set-up and improve management responsibilities;
- Develop medium/long- term planning and financial management capability;
- Improving logistics and enhancing IT application in transport sector;
- Improving transport safety and developing environmental protection;
- Mobilising international support for the national transport development needs.

The paper also includes an action plan comprising investment projects and policy reforms to be developed during the period 2009-2020. The allocated budget is USD 2.2 bn.

The National Road Safety for Armenia is a 5-year action plan that aims to reduce the number of road fatalities by 10%. To reach this objective, a USD 10 M budget was set aside for the



improvement of road infrastructure and the implementation of concrete measures and awareness policy. The strategic objectives of this plan are to:

- Establish a new Institutional Framework responsible for delivering the Strategy, including a Road Safety Council of Armenia and a Secretariat. This was issued by a decree from the Prime Minister of the Republic of Armenia, which was signed on March 11th 2010
- Providing training for staff of the Secretariat
- Developing an integrated national database of Collision information to inform future activities
- Improving road safety policy and programmes and enabling the monitoring and evaluation of schemes
- Increasing the use of occupant restraints (seat belts) and cycle/motorcycle helmets
- Improving effectiveness of speed and drunk driving law enforcement
- Improving road user behaviour, particularly vulnerable road users
- Road safety engineering measures
- Monitoring and evaluating activities

In addition, Armenia's national transport policy is driven through its membership to several international organisations, including:

- The Black Sea Economic Cooperation (BSEC), since its creation in 1992. Under the current Armenian Chairmanship-in-office (July 1st–December 31st 2013), the priorities in the transport sector include the smooth implementation of adopted Memoranda and Promotion of relevant infrastructure projects
- The Commonwealth of Independent States (CIS)
- The Organisation for Cooperation of Railways (OSJD)
- The United Nations Economic Commissions for Europe (UNECE), since 30.07.1993
- The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)
- The International Transport Forum within the OECD, which tackle mobility issues for the 21st century.

Armenia also participates in the Trans-European Railway (TER) and Trans-European Motorway (TEM) Projects and is also an observer member of the Eurasian Economic Community (EvrAzEC). In September 2013, Armenia's president Serzh Sargsyan announced the will to join the Customs Union and "to take the necessary steps for that, and later to take part in the establishment of the EvrAsEc".



3 LEGAL ENVIRONMENT IN THE FIELD OF TRANSPORT

As of 1991, the national legal framework in the field of transport has been significantly renewed in Armenia. At present the national legislation of Armenia includes the following transport laws:

- On Transport (1998). This law regulates the legal, economic and organisational provisions in the sphere of transport activity, rights and responsibilities of participants engaged in the process of transport activity and carries out the protection of their legal interests. In particular, the law defines the main conceptions of transport and transport activity, transport system and transport services (Article 1), State regulation in the spheres of Transport activity and Transport system (Articles 4, 5), Licensing of Transport activity (Article 8), Main Transport activity provisions (Articles 8-15), Security and responsibility in the process of transportation (Articles 16-27).
- On road fees (1998)
- On Licensing (2001). This law defines the types of activities subject to licensing and regulates the licensing procedure. Some provisions of the Law of Licensing relate to the transport sector. Thus, certain types of transport activities are subject to licensing; namely, "Activity on Organizing of regular transport by passenger vehicles of common use" and "Activity on Organizing transport of passengers by taxis" under Article 43 "16. Transport sector" licensed activity starting from December 2006. Another important point for licensing of transport sector is "Activity on Technical diagnosis of vehicles" (effective June 19, 2007). The clause of the article defines that this function shall be implemented by licensed commercial organisations. "Organizing of railroad transport activity" Article 43 defines the types of activity that should also be licensed. Another licensed activity is vehicle driving training, which is included in the Law on licensing.
- On Road Transport (2006). This regulates legal and economic relations of organisation and implementation of vehicle transport activities in Armenia, vehicle exploitation, transport of passengers, luggage and goods, relations connected with safety of services and transport and also rights and responsibilities of legal and physical entities engaged in this process. In particular, the law defines the main concepts of Vehicle transport, Vehicle transport sphere, Vehicle transport activity (Article 1), problems and principles of legislative regulations in the sphere of Vehicle transport (Article 3), State regulation and management in the sphere of Vehicle transport (Articles 5,6), Licensing and insurance (Article 8), organisational issues of transport of passengers, luggage and goods in Vehicle transport (Articles 9-20), rights, obligations and responsibilities of ferryman and customer (Articles 21-25), Security requirements for transport by Vehicle transport (Articles 26-28).
- On Transport Inspection of the Republic of Armenia (2006). This regulates legal, economic and organisational issues relating to the Transport Inspectorate of Armenia, as well as the relations connected to the supervision of transport participants for compliance with the requirements of Armenia's transport legislation during organisation of transport process. Article 6 of the law defines the functions of the Transport Inspectorate in the 18 spheres of transport regulation. These functions are: 1) Supervise transport legislation, licenses in the sphere of transport activity, permissions on international transport, water, electro, metro and rail transport activities, legislation on advertising in state vehicle roads of common use, technical exploitation of moving structures related to vehicle transport for the purposes of requirements of legislation of Armenia, 2) Analyse road-transport accidents on the most commonly used modes of transportation, including causes for the accidents and possible preventative measures (including liaising with relevant state bodies).



- On Railway Transport (2007). This previous regulatory law is dated 1964. As the law on road transport, it regulates the legal, institutional and economical issues of railway transport activity in Armenia. Railway tariffs are decided by the Commission on regulation of public services. The Law on Railway Transport is also innovative as it paves the way for the transfer of railway operation in Armenia to the private sector. This adaptation of the legislation was a pre-request to finalising the transfer of Armenian Railways under a concession agreement.
- On Road Traffic safety (2007). This law regulates activities related to traffic safety. The main task of the law is to protect the state and society through traffic safety measures, especially the prevention and reduction of traffic accidents.
- On Imposition and Revision of Tariffs. This law provides services in the field of Mandatory Technical Inspection of Vehicles via Defect Identification Technical Means (2007).

Furthermore, within the frame of ongoing negotiations between Armenia and the European Union on the Association Agreement, which was launched on 19 July 2010, the priority Action Plan for legal EU approximation in the field of transport was adopted.

The Republic of Armenia has also ratified 9 of the 57 UNECE international transport agreements and conventions, which are listed below:

- The European Agreement on Main International Traffic Arteries (AGR) (1985), which provides the international and technical framework for the development of a coherent road network in the UNECE region.
- The Convention on Road Traffic (1968), which aims to facilitate international road traffic and increase road safety through adopted uniform road traffic rules;
- The European Agreement Concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR) (1970), which aims to prevent drivers and the crew of commercial vehicles (weighing more 3.5 tonnes or those transporting more than nine people) engaged in international road transport, from driving excessive hours, as this increases the risk of serious road accidents and may create disparities in competition conditions.
- The Convention on the Contract for the International Carriage of Goods by Road (CMR) (1956), which facilitates international road transport by providing a common transport contract, including a common consignment note and harmonised liability limits.
- The Protocol to the CMR Convention, (1978), which modifies the provisions of the CMR Convention concerning the liability of the carrier regarding the loss of goods;
- The Customs Convention on the International Transport of Goods under Cover of TIR Carnets, (1975), which establishes procedures that permits the international carriage of goods by road vehicles or in containers from the Customs office of departure to the Customs office of arrival, through as many countries as necessary, without intermediate inspection of the goods carried and without the deposit of a financial guarantee at each border.
- The International Convention to Facilitate the Crossing of Frontiers for Goods Carried by Rail, (1952), which facilitates crossing by rail through procedures and conditions that harmonise and ensure a high level of efficiency in the control of goods carried by rail at borders between two adjoining countries on a railway line.
- The International Convention on the Harmonization of Frontier Controls of Goods, (1982), which aims to facilitate border crossing in the international transport of goods



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through harmonisation and a reduction of the requirements for completing the number and duration of border controls.

- The Customs Convention on Containers (1972), which lays down standards for the construction of containers, as well as an approval system, and provides temporary import and repair for containers with minimum formalities.

The Republic of Armenia also joined the Convention on international cargo transport with the use of the booklet of the International Road Transport Carriers (1975) and the SMGS Agreement (on international goods transport by rail), having upgraded its observer status into full membership in 2002.

In addition to national transport legislation, Armenia has established bilateral relations with LOGMOS beneficiary countries (see Table 1).

Table 1: Bilateral Agreements with LOGMOS Beneficiary Countries

Countries	Transport issues				Customs
	Maritime	Road	Railway	General	
Azerbaijan					
Bulgaria		On international road transport 10.04.1995		On cooperation in the field of transport 01.12.1999	On cooperation and mutual assistance in customs issues 01.12.1999
Georgia		On international road transport 25.04.2006	On cooperation in railway transport 19.05.1993	On general principles in the field of transit transportation 19.05.1993	On general principles in the field of customs 24.06.1993 On cooperation and mutual assistance in customs issues 15.10.2007
Kazakhstan		On international road transport 06.11.2006			On cooperation and mutual assistance in customs issues 02.09.1999
Kyrgyzstan		On international road transport 21.04.1997			on cooperation and custom documentation and custom guarantees mutual acceptance 14.02.1996
Moldova		On international road transport			On cooperation and mutual assistance in



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		30.10.1996			customs issues 14.02.1996
Romania		On international road transport 25.03.1996		On international combined transport 03.07.1999	On cooperation and mutual assistance in customs issues 31.10.2001
Tajikistan					On cooperation and mutual assistance in customs issues 08.06.1995
Turkey					
Turkmenistan		On international road transport 27.06.1995		On general principles of cooperation in the field of transport 15.10.1992	On cooperation and mutual assistance in customs issues 30.07.1993 On general principles in the field of customs 24.08.1993
Ukraine		On international road transport 22.07.1997	On cooperation in railway transport 24.12.1999		On cooperation and mutual assistance in customs issues 07.10.1994
Uzbekistan		On international road transport 20.08.1992			

Bilateral agreements have also been signed with the Islamic Republic of Iran which borders Armenia in the South. Those are:

- Agreement on international cargo transport (signed in 1995)
- Agreement between the Government of the Republic of Armenia and the Government of the Islamic Republic of Iran on Customs Cooperation (signed on 27.12.2001)
- Memorandum of understanding between the Ministry of Transport and Communications of the Republic of Armenia and the Ministry of Roads and Communications of the Islamic Republic of Iran, on cooperation on railway transport issues and on the construction of a direct railway line between the Republic of Armenia and the Islamic Republic of Iran (signed in 2009)



4 NATIONAL POLICY AND LEGISLATION IN TRADE AND TRANSIT

The state regulation in trade and services of the Republic of Armenia is aimed at coordination of legal and contractual relations, identifying and resolving existing problems, establishing conditions for equal competition in transport sector, protecting the interests of Armenian businesses at the national level and in international markets, as well as establishing the cooperation between state agencies and NGOs.

Recently, Armenia's foreign trade activities have been built upon the principles of liberalisation, maintenance of international obligations assumed by Republic of Armenia, establishment of favourable environments for businesses involved in foreign trade activities, and also promotion of domestic exports.

Key documents regulating trade and transit in Armenia are:

- Customs Code
- Law On Electronic Documentation and Electronic Digital Signature
- National Programme for Establishing the "Excellence Centre" for Business and Investment Climate Promotion in Armenia
- Procedure for Establishing Free Economic Zone in "Zvartnots" Airport of the Republic of Armenia
- Customs administration strategy of the Republic of Armenia for 2008-2012
- Protocol of amendment to the International Convention on the Simplification and Harmonisation of Customs Procedures (Kyoto Convention, ratified on July 19, 2013)

The Armenia Customs Code is in compliance with WTO requirements and international standards.

A certificate of country of origin, or any other relevant document, is required to ensure exceptions envisaged by the international agreements for goods transported through Armenia's Customs borders. Armenia has an agreement with Russia, Belarus, Ukraine, Moldova, Kyrgyzstan, Turkmenistan, Kazakhstan, Tajikistan, Uzbekistan "On Free Trade and Creation of Free Trade Zone" for the goods, originating from their countries and imported into Armenian Customs territory, which are exempt from Customs duties.

According to that agreement, the commodities that originate from Armenia are exempt from Customs duties when imported to the aforementioned countries. Based on the provisions of this agreement, the document that confirms the country of origin is the Certificate of the Country of Origin. Transit shipment of goods and means of transportation through Armenia's territory is regulated by the Customs Code and by the Government Decree N. 887 "On Confirming the Order of Transit Shipment of Goods and Means of Transportation through the Republic of Armenia Customs Territory and Cases of Mandatory Customs Accompaniment".

Cross Border Cooperation (CBC) is an integral part of the European Neighbourhood Policy (ENP), which gives an opportunity to both European Member States and Partner Countries to initiate regional co-operation. CBC programmes that are implemented within the ENPI frame involve Eastern European, Southern Caucasian, as well as Eastern and Southern Mediterranean countries. Armenia is involved in one of CBC programs for Black Sea region, which is set in the Black Sea Joint Operation Programme (2007-2013).

In addition to that, Armenia is also a beneficiary country for the "South Caucasus Integrated Border Management" project funded by the European Union, which aims to introduce and enhance integrated border management systems in the three countries of the South Caucasus



region: Armenia, Azerbaijan and Georgia. The total budget of the programme, launched in 2009 and completed at the end of 2012, amounted to EUR 6.3 M. The SCIBM project has developed an action plan for Armenia that addresses legal, regulatory, institutional, hardware and software human resources issues for Integrate Border Management. This action plan, which showed a comprehensive recognition of the shortfalls and addressed recommendations to overcome the identified bottlenecks, has been officially adopted by Government Decree No. 482 of 2011.

The implementation of this action plan is currently being carried out with the help of a Twinning project that started in 2012 entitled “Support to the State Revenue Committee for Strengthening of Customs Control Procedures and Enforcement in Armenia according to Best Practices in the EU Member States”, led by a consortium of Customs administrations from Finland and Lithuania. The modernisation of three BCPs with Georgia at Bagratashen, Bavra and Gogavan has already started. The Government of Armenia is financing the project through a loan from the EBRD and the EIB (EUR 42 M), a grant from the EU through the NIF (EUR 12 M) and a grant from the UNDP (EUR 0.8 M)².

Armenia’s membership at the WTO dates back to 2003 when Armenia signed the Regional Trade Agreement (RTA) with Kazakhstan, Moldova, Russia, Turkmenistan, Ukraine, Georgia and the Kyrgyz Republic. Armenia is also a signatory member of the RTA, signed between eight of the eleven CIS countries in 2011: Armenia, Belarus, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan and Ukraine.

² http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/irc/documents/reduced_nif_five_year_report_for_web_en.pdf



5 INVESTMENTS IN TRANSPORT AND LOGISTICS SECTOR IN ARMENIA

Investment policy is part of the general economic policy of Armenia and serves as an important means for economic growth. The policy in the field of investments targets the establishment of a favourable environment, increased transparency of regulations, identification and enhancement of country's competitive advantages, investments growth and development of market infrastructure among others.

In this particular field Armenia pursues a liberal approach, which is spelled out in the corresponding legislation, in particular, in the Law "On foreign investments" (adopted in 1994) and in the Concept for Investment Policy (adopted in 2005), as well as other legislative acts regulating economic environment concerning investments.

Transport policy of Armenia is implemented in the belief that an integrated Euro-Asian transport system is much needed and in order to develop harmonised legal and regulatory mechanisms and attract investments to the transport sector. During the last few years, around USD 350 M has been invested in the country's transport sector, of which, USD 45-50 M is allocated annually by the government. Significant attention is now paid to the modernisation of transport infrastructure, particularly to the reconstruction of rural roads and road structures (bridges and tunnels).

Within the TRACECA framework the European Commission supports ongoing initiatives via technical assistance and investment projects. Besides TRACECA, the World Bank, ADB and EBRD invest in transport and logistics infrastructure development in Armenia.

Table 2: IFI Supported Projects in Armenia

Title of project	Year of approval	Sub-sector	Total project cost	IFI funding
Lifeline Roads Improvement Project	2013	Road	USD 56 M	USD 56 M (WB)
North-South Road Corridor–Phase 3 Talin–Gyumri section	2013	Road	N/A	USD 180 M (ADB)
Modernisation of the Bagratashen, Bavra and Gogavan BCP (ARM/GEO)	2012	Road	EUR 60.6 M	EUR 10 M (EBRD) EUR 30.3 M (EIB) EUR 12 M (EU through the NIF) EUR 0.8 M (UNDP)
Zvartnots Airport Expansion Project (Phase 2)	2012	Air	USD 173 M	USD 40 M (ADB)
Armenia Northern Corridor Modernisation Project	2012	Road	EUR 71.4 M	EUR 10.3 M (EBRD)
Road Assets Management Programme	2011	Road	USD 81 M	USD 65 M (WB)
Lifeline Roads	2010	Road	USD 50 M	USD 40 M (IBRD)



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Improvement Project				
North-South Road Corridor - Phase 1 and 2	2009	Road	USD 962 M	USD 500 M (ADB)
Rural Roads Rehabilitation Project	2006	Road (rehabilitation)	USD 25.2 M	USD 8.4 M (Millennium Challenge Corporation)
Armenia International Airport– Passenger Terminal	2006	Air transport	USD 62.89 M	USD 20 M (EBRD)



6 STRATEGIC CHALLENGES

6.1 Market Challenges

6.1.1 National Trade: Exports and Imports

World Trade Partners

Armenia has a unique geographical position among TRACECA countries:

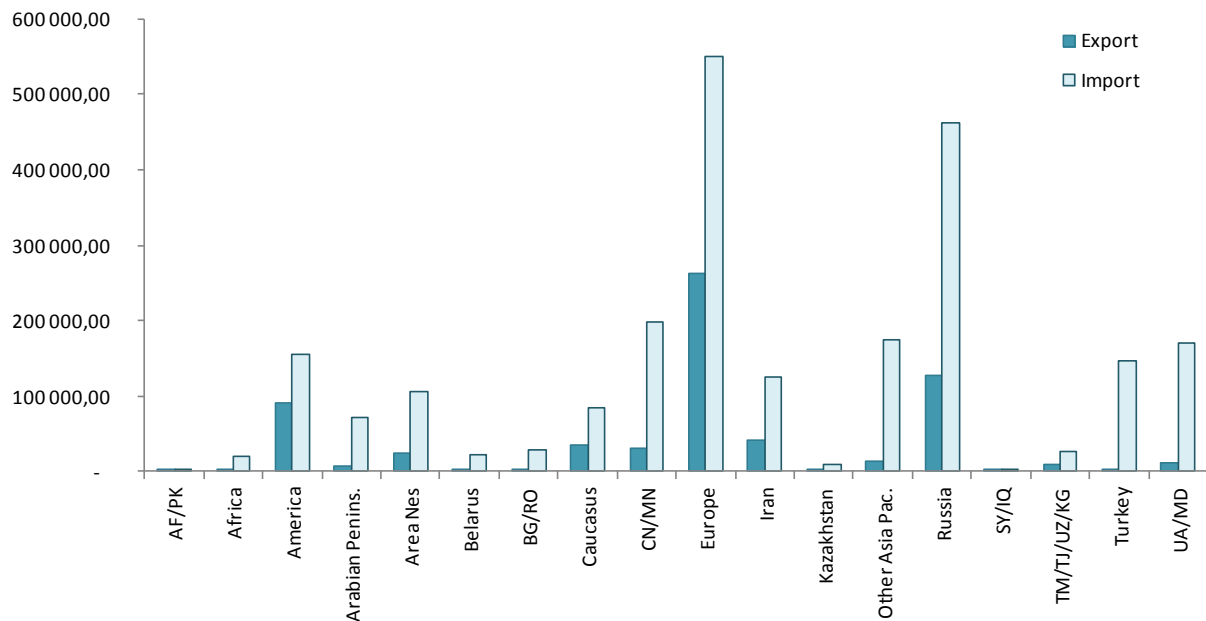
- It is the only Caucasus landlocked country.
- Armenia is not crossed by the main section of TRACECA East–West corridor that passes through the Caucasus.
- Due to political conflicts, Armenia does not have border crossing points with neighbouring Turkey and Azerbaijan.

Given the three above-mentioned reasons, the vast majority of Armenia's land trade (aside from trade with Iran) is transported via Georgia from where it continues on to reach international markets using the TRACECA corridor. Unlike its two neighbouring Caucasus countries, Armenia is also not a transit country. The features of goods flow for Armenia therefore differ a great deal from its neighbours.

As shown in Figure 2, Armenia is a net importer of goods. In 2010, the volume of imports reached EUR 2,357.5 bn, while the volume of exports closed at EUR 666 bn. The commercial balance is in favour of imports with every trade partner. This is easily understood due to the specific geographical location, and geopolitical situation of the country. Armenia's main trade partners are Europe and Russia. Together, they account for 46.49% of all Armenian international trade. They are followed by America (8.20%), China (7.54%) and Asia & Pacific (6.25%).

The share of Armenia's international trade with TRACECA countries is low in comparison with the total trade volume (15.4%). Among these countries, Armenia's main trade partners are Ukraine-Moldova, Iran and the Caucasus region (see Table 3). Trade with Central Asian countries and West TRACECA countries (Bulgaria-Romania) is almost non-existent (see Table 3).

Figure 2: Armenia Trade Partners, 2010, thousand EUR

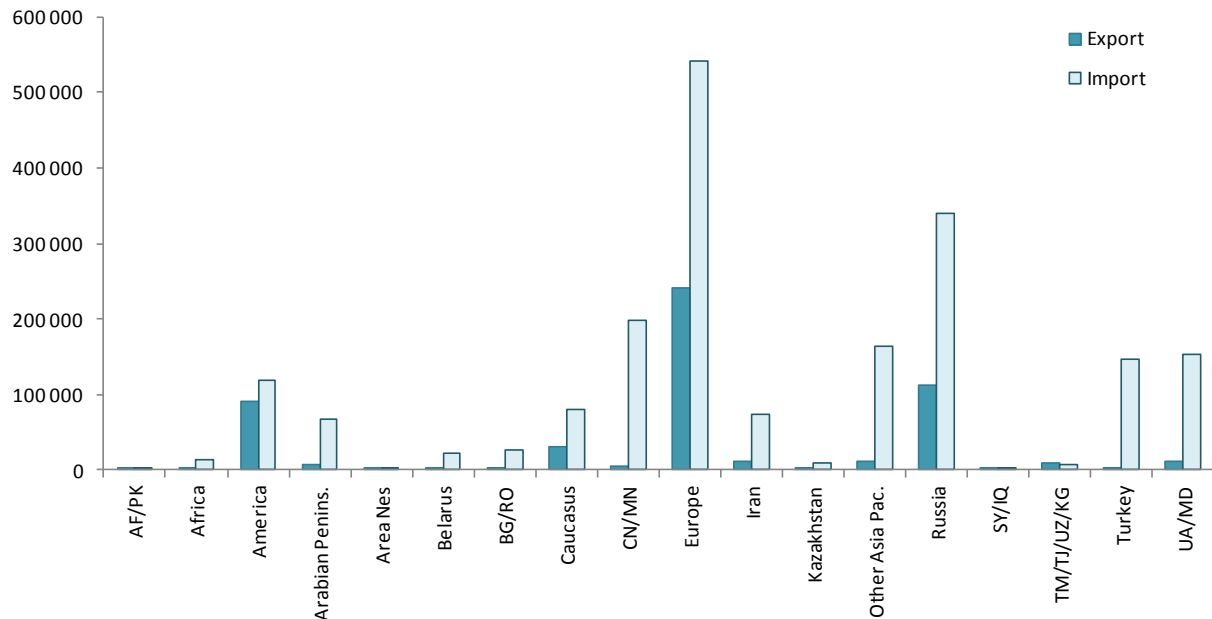


Source: Computation based on Eurostat and UN Comtrade databases

The analysis of Armenia's potential trade (bulk goods are left aside) is relevant for TRACECA corridors. It first reveals that the total volume of potential trade accounts for two thirds of the total trade volume (EUR1.819 bn / EUR 2.718 bn). Imports excessively dominate exports. When looking at the repartition of trade between partners, no significant changes are to be noticed (Table 3). Europe holds the largest trade share (31.15%) followed by Russia (18%), America (8.32%) and China (8.04%). Trade with TRACECA countries is slightly higher and amounts to almost 20%.

Armenia's relation with TRACECA's interests is therefore twofold. Although TRACECA countries do not constitute Armenia's main partners, the TRACECA corridor (in particular the western part) is vital for accessing the international market.

Figure 3: Armenia Trade Partners, Potential Trade, 2010, thousand EUR



Source: Computation based on Eurostat and UN Comtrade databases

Table 3: Distribution of Armenia Potential Trade Partners, 2010, % in trade value

Zones	All products		Total all products	No min. fuel & ores		Total no min. fuel & ores
	Import	Export		Import	Export	
Afghanistan-Pakistan	0.08%	0.04%	0.07%	0.10%	0.05%	0.09%
Africa	0.86%	0.18%	0.71%	0.67%	0.22%	0.57%
America	6.64%	13.75%	8.20%	5.99%	16.73%	8.32%
Arabian Peninsula	3.08%	0.95%	2.61%	3.42%	1.16%	2.93%
Area Nes	4.52%	3.53%	4.30%	0.09%	0.71%	0.22%
Belarus	0.95%	0.56%	0.87%	1.14%	0.68%	1.04%
Bulgaria-Romania	1.27%	0.07%	1.00%	1.34%	0.09%	1.07%
Caucasus	3.54%	5.31%	3.93%	4.11%	5.48%	4.40%
China-Mongolia	8.37%	4.60%	7.54%	10.03%	0.87%	8.04%
Europe	23.34%	39.45%	26.89%	27.49%	44.35%	31.15%
Iran	5.30%	6.14%	5.49%	3.77%	2.14%	3.42%
Kazakhstan	0.40%	0.34%	0.39%	0.48%	0.42%	0.47%
KY-TJ-TM-UZ	1.08%	1.47%	1.17%	0.33%	1.77%	0.65%
Other Asia Pacific	7.41%	2.13%	6.25%	8.32%	2.19%	6.99%
Russia	19.59%	19.21%	19.50%	17.30%	20.49%	17.99%
Syria-Iraq	0.14%	0.06%	0.12%	0.17%	0.07%	0.15%
Turkey	6.22%	0.34%	4.93%	7.41%	0.42%	5.89%
Ukraine-Moldova	7.19%	1.85%	6.01%	7.84%	2.16%	6.61%
Total	100%	100%	100%	100%	100%	100%

Source: Computation based on Eurostat and UN Comtrade databases

The study of trade flows from and to Armenia must be completed with the analysis of their estimated tonnage. Table 4, below, shows that the tonnage of exports is only one sixth the size of that of the imports. It also confirms that more than half of the exports, as far as potential



tonnage is concerned, are destined for the Caucasus region (56.76%). In regards to imports, the highest trade exchange for Armenia is with Ukraine/Moldova (32.18%) followed almost equally by Turkey (19.86%), Caucasus region (18.63%) and Europe (17.96%).

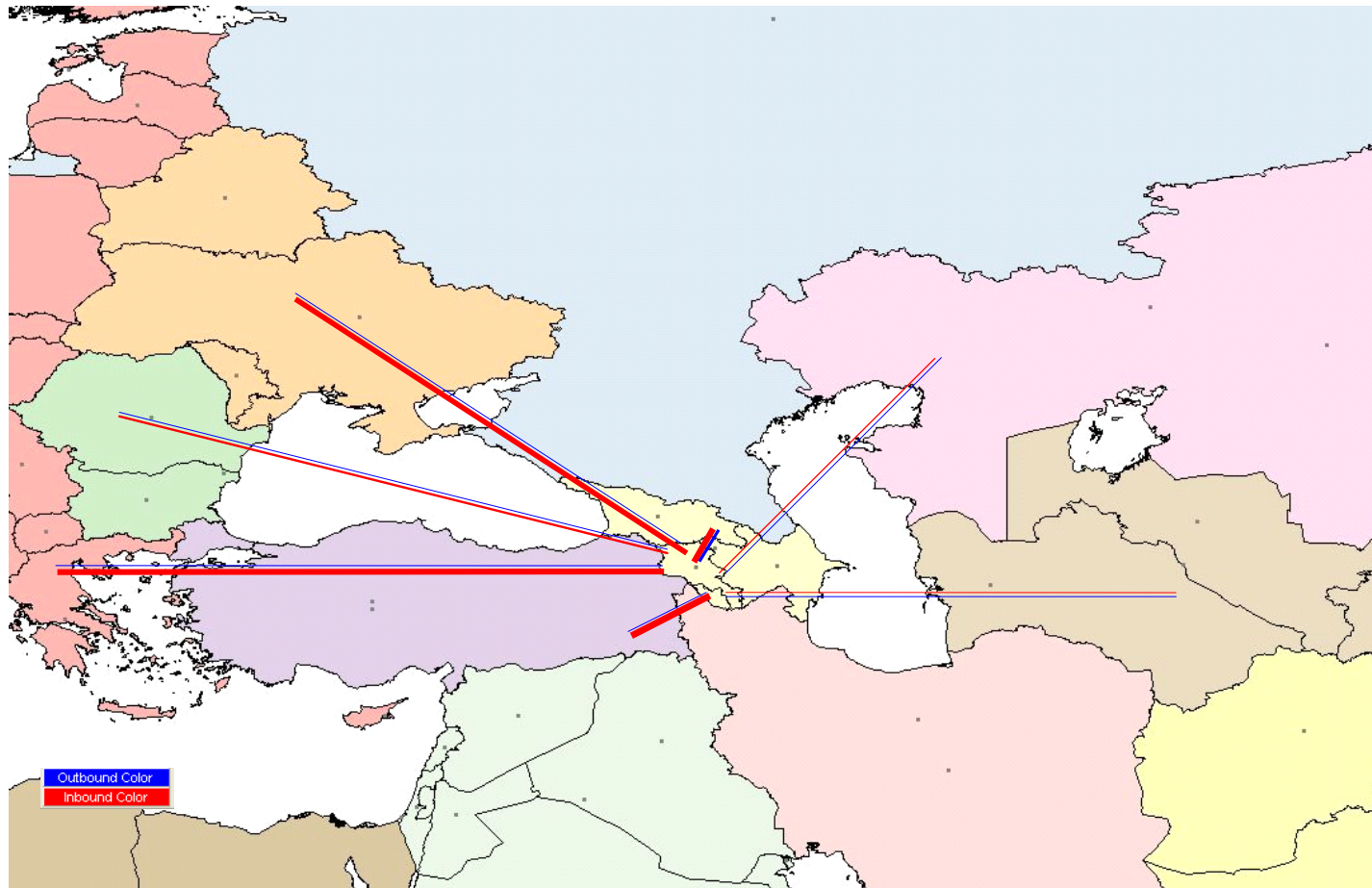
Table 4: Armenia Potential Trade with TRACECA Countries and Europe, 2010, in tonnes and %

Zones	Tonnage		Share in trade with TRACECA countries and Europe	
	Export	Import	Export	Import
Bulgaria-Romania	232.7	42,934.3	0.22%	6.63%
Caucasus	61,395.0	120,660.8	56.76%	18.63%
Europe	21,778.3	116,349.0	20.13%	17.96%
Kazakhstan	587.8	27,244.5	0.54%	4.21%
KY-TJ-TM-UZ	1,646.4	3,486.9	1.52%	0.54%
Turkey	3,949.1	128,678.3	3.65%	19.86%
Ukraine-Moldova	18,573.0	208,474.5	17.17%	32.18%
Total	108,162	647,828	100%	100%

Source: Computation based on Eurostat and UN Comtrade databases



Figure 4: Armenia Potential Trade with TRACECA Countries and Europe, 2010, in tonnes



Source: Computation based on Eurostat and UN Comtrade databases



6.1.2 Regional TRACECA Trade

To develop transport infrastructures and logistics centres that enhance trade between TRACECA countries, it is essential to look at the commodity structure of trade flows. Figure 5 and Table 5, both below, detail the composition of Armenia's imports from other TRACECA countries and Europe.

The main observations are:

- The volume of imports is very much unbalanced. Imports from Ukraine/Moldova reach a weight of 208.5 th. tonnes while those from the South-East TRACECA region do not exceed 3.5 th. tonnes.
- On average, Base Metal Equipment and Vegetable Products dominate the composition of trade inflows. They are then followed by the commodities "Articles of Wood" and "Foodstuffs".

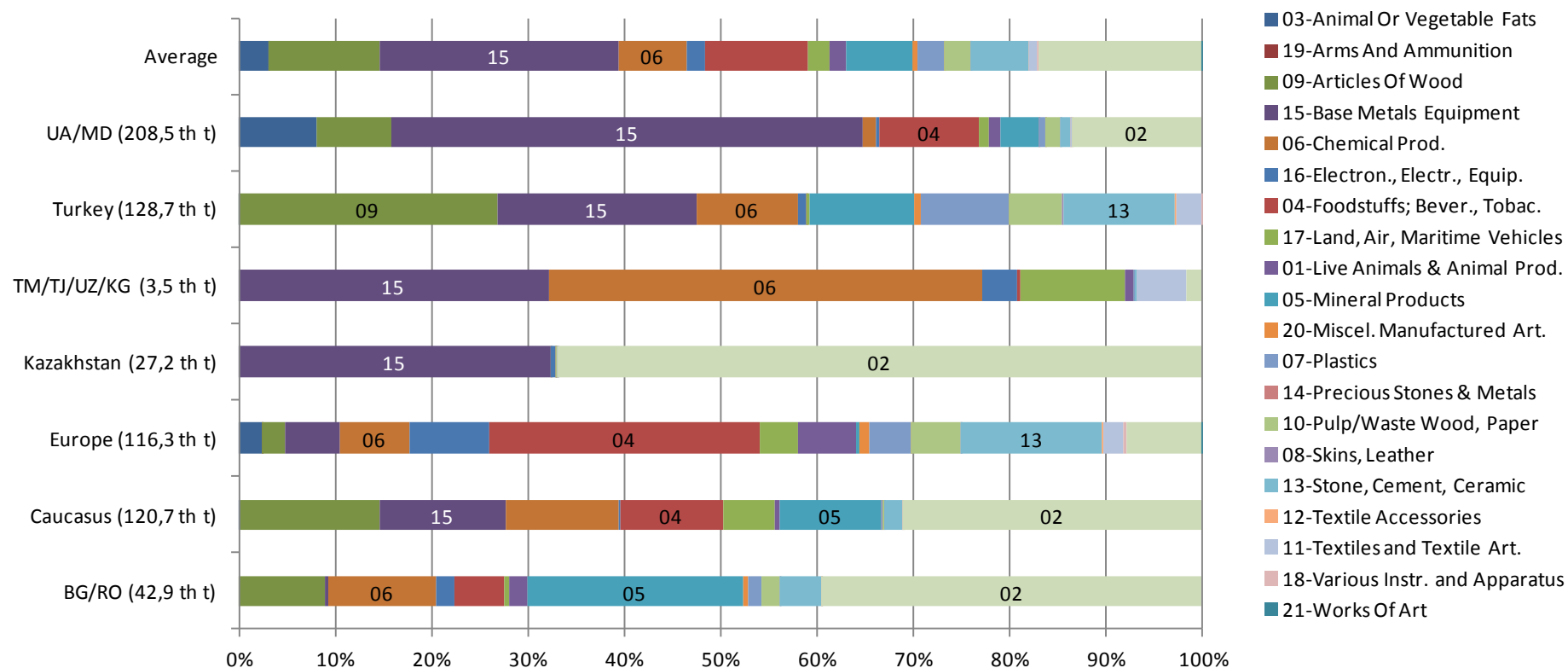
The commodity "Base Metal Equipments" is mainly imported from Ukraine and then Turkey (see Table 5). Vegetable Products come mainly from Caucasus and Ukraine. It is also to be noticed that the composition of imports from all the trading partners is quite diverse. The only exception is Kazakhstan from where only three commodities are imported: Base Metal Equipment, Electronics and Vegetable Products.

The commodity structure of exports is on average dominated by "Mineral Products" followed by "Base Metal Equipment" and "Stone, Cement, Ceramic" (see Figure 6 and Table 6 below). However, it varies very much from one country to another. For instance, exports to the Caucasus are dominated by Mineral Products, while exports to Europe are predominantly composed of Base Metal Equipment. An exception would be Turkey where the two main commodities have an equal share along with the "Foodstuffs, Beverage, Tobacco" commodity.



Logistics Processes and Motorways of the Sea II

Figure 5: Potential Trade with TRACECA Region – Commodity Structure of Imports to Armenia, 2010, in tonnes and %



Source: Computation based on Eurostat and UN Comtrade databases



Logistics Processes and Motorways of the Sea II

Table 5: Potential Trade with TRACECA Region – Commodity Structure of Imports to Armenia, 2010, in tonnes

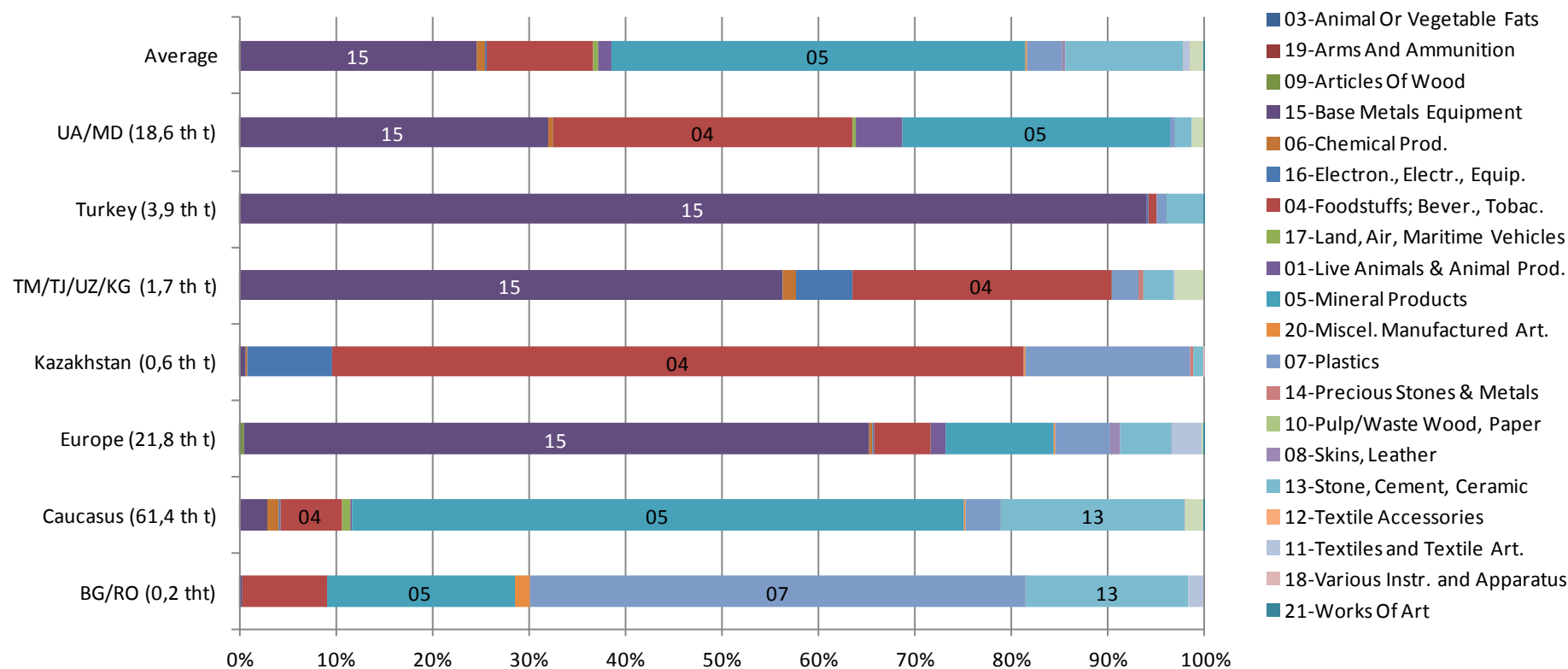
Commodity Groups	Bulgaria-Romania	Caucasus	Europe	Kazakhstan	KY-TJ-TM-UZ	Turkey	Ukraine-Moldova
Animal Or Vegetable Fats	n/a	95.48	2,780.10	n/a	n/a	1.78	16,730.16
Arms And Ammunition	n/a	n/a	68.92	n/a	n/a	n/a	n/a
Articles Of Wood	3,842.50	17,617.33	2,700.99	n/a	n/a	34,509.70	16,438.93
Base Metals Equipment	166.00	15,682.91	6,636.21	8,822.75	1,121.60	26,637.88	101,872.61
Chemical Prod.	4,785.10	14,103.00	8,495.65	1.05	1,570.33	13,539.65	2,782.72
Electron., Electr., Equip.	821.70	280.20	9,551.76	147.23	122.73	1,198.58	956.08
Foodstuffs; Bever., Tobac.	2,190.60	12,815.88	32,672.61	0.41	16.71	0.17	21,336.40
Land, Air, Maritime Vehicles	242.00	6,437.70	4,730.83	2.07	379.36	323.52	2,106.89
Live Animals & Animal Prod.	800.90	792.25	7,005.00	n/a	25.16	n/a	2,534.33
Mineral Products	9,611.80	12,632.35	226.50	n/a	0.11	13,918.65	8,343.28
Miscel. Manufactured Art.	212.80	51.61	1,350.94	1.27	0.26	947.56	181.44
Plastics	593.30	199.92	4,922.05	3.29	7.18	11,674.51	1,270.94
Precious Stones & Metals	n/a	0.16	10.50	n/a	n/a	0.72	0.01
Pulp/Waste Wood, Paper	859.60	133.74	6,034.41	20.30	n/a	7,271.45	3,363.75
Skins, Leather	0.30	13.33	61.66	0.00	0.01	76.48	1.11
Stone, Cement, Ceramic	1,832.20	2,230.47	17,035.68	0.19	5.03	14,997.59	2,152.52
Textile Accessories	4.50	2.79	106.16	n/a	0.01	151.77	10.66
Textiles and Textile Art.	10.50	18.19	2,510.55	0.03	179.19	3,424.90	129.19
Various Instr. and Apparatus	1.10	5.48	259.68	0.64	n/a	3.42	21.43
Vegetable Products	16,959.40	37,548.04	9,186.61	18,245.26	59.23	n/a	28,242.10
Works Of Art	n/a	0.00	2.20	n/a	n/a	n/a	n/a
Total imports	42,934.30	120,660.82	116,349.02	27,244.50	3,486.90	128,678.33	208,474.54

Source: Computation based on Eurostat and UN Comtrade databases



Logistics Processes and Motorways of the Sea II

Figure 6: Potential Trade with TRACECA Region – Commodity Structure of Exports from Armenia, 2010, in tonnes and %



Source: Computation based on Eurostat and UN Comtrade databases



Logistics Processes and Motorways of the Sea II

Table 6: Potential Trade with TRACECA Region – Commodity Structure of Exports from Armenia, 2010, in tonnes

Commodity Groups	Bulgaria-Romania	Caucasus	Europe	Kazakhstan	KY-TJ-TM-UZ	Turkey	Ukraine-Moldova
Animal Or Vegetable Fats	n/a	n/a	0.00	n/a	n/a	n/a	0.06
Arms And Ammunition	n/a	n/a	10.80	n/a	n/a	n/a	n/a
Articles Of Wood	0.00	93.72	83.60	0.15	n/a	0.00	n/a
Base Metals Equipment	0.60	1,736.58	14,130.68	3.27	926.27	3,716.77	5,937.20
Chemical Prod.	n/a	664.79	59.90	1.78	24.15	n/a	107.90
Electron., Electr., Equip.	0.00	86.58	31.51	51.84	95.20	3.32	12.64
Foodstuffs; Bever., Tobac.	20.50	3,978.78	1,275.01	421.03	442.70	34.65	5,758.59
Land, Air, Maritime Vehicles	0.00	465.21	17.91	n/a	n/a	n/a	38.20
Live Animals & Animal Prod.	n/a	187.73	347.70	n/a	n/a	n/a	913.08
Mineral Products	45.40	38,857.49	2,442.73	n/a	2.07	n/a	5,140.18
Miscel. Manufactured Art.	3.80	97.19	6.52	0.51	0.05	n/a	1.03
Plastics	119.40	2,225.74	1,243.30	100.97	44.52	40.29	109.91
Precious Stones & Metals	0.10	0.31	11.10	1.87	8.84	0.01	n/a
Pulp/Waste Wood, Paper	n/a	87.15	8.30	0.10	0.06	0.06	0.08
Skins, Leather	n/a	9.38	229.10	n/a	n/a	n/a	0.01
Stone, Cement, Ceramic	39.30	11,707.75	1,150.88	5.45	51.49	150.24	303.63
Textile Accessories	n/a	8.09	0.50	0.05	n/a	n/a	n/a
Textiles and Textile Art.	3.60	24.46	681.56	0.16	1.38	3.71	n/a
Various Instr. and Apparatus	n/a	1.04	6.50	0.60	1.22	n/a	2.05
Vegetable Products	n/a	1,163.01	40.26	n/a	48.40	n/a	248.43
Works Of Art	n/a	0.01	0.50	n/a	n/a	0.00	n/a
Total exports	232.70	61,395.02	21,778.35	587.78	1,646.37	3,949.05	18,572.98

Source: Computation based on Eurostat and UN Comtrade databases



6.2 Intermodal Maritime Based Transport Challenges

LOGMOS aims to develop seamless door-to-door intermodal services, where all components of the transport chain may be considered as possible segments of LOGMOS projects, depending on their relevance for potential LOGMOS trade flows.

Port interfaces for operations, services, procedures etc. between land and sea are among the most critical points.

6.2.1 Port System and Maritime Links

Armenia is a land-locked country and does not possess any maritime façades. The most accessible ports are those of Georgia, Poti and Batumi, situated on the Black Sea some 650km from Yerevan. The route to the Iranian ports is much longer (2000km from Yerevan) and is more expensive. As Armenia's main trade partners are Europe, Russia and China, cargo is usually transited on rail ferry services from Georgian Ports. A land connection with Russia exists through the Verkhny Lars crossing points between Georgia and Russia but its opening is dependent on the state of Russian-Georgian relations and the political condition at the time.

Given this situation, Georgian Ports and the Black Sea maritime links are vital for Armenia's economy. A rapid container train has operated between Karmir-Blur/Yerevan and the port of Poti in Georgia since 2008. The train circulates 3 times per week in both directions and the journey lasts 36 hours. The maximum capacity the container train can handle is 30 wagons-platforms.

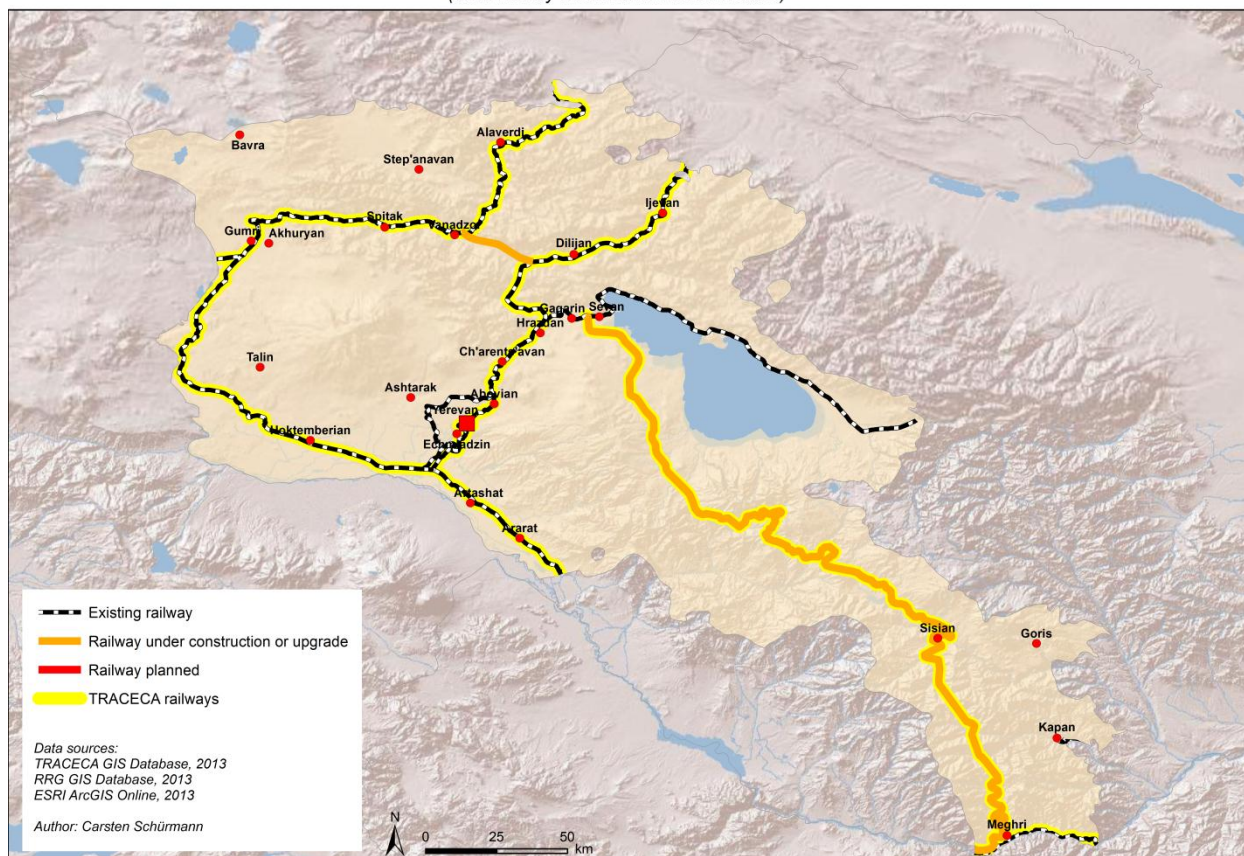
To facilitate Armenia's accession to international main trade corridors, the LOGMOS project supports the construction of an ILC in Yerevan, on a site adjacent to Zvartnots International Airport, and the creation of a maritime flag.

Feasibility studies with proposed road and railway connections were prepared by the LOGMOS project. The Zvartnots ILC has been included into the Zvartnots airport area development programme and is currently a priority project for Armenia. A memorandum of understanding was signed by the airport, Armenian railways and the Government on development of the logistics hub. The Asian Development Bank is also considering its participation in the project, which is planned to be a PPP-scheme.

6.2.2 Inland Transport Mode: Railways³

Figure 7: Armenia Railway Map

Railway network of Armenia
(main railway lines and TRACECA routes)



Source: TRACECA (2013)

The total length of the railway tracks in Armenia is 1,328.6 km (including 780 km of express tracks) but only 704 km is operated. Double tracks constitute 2.56% of the network. These are Russian-gauge (1520 mm) rail tracks. Almost all the rail tracks are single, electrified and equipped with semi-automated blocking and modern communication systems.

Table 7: Main Features of the Armenian Railway Network

Total route length (km)	Gauge (mm)
1,328.6	1,520
Electrified lines (km)	Electrification system
845	3 kV DC

Railway freight traffic declined with the fall of USSR. The main reasons were a dramatic decline in rail-based industries, an improving road network and strong competition from the trucking industry. In 2011, rail freight traffic reached more than 3 M tonnes (see the Table 9 below) revealing the recovery of the sector (in 1999, rail freight traffic hit 1.9 M tonnes). In the same year, Armenia's cargo transportation via railway (in volume) amounted 33.6%, while the share

³ More detailed information on the railway sector of Armenia, figures and state of projects can be found in the separate [railway report of the LOGMOS Master Plan](#)



of cargo transported by road amounted 50.9%. Almost half of the traffic was imports in 2011 (41.3%). Exports represented only 13.8% of the rail freight traffic. Transit traffic was completely lost due to the closing of Armenia's borders and the end of a direct rail connection with Russia. With new, competing lines under construction in Georgia, Turkey and Iran, transit traffic may never recover.

Table 8: Rail Freight Traffic in 2011

	Tonnes '000				Tonne Km M	Haul Km	Revenue AMD M	Revenue/ Tonne Km AMD
	Import	Export	Local	Total				
Total	1,351.1	449.8	1,468.5	3,269.4	815.9	707.4	14,364.4	17.6

Source: National Statistical Service of the Republic of Armenia

The closed Joint-Stock Company "Southern Caucasian Railways" (SCR), an affiliate of Open Joint-Stock Company "Russian railways" (RZD), is the single railway operator in Armenia and the sole private railway operator among TRACECA states. On February 13th 2008, the Government of Armenia and RZD signed a 30-year concession contract for the operation of the State Close Joint-Stock Company "Armenian Railway".

South Caucasus Railways was set into operations on June, 1st, 2008. Its mission is to develop and establish the national railway operator and improve the quality of services by means of upgrading railway transport infrastructure, enhancing partnership with neighbouring countries, operating national and international passenger and cargo transport in Armenia. The company provides:

- cargo and passenger (distance and suburban) transport services;
- infrastructure facilities and locos;
- repairs and overhaul of rolling stock;
- infrastructure building, etc.

SCR is capable of transporting 50 M tonnes and 5.5 M passengers per year. It operates 75 stations, including four border railway stations:

- 1 at the border with Georgia–Ayrum/Sadakhlo. Its capacity is 18 train pairs der day
- 1 at the border with Turkey–Akhuryan/Dogukapi
- 2 at the border with Azerbaijan Yeraskh/Velidagh and Ijevan/Barkhudarli.

SCR owns 49 electric and 30 diesel locos, but also 1,839 freight and 135 passenger cars. In 2012, two major projects for the reconstruction and re-organization of the locomotive and wagon depot in Gyumri were launched allowing SCR to carry out the full range of maintenance and repair of rolling stock with its own means without calling on sub-contractors thus drastically reducing the maintenance bill.

The company transports cargo in international (export and import) directions and in Armenia. Among the transported cargo is cement, grains, oils and mineral oil, chemical and mineral fertilisers.

In 2011, a Directorate for Infrastructure Management was created within 'SCR' and was entrusted with the operation and modernisation of the railway infrastructure. It is interested in optimising the cost of infrastructure management.

The amount of total planned investments is USD 572 M, including USD 220 M to be invested on the period 2008-2013. Details of the concession investment are illustrated in Table 7 below:


Table 9: SCR Concession Investment 2009-2020 (AMD M)

Item	2009	2010	2011	2012	2013-2015	2016-2020
Infrastructure:						
Track replacement	-	100	-	43	71	22
Track repair	813	292	926	574	943	287
Other infrastructure (bridges etc.)	3,525	4,295	3,766	3,216	5,282	1,608
Stations (including station track)	407	527	441	430	707	215
Other buildings and equipment (locomotive and wagon depots etc.)	3,525	1,216	1,910	1,099	1,805	549
Signalling and communications	1,356	988	2,446	1,161	1,908	581
Electric power facilities	3,931	4,444	4,915	5,339	8,771	2,670
Sub-Total	13,557	11,862	14,404	11,862	19,487	5,932
Rolling stock:						
Electric locomotives		685			343	
Diesel shunters				212	1,480	
EMUs		208	139	69	69	69
Wagons		143	117	365	1,294	1,523
Coaches	508				111	885
Sub-Total	508	1,036	256	646	3,297	2,477
Total (AMD M)	14,065	12,898	14,660	12,508	22,784	8,409
Total (USD M)	46.6	42.7	48.5	41.4	75.4	27.8

Source: Armenia Transport Sector Development Strategy 2020

Armenia acceded to the Intergovernmental Organisation for International Carriage by Rail (OTIF) in July 2011 and is a member of CIT.

Ongoing and planned railway projects

Armenia is in need of rehabilitation to its infrastructure and the cost of the ongoing projects is expected to hit EUR 1 bn. Due to the fact the borders with Turkey and Azerbaijan are closed, only the South Caucasus international railway connection with Georgia is in operation. **The rehabilitation of the main railway line Yerevan – Tbilisi** is of outmost important to enhance international traffic.

The remaining three border-crossings (two to Azerbaijan and one with Turkey) are temporarily closed. International traffic flows to and from Armenia therefore move mostly via the Georgian ports of Poti and Batumi⁴. Maintaining this vital link is a priority task for SCR and a major programme of infrastructure overhaul is ongoing (308 km of railroad, representing nearly half of the total country's network, are under rehabilitation as well as the 8 bridges on the track from Yerevan down to the Georgian-Armenian border).

The construction of the **Vanadzor-Fioletovo railway line** is a very important project for Armenia as it brings the country closer to the main East-West TRACECA corridor and reinforces

⁴ A small part moves via Iran mostly through the port of Bandar-Abbas.



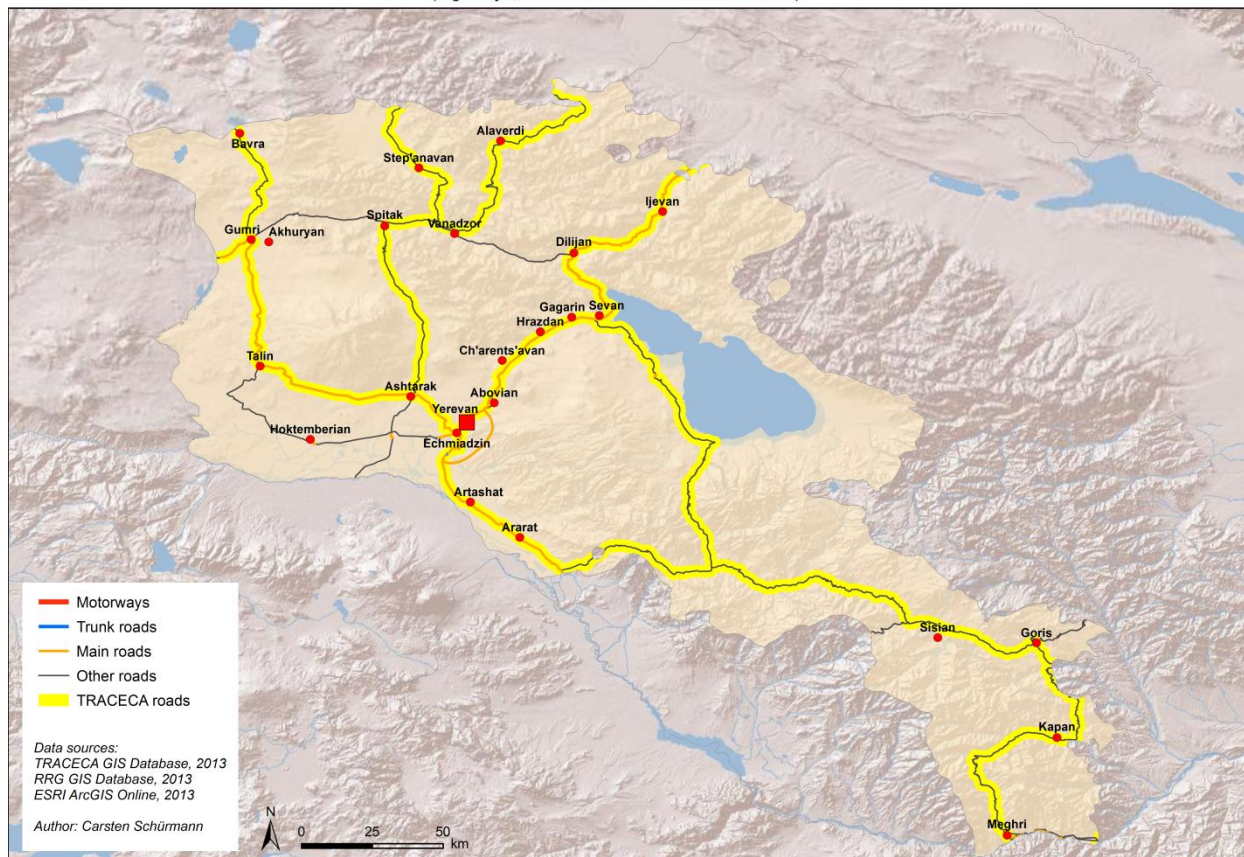
its attractiveness. The 32 km line will shorten by some 112 km the route from Yerevan to Tbilisi and to the Black Sea Ports of Georgia, thus reducing transport costs and travel time. The mountainous relief in the region requires the construction of several tunnels and bridges. A feasibility study, proposing various routes, has already been elaborated but cost estimates and sources of financing remain to be determined. According to experts, the cost of the project could amount between USD 250–500 M.

The **North-South rail corridor**, which stretches from Gagarin to Meghri at the Iranian border, is Armenia's most strategic infrastructure project. The new line will provide landlocked Armenia an alternative way to transport energy products and other goods to and from the outer world and enhance regional connectivity as it will create the shortest transportation route between the Black Sea ports with those of the Persian Gulf. In 2012, the Armenian Government signed with the company Rasia, a Dubai-based investment group, a concession agreement to develop the project on a PPP basis. The concession terms provide specific periods for completing feasibility studies, engineering designs, project financing and construction and are followed by a 30-year operating period, renewable by Rasia for an additional 20 years. The project cost is estimated at about USD 2 bn and the construction should take 5 years. Armenia, Russia, Iran, China, the United Arab Emirates as well as the WB and the ADB are considering participating in the financing.

6.2.3 Inland Transport Mode: Roads⁵

Figure 8: Armenia Road Map

Road network of Armenia
(highways, main roads and TRACECA routes)



Source: TRACECA (2013)

The total length of road network in Armenia is about 7,743 km divided into 1,686 km of inter-state roads, 4,049 km of state roads and 2,008 km of local roads. The road network is the backbone of the country's economic development and has undergone drastic evolution over the past 20 years.

After gaining its independence, Armenia experienced economic distress, mainly caused by the post-soviet reconstruction and the economic blockades by Turkey and Azerbaijan that resulted in borders closing with these countries. Given these reasons and a general lack of investment in road development programs in the 1990's, the Government of Armenia decided to prioritise the improvement/rehabilitation of roads that connect the country to Georgia and Iran. Thus, very few local roads were rehabilitated and maintained, which accounted for their subsequent deterioration.

According to the Poverty Reduction Strategy Paper (PRSP) for Armenia, which was prepared jointly by the World Bank and IMF in 2003 and targeted the period of time up to 2015, development of infrastructure in rural areas, particularly the improvement/rehabilitation of local roads, is considered to be one of the most important instruments for poverty alleviation. To implement the Strategy, the Government adopted "Lifeline Road Network Program" (LRNP)

⁵ More detailed information on the road sector of Armenia, figures and state of projects can be found in the separate [road report of the LOGMOS Master Plan](#)



based on the “Rural Enterprise & Small-Scale Commercial Agriculture Development Project” financed by the World Bank. Under the LRNP, the rehabilitation of existing local roads (up to 2700 km) is considered to be an advantage even though they are in poor technical condition.

Within this project, the Government of Armenia, ADB and the World Bank, have already invested in the rehabilitation of local roads that measure 530 km, 220 km and 150 km, respectively. In 2013, 73.2 km of roads were rehabilitated. However, the funding source for the remaining 1,000 km has not been determined yet and so the Government of Armenia is looking for an investor.

To ensure alternative road transport connection with Iran, in 2005-2007 some 96.4 km of new road was completed, which helped to reduce the transit time through the territory of Iran by 1 hour. All road construction initiatives are financed from the state budget.

In regards to international transport corridors, Armenia, as well as other countries in the South Caucasus, is located on the crossroad of several transport corridors:

- TRACECA connects European and Asian countries via Caucasus. The corridor serves as an alternative transport connection that helps to reduce cargo transport costs in the region.
- North-South corridor, even though only recently established, appears to be a promising alternative for transit transport. But Armenia can only realise its full transport and transit potential after it opens its borders;
- TEN-T in Caucasus. The South Caucasus is included into the South-Eastern axis.

In addition, Armenia is also included in the Asian Highways Network. The intergovernmental Agreement on the Asian Highway Network entered into force on 4 July 2005, under the auspices of UNESCAP. The Asian Highways network in Armenia comprises 966 km (see Table 10 below). These routes together constitute the principal international links between Iran, Georgia and Azerbaijan (currently non-operational) through Armenia.

Table 10: Asian Highway Routes in Armenia

AH No.	Route	Kilometre
AH 81	Bagratashen (Georgia Border)– Yerevan–Eraskh	271
	Agarak–Meghri	61
AH 82	Bavra (Georgian Border)– Gyumri–Ashtarak	158
	Eraskh–Goris–Kapan–Meghri	324
AH 83	Aigehovit (Azerbaijan border)– Sevan–Yerevan	152

Source: UNESCAP, 2003, Asian Highway Handbook

Out of the 980 km of TRACECA roads in Armenia, about 505 km, equivalent 52% of the length of the TRACECA roads, are concerned by development projects. The total cost of these projects is estimated to about USD 962 M. The main development ongoing and planned projects on TRACECA roads in Armenia are located along the North-South and, to a lesser extent, Northern corridors.

North-south Corridor Road Investment Program

The North-South Corridor Road Investment Program is a major road infrastructure project stretching from the Northern border of Armenia with Georgia to the Southern border of Armenia



with Iran. The 556 km highway's main purpose is to become the backbone for Armenia's economy development and to boost the nation's domestic and international trade with regional and international partners. Specifically, it provides access to Black Sea ports to the North with a connection to the Georgian Road network and to Persian Gulf ports to the South via Iran; it crosses the territory of Armenia from North to South, linking Georgia to Iran, and serves Armenia's main cities (Yerevan, Gyumri, Vagharshapat and Kapan) with Syunik province, where the majority of mining operations in the country are concentrated.

The construction of the project is, so far, devised in three tranches:

- Tranche 1: sections Ashtarak–Yerevan–Ararat (48.8 km). This stretch includes renovation of the 11.2 km between Yerevan and Ashtarak as well as reconstruction of 19.6 km of roads between Yerevan and Artashat. The cost of work for this section is estimated at USD 70 M.
- Tranche 2: section Ashtarak–Talin. This section includes reconstruction of 41.9 km of road and widening of the existing 2-lanes up to 4-lanes for a total cost of USD 210 M.
- Tranche 3: section Talin–Gyumri (45.6 km). This stretch involves the upgrade of the existing M1 from a 2-lane single carriageway to an international standard category 1 4-dual carriageway.

The improvement works of the remaining sections will be dealt with in future tranches. The North-South corridor is expected to be completed in 2017.

Northern corridor

The “Armenia Northern Corridor Modernisation Project” has recently started; it aims at upgrading the cross border infrastructures at Bagratsashen, Bavra and Gogavan Border Control Points including the construction of a new bridge with its road accesses at Bagratsashan, road access to Bavra BCP and the construction of border crossing associated infrastructures at the BCP (building, etc.); the total cost of the project is estimated to EUR 60.6 M which are secured (EIB/ BERD/ EU through the NIF/ UNDP).

6.3 Trade and Transit Facilitation

6.3.1 General Presentation

- Procedures and formalities are among the main barriers that hamper the development of Motorways of the Sea:
 - Several **border points** must be crossed, mostly in ports but also on land routes e.g. along the central land corridors: There is a minimum of two points in a single/one sea service, up to 5 points in inter-seas services that linking western Black Sea countries and Eastern Caspian Sea countries, and possibly more in the case of longer multicountry transit and transshipments trades.
 - Several physical mode transfers, handling movements and intermediate storage take place along the sea-based transport chains: most commonly 3 transfers and a minimum of 6 handling plus 2 storage in the case of a single sea leg, and several more handling operations in the inter-seas services
 - Previous and ongoing experience of Motorways of the Sea in other regions as well as the global worldwide transport system of containers have demonstrated that the resolution of difficulties in this field is an essential factor in finding success.



- **The procedural process in ports and at other border crossing points are dominantly related to Trade Laws and Regulations, but actors of the transport and transit chain are responsible for their fulfilment. A significant part of their activities is dealing with these complex issues and drawing the corresponding revenues out of their resources.**

Relationships between institutions on one side (Customs first, but also other Ministries and inspection bodies), operators and users on the other side, are affected by these functions which mixing with the physical transit and transport operations.

- **The impacts of administrative and regulatory barriers** are generally more important when there is a sea leg because:
 - Maritime transport and port transits require more formalities than land transport modes, including specific exchange of information, paper documentation etc. which are rightly perceived as a factor of complexity
 - This adds to the weakness of intermodal sea based transport, particularly when compared to the most simple unimodal road transport
 - Transit times are increased if and when formalities and operations are mismatching, e.g. when the transport means of one mode is not coordinated with those of the next mode, which is a frequent situation between the maritime and railways legs in the TRACECA Region
 - Costs are not only direct but also indirect, and not only formal but also informal, and unofficial transit levies and other transaction costs add to the sum of official tariffs, taxes and dues.
- **Common weaknesses/barriers** have been identified in all LOGMOS project countries to various extents and at different degrees. This diagnosis has been shared under the key word "Facilitation" by country stakeholders and at bilateral and regional levels. Barriers in this field are referred to in the "W" (Weaknesses) list of the various SWOT analyses summarised in the following project documents:
 - Country profiles, as synthesised hereafter
 - Presentations for workshops and meetings
- Among the **solutions** discussed in the diagnosis phase, the following is a series of common **recommendations and targets** that are partly implemented, planned, or contemplated for the future LOGMOS projects and more generally for the development of intermodal transport including port/border crossing points:
 - I.T. systems and solutions electronic solutions/EDI for:
 - information (for users and operators)
 - declarations
 - pre-alert (for Customs and other)
 - duties, taxes and fees
 - One stop shop scheme and extension to Single Window System (SWS)
 - Risk management system and methods
 - IT interchange solutions between MoS port/communities
 - Tracking and Tracing (in coordination with operators)
 - Upgrading/Redesigning border points layouts



- Training (management, IT organization...)

6.3.2 SWOT Analysis

The following table summarises key-findings for national SWOT analysis in trade and transit facilitation procedures that have been adopted in Armenia.

Table 11: SWOT Analysis in Trade and Transit Facilitation Procedures

STRENGTHS	<ul style="list-style-type: none"> • WTO Member since 2003 • Demonstrated a firm commitment to advance the Integrated Border Management (IBM) system, which was attested by the signature of the Presidential Decree on Adoption of the Strategy on Border Security and Integrated State Border Management on 3 November 2010. • Development of a new National Strategy for Transport Security (openly circulated); • Signature of bilateral agreements with Georgia on the development of Border Crossing Points • Implementation of the comprehensive SCIBM Action Plan and of a Twinning Project "Support to the State Revenue Committee for Strengthening of Customs Control Procedures and Enforcement in Armenia according to Best Practices in the EU Member States"
WEAKNESSES (BARRIERS)	<ul style="list-style-type: none"> • Perceived uncertainties with commitment to Customs and trade facilitation reform and modernisation • Mistrust between Customs and trade facilitation agencies and private industry because of integrity issues and lack of complete Customs and trade facilitation • Lack of electronic pre-alert import and export declaration on a country wide-scale • Lack of a facilitation "PRO" structure • Not acceded to the UN Landlocked State Convention
OPPORTUNITIES	<ul style="list-style-type: none"> • Realisation of the EU-supported programme "Supporting Integrated Border Management in the South Caucasus (SCIBM)" implemented by UNDP. Within this programme, design documentation for the modernisation of Bagratashen, Bavra and Gogavan border crossing points has been developed. Construction works are expected to start in the third quarter of 2013.
THREATS	<ul style="list-style-type: none"> • Lack of coordination with Georgian counterparts, in the construction of BCPs • Borderline between Georgia and Armenia is not always clear



7 PILOT PROJECTS SELECTED FOR MOS I AND ILC PROJECTS

To address the existing challenges for MOS and ILC promotion, two TRACECA projects ran a pre-screening for potential pilot projects. The pre-screening was based on the multi criteria analysis of the proposed pilot, which helped to narrow down the pilot projects list.

The list of retained pilot included the following projects:

Table 12: Selected Pilot Projects in Armenia

Pilot project	Service proposed	Countries involved directly	Concerned TRACECA project
ILC at Zvartnots International Airport, Yerevan	Cargo Facilities, warehousing, Customs terminal and other logistics related investment	Armenia	ILC project

As a result of the first phase of MOS I and ILC implementation, for the above mentioned pilot project, a feasibility study was elaborated. Short summary of this project can be found [here](#).