



REPORT NO.: RES31001

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
LOCAL ECONOMY AND INFRASTRUCTURE DEVELOPMENT PROJECT
APPROVED ON DECEMBER 22, 2015
TO
REPUBLIC OF ARMENIA

SOCIAL, URBAN, RURAL AND RESILIENCE GLOBAL PRACTICE
EUROPE AND CENTRAL ASIA

Regional Vice President:	Cyril E Muller
Country Director:	Mercy Miyang Tembon
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez
Practice Manager/Manager:	David N. Sislen
Task Team Leader:	Ahmed A. R. Eiweida, Zaruhi Tokhmakhyan



I. BASIC DATA

Product Information

Project ID P150327	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 22-Dec-2015	Current Closing Date 30-Apr-2021

Organizations

Borrower REPUBLIC OF ARMENIA	Responsible Agency Armenia Territorial Development Fund
---------------------------------	--

Project Development Objective (PDO)

Original PDO

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

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-85720	22-Dec-2015	23-Feb-2016	29-Dec-2016	30-Apr-2021	55.00	.29	54.71

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES



Project Status

The Local Economy and Infrastructure Development Project (LEIDP) was approved by the World Bank Board of Directors on December 22, 2015. The legal agreements between the World Bank and Government of the Republic of Armenia were signed on February 23, 2016 and the Project was declared effective on December 29, 2016.

The Project implementation progress has been slow. Disbursements as of March 15, 2018 amounted to US\$0.27 million, out of the US\$55 million IBRD financing. The reason is that, since the Project effectiveness in December 2016, the national budget has been struggling to finance the external debt and manage the deficit, which slowed down implementation of all investment projects across Armenia portfolio, including LEIDP.

Despite this, the Government is committed to achieve objectives set by the Project, and developed an implementation plan with priority subprojects for implementation. The Project Development Objective rating and Implementation Progress ratings for the Project have been Moderately Satisfactory since May 2017. The Project is rated Substantial for overall risk, and Satisfactory for safeguards.

During the recent Bank implementation support mission in March 2018, the team noted some progress in implementing selected Project activities. Civil works for two sub-projects, namely road sections leading to Garni Stone Symphony and to Tatev Monastery, are expected to be launched in Spring 2018, for which the design packages have been reviewed by the Bank, and the disbursements are expected to improve once these civil works are launched.

Financial Management arrangements under the Project are adequate and acceptable to the Bank. There are no overdue audits under the Project. The first Project audit is due by June 30, 2019. The Bank agreed to provide exception to combine the FY2017 Project audit with FY2018 given that only small amount was expensed from the Project funds during FY2017.

Proposed Changes

LEIDP activities are designed to benefit the residents, tourists and enterprises in three regions in the south of Armenia Republic (Ararat, Vayots Dzor, and Syunik), and two regions in the north (Kotayk and Lori). On November 30, 2017 the Government of Armenia approached the Bank with a request to restructure LEIDP to include a new sub-project, namely the city of Gyumri in Shirak region.

This proposed new sub-project's focus fits within the LEIDP development objective to improve infrastructure services and institutional capacity for increased tourism contribution to local economy in the selected regions of the Borrower's territory. Any proposed investments in Gyumri would follow the standard sub-project screening and appraisal process used by the Project overall, including related to safeguards. The Project counterparts have carried out public consultation and outreach with the residents of Gyumri on the inclusion of this location in the Project.

At this stage, no additional results are being added to the Results Framework since the specific nature of the investment is not yet known. The results from Gyumri sub-project are expected to be reflected in the Results Framework after the mid-term review. Relatedly, the closing date of the Project will need to be extended to allow implementation of project activities and utilization of loan proceeds. However, at this stage the counterparts are not



prepared to assess the time that is required to achieve the Project Development Objective. Therefore, the closing date of the Project will be extended after the mid-term review.

Rationale for Proposed Changes

Aligned with the Government policy to initiate urban regeneration projects in historical cities for local economic development, the city of Gyumri, which is located in the north-west part of Armenia and is the second largest city in the country, is now an additional priority for the Government. There are several ongoing and planned efforts by the Government and donor partners to revive Gyumri through infrastructure rehabilitation and tourism promotion. Gyumri has been selected for its wealth of cultural heritage, and its geographic location in the region with well-connected transport infrastructure. The Government envisages that Gyumri has a potential to become a hub for regional tourism, and, moreover, a potential destination hub for regional product development with the neighboring Republic of Georgia. The new North-South highway, ongoing railway and airport improvements to bring low-cost airlines would be key success factors to attracting private capital in Gyumri. The planned urban renewal and historic preservation are expected to act as catalysts for economic growth by creating new jobs, improving quality of life for residents, and boosting tourism in the region.

The Bank team is reviewing Government's strategy for Gyumri and assisting them in preparation of a roadmap for key priority investments that can maximize community benefits, restore historical buildings and houses, and tourism promotion for improved livelihoods of local community.

Detailed Changes

In response to the Borrower's request of November 30, 2017, this Restructuring Paper seeks to amend the Paragraph (a) of Part 1 of the Project Description in Schedule 1 to the Loan Agreement and Paragraph 38 of Definitions in Section 1 of the Appendix to the Loan Agreement to add Gyumri in Shirak region to the list of selected regions supported by the Project.

In addition, the Project Agreement will be amended to reflect this change. In particular, Paragraph 2 (a) and 2 (b) of the Investment Subprojects in Part 1 of the Project in Section E to the Project Agreement will be amended respectfully to add Gyumri to the list of selected regions supported by the Project.

Furthermore, the Project Operation Manual will be amended to reflect the change.

No changes to the PDO, closing date or Project allocations are required. There will be no changes in the institutional and implementation arrangements.

III. DETAILED CHANGES



The World Bank

Local Economy and Infrastructure Development Project (P150327)
