

**INTEGRATED SAFEGUARDS DATA SHEET  
APPRAISAL STAGE**

**Report No.: ISDSA12750**

**Date ISDS Prepared/Updated:** 05-Nov-2015

**Date ISDS Approved/Disclosed:** 05-Nov-2015

**I. BASIC INFORMATION**

**1. Basic Project Data**

<b>Country:</b>	Armenia	<b>Project ID:</b>	P150327
<b>Project Name:</b>	Local Economy and Infrastructure Development Project (P150327)		
<b>Task Team Leader(s):</b>	Ahmed A. R. Eiweida,Zaruhi Tokhmakhyan		
<b>Estimated Appraisal Date:</b>	02-Nov-2015	<b>Estimated Board Date:</b>	22-Dec-2015
<b>Managing Unit:</b>	GSU09	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Sub-national government administration (20%), SME Finance (10%), Rural and Inter-Urban Roads and Highways (35%), General water, sani tation and flood protection sector (35%)		
<b>Theme(s):</b>	Micro, Small and Medium Enterprise support (10%), Cultural Heritage (20%), Urban Economic Development (25%), City-wide Infrastructur e and Service Delivery (35%), Infrastructure services for private sector development (10%)		
<b>Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?</b>			No
<b>Financing (In USD Million)</b>			
Total Project Cost:	68.75	Total Bank Financing:	55.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			13.75
International Bank for Reconstruction and Development			55.00
Total			68.75
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Is this a Repeater project?</b>	No		

**2. Project Development Objective(s)**

The Project Development Objective is to improve infrastructure services and institutional capacity for increased tourism contribution to local economy in selected regions of Armenia.

### 3. Project Description

Local Economy and Infrastructure Development Project (LEIDP) will support the increased contribution of tourism to the local economies of selected regions. It will do so by implementing an integrated approach entailing infrastructure investment, urban regeneration, cultural heritage restoration, skills development, tourism product development and diversification, and attracting private sector investment. The Project will help create and build tourism circuits that connect multiple sites in the selected regions. Together, these activities will help attract more visitors to the regions and increasing their spending and this will, in turn, fuel job creation and local economic growth. LEIDP comprises three components:

Component 1: Urban Regeneration and Tourism Circuit Development (US\$48 million):

#### 1.1 Heritage Hub Regeneration

This sub-component includes restoration of public infrastructure, building facades, public spaces, museums, roads and water. Based on product development and marketing potential, infrastructure needs, and Marz employment needs, the destination hubs with the greatest potential to be catalysts for tourism development along the Corridor are: Areni, Goris, and Meghri.

#### 1.2 Tourism Circuits Development

This sub-component will finance implementation of an integrated approach to cultural heritage site upgrading and improved management in the most attractive cultural heritage sites located along the main tourism circuit/route in Southern and Northern Corridors. These activities include: a) site management plans, b) construction of tourism facilities at each attraction, such as information centers, cafés, rest areas, public toilets, parking, c) preservation of cultural heritage monuments, museums, etc., and improving the Southern Corridor access roads. Based on the ESW, the following spokes were selected for enhancement of tourism circuit: Garni (temple and gorge), Geghard Monastery, Khor Virap Monastery, Areni cave, Mozrov cave, Yeghegis, Shaki waterfall, Karahunge, and Khndzoresk. Two World Heritage Sites in the Northern Corridor, Haghpat and Sanahin, will also be restored and developed.

#### 1.3 Public-Private Infrastructure (PPI)

This sub-component will finance selected public sector investments in municipal or regional infrastructure which will benefit the selected community as a whole and will lead to increased medium-size private sector investments along the corridors. To encourage private sector investments in the region, this component is to support a selected number of private sector entities which show interest in and capacity to invest along the Corridors in the tourism sectors or in agro-processing, but seek complementary public infrastructure necessary to make their investments viable (e.g., public facilities within vicinity of the investments, road/sidewalk, water/sanitation, communications, etc.). They would be subject to screening by a selection committee and there will be appropriate conditions tied to that. Selection of private sector investments will be based on transparent and competitive processes. The support offered will include streamlined business startup procedures and provisions of the public infrastructure mentioned above.

Component 2: Institutional Development (US\$7 million):

Capacity Building: Enhancing the institutional capacity and performance of the Development Foundation of Armenia and other tourism and cultural heritage entities (local and regional) to carry out the following activities: destination management and promotion, marketing and promotion;

workforce development with specific gender focus; construction supervision and sustainable site management of cultural heritage; and performance monitoring and evaluation activities with specific gender disaggregation.

Business Advisory Services for SME Development: Private investors, particularly those investing in small and medium enterprises, shall be incentivized through the provision of various incentive schemes such as public infrastructure and streamlined business start-up procedures. This component can help encourage local communities to start up, or expand, small and medium enterprises. This component will provide business advisory services for SME development – for example, to guest-houses, restaurants, handicraft workshops, organic food and beverage firms; so that SMEs can access micro-credit financing resources available at the Ministry of Economy.

Component 3: Contingent Emergency Response (US\$0 million):

Contingent Emergency Response (CER) component is introduced with no allocated funds. Having this component is a precautionary measure that would allow the Government of Armenia and the Bank to quickly channel the loan financing for emergency recovery efforts following an adverse natural or man-made disaster and declaration by the Government of Armenia of a State of Disaster and Emergency. The built-in CER with an associated new disbursement category would allow the Government of Armenia to request the Bank to reallocate loan proceeds to this sub-component towards an emergency response for the municipal infrastructure sector within the five regions targeted by this Project in the Borrower's territory. The new disbursement category will have a zero dollar allocation, with 100 percent IBRD financing.

#### **4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

Kotayq, Ararat, Lori, Vayots Dzor and Syunik Marzes of Armenia

#### **5. Environmental and Social Safeguards Specialists**

Darejan Kapanadze (GENDR)

Michelle P. Rebosio Calderon (GSURR)

Sophia V. Georgieva (GSURR)

<b>6. Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	The Project carries investment components in support to infrastructure development and therefore triggers OP/BP 4.01. None of the Project-supported activities are expected to have significant, long term, or irreversible impacts on the natural environment, therefore the Project is classified as environmental Category B. An Environmental and Social Management Framework (ESMF) is prepared to guide site-specific safeguards work including sub-project screening, classification, environmental and social review is a format commensurate to identified risks, environmental and social management planning, and monitoring.

		A Strategic Environmental, Cultural Heritage and Social Assessment (SECHSA) of the five regional socio-economic development plans and of the South Corridor Tourism Development Strategy is being carried out to assess their strengths and weaknesses and to analyze how the Project design and implementation may be shaped by and/or contribute to their materialization. The SECHSA examines the likely long term and cumulative impacts of the Project and possible future developments that may be induced by the Project implementation. Presentations summarizing key findings and recommendations of SECHSA were made to focus groups within the regions targeted by the Project, followed by consultations and feedback from stakeholders. Draft final SECHSA report will be disclosed and public comments will be solicited prior to finalization of this document.
Natural Habitats OP/BP 4.04	Yes	OP/BP 4.04 is triggered to ensure that any interventions into the protected areas and the areas in their immediate vicinity are fully harmonized and supportive of the habitat conservation goals. Site-specific Environmental and Social Impact Assessment (ESIA) reports, Environmental and Social Reviews (ESRs) and/or Environmental and Social Management Plans (ESMPs) to be developed based on the screening and determination criteria set forth in ESMF for individual sub-projects related to protected areas will explain how the above principles are integrated into the design and implementation arrangements of each sub-project.
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	Yes	<p>The Project aims at attracting increased flow of tourists to the natural and cultural heritage sites selected for Project interventions. This would imply improvement of access to these sites and development of tourist infrastructure around them. Implementation of civil works in and around the historical monuments and other elements of the cultural heritage carries a risk of affecting their aesthetic value, accidental damage, or gradual deterioration. These risks will be specified and their mitigation measures laid out in sub-project specific ESMPs.</p> <p>OP/BP 4.11 is triggered to ensure that no element of cultural heritage is affected negatively neither during construction nor operation of the infrastructure provided</p>

		under the project. Site-specific ESIA reports or ESRs will cover the aspect of cultural heritage preservation and carry relevant mitigation measures, as well as arrangements for monitoring their implementation. More specifically, ESIA reports or ESRs will point out a need for obtaining clearance to enter a cultural heritage site from and/or agree design of works with the Ministry of Culture; spell out methodology for performing any works that physically touch the protected monuments; note a need to prepare a site management plan; and give other specific guidance as required case-by-case.
Indigenous Peoples OP/ BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	Yes	While the specific sites and nature of civil works under the Project are not yet known, land use and permanent or temporary land acquisition is expected. A Resettlement Policy Framework (RPF) has been prepared. The RPF provides detailed guidance and criteria for the development of investment-specific Resettlement Action Plans (RAPs), which would to be prepared and implemented prior to commencement of works at a site where resettlement or land acquisition was required. The RPF will be included as an annex to the Project Operations Manual.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	Yes	The Project covers Ararat, Kotayk, Lori, Syunik and Vayots Dzor administrative regions (marzes) of Armenia and may finance works on water supply, sanitation and irrigation infrastructure. Because large part of the Project's target area falls within the watershed of river Araks – an international waterway as defined by OP/BP 7.50 - there is a likelihood that the Project may finance infrastructure works on water supply, sanitation, and/or irrigation schemes abstracting and/or discharging water an international waterway and the Policy is therefore triggered. Because large part of the Project's target area falls within the watershed of river Araks – an international waterway as defined by OP/BP 7.50, there is likelihood that the Project may finance infrastructure works on water supply, sanitation, and/or irrigation schemes abstracting and/or discharging water an international waterway. However new construction of water-related infrastructure will be excluded from the Project funding and extensions to the existing schemes will be such as to not exceed the original scheme, change its nature or so alter or expand its

		<p>scope and extent as to make it appear a new or different scheme. Investments for rehabilitation of the existing schemes that are aimed at cutting water loss due to seepage, leaks, overflows, and malfunctioning of hydraulic structures will be supported on the condition that no alteration of water intake and/or discharge results from the Project implementation. These rules of screening, selecting and approving investment proposals are included in the ESMF and will also be part of the Project Operations Manual.</p> <p>Because the interventions are unlikely to: (i) adversely change the quality or quantity of water flows to the other riparians; and (ii) be affected by the other riparians' possible water use, communication to the riparians is deemed unnecessary and exception from the notification requirement is being sought from the regional Vice President.</p>
Projects in Disputed Areas OP/BP 7.60	No	

## II. Key Safeguard Policy Issues and Their Management

### A. Summary of Key Safeguard Issues

#### 1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

LEIDP will finance infrastructure rehabilitation and development sub-projects that according to the OP/BP 4.01 are classified as environmental Category B. No large scale significant adverse environmental impacts are expected from the Project implementation. The majority of the civil works to be supported under the LEIDP are typical and carry environmental implications which are common for small to medium scale infrastructure projects. The Armenia Territorial Development Fund (ATDF), which is the Project implementing entity, is well experienced in preparing and applying environmental mitigation measures to such type of civil works and is currently boosting its institutional capacity to manage social implications of the Project implementation. One challenge during conduct of regular works towards upgrading the existing small to medium scale urban infrastructure will be the immediate proximity of some work sites to the cultural and natural heritage sites. Such interventions carry additional risks of damaging monuments in case the design and methodological approaches used are unfit for conservation of the historical and aesthetic value of these sites or if tourist visitation of these sites, increased as a result of the Project interventions, is not managed in a sustainable manner. The design of LEIDP carries reliable mechanism for screening, raising, and addressing the above risks in both the review and the implementation phases of sub-projects.

PPI initiatives will be screened for eligibility according to pre-set criteria and if selected, the Project-supported activities will be subject to regular sub-project cycle. Sub-projects under Component 3 of the Project are likely to be prepared and implemented following short track, due to urgency of interventions. Therefore, simplified stand-alone Environmental and Social Management Plans will be developed for mitigating risks of their implementation.



While no physical relocation of households is expected, land acquisition (of private land or reallocation of public, community, Church-owned lands) is likely to occur in many sub-projects. Project activities may also have temporary or permanent impact on livelihoods and small businesses located in the project area. Investments may involve construction and/or rehabilitation of infrastructure related to the local economy and tourism development, such as parks and recreation areas, visitor centers, rest stops, parking lots, lifeline roads or small bridges, marketplace spaces, among others. Most sub-projects are likely to be implemented on public or church-owned land (in the cases of vicinity to historic churches or monasteries); however some privately-owned land may also be affected. Sub-project designs may include proposals to demolish old or unused structures on the sub-project site.

Due to these possible impacts, careful screening will be undertaken, based on provisions specified in the Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF). Site-specific safeguard screening reports, environmental and social management documents, and Resettlement Action Plans (RAPs), if applicable, will be completed for each sub-project.

The national vision for development is formulated in the Armenia Development Strategy covering a decade ending 2025. The five regional administrative units (marzes) of Armenia targeted by LEIDP have respective regional socio-economic development plans produced by the Government of Armenia. South Corridor Tourism Destination Strategy is also developed covering Kotayk, Ararat, Vayots Dzor and Syunik marzes. For the purpose of maximizing positive impacts of LEIDP interventions, its preparation includes a Strategic Environmental, Cultural Heritage, and Social Assessment (SECHSA) of these plans and strategy in order to explore what long-term and cumulative impacts are expected from their implementation and how LEIDP can assist in achieving the goals of these strategies as well as help to fill their gaps and help to address weaknesses. The SECHSA also explores the ways for citizens' engagement in the implementation of regional and tourism development strategies and LEIDP, mechanisms to help communities benefit from Project activities, and processes to address the needs of women, minorities, and disadvantaged.

**2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:**

Project implementation will have long term positive impact on the economic growth in the target regions of Armenia through increased tourist visitation, improved infrastructure and utilities in the selected municipalities, and enhanced business activity. This is expected to improve the livelihood of the residents of municipalities selected for direct interventions as well as to potentially raise incomes of communities residing in the proximity to the cultural monuments and natural assets.

Indirect long term risks of the stimulated visitation and investment nearby and around the heritage sites is the possibility of exceeding their carrying capacity as well as potential loss of the aesthetic value of the landscapes surrounding tourist sites due to over-development in their buffer zones. This risk may be effectively mitigation through the development of heritage site management plans that are based on the estimation of the carrying capacity of these sites. Potential indirect impacts may also include disruption to pedestrians, disruption to visitors of tourist sites while rehabilitation and construction activities are ongoing in the sub-project area, and/or disruption of small businesses in the area. Any impacts on property, assets, or livelihoods – including profits of small business – will require the preparation of a RAP or an abbreviated RAP, and will be

<p>compensated as per provisions stated in the RPF. Additional disruptions to the community will be addressed in site-specific ESMPs, as described in ESMF.</p>
<p><b>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</b></p>
<p>Alternatives considered for each sub-project to minimize adverse impacts will be described in sub-project screening forms as per ESMF.</p>
<p><b>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</b></p>
<p>The Project implementing entity produced the ESMF which carries detailed guidance on handling environmental, cultural, and social aspects of the Project implementation. ESMF will be included into the Operations Manual (OM) of the Project. To handle the anticipated temporary impacts of sub-projects and to address other possible resettlement issues, ATDF also developed the RPF. ESMF and RPF will be used for carrying out investment-specific Environmental and Social Impact Assessments (ESIAs), developing Environmental and Social Reviews (ESRs), stand-alone Environmental and Social Management Plans ESMPs, whichever applicable; and RAPs, as required. The local municipalities will be responsible for the implementation of RAPs with the assistance of the ATDF prior to commencement of construction at the individual project sites, while implementation of ESMPs at the construction phase will be enforced on works contractors directly by the ATDF.</p> <p>ATDF will be the implementing agency responsible for safeguard compliance and monitoring. ATDF has a long standing experience implementing World Bank-financed projects. Safeguards performance under those projects varies between moderately satisfactory and satisfactory. No environmental or social damage has been recorded during implementation of any activity under ATDF's portfolio supported by the World Bank. Shortfalls revealed through implementation support included individual cases of erroneous environmental classification of sub-projects and sub-standard quality of record keeping on the outcomes of environmental monitoring. At the same time, due to the nature of previously implemented projects, ATDF has limited experience and staff capacity for undertaking land acquisition and resettlement. ATDF has contracted a social safeguard specialist in October 2015. The World Bank has recommended that ATDF considers all available opportunities for professional training to build capacity of newly recruited social specialist. It has also recommended that Project Agreement includes a provision that ATDF will retain a social safeguard specialist with qualifications acceptable to the Bank throughout the duration of the Project. ATDF shall retain an environmental consultant's position currently filled by an experienced specialist and recruit a second person as soon as feasible, because of considerably increasing volume of safeguards work facing ATDF.</p>
<p><b>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</b></p>
<p>Key stakeholders include: local authorities, residents of the wider Project area (e.g. in communities where sub-project works will be conducted as well as neighboring communities who may also benefit from the project and be affected by temporary disruptions related to the Project), the Apostolic Church of Armenia (as owner of some of the lands on which project activities will be conducted), NGOs, and business associations.</p> <p>ATDF disclosed draft final ESMF and RPF in Armenian and English languages and held a stakeholder consultation meeting to discuss these documents. They will be re-disclosed with the minutes of consultation process attached. Public consultations are ongoing as part of SECHSA</p>



process. The final draft SECHSA report will be disclosed and discussed alike ESMF and RPF. In each sub-project site, public consultations (promotional meetings) will be held in the respective community at the design stage of sub-project activities. These consultations will present preliminary sub-project design, solicit feedback on the proposed activities, explain environmental and social safeguard provisions to be followed, and share details on the grievance redress mechanism of the Project. Once ESMP and RAP (where applicable) are drafted, they will be disclosed in both languages and also be shared in public consultations at the sub-project community. All consultations will be advertised through the web site of ATDF and local media as suitable under local circumstances. Consultations will be open to all participants including local authorities, NGOs, and community residents in the broader sub-project area. ATDF, through its social specialist, will pro-actively facilitate participation of potentially affected persons, women, and vulnerable groups in public consultations.

### **B. Disclosure Requirements**

<b>Environmental Assessment/Audit/Management Plan/Other</b>	
Date of receipt by the Bank	27-Oct-2015
Date of submission to InfoShop	02-Nov-2015
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	00000000
<b>"In country" Disclosure</b>	
Armenia	30-Oct-2015
<i>Comments:</i>	
<b>Resettlement Action Plan/Framework/Policy Process</b>	
Date of receipt by the Bank	27-Oct-2015
Date of submission to InfoShop	02-Nov-2015
<b>"In country" Disclosure</b>	
Armenia	30-Oct-2015
<i>Comments:</i>	
<b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>	
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>	

### **C. Compliance Monitoring Indicators at the Corporate Level**

<b>OP/BP/GP 4.01 - Environment Assessment</b>	
Does the project require a stand-alone EA (including EMP) report?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>OP/BP 4.04 - Natural Habitats</b>	

Would the project result in any significant conversion or degradation of critical natural habitats?	Yes [ ] No [ × ] NA [ ]
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	Yes [ ] No [ ] NA [ × ]
<b>OP/BP 4.11 - Physical Cultural Resources</b>	
Does the EA include adequate measures related to cultural property?	Yes [ × ] No [ ] NA [ ]
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [ × ] No [ ] NA [ ]
<b>OP/BP 4.12 - Involuntary Resettlement</b>	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [ × ] No [ ] NA [ ]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [ × ] No [ ] NA [ ]
Is physical displacement/relocation expected?  Provided estimated number of people to be affected	Yes [ ] No [ × ] TBD [ ]
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)  Provided estimated number of people to be affected	Yes [ ] No [ ] TBD [ × ]
<b>OP 7.50 - Projects on International Waterways</b>	
Have the other riparians been notified of the project?	Yes [ ] No [ × ] NA [ ]
If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?	Yes [ × ] No [ ] NA [ ]
Has the RVP approved such an exception?	Yes [ ] No [ ] NA [ ]
<b>The World Bank Policy on Disclosure of Information</b>	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ × ] No [ ] NA [ ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ × ] No [ ] NA [ ]
<b>All Safeguard Policies</b>	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ × ] No [ ] NA [ ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ × ] No [ ] NA [ ]

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]

### III. APPROVALS

Task Team Leader(s):	Name: Ahmed A. R. Eiweida,Zaruhi Tokhmakhyan	
<b><i>Approved By</i></b>		
Safeguards Advisor:	Name: Agnes I. Kiss (SA)	Date: 05-Nov-2015
Practice Manager/ Manager:	Name: David N. Sislen (PMGR)	Date: 05-Nov-2015