

ON THE PERFORMANCE AND CHALLENGES OF THE NORTH-SOUTH ROAD CORRIDOR INVESTMENT PROGRAM IN THE REPUBLIC OF ARMENIA

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Abstract: The North-South Road Corridor Investment Program is a huge infrastructural program that aims to connect the south of the country with the north through the 556 km long Meghri-Yerevan-Bavra road 1 in full compliance with the European standards. The construction of this strategically important road will

ensure a safe travel from the southern border of Armenia up to the Georgian border and further to the ports of the Black Sea, will allow cargo and passenger transportation in compliance with the European standards, will provide serious development opportunities to all human settlements in Armenia from the south to the north.

Keywords: trade, transportation, tranche, investments, construction organizations

JEL code: H54

Research Aim: to identify the Performance and Challenges of the North-South Road Corridor Investment Program.

Research Novelty: the stages of the North-South investment project, sources of financing, issues related to deadlines, construction works and penalties are presented and analyzed, identifying opportunities to prevent project implementation risks.

Introduction

At the completion of the North-South Road program it is envisaged to have

- ✓ a high-quality road corridor meeting international standards
- ✓ a four-lane category 1 road connecting Yerevan-Gyumri and Yerevan-Ararat.
- ✓ The improvement of the road quality in the other parts of the corridor to bring them closer to the European standards with the possibility of their future transformation to four lanes.
- ✓ Organization of safe and efficient travel of the Road Corridor

The North-South transport corridor

1. Ensures Armenia's access to the Black Sea and to other European countries through the territory of Georgia
2. Crossing the Armenian territory from the south to the north (Meghri-Yerevan-Ashtara-Gyumri-Bavra), the corridor connects to Georgian roads in the south that leads to Poti and Batumi ports.
3. Improves road communication at the intersection of West Asia and East Europe [1].

The EU announced about the provision of financial assistance totaling to 2,6 bln euros within the framework of the EU-Armenia Agreement on Comprehensive and Enhanced Partnership. The financial assistance covers 6 directions including the construction of the Sisian-Agarak section of the North-South Road Corridor. The EU is allocating 600 mln euros to finish this section of the road in Syunik. This may have a great impact on the Armenian economy as a whole and on the development of infrastructures, in particular [2].

It is noteworthy, that according to the research in 2012, the construction of the 556km-long North-South Road Corridor was estimated 962mln US dollars, 500mln of which was to be funded by the Asian Development Bank. The Republic of Armenia was to allocate 115mln US dollars, etc. The European Investment Bank has already allocated 72mln euros to the project. Back in 2017 Vahan Martirosyan, the Minister of the RA Transport, Communication and Technologies, stated that based on the recent estimates, the investment program was to cost about 2bln US dollars which cast doubt on the economic expedience and efficiency of the program.

To compare, by various estimates, the strategic program of the construction of the Iran-Armenia railway requires 2,5-3bln US dollars.

The program will be more efficient if other countries of the region are also involved. Sadly, the issue of constructing a similar road corridor with Georgia and the Islamic Republic of Iran has not been agreed upon so far. It is worth mentioning that when asked why the North-South Road Corridor Investment Program started from the construction of the road sections in Yerevan-Artashat and Yerevan-Ashtarak that were in a relatively good shape, the previous high-ranking officials used to reply that the Western powers did not agree to start the road construction program from the border with the Iranian Islamic Republic. As can be seen, the same western countries have expressed willingness to finance the section that connects Armenia with Iran. It is necessary to point out that, owing to tensions on the border, experts did not find it safe to construct the North-South road along the border – through Yeraskh.

On September 15, 2009, according to the Framework Financing Agreement for North-South Road Corridor Investment Program signed between the RA government and the Asian Development Bank, the last funding tranche was to be allocated by December 31, 2017. Currently, the following tranches have been signed with the Asian Development Bank.



Figure 1. North-south road corridor in Armenia

Tranche 1 -Yerevan – Ashtarak 11,4 km; Yerevan – Artashat 19,6 km, total length 31km, cost-70,4mln US dollars; 12.10.2009.

Tranche 2 - Ashtarak-Talin, about 42km, cost - 179 mln US dollars, – 30.05.2011.

Tranche 3 - (Talin-Lanjik about 18,7km, Lanjik-Gyumri -about 27,5km, total length – about 46,2, km. Cost – 100mln US dollars (financed by the Asian Development Bank), 60mln euros (a loan) and 12mln euros (a grant provided by the European Investment Bank) 11.03.2014 and 18.11.2013.

According to Point C of the 3rd part of Section 1 of Tranche 3, 100mln US dollars provided by the Asian Development Bank was also to cover the technical-economic justification of the Artashat-Kajaran road section (304km) which, however, has not been published so far. To be mentioned, the funding of the reconstruction of the Sisian-Agarak section of the same road has been undertaken by the EU.

Thus, credit agreements (tranches) totaling to 350mln US dollars have been signed with the Asian Development Bank. 150mln US dollar agreement has not been signed for Tranche 4 and Tranche 5, while the deadline of the application for funding and confirmation expired on December 31, 2017. It is obvious that it is due to poor work on the part of the Armenian side that no the funds have been received from the Asian Development Bank. The RA government failed to complete the investment program in its full scope in time.

By the decree of the RA Government (N1304) dated December 15, 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 of the RA Minister of Transport, Communication and Information Technologies. There is no information available on the official webpage of the organization as regards the North-South Program Performance, technical-economic documents of the projects, reports, etc.

Since April 1, 2015, the Republic of Armenia has already paid 2,5 percent of the main sum fixed by Tranche 2. The payment of credit obligations of Tranche 1 started on March 15, 2018 and will end on September 15, 2041. The amount of money to be paid every term reaches 1 470 000 US dollars.

The payment of Tranche 3 (2,38 percent of the main sum each term) started on May 1, 2021 and will end on November 1, 2041. That is, the Republic of Armenia has started paying off the loans, however, the roads are not ready yet or the existing ones are continually under reconstruction. There is an arbitration lawsuit with the Spanish Corsan Company over Tranche 1 and Tranche 2 [4].

It is worth mentioning that in 2018 the General Prosecutor's Office revealed serious financial violations in the course of the construction of the North-South Road. A month later the RA State Revenue Committee launched a statement regarding the Spanish company stating that criminal charges were filed against the Corsan Corviam for major tax violation. In January 2019 the Spanish company launched an arbitration lawsuit against Armenia. This means that the construction of the Ashtarak-Talin road section will remain frozen in the near future, and the unfinished parts will be non-usable till the end of the arbitration lawsuit.

The Chinese Sinohydro Corporation has extended the deadline of the construction work of Lanjik-Gyumri (Tranche 3) several times. It was even decided in 2020 not to install concrete in the construction of this section. A decision was made to install asphalt only. This facilitates the road construction works and reduces costs, however, this is done at the expense of the quality.

To sum up, it should be noted that it is necessary to finish the North-South Road Corridor Program in order to develop the Armenian economy and to increase the role it plays in the region. Considering the ever-growing national debt of the Republic of Armenia, it is not likely that we have the opportunity to complete the project with our own means. Therefore, the 600 mln euro financial assistance provided by the EU can help solve a part of the funding. However, the Armenian capacity and ability to finalize a construction program of this scale still leave doubts. Armenia lacks construction organizations engaged in construction of similar huge objects. Therefore, we have to invite foreign organizations. Most probably, they will be European companies.

On October 23, 2023, Gor Avetisyan, executive director of the "Road Department" Foundation (Armenia), and representatives of "Abad Rahan Pars" International Group and "Tunel Sad Ariana" joint venture, Ali Mousavi and Alen Yousefyan (Iran), signed the Tranche of the North-South Road Corridor Investment Project. In 4 frameworks, the contract for the overhaul of the road from Agarakit-Vardanidzor (about 21km), the construction of the road from Vardanidzor to the tunnel exit (about 11km). The project is financed by the Eurasian Development Bank loan and RA co-financing funds [4].

Conclusion

In its turn, the RA government lacks the necessary skills and experience to finish all the activities in time – planning, competition, land liquidation, ongoing monitoring, acceptance of the work etc. Thus, for instance, the designs for Kajaran-Agarak tunnels and bridges were to have been completed in 2023. However, no competition has been announced for construction projects so far.

Meantime, considering the present correlation between RA National Debt and GDP (about 50 percent in 2023), it is appropriate to select (an) investment and construction organization (organizations) to finish Trance 4 and Tranche 5. They will provide high-quality construction work and will also make use of their own means.

At the same time, it should be noted that the North-South program for Armenia has not only an economic, but also a political and security component. It should also be completed by involving the capacities of the countries of the region.

References:

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Սուրեն Պարսյան

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Բանալի բառերը - առևտուր, տրանսպորտ, տրանշ,
ներդրումներ, շինարարական կազմակերպություններ

«Հյուսիս-հարավ ճանապարհային միջանցքի ներդրումային ծրագիր»-ը խոշոր ենթակառուցվածքային ծրագիր է, որի նպատակն է միջազգային բարձր ստանդարտներին բավարարող 556 կմ ընդհանուր երկարությամբ Մեղրի-Երևան-Բավրա ավտոճանապարհի միջոցով երկրի հարավը կապել հյուսիսի հետ: Ռազմավարական կարևոր նշանակություն ունեցող այս

ճանապարհի կառուցումը կապահովի Հայաստանի հարավային սահմանից դուրս երթևեկը մինչև Վրաստանի սահման, ապա նաև՝ դեպի Սևծովյան նավահանգիստներ, թույլ կտա իրականացնել եվրոպական չափանիշներին համապատասխանող բեռնափոխադրումներ և ուղևորափոխադրումներ, զարգացման լուրջ հնարավորություններ կընձեռի Հայաստանի հարավից հյուսիս ընկած բոլոր բնակավայրերին:

Միաժամանակ անհրաժեշտ է ընդգծել, որ Հյուսիս-հարավ ծրագիրը Հայաստանի Հանրապետության համար ոչ միայն տնտեսական, այլև քաղաքական անվտանգային նշանակություն ունի, քանի որ այն միջանցք է, որը՝

1. Ապահովում է Հայաստանի ելքը դեպի Սև ծով և դեպի եվրոպական այլ երկրներ Վրաստանի տարածքով:
2. Անցնելով Հայաստանի տարածքը հարավից-հյուսիս (Մեղրի-Երևան-Աշտարակ-Գյումրի-Բավրա) միջանցքը միանում է հարավում գտնվող վրացական ճանապարհներին, որոնք տանում են դեպի Փոթի և Բաթումի նավահանգիստներ:
3. Բարելավում է ճանապարհային հաղորդակցությունը Արևմտյան Ասիայի և Արևելյան Եվրոպայի խաչմերուկում:

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