

Government of Armenia and World Bank Partnership

Local Economy and Infrastructure Development Project

**Public Private Investment (PPI)
For
Armenia Tourism Sector Development**

Armenia Territorial Development Fund

Until December of 2015 Armenia Territorial Development Fund (ATDF) acted under the name of Armenia Social Investment Fund (ASIF).

Armenian Social Investment Fund was created in 1996 and has successfully completed three projects financed by the International Development Association.

Considering effectiveness in rehabilitation of small-scale socio-economic infrastructures, the government of Armenia decided to continue Fund's activities and gradually move towards inter-community project implementation. According to GoA decree 1521-N as of December 25, 2014 the Social Investment Fund was renamed and reorganized into Armenia Territorial Development Fund (ATDF). It operates as an autonomous institution that is governed by the Board under the chairmanship of the Prime Minister.

The ATDF portfolio currently includes:

- ❖ The World Bank (WB) Loan under the Social Investment and Local Development (SILD) Project;

- ❖ United States Agency for International Development (USAID) provided Grant to support inter-community development sub-projects through ATDF in the 13 pilot clusters

- ❖ Swiss Development Cooperation (SDC) plans to support territorial development through a grant to the Government of Armenia to be implemented by ATDF under a Trust Fund arrangement with the WB. The grant will provide financing for investments in inter-community infrastructure and services (at least 5 sub-projects) in seven clusters in Syunik and Vayots Dzor marzes, where consolidation of communities is taking place or planned.

- ❖ Asian Development Bank (ADB) project to support seismic retrofitting of secondary schools throughout Armenia.

- ❖ The Local Economy and Infrastructure Development (LEID) Project is the fifth Project under implementation of ATDF.

Local Economy and Infrastructure Development Project

The World Bank assists the Government of Armenia with a US\$55.0 million Local Economy and Infrastructure Development Project (LEIDP) that aims to stimulate economic growth and employment in the southern regions of Armenia (Ararat, Vayots Dzor and Syunik), as well as two regions in the north (Kotayk and Lori). The Project activities focus on improving the quality and reliability of municipal infrastructure; supporting tourism and agribusiness development; and creating an enabling environment to attract private sector investments. In addition, the Project is expected to have spillover effects on communities neighboring those localities directly targeted by the Project. Greater tourism activity can help the poor and less well-off through direct effects of tourism (income and earnings from tourism sector as well as improved infrastructure); secondary effects (from participation in non-tourism sectors such as construction work, farmers supplying to hotels, etc.); and dynamic effects which shape the sources of growth in the local economy. In addition, the Project aims to support self-employment entrepreneurial activities that the less well-off can tap into. The Project will monitor these direct and secondary effects of the Project in order to assess impacts on the poor and the vulnerable.

The Project activities are expected to benefit the residents, tourists and enterprises in five regions of Ararat, Vayots Dzor and Syunik, Kotayk and Lori. Residents, tourists and enterprises are expected to receive improved access to, and quality of, public infrastructure; increased volume of private sector investment in the region; and increased small and micro enterprises in renovated cultural heritage sites and cities. The Government will benefit from increased overall tourism spending and satisfaction, job creation, improved institutional capacity of selected agencies, and improved capacity to operate and maintain assets. One of project's Chapter refers to Provision of Public Infrastructure (PPI) to Attract Private Investments

To encourage private sector investments in the regions, this component will support selected private sector entities in the Project area/s that demonstrate interest and capacity to invest in tourism or agribusiness through investing in complementary public infrastructure that is necessary to ensure the viability of their investments (e.g. public facilities within vicinity of the investments, road/sidewalk, water/sanitation, communications, etc.).

The public-private investment (PPI) initiatives will be subject to eligibility screening, and specific conditions will be set forth for the provision of funding from the LEID Project. The latter will be channeled through the common sub-project cycle established for LEID Project.

1. Pre-Application Requirements and Submission of Online Application Form

Before registering business proposal online, interested private investors are expected to familiarize themselves with the main principles and guidelines of the PPI program. In case of validation, they start filling in the application form.

- Eligible investments are only those related to tourism (e.g., hotels and boutique hotels, especially this using traditional architecture and in harmony with surrounding nature; entertainment centers/parks; exhibit/art centers; hand-craft workshops and souvenir shops, tourism facilities, etc.) and agribusiness (food & beverage processing, dried fruits, dairy products, wine production and degustation, etc.).
- The PPI model of this kind excludes possibilities of direct business project financing or equity sharing; program finances provision of off-site public infrastructure (road, water, sewerage, power supply and other adjacent infrastructure);
- Public infrastructure to be provided will be delivered up to the boundaries of private sector property. No interventions in private property will be financed;
- While indicating the volume of investment, applicant has to take into account that he/she might have to present confirmation of financial readiness for implementation. Specifically, documentation notifying whether the investor possesses all required capital or a loan is under sought from a commercial bank. Confidentiality of the financial information submitted by the private person will be insured;
- In case private investor registers a startup he/she is kindly advised to show good track record, experience, governance and financial health of the investor/company even though it may be experience gained from a different sector not applicable to those mentioned above;
- Priority business areas are tourism and agribusiness. Proposals not meeting any of the subcategories of these sectors are not eligible for PPI funding under LEIDP;
- Investors shall have clear ownership of land and property required for the private sector investments;
- Ratio of self-financing private investments to those requested from LEIDP finances should be at least (4:1);
- The minimum eligible volume of private investment to be considered is US\$400,000 of self-financed private investment;
- Proposed investment shall bring socio economic benefit to the local residents in the vicinity of the business; and

- The following types of investments are prohibited: (Investments in the designated protected areas; protection zones in general or individual protection zones of cultural heritage monuments; activities impacting fragile ecosystems, important habitats, and green-fields of outstanding aesthetic value; activities requiring conversion of forests, wetlands, and alpine/sub-alpine meadows; and polluting industries which are classified as Category A environment impact);

In case applicants qualify eligible for the requirements listed above, they are requested to fill in online application form (annex 1) and send to following addresses. tourism@mineconomy.am, tel: 011 597157, t.shahbazyan@atdf.am tel. 060 501560 (104)

2. Evaluation Criteria

On the basis of the filled in application form, the ATDF will identify the long list of the business ideas and contact investors to deliver full investment proposal consisting of the following documentation:

- i. Preliminary feasibility study describing the proposed investment, economic and financial viability, environment assessment, type and estimated number of jobs to be created;
- ii. Detailed description and cost estimations of required infrastructures attached to the public infrastructure (provided by the Government);
- iii. Profit/loss statements for the last 2 years;
- iv. Proof of ownership of land/property;
- v. Proof of going concern (proof that entity is not under liquidation/property is not sequestrated);
- vi. Evidence to show financial health of the investor/company;
- vii. ISO/HACCP Certificates, if relevant.

After careful study of received data, the Evaluation Group will undertake the last phase of evaluation and selection process.

A system of scoring & ranking criteria shown in the table below will be used:

Criteria	1 score	2 scores	3 scores	4 scores	5 scores
Average annual profit based on last 2 years indicators (in US\$)	<50,000	50,000 – 100,000	100,001 – 500,000	500,001 – 1,000,000	>1,000,000
Ration of self-financing investments and those of requested from Government	4- 4.5	4.5- 5	5 – 5.5	5.5 – 6	>6
Ratio of annual income and requested investment	0.5 – 1.0	1.0 – 2.5	2.5 – 3	3- 4.5	>4,5
Cost for each workplace (in US\$)	>50,000	30,001 - 50,000	15,001 - 30,000	5,001 - 15,000	<5,000

Implementation of proposals will be determined in respect with the overall score that each proposal accumulates (priority will be given to the proposals with the highest scores) and the approval of the PSC. Maximum available score is 20 point. Proposals with less than 10 points will be discredited.

3.Contract Management

Memorandum of Intentions will be signed between the selected investor(s) and the ATDF, describing the project, preliminarily scope of work and project timeline of each party. After the signature of the abovementioned MoU, the investor(s) will have to prepare and submit to the ATDF the supporting documentation of the project along with project design documents.

Further, a Contract will be signed between the investor(s) and the ATDF, defining in detail rights and obligations of each party, as well as financial arrangements of the project.

Either party having any claims to the other party relating to non-fulfillment or improper fulfillment of any obligations under this Agreement is authorized to apply to it in writing and state a reasonable period for remedy of defaults. In case of failure to reach agreement by the parties the dispute shall be resolved through court action.