

CONSTRUCTION OF TWO TUNNELS WITHIN THE NORTH-SOUTH ROAD CORRIDOR INVESTMENT PROGRAM

Location: Syunik marz, Armenia

Project cost: USD 125M (Kajaran tunnel) and USD 180M (Bargushat tunnel)

Project background:



“North-South Road Corridor” is a major infrastructure project that has strategic importance for Armenia and aims at connecting the southern border of the country with its northern point by means of 470 km first category high-speed highway with a speed limit of 100-110 km/hour. The corridor will be a part of road network connecting Persian Gulf (Bandar Abbas) with Black Sea (Batumi and Poti) and further to Europe.

The implementation of the project will decrease the total road length by around 90 km and cut the transit time through territory of Armenia by around 4-5 hours. In addition, the speed

limitations on this road will be increased from current 90 km/hour. All these features of the new road will increase the transit potential and attractiveness of Armenia.

Below are presented the main characteristics of the project:

- part of the Silk Road, connecting East to West and South to North,
- reducing cargo delivery time between Persian Gulf, Middle East, East Asia and Europe,
- reducing respective transportation costs,
- providing increased comfortability and safety,
- corresponds to highest international standards.

The preliminary estimated cost of construction works of the North-South Road Corridor Investment Program is about USD 2-3B. From the mentioned total investment needs around USD 1.2B is already financed through loan agreements with international financial institutions (IFIs). Negotiations for obtaining funding for the remaining parts are in process with IFIs and private investors.

The road is divided into five separate tranches with separate financing arrangements for each of them:

- Tranche 1 (Yerevan-Artashat and Yerevan-Ashtarak) – 31 km, completed in 2016, financed by Asian Development Bank (ADB)
- Tranche 2 (Ashtarak-Talin) – 41.9 km, under construction, completion is expected in 2018, financed by ADB
- Tranche 3 (Talin-Lanjik and Lanjik-Gyumri) – 46.2 km, under construction, completion is expected in 2018, financed by ADB and European Investment Bank (EIB),
- Tranche 4 (Artashat-border with Iran (Agarak)) – 358 km, tendering stage, completion is expected in 2019, financed by Eurasian Development Bank (EADB), ADB and PPP projects. PPP mechanisms will be used for the construction of toll-roads and tunnels within the section.
- Tranche 5 (Gyumri-border with Georgia (Bavra) section) - 57 km, design stage, completion is expected in 2020, financed by EIB.

Within the framework of this PPP project funding is required for the construction of two tunnels – Bargushat tunnel (approx. 8.6 km length) and Kajaran tunnel (approx. 4.7 km length), that will be toll-roads and are to be constructed under PPP arrangements.

Bargushat tunnel

Kajaran Tunnel

Longest tunnel – 8.6 km	3 rd longest tunnel – 4.8 km
Approaching roads length: appr. 900m	Approaching roads length: appr. 1200m
Toll – road	Toll – road
Equipped with two lane single carriageway	Equipped with two lane single carriageway
Total construction cost: appr. \$180 M	Total construction cost: appr. \$125 M
Feasibility study is available	Feasibility study is available
Preliminary design will be ready by the end of 2017	

The state will co-finance VAT, land acquisition and resettlement costs. Other terms of PPP investment includes providing concession for 20-30 years; possibility of adopting special legislation to govern PPP project. Acceptable options for a project arrangements include build-own-operate-transfer, build-operate-transfer, build-transfer-operate, build-own-operate, buy-build-operate.