



Armenia: Sustainable Urban Development Investment Program - Tranche 1

Project Name	Sustainable Urban Development Investment Program - Tranche 1				
Project Number	42417-023				
Country / Economy	Armenia				
Project Status	Active				
Project Type / Modality of Assistance	Loan				
Source of Funding / Amount	<table border="1"><tr><td>Loan 2752-ARM: MFF-Yerevan Sustainable Urban Transport Tranche 1</td><td></td></tr><tr><td>Asian Development Fund</td><td>US\$ 48.64 million</td></tr></table>	Loan 2752-ARM: MFF-Yerevan Sustainable Urban Transport Tranche 1		Asian Development Fund	US\$ 48.64 million
Loan 2752-ARM: MFF-Yerevan Sustainable Urban Transport Tranche 1					
Asian Development Fund	US\$ 48.64 million				
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth				
Drivers of Change	Gender Equity and Mainstreaming Private sector development				
Sector / Subsector	Transport / Urban roads and traffic management				
Gender	Some gender elements				
Description	The investment program targets a range of urban connectivity and mobility improvements in all parts of Armenia, aiming to improve transport efficiency, reliability, and safety, and reduce congestion				
Project Rationale and Linkage to Country/Regional Strategy	<p>Armenia has a population of 3.24 million and is the most urbanized country in the Caucasus. Urban areas are the pillars of economic growth and home to 2.1 million people, or 64% of the total population. They can be classified into four groups: (i) Yerevan, the capital city; (ii) secondary cities such as Gyumri, Kapan, and Vanadzor; (iii) cities with industry and agro-processing potential such as Armavir, Artashat, Ashtarak and Ararat; and (iv) cities with high tourism potential such as Dilijan, Jermuk, Sevan, and Tsakhradzor. Together, these 12 cities generate almost 90% of the nation's gross domestic product; Yerevan with its 1.12 million inhabitants alone accounts for 60% of the national economy. Until the financial crisis in 2008, Armenia's landlocked economy enjoyed double-digit growth despite high transport and communication costs to the outside world. Since then, the economy has shrunk, and economic activity has become relatively more concentrated in Yerevan and, to a lesser extent, in Gyumri, Vanadzor, and Kapan</p> <p>Urban development. Unbalanced economic growth among regions and the dominance of Yerevan have constrained national development. Most other cities have just one industry and lack a strong economic base. Even within Yerevan, since 1991, the most important urban trend has been the gradual collapse of heavy industry, which was mainly in the south of the city. This dramatically cut jobs, relocated centers of attraction, and caused a corresponding fall in demand for public transport on the metro, tramway, trolleybuses and buses serving these areas. While the city has since been revived with new commercial and residential developments, increased motorization has worsened the urban environment with poor air quality, excessive noise, traffic congestion, lost green areas, and degraded historical buildings. Other secondary and smaller cities have seen no major urban infrastructure investments since 1991, and they share common transport problems: poor and inappropriate road infrastructure, highly inefficient urban transport systems, rising traffic congestion and pollution. They need to revamp their urban services, particularly transport infrastructure, to boost competitiveness, provide more stable platforms for economic growth, serve growing and diverse urban mobility needs, and stimulate private sector investments. Each of the four groups of cities has its importance in the national economy. For instance, Gyumri and Kapan are on the north-south road corridor, which is a major conduit for trade and flow of goods connecting the north and south gateways of the country</p> <p>Traffic, road safety, and parking. Economic growth has brought widespread vehicle ownership, which has grown by 40% since 2004, including cars and taxis. The number of accidents in Yerevan has risen in parallel, from 260 fatalities in 2004 to more than 400 in 2008, with the number of injured more than doubling from 1,500 in 2004 to 3,125 in 2008. This has put road safety on the government agenda. Despite improvements in major arteries in the capital, the traffic signal system is outdated and inadequate. Environmental protection is now another major priority. Located in Ararat Valley, Yerevan has little natural ventilation, and congestion results in concentration of hazardous substances. Urban transport generated 90% of air pollution in 2008, with carbon dioxide emissions expected to increase by 160% by 2020. The limited number of bridges in Yerevan over the Hrazdan River creates bottlenecks and massive congestion during peak hours. In addition, a city bypass remains uncompleted, disallowing any diversion of passing traffic. Illegal and double parking, inappropriate driving behavior, and poorly enforced traffic laws further constrain mobility. In 2009, traffic exceeded design capacity on more than 20% of the road network, and a further 35% was about to reach its limit.</p> <p>Public transport. Today, the Yerevan public transport system has minibuses, buses, trolleybuses, and metro routes. Public transport infrastructure is aged, and the vehicle fleet is old and poorly maintained, travelling an average speed of 16 kilometers (km) per hour. The system has a single 12.1-km metro line with 10 stations and a fleet of 70 old carriages. Metro ridership accounts for only 8.2% of total public transport ridership, which stood at 207 million passenger trips in 2009. Today, 85% of the passengers are carried by unsubsidized private minibuses, despite their expensive fares. While minibuses spared Yerevan a severe transport crisis in the 1990s, they now contribute to a nearly chaotic situation that has seen big and medium-sized buses pushed out. The quality of service is poor because of overloading and congestion. This shift has severely compromised the financial sustainability of other public transport and caused investment backlogs for trolleybus and metro, as fares are too low to cover operating and renewal costs. In other Armenian cities, urban transport issues are similar but less dire. They all have deteriorating urban road networks with inefficient or nonexistent systems of traffic management and inappropriate public transport that relies too heavily on minibuses. They need network restructuring, as routes often duplicate others, providing poor service and minimal comfort. Local capacity for municipal planning, operating, and monitoring transport services is limited, unable to propose solutions able to cope with congestion and poor road safety. In tourist centers, urban infrastructure is unable to cope with growing demand and inflows of tourists during peak seasons.</p> <p>Sector strategy, road map, and institutional reform. The national government and Yerevan municipality have invested more than \$110 million in upgrading urban infrastructure to energize the local economy. The long-term investment requirements stemming from Armenia's urban development strategy for the country as a whole have been estimated at \$960 million from 2011 to 2025. The Government of Armenia needs help to address this challenge, and boost economic growth by balancing territorial development, with an emphasis on developing city clusters. The strategy comprises sequenced investments, to be mobilized through private, public, and public-private initiatives, and municipal reforms relating to policy, planning, and regulation. The investment requirements include both physical and non-physical components, sequenced in two phases that address medium and long term needs.</p>				
Impact	Improved urban environment, local economy and enhanced private sector in Yerevan				
Project Outcome					
Description of Outcome	Efficient, reliable and affordable urban infrastructures and services provided in Yerevan				

Progress Toward Outcome Two civil works contracts are completed for two southern road links of Yerevan bypass. Design for two overpasses on Arshakunyats street are finalized. Decision on implementation and technical solutions of the flyovers are under discussion by the municipal government with intention to tender out by Q2 2019. New public transport network has been developed and planned to be implemented by the Yerevan Municipality in 2019. Delays are expected because of the political changes in the municipal and central government.

Implementation Progress	
Description of Project Outputs	Urban infrastructure extended, rehabilitated and improved in Yerevan Appropriate institutional capacity strengthened in Yerevan Establishment of skilled and efficient program Implementation Unit in Yerevan
Status of Implementation Progress (Outputs, Activities, and Issues)	5.4 km of Yerevan bypass implemented. 2 multiple level intersections completed. 1 footbridge implemented. Not yet due. Partially completed. Implementation of road/bus improvement design is in progress. Not yet due. Recruitment of 9 PIU staff completed, remaining 2 staff ongoing. DESC, IMA and PMIC consultants recruited. Ongoing. Ongoing. To be prepared by PMIC consultants. Not yet done. On-going. Under preparation. Under preparation.
Geographical Location	Argavand, Karmir Blur, Nerkin Shengavit'

Safeguard Categories	
Environment	B
Involuntary Resettlement	A
Indigenous Peoples	C

Summary of Environmental and Social Aspects	
Environmental Aspects	Tranche 1 project is classified as category B, and two initial environmental examinations have been prepared. Tranche 1 subprojects will not have significant irreversible negative environmental impacts during or after construction. Yerevan municipality will require the contractor to implement the environmental management plan outlined in the initial environmental examination and in the framework. The plan has been a part of the construction contract.
Involuntary Resettlement	Tranche 1 project is classified as category A. Both subprojects under Tranche 1 involve land acquisition for which two land acquisition and resettlement plans were approved on 24 September 2010. LARPs were implemented and compliance reports approved by ADB.
Indigenous Peoples	The investment program areas do not include communities that may be defined as indigenous peoples under the ADB Safeguard Policy Statement (2009). Tranche 1 is classified as category C.

Stakeholder Communication, Participation, and Consultation	
During Project Design	Consultations were carried out with all stakeholder groups during program preparation throughout the program. Stakeholder consultations have been held with local residents and civil society in municipalities and affected neighborhoods. Consultations were also held at various levels of government such as with the Ministry of Economy, Ministry of Finance, Ministry of Environment, and Ministry of Culture, as well as with municipality districts governments, universities, and nongovernment organizations.
During Project Implementation	Local communities were consulted throughout preparation to minimize adverse impact, ensure social acceptance, and improve equitability. The process will continue during implementation. The views and concerns of all stakeholders were and will be taken under consideration.

Business Opportunities	
Consulting Services	Detailed design consultants, program management and institutional consultants and independent monitoring consultants recruited. Recruitment for transport sector reorganization and creation of Yerevan transport authority not yet started.
Procurement	Procurement of major equipment not yet started. Procurement of 2 new junctions not yet started.

Responsible ADB Officer	Karapetyan, Vardan
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Armenia Resident Mission (ARRM)
Executing Agencies	Ministry of Territorial Administration and Infrastructure

Timetable	
Concept Clearance	08 Mar 2010
Fact Finding	09 Mar 2010 to 31 Mar 2010
MRM	14 May 2010
Approval	09 May 2011
Last Review Mission	-
PDS Creation Date	26 Jul 2010
Last PDS Update	05 Apr 2019

Loan 2752-ARM

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
09 May 2011	19 May 2011	19 Jul 2011	30 Jun 2016	31 Dec 2023	-

Financing Plan			Loan Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	60.05	Cumulative Contract Awards				
ADB	48.64	25 Jan 2024	38.06	0.00	97%	
Counterpart	11.41	Cumulative Disbursements				
Cofinancing	0.00	25 Jan 2024	38.99	0.00	99%	

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	Satisfactory	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

Project Page	https://www.adb.org/projects/42417-023/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=42417-023
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