

# INTEGRATED SAFEGUARDS DATA SHEET

## CONCEPT STAGE

**Report No.:** ISDSC9387

**Date ISDS Prepared/Updated:** 25-Mar-2015

**Date ISDS Approved/Disclosed:** 26-Mar-2015

### I. BASIC INFORMATION

#### A. Basic Project Data

Country:	Armenia	Project ID:	P150327
Project Name:	Local Economy and Infrastructure Development Project (P150327)		
Task Team Leader(s):	Ahmed A. R. Eiweida,Zaruhi Tokhmakhian		
Estimated Appraisal Date:	02-Sep-2015	Estimated Board Date:	22-Oct-2015
Managing Unit:	GSURR	Lending Instrument:	Investment Project Financing
Sector(s):	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%)		
Theme(s):	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%)		
Financing (In USD Million)			
Total Project Cost:	66.00	Total Bank Financing:	55.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			11.00
International Bank for Reconstruction and Development			55.00
Total			66.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

#### B. Project Objectives

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

#### C. Project Description

The proposed Project 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.

The design of the Project incorporates lessons based on experiences under similar operations in Georgia (the first and the second Regional Development Projects), and recommendations from the World Bank's 2014 Economic Sector Work (ESW) on Regional Development in the South Caucasus Program. The latter helped identify some of the opportunities for regional development and shared prosperity in Armenia, Azerbaijan and Georgia by analyzing the regional profile of each country, and identifying key policy and investment needs in the most competitive sectors that drive private sector-led growth and job creation, most notably tourism, agro-tourism and agri-business.

In Armenia, the Bank's ESW focused on the Southern Corridor (Garni- Geghard- Khor Virap- Areni- Jermuk- Sisian- Tatev- Goris- Meghri), which crosses four regions (Kotayk, Ararat, Vayots Dzor and Syunik) combining several scenic cultural and natural attractions; traditional farms, mountains including Mount Ararat, carpet production in Yeghegnadzor and Goris, wine tourism in Areni, and cultural heritage and traditional cuisine in Goris. It found that the quality of roads and other municipal infrastructure ranges from poor to good along the Corridors but, overall, road and water improvements and urban regeneration are high priorities. This Corridor provides opportunities for many activities such as visits to natural areas, cultural heritage sights, and visits with carpet producers, traditional meals and community home stays. Many of these activities are offered by small and micro-enterprises. Hence, generating more tourist visitation facilitates local businesses and spreads prosperity over a broader range of stakeholders.

The key conclusion of the ESW is that corridor development requires several key interventions, such as tourism infrastructure improvements, especially through site management plans; improved and expanded product offers; and local capacity building and workforce development. It also highlighted Areni, Goris and Meghri as potential hub destinations that should be developed along with selected spoke destinations to realize the vision of the establishment of the Southern Corridor as a new responsible tourism destination, and achieve economic development objectives all along Corridor.

The ESW has identified destination hubs along the Southern Corridor that either are, or could be, attractive to visitors, tour operators and investors. The "hubs" and corresponding "spoke" destinations would serve as clusters and circuits. While it would be ideal to assist as many destinations as possible in each of the areas mentioned above – product offerings and marketing, infrastructure, private investment, and human resources – resources are limited and must be allocated to those destinations where improvements could best attract more visitor spending, generate increased incomes and employment, and spur more investment. Building on this, the proposed Project will have the following two components:

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

**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.

**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.

**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 (MoE).

The Project is likely to have differential impacts on men and women. It is expected to increase employment opportunities in tourism/hospitality sectors for both men and women, but the types of jobs available are likely to be different. The results of project activities will be monitored, using gender disaggregated data. Improving the urban infrastructure will also have some positive direct effects on women, given their greater role in domestic work. The Project will collect gender-

disaggregated data to better understand and assess the role of men and women in the tourism economy and its potential impact on both. In terms of participation, the Project will ensure that women are adequately represented in public consultations. In assessing the demand for tourism sites and designing the marketing activities, the Project will consider different experiences that male and female tourists would like to have, such as wine tasting vs. experimenting lavash bread baking or carpet knitting.

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

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

**E. Borrowers Institutional Capacity for Safeguard Policies**

**F. Environmental and Social Safeguards Specialists on the Team**

Darejan Kapanadze (GENDR)

Michelle P. Rebosio Calderon (GSURR)

Nino Metreveli (GSURR)

**II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	<p>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.</p> <p>A Strategic Environmental, Cultural Heritage and Social Assessment (SECHSA) of the Project interventions into the Southern Corridor will be carried out to source any regional or marz level or sectoral development plans that may exist or be under development for the geographic area of Project's influence or its parts and analyze how the Project design and implementation may be shaped by and/or contribute to the materialization of these plans. SECHSA will also examine the likely long term and cumulative impacts of the Project and possible future developments that may be induced by the Project implementation. SECHSA will be based on a meaningful public participation and its outcomes will influence final design of the Project.</p>
Natural Habitats OP/BP 4.04	Yes	OP/BP 4.04 is triggered to ensure that any interventions into the natural habitats and the areas in

		their immediate vicinity are fully harmonized and supportive of the habitat conservation goals. Some of the proposed tourism sites along the corridors are caves, and they typically have very fragile ecosystems that require very careful management and monitoring. Site-specific Environmental and Social Reviews (ESRs) and/or Environmental Management Plans (EMPs) to be developed for individual sub-projects related to natural habitats 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 ESRs and EMPs.</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 under the project. Site-specific ESRs and/or EMPs will cover the aspect of cultural heritage preservation and carry relevant mitigation measures, as well as arrangements for monitoring their implementation.</p>
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) will therefore be prepared. The RPF will provide 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	TBD	
Projects in Disputed Areas OP/BP 7.60	No	

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 31-Jul-2015

**B. Time frame for launching and completing the safeguard-related studies that may be needed.**  
**The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

Preparation of safeguards documents will be supported by a project preparation grant from the ECAPDEV trust fund. The ESMF, RPF and SECHSA will all be prepared, disclosed and consulted prior to Project appraisal.

### IV. APPROVALS

Task Team Leader(s):	Name: Ahmed A. R. Eiweida,Zaruhi Tokhmakhian	
<b><i>Approved By:</i></b>		
Safeguards Advisor:	Name: Agnes I. Kiss (SA)	Date: 25-Mar-2015
Practice Manager/ Manager:	Name: Bernice K. Van Bronkhorst (PMGR)	Date: 26-Mar-2015

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.