



# Technical Assistance Report

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Project Number: 52353-001  
Knowledge and Support Technical Assistance (KSTA)  
August 2019

## Armenia: Transport and Trade Facilitation Strategy, 2020–2040

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 8 August 2019)

Currency unit	–	dram (AMD)
AMD1.00	=	\$0.002101
\$1.00	=	AMD475.8800

## ABBREVIATIONS

ADB	–	Asian Development Bank
MTAI	–	Ministry of Territorial Administration and Infrastructure
TA	–	technical assistance
TTFS	–	Transport and Trade Facilitation Strategy

## NOTE

In this report, “\$” refers to United States dollars.

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## KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 52353-001	
<b>Project Name</b>	Transport and Trade Facilitation Strategy, 2020–2040	<b>Department/Division</b>	CWRD/CWTC
<b>Nature of Activity</b>	Capacity Development	<b>Executing Agency</b>	Ministry of Transport, Communication and Information Technologies
<b>Modality</b>	Regular		
<b>Country</b>	Armenia, Republic of		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Transport	Transport policies and institutional development		1.00
		<b>Total</b>	<b>1.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns	<b>ADB Financing</b>	
Regional integration (RCI)	Pillar 1: Cross-border infrastructure Pillar 2: Trade and investment	Adaptation (\$ million)	0.12
		Mitigation (\$ million)	0.12
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change Institutional development Organizational development	Effective gender mainstreaming (EGM)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Civil society organizations Implementation International finance institutions (IFI) Private Sector Regional organizations United Nations organization		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
General Intervention on Poverty	No		
SDG Targeting	Yes		
SDG Goals	SDG1, SDG5, SDG9, SDG10, SDG11, SDG13		
<b>6. Risk Categorization</b>	Low		
<b>7. Safeguard Categorization</b>	Safeguard Policy Statement does not apply		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>1.00</b>	
Knowledge and Support technical assistance: Technical Assistance Special Fund		1.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>1.00</b>	
<b>Currency of ADB Financing:</b> USD			

## I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will support the preparation and initial implementation of the Armenia Transport and Trade Facilitation Strategy (TTFS), 2020–2040, which will focus on developing (i) transport master plan, (ii) a trade facilitation plan, (iii) a road safety plan and program, and (iv) modal action plans.

2. The TA is not included in the country operations business plan for Armenia, 2019–2021. The Government of Armenia requested Asian Development Bank (ADB) TA support in a letter dated 19 November 2018.<sup>1</sup>

## II. ISSUES

3. Landlocked Armenia is characterized by mountainous terrain and extreme weather fluctuations and is dependent on cross-border transport for trade. Three factors lead to high trade transaction costs for Armenia: (i) the legacy of a transport network developed under the former Soviet Union; (ii) being landlocked and (iii) two of its four international borders are closed, restricting cross-border transport. These constraints drive up transport costs for traded goods and necessitate expensive infrastructure rehabilitation and maintenance. In 2008, the government developed the Armenia: Transport Sector Development Strategy, providing guidance for the transport sector up to 2020.<sup>2</sup> As 2020 approaches, a new strategy—the proposed TTFS—is needed to (i) apply lessons learned from the previous strategy; (ii) broaden the scope of transport planning to involve the private sector; (iii) expand on the previous strategy to incorporate trade facilitation and traffic safety; and (iv) mainstream gender, environmental, social, and climate change aspects. A well-prepared TTFS will help Armenia meet its economic goals, improve international cooperation and regional integration, and support the government’s efforts to update the Armenia Development Strategy 2014-2025.<sup>3</sup>

4. Transport infrastructure can play a pivotal role in helping Armenia sustain its economic growth and diversify its foreign trade. The government consistently prioritizes transport infrastructure improvements, but financing these improvements remains a challenge, and the condition of the transport network has deteriorated as a result. Road conditions have deteriorated and of the 1,329 line-kilometers of rail network only about 500 kilometers are serviceable (but in poor condition), resulting in declining rail passenger and freight transport. Officially, Armenia has five operational airports; however, almost all international flights are through Zvartnots Airport in Yerevan, while a limited number of domestic flights serve Shirak Airport in Gyumri.

5. Road safety conditions in Armenia are poor, with an estimated 550 road fatalities per year and about 1% of gross domestic product per year lost because of road traffic crashes.<sup>4</sup> Prerequisites for sustained road safety improvements include establishing a coordinated committee on road safety across government ministries, high-level political support, improved data for monitoring crashes, and improved traffic laws and better enforcement.

6. The government has requested ADB support to develop a TTFS that will contain action plans defining resource allocation and will assign responsibilities for short-term, medium-term, and long-term development. The TTFS and action plans will (i) improve transport infrastructure,

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<sup>1</sup> Request letter from the Government of Armenia (government) is in Appendix 3 (Supplementary Document 2).

<sup>2</sup> ADB. 2008. *Transport Sector Development Strategy*. Consultant’s report. Manila (TA 4973-ARM).

<sup>3</sup> Government of Armenia. 2014. *Armenia Development Strategy 2014-2025*. Yerevan.

<sup>4</sup> World Health Organization. 2015. [Global Status Report on Road Safety 2015](#). Geneva.

(ii) facilitate trade, (iii) improve road safety, and (iv) provide supporting legal and regulatory frameworks. ADB is already in talks with the government and development partners to improve connectivity and regional integration for Armenia through various mechanisms that will serve as a basis for developing the TTFS.

7. This TA is aligned with ADB's country partnership strategy for Armenia, 2014–2018 and will serve as a first step toward aligning Armenia's transport sector with the operational priorities of ADB's Strategy 2030.<sup>5</sup> The TA will complement other regional cooperation programs such as the Central Asia Regional Economic Cooperation Program, the Belt and Road Initiative, and the European Commission Trans-European Transport Network. The TA will support regional integration, promote ADB as a prime development partner in the transport sector, and underpin ADB's goal of solid long-term engagement in Armenia.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

8. The TA is aligned with the following impacts: (i) long-term prosperity promoted for the whole nation through the development of efficient, cost-effective, and environmentally and socially sustainable transport infrastructure and services; and (ii) social and economic development promoted, with ADB playing an important role in supporting the global agenda of infrastructure development as a source of global growth. The TA will have the following outcome: TTFS included as an input in the updating of the Armenia Development Strategy 2014-2025.<sup>6</sup>

#### B. Outputs, Methods, and Activities

9. **Output: Transport and Trade Facilitation Strategy developed.** The TA team will assess present and future supply and demand for all modes of transport to identify bottlenecks in terms of time, cost, and physical limitations. Correlating the identified deficiencies with current and future resources, the project team will develop a system to prioritize future capital expenditure programs that ADB could potentially target for assistance. The TTFS will (i) strengthen the government's role in the transport sector, (ii) support institutional restructuring and strengthening of Ministry of Territorial Administration and Infrastructure (MTAI), (iii) strengthen public-private partnerships, and (iv) introduce systematic investment prioritization mechanisms. The TTFS will incorporate best practices in social and environmental safeguard provision, including climate change adaption and mitigation and gender aspects.

10. The TTFS will comprise the following:

- (i) **A Transport Master Plan.** The plan will consist of a prioritized set of projects for Armenia, and subsectoral policies and plans including for (i) road transport/trucking, (ii) railways, (iii) aviation, (iv) urban transport, (v) environmental protection, (vi) social and gender aspects and (vii) private sector involvement. Given the importance of the national highway network in Armenia, the plan will in particular prioritize the development of a road sector strategy, with emphasis on road asset

<sup>5</sup> ADB. 2014. [Country Partnership Strategy: Armenia, 2014–2018](#). Manila; ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

<sup>6</sup> The design and monitoring framework is in Appendix 1.

management, integration of public private partnerships and performance-based maintenance.

- (ii) **Trade facilitation plan.** Without sea ports, landlocked countries such as Armenia face higher trade costs for both imports and exports. Quality transport infrastructure and services can mitigate this disadvantage to some extent.<sup>7</sup> The trade facilitation plan will outline opportunities and propose interventions for Armenia to strengthen regional trade and boost sustainable economic growth.
- (iii) **Road safety plan and program.** As of 2015, the rate of road traffic fatalities in Armenia was 18.3/100,000 population per year (footnote 4), costing the country an estimated 1% of its gross domestic product per year. To improve the situation, a national social and gender-inclusive road safety action plan and program is needed for all modes of travel. Such a program should cover all modes of travel, taking into account the gender, age, and other characteristics of road users. The program's key objective should be to improve road safety through safety campaigns and by building capacity in accident data collection, black-spot analysis, and road safety audit.
- (iv) **Modal action plans.** TA team will develop 5-year and 10-year action plans for each transport mode. The plans will be based on transparent project prioritization matched with available and future funding, incorporating climate change adaptation and mitigation factors as well as gender considerations. The plans will also propose regulatory and legal improvements and identify responsible agencies.

11. To develop the TTFS, the TA team will:

- (i) **Prepare transport sector assessment.** Identify the needs and deficiencies in the sector, with a focus on road transport, and propose means to improve regulatory process, as well as physical assets.
- (ii) **Conduct a trade facilitation assessment.** Through this assessment, the TA team will report on the state of affairs in the trade, identify shortcomings and bottlenecks, and propose solutions for improving physical transport infrastructure and streamlining legal and regulatory processes.
- (iii) **Conduct a road safety assessment.** The TA team will take stock of ongoing efforts by other institutions and international financial institutions to support road safety, identifying strengths and weaknesses in these efforts.
- (iv) **Develop a project prioritization tool.** Based on clear policy objectives, the TA team will develop a project prioritization mechanism that will use qualitative and quantitative indicators to transpose objectives into priorities.

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<sup>7</sup> World Economic Forum. 2016. *The Global Enabling Trade Report*. Geneva.

### C. Cost and Financing

12. The TA is estimated to cost \$1,000,000, financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 2. The GoA will provide access to all available information needed for the study effort, commits to establish a multi-stakeholder Steering Committee that will guide study effort. GoA will also provide sufficient office space for the consultant team and counterpart staff.

### D. Implementation Arrangements

13. The MTAI will be the executing agency for the TA. The Transport and Communications Division of ADB's Central and West Asia Department (CWTC) will administer the TA. The MTAI will set up and will chair a high-level steering committee made up of relevant line ministries, implementation agencies, and transport system users. The tasks of the steering committee will include (i) being a champion for the development of a shared vision, common principles, and clear policy objectives; (ii) reviewing the consultant terms of reference; (iii) providing overall guidance to the consultant team; (iv) making key decisions relating to the preparation of the TTFS; and (v) submitting the TTFS to the government for endorsement and ratification.

14. ADB will coordinate closely with the government and the MTAI. MTAI will invite development partners such as the European Union and the United Nations Development Programme to participate in the implementation of the TA activities. ADB will support the government in seeking the development partners their endorsement and active contribution to the outputs and the upkeep of initiatives taken under this TA.

15. The implementation arrangements are summarized in the table.

#### Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	September 2019–September 2021		
Executing agency	Ministry of Territorial Administration and Infrastructure		
Implementing agency	Transport and Communications Division of ADB's Central and West Asia Department		
Consultants	To be selected and engaged by ADB		
	Individual selection (international)	9 international consultants, 24.5 person-months	\$640,000
	Individual selection (national)	7 national consultants, 30 person-months	\$175,000
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance.

Source: Asian Development Bank.

16. **Consulting services.** ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions



and/or staff instructions.<sup>8</sup> The TA will involve 54.5 person-months of services (24.5 international and 30.0 national), which will be engaged by ADB.<sup>9</sup> A key expert (transport policy and planning specialist and team leader) will lead the team of consultants and will work closely with the MTAI and the steering committee to carry out the study. The use of individual consultant selection will allow for more direct guidance and oversight by CWTC and will expedite start-up of the TA project.

#### **IV. THE PRESIDENT'S DECISION**

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,000,000 on a grant basis to the Government of Armenia for the Transport and Trade Facilitation Strategy, 2020–2040, and hereby reports this action to the Board.

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<sup>8</sup> Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

<sup>9</sup> Through individual selection and considering the use of output-based contracts and/or lumpsum costs provision for out-of-pocket expenses.

## DESIGN AND MONITORING FRAMEWORK

<b>Impacts the TA is Aligned with</b>			
(i) Long-term prosperity through the development of efficient, cost-effective, and environmentally and socially sustainable transport infrastructure and services, serving the whole nation, promoted. <sup>a</sup> (ii) Social and economic development promoted, with ADB playing an important role in supporting the global agenda of infrastructure development as a source of global growth. <sup>b</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> TTFS included as an input in the updating of the Armenia Development Strategy	By Q4 2021: a. Final TTFS submitted for consideration by the steering committee (2019 Baseline: not submitted)	a. MTAI website and annual reports	Potential change in the government structure resulting in reluctance to commit to clear policy objectives.
<b>Output</b> Transport and Trade Facilitation Strategy developed	a. Social and gender-inclusive Transport Master Plan developed by Q3 2021 (2019 Baseline: not applicable) b. Social and gender-inclusive trade facilitation plan developed by Q3 2021 (2019 Baseline: not applicable) c. Social and gender-inclusive road safety plan and program developed by Q3 2021 (2019 Baseline: not applicable) d. Social and gender-inclusive modal action plans developed by Q3 2021 (2019 Baseline: not applicable)	a–d. Consultants' progress reports, consultation proceedings	Government restructure slows down the MTAI's decision-making process, delaying the strategic planning process
<b>Key Activities with Milestones</b>			
<b>Output: TTFS developed</b> 1.1 Recruit consultants (Q3–Q4 2019). 1.2 Formulate the TOR of the steering committee (Q3 2019). 1.3 Implement the TOR of the steering committee (Q4 2019–Q2 2021). 1.4 Conduct public consultations (Q1–Q4 2020). 1.5 Complete the transport sector assessment (Q2 2020) 1.6 Complete the trade facilitation assessment (Q2 2020) 1.7 Complete the road safety assessment (Q2 2020). 1.8 Develop the criteria for project ranking and prioritization (Q4 2020). 1.9 Develop the list of prioritized projects for each mode of transport (Q2 2021).			

**Inputs**

ADB: \$1,000,000 (TASF-other sources)

Note: The government will provide counterpart support in the form of counterpart staff, office accommodation, logistics and administrative support, and other in-kind contributions.

**Assumptions for Partner Financing**

Not applicable.

MTAI = Ministry of Territorial Administration and Infrastructure, TASF = Technical Assistance Special Fund, TTFS = Transport and Trade Facilitation Strategy, TOR = terms of reference.

<sup>a</sup> ADB. 2008. *Transport Sector Development Strategy*. Consultant's report. Manila (TA 4973-ARM).

<sup>b</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila. Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Amount</b>
<b>Asian Development Bank</b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	640.0
ii. National consultants	175.0
b. Out-of-pocket expenditures	
i. International and local travel	35.0
ii. Surveys	25.0
iii. Reports and communications	25.0
2. Training, seminars, workshops, forums, and conferences	40.0
3. Miscellaneous administration and support costs	10.0
4. Contingencies	50.0
<b>Total</b>	<b>1,000.0</b>

Note: The technical assistance (TA) is estimated to cost \$1,000,000, of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of counterpart staff, office accommodation, logistics and administrative support, and other in-kind contributions.

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

Source: Asian Development Bank estimates.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=52353-001-TARreport>

1. Terms of Reference for Consultants

**Supplementary Document**

2. Letter from the Government of Armenia requesting TA support, dated 19 November 2018