Project Title: Integrated Rural Tourism Development

Project Number: 00096517/000100450

Implementing Partner: MTAD

Start Date: September 2016 **End Date:** December 2019 **PAC Meeting date:** 17 June 2016

Brief Description

The proposed project offers an intervention strategy for the development of rural tourism in Armenia with the objective of creating sustainable income-generating opportunities as supplemental income source to bring down the level of rural poverty, contribute to equal territorial development and shape conducive environment for rural development. The concept applies integrated approach targeting strong local social networks that explicitly link local actors for the purpose of jointly promoting and maintaining the economic, social, cultural, natural, and human resources of the localities. The project seeks to build synergistic benefits for the various stakeholders on the local level by engaging the local human resources in value creation to combat social exclusion, retain maximum benefits in a locality by using and adding value to its resources and focusing on the requirements, capacities, and values of its people, and ensure sustainable development considering environmental protection. The project has three main components:

1. Planning of sustainable integrated rural tourism- The tourism assets of the community will be identified, assessed and prioritized for the further development by preliminary expert assessment and participatory planning mechanism, which will outline the vision and strategy for the rural tourism development in the community through wide consultation and participation of the local stakeholders.

2. Increase income level through diversification of tourism products and services in the community- Developing human resources through sector-specific trainings (business management, food processing, sales, marketing, training local guides, etc.) will help to address the knowledge gaps and prepare the local communities to effectively manage the tourism enterprises. Meanwhile all the actors integrated in both production, service provision and management will be trained in sustainable utilization of tourism assets and adoption of mechanisms to bring down the environmental impact of their activities. In addition, the project will facilitate the access of the local tourism enterprises to seed financing through the loan mechanism of SME DNC.

3. Sustainable Destination Management- Establishing institutions to engage the local stakeholders and authorities into management and development of the community as a tourism destination. Meanwhile UNDP will build synergies between its upcoming projects planning to use big data and establish an up to date information center in Yerevan to promote the new tourism destinations. In addition the project will help the new destinations to market the tourism services through ICT tools.

Contributing Outcome (UNDAF/CPD):	Total resources required:		$3,000,000
By 2020, Armenia's competitiveness is improved and people, especially vulnerable groups, have greater access to sustainable economic opportunities.	Total resources allocated:		
		UNDP TRAC:	
		Russian Federation:	$3,000,000
Indicative Output(s): Local capacities strengthened to develop and implement innovative and diversified income-generating practices that are sustainable and employment and livelihood intensive targeting most vulnerable groups.		**Parallel funding**	
		SME DNC	$5,000,000
		KfW	$1,300,000

Agreed by (signatures):

Government   **UNDP**

Davit Lokyan, Minister of MTAD   Bradley Busetto, UN RC/UNDP RR

Date: 07.09.2016   Date: 07.09.2016

1

I.   DEVELOPMENT CHALLENGE

Over the past decade, agriculture has been one of the main sectors of Armenia's economy and the main source of employment in rural areas. The sector accounts for 21.94% of country's GDP and employs 38.9 % of the population. In the meantime the poverty level in the rural communities is as high as 36%. The majority of rural population is engaged in substantive agriculture on small farms with an average monthly income of USD 110. Considering the vital role that agriculture has in the economy of the country due to its close integration with the other sectors and the multiplier effects it can induce due to this strong linkage, it is considered a priority sector for the development of Armenia. The RA Development Strategy for 2014-2025 highlights promotion of nonagricultural employment, crafts, processing of agricultural products, support in creation of agriculture services and agritourism in rural areas as measures towards the development of the sector. The RA Strategy of Agricultural and Rural Sustainable Development for 2010-2020 refers to development of rural tourism as an income-generating activity aimed at creating employment and reducing rural poverty.

Currently incoming tourism is Armenia's second export line item after mining and metal industry and covers more than half of services export. In addition, about 20 thousand people are employed in the spheres of incoming, outgoing and domestic tourism, which totals around 3% of nonagricultural employment. The studies show that the prevailing majority of the tourists visiting Armenia stay in Yerevan (82.6%) with an average length of two and a half weeks. Leisure tourists constitute 14.4% of the incoming tourists, and only 2.7% of tourists use package tours. The most visited regions after Yerevan are Armavir, Gegharkunik and Kotayk, respectively 13.4%, 13.6%, 12.3%, which allows inferring that the sites traditionally marketed as the main attraction points of the country (Echmiadzin, Garni and Geghard, Sevan Lake and several others in the mentioned marzes) are the most popular among the tourists.

According to recent data, Russia is the top market source for the tourism in Armenia. Russian tourists constitute 41.6% of the total tourist flow (over 1.2 million visitors in 2014) to the country. According to surveys the leisure tourists visiting Armenia seek for an experience combining nature, culture and adventure. The growing inflow of tourists from Russia is a good opportunity for the country to develop niche products and tapping into the opportunities that the rural areas offer both as attractive physical spaces and cultural habitats.

Having the abundance of historical sites and natural attractions Armenia possesses high potential for developing rural tourism. Still this potential has not been fully utilized. The role of rural tourism as an economic tool is well recognized in the world. It plays a significant role worldwide in social and economic development and reduction of poverty through providing jobs, new enterprises, infrastructure development and export earnings. Particularly in the developed world of speeding urbanization, industrialization and hectic lifestyle rural areas have a special appeal to tourists. Next to the mystique associated with the rural environment, its distinct culture, history and geography, the rural communities should ensure the quality and diversity of the tourist products demanded by the market segment.

The SWOT analysis of the sector in Armenia indicates that the poor quality of community infrastructure, lack of capacity and knowledge in service development, management and marketing hinder the development of rural tourism in its full capacity. The available data shows that the visitors who come to Armenia to enjoy nature or/and historical attractions (69%) typically found in rural areas, choose to book accommodation in Yerevan. In essence, this indicates the imbalance of tourism between rural and urban areas which limits the capacity to develop tours and itineraries and inhibits the ability of tourism to alleviate poverty in rural areas.

II.   STRATEGY

In Armenia there is a growing interest towards tourism both on public and private level, as well as among the donor community. Using tourism to improve living standards and reduce poverty in rural areas is one of the goals of the country's vision for tourism development by 2030. This interest stems from the rural development agenda of the Government, which gradually incorporates non-agricultural development track as a complementary approach to fully agrarian rural development framework. The country's strategy for rural and agricultural development in 2010-2020, sets fostering non-agricultural employment as a priority for reducing rural unemployment. To achieve this goal rural tourism is viewed as one of the income and employment generating opportunities.

Next to its national strategy, RoA has developed Armenia Southern Corridor Tourism Framework leveraging the development opportunities of the large-scale infrastructure development project of North-South Road Corridor investment by ADB in the country. The framework outlines a structure for integrated tourism development in the five identified clusters consisting of Yeghegnadzor, Jermuk, Sisian, Goris and Tatev.

Additionally, RoA supports a wide range of activities and events on international and local levels for development of tourism. Still tourism development agenda of the country is rather fragmented. Throughout 2015, RoA supported festivals and festivities in the communities, continued the assessment and ranking of hotels in Yerevan and marzes and established information centres in cooperation with local communities to improve the quality of services. The important part of planned activities is development of infrastructures and human resources in tourism sector, along with marketing Armenia as a popular touristic destination.

While the state strategy on tourism development targets the development of destination hubs as core attractions, the spokes or smaller areas around the hubs with tourism potential are awaiting development opportunities. The spokes around the tourism hubs may help to shape whole tourism regions fully utilizing the potential of the wider area. With this both hub and spokes will mutually reinforce their attractiveness in the market. In most cases the spokes in Armenia are rural areas with unique natural and cultural features, still with restricted accessibility, facilities and local knowledge. In order to ensure the benefits of rural tourism for local communities removing these restrictions alone is not enough. The complexity due to big number of stakeholders, heterogeneity of the community, the structure of the sector-specific value chain requires a comprehensive approach and thorough planning.

UNDP provides both technical and financial support to the development of rural tourism in different parts of the world as a tool for sustainable development of communities. In Armenia, sustainable community development is one of the priority areas of UNDP's work. Throughout the recent years UNDP has implemented community development projects targeting reduction of poverty and equal territorial development across 150 rural and urban communities. The UNDP approach of community development hinges on the principles of sustainable growth, inclusiveness and participation. To this end, integrated participatory planning is one of the methodologies widely used by the agency. More than 50 community development plans have been designed by UNDP since 2011, followed by infrastructure rehabilitation and SME development in local communities. UNDP has established B&Bs, organized local festivals, reconstructed leisure areas and community infrastructure with the purpose of tourism development in close cooperation with SME DNC, private sector and local municipalities.

Rural tourism as a supplemental income source crafts a new image of the village. It starts performing market, environmental and management functions. This rural pluriactivity is particularly beneficial in the times when agricultural sector is subject to volatile trends due to changes in various economic, financial (foreign exchange), weather and political factors. Still the communities need facilitation and support to succeed as multifunctional actors in tourism market. Given its long-time expertise in community development, UNDP is best positioned to establish a participatory

process to support the communities to plan, adopt resource-use practices and build partnerships for developing rural tourism.

Integrated rural tourism is defined as tourism that is mainly sustained by social networks which link local actors for jointly promoting and maintaining economic, social, cultural, natural, and human resources of the community. Thus, for integrated tourism connections among social, cultural, economic and environmental resources, different tourism actors, and the end product is central. The rural tourism is a complex multi-faceted activity. It includes farm-based holidays but also comprises special interest nature holidays and ecotourism, walking, climbing and riding, adventure, sport and health tourism, hunting and angling, educational travel, arts and heritage tourism, and, in some areas, ethnic tourism .

The Project aims at creating a system on community level where diverse stakeholders and resources can come together to produce synergistic benefits for all, instead of subjective trade-offs, through constructing a holistic profile of rural tourism development for a given community. The development of rural tourism should engage the local human resources in value creation combating social exclusion, retain maximum benefits in a locality by using and adding value to its resources and focusing on the needs, capacities, and values of local population. The level of integration of the tourism is defined by the percentage of local people employed, the type and degree of participation, decision-making power, and ownership of resources in the local tourism sector.

In order to identify tourism assets of the community and understand opportunities and challenges associated with social, cultural, economic, environmental and institutional context, integrated tourism development plans should be developed for respective communities. These plans should be feasible and based on availability of local capacities, address collaboration patterns opportunities and needs for developing rural tourism.

Community tailored development plans, including vision on tourism development, respective institutional structures, marketing strategy and set of the actions should be developed prior to investment component.

III.   Considering the importance of the community support for the success of any community-based project, the planning process should be inclusive and participatory. Results and Partnerships

Expected Results

The project proposes to support the Government's efforts towards rural development through developing rural tourism by applying a holistic integrated approach. The project's goal is to use the endogenous tourism assets of the community as a supplemental income source. To this end it well help the communities to shape their identity as a tourism destination and to sustainably use and manage their assets through efficiently operating local networks. The project will work in 60 communities all over the country targeting the communities with the highest but yet underused tourism potential in all the regions of Armenia.

COMPONENT 1: Planning of sustainable integrated rural tourism.

Objective 1.1. Raise the accessibility and sustainable utilization of tourism assets of the community.

The tourism assets of the community will be identified, assessed and prioritized for further development by preliminary expert assessment and participatory planning mechanism. Plans will outline the strategy for the rural tourism development in the community through wide consultation and participation of the local stakeholders.

COMPONENT 2: Increase income level through diversification of tourism products and services in the community.

Objective 2.1. Support the community to thrive as a tourism destination by diversification of services and developing high quality products.

Tourism potential of the community is occasionally underused; as a result, communities on tourism circuits reduce the sector-related entrepreneurship to retail trade of local agricultural products or provide poor-quality services. While locals do have willingness to start tourism enterprises in their communities, they lack the foresight, experience and necessary skills. Developing human resources through sector-specific trainings (business management, food processing, sales, marketing, training local guides, etc.) will help to address the knowledge gaps and prepare the local communities to effectively manage tourism enterprises. Meanwhile all the actors integrated in both production, service provision and management will be trained in sustainable utilization of tourism assets and adoption of mechanisms to bring down the environmental impact of their activities. In addition, the project will facilitate the access of the local tourism enterprises to seed financing through the loan mechanism of SME DNC. The project will also improve the links between the rural tourism actors and local producers to encourage direct selling from local producers to local tourism enterprises. The latter will bring together both parties, confirming their interest of cooperation and demonstrating the profitability of collaboration, thus ensuring the retention of benefits of rural tourism within the community.

Quite often tourism assets of the community cannot be developed into marketable services and goods because of the lack of viable infrastructures. Reconstruction and construction of community infrastructures should provide feasibility of developing and offering the required quality of services to attract and retain tourism flows into the community.

COMPONENT 3: Destination Management

Objective 3.1. Ensure the sustainability of the rural tourism through establishing basic destination management mechanisms.

Establishing institutions to engage local stakeholders and authorities into management and development of the community as a tourism destination is essential. This ensures the sustainable implementation of the integrated tourism development plan. To this end, a Community Tourism Development Committee should be established.

Objective 3.2. Shape the identity of the community as a destination of rural tourism and market it locally and internationally.

Rural tourism is a relatively new sector for Armenia and as a niche product requires a sound market research to build efficient marketing strategies. In the context of such efforts, UNDP is currently developing the concept of applying big data in assessing the tourist flows and getting aggregated data on different market segments. At the same time UNDP is promoting the plan of establishing a tourism information centre in Yerevan using modern environment friendly and energy efficient technologies. These initiatives may synergistically contribute to the market research and successful promotion of the new tourism destinations developed under the project. Meanwhile the project will use ICT and media tools to widely promote new tourism products and attractions designed within the scope of the project. The project will link the local tourism enterprises with the tour agencies to ensure that their services and products are featured on their offer lists, as well as the community is recognized as a tourism destination.

MAIN ACTIVITIES

Component 1

Activity 1.1: *Assessment of local products and services attractiveness for tourism market.*

First steps assumes identification of main tourism attractions and respective target community's long list. The selection will be based on a number of criteria and taking into account inputs from main stakeholders of the project at local and central government levels, private sector and field experts as well as co-funding from the community as expression of interest and assurance of sustainability of investments.

Upon compiling the list of target communities, fact-finding visits will be made to communities to identify local products and services that can be attractive for tourists and visitors. Meetings and interviews will be held in each community with the asset controllers (owners and operators), community formal and informal leaders, farmers and entrepreneurs to identify:

- Historical heritage, cultural, nature and other attraction points with conceivable touristic potential that are in the village vicinity.

- Packaging and branding strategy of the new tourism attraction/s routes.

- Main marketable agro-products and their producers, including fresh and processed fruits, vegetables, berries, herbs, honey products, etc.

- Available hospitality and related services and their providers, including accommodation, catering, leisure, etc.

- Village events and fests, if any.

Assessment of the tourists' and visitors' demand for preselected products and services will be conducted through short questionnaire interview at the most visited sites in target communities' neighborhood, or at the main shopping places on the roads.

Based on the survey results, the consultants will develop recommendations for new destination packaging and branding, agro-products supplier on packaging/processing their products, upgrading existing hospitality and other relevant services, and building efficient supply chains, where the local producers will supply the quality produce to the local B&Bs, taverns, etc.

Interviews will be conducted with each potential beneficiary to assess their entrepreneurial and/or business development ideas, their commitment and available resources for starting an enterprise. The consultant will also identify interested entrepreneurs to establish and run the product tasting and selling facilities near the main roads.

A special effort will be made to assess potential for developing and commercialization of niche tourist experiences e.g. adventure, wild life, scientific, photographic, and religious and other forms of tourism through involving specific thematic experts.

Based on this information as well as on individual interviews, the consultants will analyze development opportunities for tourism services in each particular community or cluster of communities.

Activity 1.2: *Participatory planning of integrated rural tourism development.*

Participatory planning methodology will be applied to crowdsource the vision of the community for planning the development of rural tourism. A representative group of project stakeholders, consisting of local authorities, farmers, entrepreneurs, local NGOs, youth and women will be formed. Focus group discussions and semi-structured interviews with the stakeholders will help to reveal Community's:

- perceptions, their needs, expectations and experiences of interaction with tourists.

- motivation and behavior; communication, decision-making and control-retention aspects of tourist-community linkages.

- attitudes on commodification of the community.

- perceptions of tourism impacts, benefits and sustainability.

- vision of the tourism development in the community.

Meanwhile, expert observations, desk research, primary and secondary data should help to assess the current socioeconomic situation in the community, identify and map tourism assets of the community, related risks and advantages of their utilization and the predicted impact (both economic, social, cultural and environmental).

Following this stage, capacity building workshops will be conducted to introduce integrated rural tourism development concepts, the transition from agricultural activities to tourism services and sustainable management of tourism assets of the community. During the second workshop the consultants will introduce the stages in tourism and hospitality development planning and destination management. During the workshops, experts will focus on local networking, importance of efficient local supply chains, team-working, group decision-making and mutual trust and cooperation.

Throughout several meetings, the consultants will lead the group step-by-step in developing agro-tourism development plan for 2016-2019. It will define rural tourism development initiatives.The latter should help to leverage resources available in the community, focus on diversification of local economy through expansion of tourism services, increase resources by generating additional income. The plan should define management mechanisms of the community as a tourism destination, including steps to reduce negative environmental impact. It should include infrastructure rehabilitation/construction and site management strategies. The structure of the community tourism development plan will be as follows:

1. Socioeconomic analysis of sub-region and community, tourism assets, current number and groups of visitors, available services and infrastructures and their quality, interaction with the main tourism hubs in the region, assessment of rural tourism development potential, environmental assessment.

2. Community vision, objectives and targets for rural tourism development.

3. Tourism services development direction.

4. Coordination and cooperation:

• Institution building for destination management (Rural Committee, Tourism Development Foundation, etc.)

• Establishing local supply chains

5. Action plan for 2016-2019: list of activities, timeframes and responsible parties.

6. Site management plan.

7. Marketing and promotion: listing of advertising and promotion activities.

Component 2

Activity 2.1. *Capacity building for tourism startups.*

Workshops will be organized for farmers and entrepreneurs (including women and youth) interested in agro-products processing, packaging, hospitality services, etc. During workshops the participants will be introduced to the basic knowledge and skills on agro-products processing

technology and equipment, food safety and quality requirements, shelf-life, product packaging and branding, hospitality service development and management, tour guide and heritage/culture interpretation, skills in sustainable management and enterprise development to be applied in developing sector-specific services.

Activity 2.2. *Facilitate access of local tourism startups to seed funding.*

The project will also assist local enterprises to define the amount and stages of the required investment, develop business plans and guide the entrepreneurs through the application process for a loan.

While limited amount of funds will be availed by the project itself for financing certain initiatives targeting significant social impact in the community or serving needs of several communities, most of the initiatives are to be co-financed by specific entrepreneurs and sponsors.

In addition, UNDP has reached a principal agreement with Small and Medium Entrepreneurship Development National Center (SME DNC) of Armenia on availing their revolving funds for up to $12,000 in loans with preferential terms per each entrepreneurial activity (not exceeding $5 million in total for 60 communities within five years) for financing start-ups and entrepreneurial activities initiated as a result of the project. The financing will be availed for those initiatives and entrepreneurs that successfully passed through the evaluation and preparatory activities and processes of the project.

Activity 2.3. *Rehabilitation of community infrastructure.*

The project will reconstruct and rehabilitate the physical infrastructure of the communities (based on identified needs to ensure the facilitated access, sustainable use and marketability of the community's tourism assets.

Component 3

Activity 3.1. The project will establish an Integrated Rural Tourism Development Committee including the head of the community, members of Community Council and local stakeholders to ensure sustainable implementation of the tourism development plan of the community. The project will ensure that women and youth are equally represented in the Committee.

Activity 3.2. The committee members will be trained in sustainable destination management to coordinate the efforts between local stakeholders engaged in the tourism sector, as well as monitor and manage the implementation of the plan. Whenever applicable and feasible from administrative perspective, the concept of Destination Management Organization will be introduced for the cluster of rural communities to coordinate tourism development strategy and related activities.

Activity 3.3. The project will extensively promote image of the communities as new destination areas. An online platform will be developed to provide information about the full package of attractions and tourism services available in the communities. Meanwhile the webpage will offer the visitors different circuits linking several destinations and providing a variety of experience to the tourists. The local tourism startups will get trainings to use ICT for the promotion of their services and products.

Activity 3.4. A tourism guidebook will be published to feature the involved communities.

Activity 3.5. Various promotional activities will be organized to promote and raise recognition of rural communities as new destinations for both domestic and foreign tourists. These include visits and interactions with tour agencies, participation in specialized promo-events /exhibitions both at home and abroad, including Russia, media campaigns etc.

Partnerships

The project will be implemented in close cooperation with the Ministry of Territorial Administration and Development, Ministry of Economy, Ministry of Agriculture, Ministry of Nature Protection, Ministry of Energy and Natural Resources, Ministry of Labor and Social Affairs, Regional Administration of Marzes, Local self- government bodies as well as other stakeholders.

In order to increase the efficiency of the project it is envisaged to identify additional, local and international funding sources. UNDP will also seek synergies with its ongoing projects such as Integrated Support to Rural Development: Building Resilient Communities (funded by RF), ,Disaster Risk Reduction - 4th Phase, Energy Efficiency in Buildings, Green Urban Lighting, Mainstreaming Sustainable Land and Forest Management in Dry Mountain Landscapes of North-eastern Armenia, ICT for DRR, Risk-informed Urban Development, Environmental Education, Small Grant's Program, Integrated Border Management, Women in Local Democracy, Innovation Lab, etc.

The main purpose of the project is to target community development through expansion of tourism services, hence certain coordination is required with the authorities and projects from other donors targeting tourism industry. In this regard UNDP has signed SOI with Development Foundation of Armenia (national tourism organization) to facilitate coordination with main stakeholders of the tourism industry (see attached in Annex 2). The document aims at facilitating coordination with main stakeholders of the tourism industry. DFA will be the major coordinator for WB sponsored "Local Economy and Infrastructure Development" initiative upon its commencement expected in summer 2016. In addition, it is agreed with DFA to implement joint efforts in promoting specific rural communities as small touristic destinations through mass media, social networks, relevant internet resources and promotional events, knowledge and skills exchange on tourism expertise.

The idea of Integrated Rural Tourism Development Project by UNDP ripened through discussions with World Bank with the intention to assure that population in rural and small urban communities benefit from the increasing touristic flows that otherwise mainly target well-known destinations. Integrated Rural Tourism Development of UNDP having a bottom-up approach organically compliments WB's top-down project on "Local Economy and Infrastructure Development". WB's project will be focused on regeneration of heritage sites, rehabilitation of large public infrastructure related to tourism (roads, bridges, info-centers, museums) and will target main touristic attractions in 8 sites and 3 rural communities in the Southern regions and 2 sites in one of the Northern regions of Armenia. Certain investments under the PPP format are planned to be made in complementary public infrastructure that is necessary to ensure the viability of private investments yet to be attracted. In addition to that, WB project also includes technical assistance to recently set-up DFA to strengthen its knowledge and capacities in tourism related issues.

Furthermore, involvement of SME DNC with their specially structured funding (to be allocated based on the results of capacity building activities), will allow to tightly monitor performance of the start-ups and SMEs and assure their effectiveness and economic sustainability.

In this context, coordination with DFA and WB office in Armenia is very important to optimally structure interventions at macro (WB) and micro (UNDP/SME DNC) level to achieve maximum impact for the socio-economic development of the regions.

In addition, UNDP Armenia had series of direct interactions with newly commenced "My Armenia" program of USAID designed to boost cultural tourism in Armenia. The project is managed by Smithsonian Institution and is aimed at the development and expansion of cultural tourism through research, scientific activity, development of arts & crafts, emerging cultural institutions, museum and destination management workforce capacity building. It has been agreed to coordinate and share some of the tasks related to touristic potential assessment expertise, training and capacity building in certain areas of niche tourism and destination management.

Moreover, cooperation with the Russian Federal Agency for Tourism (Rostourism) and Russian tourist companies will be established to ensure full involvement of Russian expertise and technical assistance to improve impact and effectiveness of project implementation.

Stakeholder Engagement

UNDP's project is structured to target 60 rural communities throughout Armenia in the context of introducing tourism as an additional driver for their economic development. The main activities of the project are built around the UNDP's widely-tested approach of community development based on the principles of sustainable growth, inclusiveness and participation of all the gender, age and social groups in the communities. UNDP project assumes capacity building with specific tourism start-ups in the rural communities, facilitation of their access to funding, and certain infrastructure rehabilitation at the community level.

The beneficiaries of the project are local communities which receive the supplemental source of income generation and employment through rural tourism development. Local farmers and entrepreneurs (with special focus on women and youth) are the direct beneficiaries of the project. The supply chains, cooperation networks and the sound management practices that the project will establish in the community should ensure the local spin-offs of rural tourism development, as well as retention and accessibility of the benefits of tourism development to all the community members willing to engage in the enterprise.

Development of rural tourism will directly impact the growth of the tourism sector in Armenia. Diversification of tourism products and services will allow the sector to attract a new market segment, thus increasing the tourist inflow into the country. This will benefit the tour operators, hospitality sector and all the related economic actors and sectors related to the industry. Meanwhile, the tourists visiting the country will have access to wider spectrum of touristic experiences, better services and products available in rural tourism destinations.

South-South and Triangular Cooperation (SSC/TrC)

As it was mentioned above, Russia is the top market source for the tourism in Armenia. Russian tourists constitute 41.6% of the total tourist flow (over 1.2 million visitors in 2014) to the country. Armenia is featured among the top 50 tourism destinations in Russian Federation for the first quarter of 2015, as stated by the Federal Agency of Tourism of Russia. It is expected to have further raise in number of Russian tourist visiting Armenia in upcoming years. Moreover, currently main stakeholders of the industry both in Armenia and Russia make special arrangements for Russian citizens to enter Armenia without any international passports. This is expected to attract significantly more travelers from Russia.

According to surveys the leisure tourists visiting Armenia seek for an experience combining nature, culture and adventure. 16.1% of leisure tourists visiting Armenia from Russia are nature lovers, while 19% and 16.1% respectively are interested in culture and adventure tourism. The growing inflow of tourists from Russia is a good opportunity for the country to develop niche products meeting the requirements of the market and tapping into the opportunities that the rural areas offer both as physical spaces and cultural habitats.

This lays ground for several cooperation modes within the framework of the project; more specifically:
- Involving specialists of Russian International Academy for Tourism and/or their Armenian branch (Armenian Tourism Institute) in assessment of tourism potential and development of strategy for specific rural tourism destinations in Armenia.
- Study visits and sharing experience with the agro-tourism related initiatives in Russia. E.g. the All-Russian Rural Tourism Network (www.rosagrotourism.ru) project could be considered for adaptation for Armenian case.

- Cooperation with Federal Agency of Tourism of RF (Rostourism), Russian Union of Travel Industry and Russian Union of Travel Industry in reaching out tour operators and other resources for promoting rural tourism destinations in Armenia.
- Support participation of Armenian tour operators offering Armenian rural destinations in the Moscow International Travel & Tourism Exhibition and International Travel Fair «Intourmarket".

UNDP has received a support letter from the Federal Agency for Tourism of Russia Federation (Rostourism) where it confirms the compliance and correlation of the project to the agreements and arrangements between relevant tourism policy authorities of Russia and Armenia, and confirmed readiness to participate in the project and involve the required experts. Department of Tourism Policy in the Ministry of Economy has also welcomed the initiative

Knowledge

The project will consistently use the existing channels, including UNDP website and the websites of partners, along with the social media tools to share updates about the results and implementation status of the project. In the meantime the knowledge products of the project, such as the guidebooks and the online platform promoting tourism destinations and products created by the project will be open and available for all the interested parties. Next to this, the project will ensure that all the public events are widely covered by media and the most popular media outlets regularly get feeds from the project to provide the stakeholders updated content about the project and its lessons learnt.

Additionally, the SOI signed between UNDP and DFA expresses the willingness of the parties to synergise their efforts, facilitate exchange of expertise, good practices and lessons learnt between the stakeholders as well as to promote specific rural communities as small touristic destinations through mass media, social networks, relevant internet resources and promotional events. On top of this, the parties will hold regular consultations and exchange of information.

Visibility

To increase the level of awareness among government counterparts, civil society, the private sector, media, other development partners, and public at large, a communication strategy will be developed. UNDP will use various conventional and non-conventional communications channels, such as UNDP Armenia website, social media, broadcast, print and online media outlets, blogs, op-eds, to disseminate project successes. Communications content will be drawn from project events, field visits (for beneficiary narratives), project reports, database of killer facts, database of photos, audio-visuals, etc.

Visibility guidelines of the donor and the implementing agency will be adhered in all publications and outreach materials, and will be agreed between the parties during the preparation process. Logos and other branding and visibility requirements of the project donor and the implementing agency will be applied based on communications policies of both parties.

Sustainability and Scaling Up
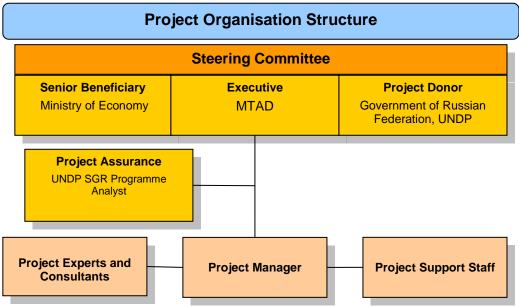
The project's intervention logic is galvanized by the development strategy of Armenia, as well as the country's development vision both for the agricultural and tourism sector. The project is fully supported by all the relevant state stakeholders and is backed up by the knowledge networks, consultations and technical cooperation by all the related state agencies. This will undoubtedly

ensure the sustainability of the project by providing strong government commitment and smoothly operating regulatory framework.

Meanwhile the project hinges on existing large-scale initiatives supported by world-class development agencies (USAID, World Bank), which have already expressed their interest and commitment to synergize efforts towards maximizing the sought result.

Next to national priorities, the project will build strong local ownership by applying participatory methods and community engagement mechanisms. Strong ownership, intervention strategy responding to the local needs, coupled with the measures of retaining the benefits and income in the communities will strengthen the sustainability of the project. While the project's approach is community-oriented and focuses on the specificities of the community, UNDP's experience in the country has proven that it can be easily adopted to tackle the rural development challenges in other countries as well.

IV. PROJECT MANAGEMENT

Project Organisation Structure		
Steering Committee		
Senior Beneficiary Ministry of Economy	**Executive** MTAD	**Project Donor** Government of Russian Federation, UNDP

Project Assurance
UNDP SGR Programme Analyst

Project Experts and Consultants	**Project Manager**	**Project Support Staff**

The project will be implemented by UNDP through support to NIM modality. The UNDP CO will ensure project accountability, transparency, effectiveness and efficiency in implementation. UNDP will provide the Implementing Partner with the following major support services for the activities of the project in accordance with UNDP corporate regulations: (i) Identification and/or recruitment of project personnel; (ii) procurement of goods and services; (iii) financial services, based on LoA on DPS costs

Financial oversight, including approval of expenditures and independent audits, monitoring and mid-term and final evaluation of progress and results will be also ensured by the country office.

The Ministry of Territorial Administration and Development will be the Implementing Partner of the Project. The First Deputy Minister of Territorial Administration and Development, acting as the National Counterpart, shall represent the interests of the Republic of Armenia and be consulted on all substantive issues related to the execution of project activities.

UNDP will provide support services to the Implementing Partner in accordance with the Letter of Agreement to be signed with MTAD, which will be annexed to this project document.

A Project Steering Committee (PSC) will be established to oversee the management of the project. The PSC will be represented by the implementing agency, the key partners, including project beneficiaries, UNDP, and the donor. Regular PSC meetings will be organized to monitor the execution of the programme activities. PSC meetings will take place as necessary, but at least once a year. PSC will monitor project progress, provide political oversight, and offer general advice for project implementation to make sure the project is consistent with national development priorities.

UNDP Sustainable Growth and Resilience (SGR) Programme Analyst will provide general project implementation assurance, including other programme support as necessary.

UNDP, as responsible partner, will establish a project team, which will ensure that the envisaged activities are carried out and the outputs are reached. The project team will be managed by the National Project Coordinator (NPC), who will coordinate project activities and serve as the financial authorizing officer.

NPC will report to UNDP SGR Programme Analyst and will be responsible for all project operations. S/he will ensure the proper use of funds and that project activities are implemented in accordance with the agreed project document and project work plans. Management of project funds including budget revisions, disbursements, record keeping, accounting, reporting, and auditing will follow UNDP rules and procedures. NPC will be responsible for the project daily planning, implementation quality, reporting, timeliness and effectiveness of the activities carried out. NPC will be supported by support staff and experts.

V.   RESULTS FRAMEWORK[1]

Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework:
OUTCOME 1. By 2020, Armenia's competitiveness is improved and people, especially vulnerable groups, have greater access to sustainable economic opportunities

Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:
Indicator 1.1: Number and quality of policies to ensure decent work and an improved business environment in line with sustainable development principles.   *Baseline:* Insufficient adequate policies *Target:* Policies improved   *Indicator 1.2:* Global Competitiveness Index improved   *Baseline: 85 (2014)   Target: 80 (2020)*   *Indicator 1.3* Poverty rate decreased B*aseline: 32 (2013) Target:18 (2020)*   *Indicator 1.4:* Unemployment and employment rates disaggregated by sex, age and regions, improved. *Baseline:* unemployment rate: 16.2 unemployed-by sex- Male: 14.4unemployed-by sex-Female: 18.1 unemployed-by urban/rural-Urban: 23.4 unemployed-by urban/ rural-Rural: 6   Youth (15-24) unemployment rate-33.1 (2013) *Target:* unemployment Rate:13 Unemployed- Female: 15Unemployed- Male: 12 Unemployed-by urban/ rural-Urban: 19 Unemployed-by urban/ rural-Rural: 5 Youth- 30 *(2020)*   *Indicator 1.5:* Income level of rural population increased *Baseline:* Average monthly income per capita: AMD 41,514 *(2013)Target: AMD 51,500 (2020)*

Applicable Output(s) from the UNDP Strategic Plan:
OUTPUT 1.1. Local capacities strengthened to develop and implement innovative and diversified income-generating practices that are sustainable and employment and livelihood intensive targeting most vulnerable groups.

Project title and Atlas Project Number: Integrated Rural Tourism development

EXPECTED OUTPUTS	OUTPUT INDICATORS[2]	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)					DATA COLLECTION METHODS & RISKS
			Value	Year	Year 1	Year 2	Year 3	Year 4	FINAL	

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[1] UNDP publishes its project information (indicators, baselines, targets and results) to meet the International Aid Transparency Initiative (IATI) standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audience clearly understand the results of the project.

[2] It is recommended that projects use output indicators from the Strategic Plan IRRF, as relevant, in addition to project-specific results indicators. Indicators should be disaggregated by sex or for other targeted groups where relevant.

Output	Indicator	Source of verification							Total	Means of verification
Output 1 *Planning of sustainable integrated rural tourism.*	*1.1 Number of Integrated rural tourism development plans.*	*Project Progress Reports* *Community Development Plans*	0	2016	*10*	25	20	5	*60*	*Community development plans.*
Output 2 *Increased income through diversification of tourism products and services in the community.*	*2.1 Number of training courses.* *2.1 Number of people trained* *2.1 Number of new enterprises established;* *2.1Number of new job opportunities;* *2.1Income increase* *2.1. Rehabilitated community infrastructure*		0 0 0 0 0 0	2016	*30* *150* 20 100 20 5	75 375 50 250 20 25	60 300 40 200 20 20	15 75 10 50 20 10	*180* 900 120 600 60	*Registration logs* Reports, MoU, registration certificates of private enterprises. Questionnaires filled out by beneficiaries
Output 3 Sustainable destination management.	*3.1 Number of local committees on sustainable destination management established.* *3.1Number of local authorities and stakeholders trained.* *3.1Number of online information sources about the destination.* *3.1Number of feature articles in guidebooks.* *3.1Number of trainings for the local enterprises to promote their services and goods through ICT.*		0 0 0 0 0	2016	*10* 100 20	25 250 1 50	20 200 55 40	5 50 5 10	*60* 600 1 60 120	*Registration logs* *Project reports* *filled out questionnaires* *online posts*

15

VI.   MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:
[Note: monitoring and evaluation plans should be adapted to project context, as needed]

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the	Annually, and at the end of the project (final	

	results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	report)	
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Annually	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.

Evaluation Plan[3]

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNDAF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Project Final Evaluation	All project partners	National and sub-national systems and institutions enabled to achieve structural transformation of productive capacities that are	By 2020, Armenia's competitiveness is improved and people, especially vulnerable groups, have greater access to sustainable economic	December 2019	All project stakeholders	$20,000, project budget

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[3] Optional, if needed

		sustainable and employment - and livelihoods- intensive	opportunities 1			

VII. MULTI-YEAR WORK PLAN [45]

All anticipated programmatic and operational costs to support the project, including development effectiveness and implementation support arrangements, need to be identified, estimated and fully costed in the project budget under the relevant output(s). This includes activities that directly support the project, such as communication, human resources, procurement, finance, audit, policy advisory, quality assurance, reporting, management, etc. Services that will result in direct project costs need to be disclosed transparently in the project document.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year				RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1	Y2	Y3	Y4		Funding Source	Budget Description	Amount
Output 1 *Planning of Sustainable Integrated Rural Tourism.*	1.1 Assessment of local products and services attractiveness for tourism market.	12,000	12,000	12,000	7,000	UNDP	RF	71300 Local Consultants	43,000
		5,000	10,000	10,000	10,000			71600 Travel	35,000
		10,000	30,000	50,000	10,000			72100 Contractual Services-Companies	100,000
	1.2 Participatory planning of integrated rural tourism development	15,000	45,000	50,000	25,000	UNDP	RF	72100 Contractual Services-Companies	135,000
								71600 Travel	35,000
		5,000	10,000	10,000	10,000			71300 Local Consultants	47,000
		13,000	13,000	13,000	8,000				

	Sub-Total for Output 1								**395,000**
Output 2 *Increased income through diversification of tourism products and services in the community*	2.1 Capacity building for tourism startups.	30,000	70,000	80,000	97,778	UNDP	RF	72100 Contractual Services-Companies	277,778
	2.2 Facilitate access of local tourism startups to seed funding.	0	16,000	16,000	18,000	UNDP	RF	72100 Contractual Services-Companies	50,000
	2.3 Rehabilitation of community infrastructure.	35,000	180,000	250,000	443,000	UNDP	RF	72100 Contractual Services-Companies	908,000
		5,000	10,000	10,000	10,000			71600 Travel	35,000
	Sub-Total for Output 2								**1,270,778**
Output 3 Sustainable destination management	3.1 Establishing an Integrated Rural Tourism Development Committee.	30,000	60,000	60,000	60,000	UNDP	RF	71300 Consultants	210,000 Local
	3.2 Capacity-building in sustainable destination management for the Committee.	10,000	24,000	34,000	40,000	UNDP	RF	72100 Contractual Services-Companies	108,000
				10,000	20,000			71600 Travel	30,000
	3.3 Developing and promoting an online platform.		5,000	12,000	40,000	UNDP	RF	72100 Contractual Services-Companies	57,000
	3.4 Publication of a tourism guidebook.			6,000	30,000	UNDP	RF	72100 Contractual Services-Companies	36,000
					10,000			74200 Audio visual printing production costs	10,000
	3.5 Promotional activities.		7,000	15,000	45,000	UNDP	RF	72100 Contractual Services-Companies	67,000

				10,000	20,000			71600 Travel	30,000
	Sub-Total for Output 3								**548,000**
Project implementation costs	1. Staff (including 1 SC holder)	50,000	80,000	85,000	85,000			71400 Contractual Service Ind.	300,000
		10,000	15,000	15,000	15,000			64300 Direct project cost	55,000
	2. Travel	4,000	5,000	5,000	5,000			71600 Travel	19,000
	3. Office cost	30,000	1,000	2,000	2,000			72200 Eq. and furniture	35,000
		3,000	5,000	5,000	10,000			72400 Comm. And audiovisual eq.	23,000
		2,000	3,000	4,000	4,000			72500 Supplies	13,000
		8,000	2,000	2,000	2,000			72800 IT eq.	14,000
		3,000	5,000	5,000	5,000			73100 Rental and maint.-premises	18,000
		3,000	5,000	5,000	5,000			73400 rental and maint. Other eq.	18,000
			4,000	4,000	4,000			74100 Professional services	12,000
		2,000	10,000	12,000	13,000			74200 Audiovisual print. Prod.	37,000
	Sub-Total for Project implementation costs								**544,000**
Evaluation *(as relevant)*	EVALUATION				20,000	UNDP	RF	72100 Contractual Services-Companies	**20,000**
General Management Support		22,800	50,960	63,360	85,102	UNDP	RF		**222,222**
TOTAL		**307,800**	**687,960**	**855,360**	**1,148,880**				**3,000,000**

VIII. LEGAL CONTEXT AND RISK MANAGEMENT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Armenia and UNDP, signed on March 8 1995.   All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner." Consistent with the Article III of the SBAA, the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:

put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;

assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document and the Project Cooperation Agreement between UNDP and the Implementing Partners.

The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267   (1999).   The   list   can   be   accessed   via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under/further to this Project Document.

Consistent with UNDP's Programme and Operations Policies and Procedures, social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (http://www.undp.org/ses) and related Accountability Mechanism (http://www.undp.org/secu-srm).

The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.

All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

IX. ANNEXES

1. Social and Environmental Screening Template
2. Statement of Intent between UNDP and DFA
3. Risk Analysis
4. Letter from SME DNC on cooperation and co-financing
5. Email from KfW on cooperation and co-financing

Annex 1

Project Information	
1. Project Title	Integrated Rural Tourism Development
2. Project Number	
3. Location (Global/Region/Country)	Armenia

Part A. Integrating Overarching Principles to Strengthen Social and Environmental Sustainability

QUESTION 1: How Does the Project Integrate the Overarching Principles in order to Strengthen Social and Environmental Sustainability?
Briefly describe in the space below how the Project mainstreams the human-rights based approach
The centrality of human rights is underlying the Project goals and objectives towards sustainable development, poverty alleviation and ensuring fair distribution of development opportunities and benefits. The human rights-based approach, as a key engagement principle in pursuing development outcomes, is mainstreamed by meaningful, effective and informed participation of project stakeholders in the formulation/design, implementation, monitoring and evaluation of Project's outputs and impact. The project directly contributes to the right to work ICESCR Art 6.1, the right to an adequate standard of living ICESCR Art 11, as well as the elimination of discrimination against women UN CEDA Art 14.
Briefly describe in the space below how the Project is likely to improve gender equality and women's empowerment
The project will address gender issues by promoting full and equitable participation of men and women in the conservation and landscape management approach, particularly through their involvement in the investments and capacity building activities that will provide sustainable livelihoods and ecosystem services upon which they depend. The project has an overall target of **3**0% female participation across its activities. The project will equally consider both men and women as potential project beneficiaries. Investments which will facilitate unification of the families will be considered as a priority.
Briefly describe in the space below how the Project mainstreams environmental sustainability
The project will improve access to tourism attraction points including selected natural monuments (total 232) and increase capacities of adjacent communities to benefit from increasing tourism inflow; provide for sustainable environmentally friendly solutions with application of alternative energy, energy efficient and other innovative environmentally friendly technologies. The project will ensure creation of green jobs as alternative to extensive use of natural resources (uncontrolled forest logging, fishery etc) as a means of survival for dwellers of remote communities. The project will contribute to the poverty eradication, fair distribution of social benefits and environmental protection principles and targets adopted by the government of Armenia and reflected in the "Armenia Development Strategy 2014- 2025".

Part B. Identifying and Managing Social and Environmental Risks

Risk Description	Impact and Probability (1-5)	Significance (Low, Moderate, High)	Comments	Description of assessment and management measures as reflected in the Project design. If ESIA or SESA is required note that the assessment should consider all potential impacts and risks.

Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	I = 2 P = 1	Low	referred to SESP Attachment 1: Standard 1, Question 1.2	Upon necessity respective investment components will pass through additional environmental assessment to mitigate possible impact on the environment from the increased access of tourists to natural monuments and other points of tourism attraction.
	Select one (see SESP for guidance)			**Comments NA**
	Low Risk		X	
	Moderate Risk			
	High Risk		☐	

Check all that apply		Comments
Principle 1: Human Rights	☐	
Principle 2: Gender Equality and Women's Empowerment	☐	
1. Biodiversity Conservation and Natural Resource Management	x	
2. Climate Change Mitigation and Adaptation	☐	
3. Community Health, Safety and Working Conditions	x	
4. Cultural Heritage	x	
5. Displacement and Resettlement	☐	
6. Indigenous Peoples	☐	
7. Pollution Prevention and Resource Efficiency	x	

Final Sign Off

Signature	Date	Description
QA Assessor		UNDP staff member responsible for the Project, typically a UNDP Programme Officer. Final signature confirms they have "checked" to ensure that the SESP is adequately conducted.
QA Approver		UNDP senior manager, typically the UNDP Deputy Country Director (DCD), Country Director (CD), Deputy Resident Representative (DRR), or Resident Representative (RR). The QA Approver cannot also be the QA Assessor. Final signature confirms they have "cleared" the SESP prior to submittal to the PAC.
PAC Chair		UNDP chair of the PAC. In some cases PAC Chair may also be the QA Approver. Final signature confirms that the SESP was considered as part of the project appraisal and considered in recommendations of the PAC.

SESP Attachment 1. Social and Environmental Risk Screening Checklist

Checklist Potential Social and Environmental Risks	
Principles 1: Human Rights	Answer (Yes/No)
1. *Could the Project lead to adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?*	*No*
2. *Is there a likelihood that the Project would have inequitable or discriminatory adverse impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups?*	*No*
3. *Could the Project potentially restrict availability, quality of and access to resources or basic services, in particular to marginalized individuals or groups?*	*No*
4. *Is there a likelihood that the Project would exclude any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them?*	*No*
5. *Is there a risk that duty-bearers do not have the capacity to meet their obligations in the Project?*	*No*
6. *Is there a risk that rights-holders do not have the capacity to claim their rights?*	*No*
7. *Have local communities or individuals, given the opportunity, raised human rights concerns regarding the Project during the stakeholder engagement process?*	*No*
8. *Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project- affected communities and individuals?*	*No*
Principle 2: Gender Equality and Women's Empowerment	
1. *Is there a likelihood that the proposed Project would have adverse impacts on gender equality and/or the situation of women and girls?*	*No*
2. *Would the Project potentially reproduce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?*	*No*
3. *Have women's groups/leaders raised gender equality concerns regarding the Project during the stakeholder engagement process and has this been included in the overall Project proposal and in the risk assessment?*	*No*
4. *Would the Project potentially limit women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services?* *For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being*	*No*

Principle 3: Environmental Sustainability: *Screening questions regarding environmental risks are encompassed by the specific Standard-related questions below*		
Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management		
1.1	*Would the Project potentially cause adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services?* *For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes*	*No*
1.2	*Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?*	*Yes*
1.3	*Does the Project involve changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)*	*No*
1.4	*Would Project activities pose risks to endangered species?*	*No*
1.5	*Would the Project pose a risk of introducing invasive alien species?*	*No*
1.6	*Does the Project involve harvesting of natural forests, plantation development, or reforestation?*	*No*
1.7	*Does the Project involve the production and/or harvesting of fish populations or other aquatic species?*	*No*
1.8	*Does the Project involve significant extraction, diversion or containment of surface or ground water?* *For example, construction of dams, reservoirs, river basin developments, groundwater extraction*	*No*
1.9	*Does the Project involve utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)*	*No*
1.10	*Would the Project generate potential adverse transboundary or global environmental concerns?*	*No*
1.11	*Would the Project result in secondary or consequential development activities which could lead to adverse social and environmental effects, or would it generate cumulative impacts with other known existing or planned activities in the area?* *For example, a new road through forested lands will generate direct environmental and social impacts (e.g. felling of trees, earthworks, potential relocation of inhabitants). The new road may also facilitate encroachment on lands by illegal settlers or generate unplanned commercial development along the route, potentially in sensitive areas. These are indirect, secondary, or induced impacts that need to be considered. Also, if similar developments in the same forested area are planned, then cumulative impacts of multiple activities (even if not part of the same Project) need to be considered.*	*No*
Standard 2: Climate Change Mitigation and Adaptation		
2.1	*Will the proposed Project result in significant greenhouse gas emissions or may exacerbate climate change?*	*No*
2.2	*Would the potential outcomes of the Project be sensitive or vulnerable to potential impacts of climate change?*	*No*
2.3	*Is the proposed Project likely to directly or indirectly increase social and environmental vulnerability to climate change now or in the future (also known as maladaptive practices)?* *For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding*	*No*
Standard 3: Community Health, Safety and Working Conditions		

3.1	*Would elements of Project construction, operation, or decommissioning pose potential safety risks to local communities?*	*No*
3.2	*Would the Project pose potential risks to community health and safety due to the transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?*	*No*
3.3	*Does the Project involve large-scale infrastructure development (e.g. dams, roads, buildings)?*	*No*
3.4	*Would failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure)*	*No*
3.5	*Would the proposed Project be susceptible to or lead to increased vulnerability to earthquakes, subsidence, landslides, erosion, flooding or extreme climatic conditions?*	*No*
3.6	*Would the Project result in potential increased health risks (e.g. from water-borne or other vector-borne diseases or communicable infections such as HIV/AIDS)?*	*No*
3.7	*Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning?*	*No*
3.8	*Does the Project involve support for employment or livelihoods that may fail to comply with national and international labor standards (i.e. principles and standards of ILO fundamental conventions)?*	*No*
3.9	*Does the Project engage security personnel that may pose a potential risk to health and safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)?*	*No*
Standard 4: Cultural Heritage		
4.1	*Will the proposed Project result in interventions that would potentially adversely impact sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: Projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)*	*No*
4.2	*Does the Project propose utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes?*	*No*
Standard 5: Displacement and Resettlement		
5.1	*Would the Project potentially involve temporary or permanent and full or partial physical displacement?*	*No*
5.2	*Would the Project possibly result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions - even in the absence of physical relocation)?*	*No*
5.3	*Is there a risk that the Project would lead to forced evictions?*	*No*
5.4	*Would the proposed Project possibly affect land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?*	*No*
Standard 6: Indigenous Peoples		
6.1	*Are indigenous peoples present in the Project area (including Project area of influence)?*	*No*
6.2	*Is it likely that the Project or portions of the Project will be located on lands and territories claimed by indigenous peoples?*	*No*

6.3 Would the proposed Project potentially affect the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the Project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)? If the answer to the screening question 6.3 is "yes" the potential risk impacts are considered potentially severe and/or critical and the Project would be categorized as either Moderate or High Risk.	No
6.4 Has there been an absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	No
6.5 Does the proposed Project involve the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No
6.6 Is there a potential for forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources?	No
6.7 Would the Project adversely affect the development priorities of indigenous peoples as defined by them?	No
6.8 Would the Project potentially affect the physical and cultural survival of indigenous peoples?	No
6.9 Would the Project potentially affect the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No
7: Standard Pollution Prevention and Resource Efficiency	
7.1 Would the Project potentially result in the release of pollutants to the environment due to routine or nonroutine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No
7.2 Would the proposed Project potentially result in the generation of waste (both hazardous and nonhazardous)?	No
7.3 Will the proposed Project potentially involve the manufacture, trade, release, and/or use of hazardous chemicals and/or materials? Does the Project propose use of chemicals or materials subject to international bans or phase-outs? For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Conventions on Persistent Organic Pollutants or the Montreal Protocol	No
7.4 Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health?	No
7.5 Does the Project include activities that require significant consumption of raw materials, energy, and/or water?	No

Annex 2

STATEMENT OF INTENT
Between
the United Nations Development Programme
and
the Development Foundation of Armenia

This Statement of Intent (hereinafter referred to as "SOI") is concluded between the United Nations Development Programme (hereinafter referred to as "UNDP") and the Development Foundation of Armenia (hereinafter referred to as "Foundation"), each a "Party" and collectively the "Parties".

Whereas:

Parties want to join efforts to support the development of the tourism sector of Armenia and augment its role in the socio-economic development of local communities of Armenia.

Now, therefore, the Parties agree to cooperate as follows:

1. Purpose

The purpose of this SOI is to provide a framework of cooperation and facilitate collaboration between the Parties, on a non-exclusive basis, plan and implement initiatives on introducing tourism related services as an additional driver for the socio-economic development of local (rural) communities and improving value proposition of tourism sector through strengthening of rural tourism offerings.

2. Areas of Cooperation

The Parties agree to cooperate in the following areas of activity:

Jointly work on the concept of an Integrated Rural Tourism Development project focusing on creating sustainable income-generating opportunities as a supplemental income source to bring down level of rural poverty, contribute to equal territorial

development, shape conducive environment for rural development and amend the spectrum and geography of niche offerings available in the tourism sector.

2) Provide recommendation and support to rolling out the pilot phase in Bjni community of Kotayk region, considering unexplored tourism potential of the community, follow and test prospects for a wide range of niche tourism activities that could be selectively adapted and reproduced in other communities.

3) Coordinate with main stakeholders of the tourism development sector to assure complementarity and synergy of the Integrated Rural Tourism Development Project with other initiatives in the tourism sector implemented under the framework and mandate of DFA.

4) Implement joint efforts in promoting specific rural communities as small touristic destinations through mass media, social networks, relevant specialty internet resources and promotional events.

5) Cooperate on knowledge and skills exchange on tourism and community engagement domain expertise, introduce new approaches to assessing the touristic flows at specific destinations.

3. Consultation and Exchange of Information

3.1 The Parties shall, on a regular basis, keep each other informed of and consult on matters of common interest, which in their opinion are likely to lead to mutual collaboration.

3.2 Consultation and exchange of information and documents under this Article shall be without prejudice to arrangements, which may be required to safeguard the confidential and restricted character of certain information and documents.

3.3 The Parties shall at such intervals as deemed appropriate convene meetings to review the progress of activities being carried out under the present SOI and to plan future activities.

3.4 The Parties may invite each other to send observers to meetings or conferences convened by them or under their auspices in which, in the opinion of either party, the other may have an interest. Invitations shall be subject to the procedures applicable to such meetings or conferences.

4. Duration, Termination, Modification

4.1 This SOI shall enter into force upon signature by the Parties and remain valid till December 31st of 2017.

4.2 Before the validity date mentioned in 4.1, this SOI can be terminated by a written notice provided 30 (thirty) days in advance by either of the Parties.

4.3 This SOI may be amended by mutual agreement of the Parties reflected in writing.

5. Use of name and emblem of parties

5.1 Neither party shall use the name or emblem of the other party or any abbreviation thereof, in connection with its business or otherwise, without the express prior written approval of the other party in each case.

5.2 The Foundation acknowledges that it is familiar with UNDP's ideals and objectives and recognizes that its name and emblem may not be associated with any political or sectarian cause or otherwise used in a manner inconsistent with the status, reputation or neutrality of UNDP.

6. Statuary Compliance

Each party will cooperate in the areas envisaged under this SOI in accordance with their own internal regulations, rules and directives. The Parties recognize that this SOI is strictly limited to the scope described above and does not entail any further commitments on either Party.

7. Privileges and Immunities

Nothing in or relating to this SOI shall be deemed a waiver, express, or implied, of any of the privileges and immunities of the United Nations, including its subsidiary organs.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present SOI in two copies, one copy to each Party.

For the United Nations Development Programme:	For the Development Foundation of Armenia:
Bradley Busetto UNDP Resident Representative Date:	Arman Khachaturyan Chief Executive Officer Date:

Annex 3

#	Description	Date identified	Type	Impact and probability	Countermeasures / Management response
1.	Worsening of the situation on Armenia-Azerbaijan border (cease-fire violations) may create difficulties/security restrictions for operating in certain communities and impose risk for sustainability of actions.	February 2016	Operational Political	I = 4 high P = 4 high	Project will follow instructions from UN DSS for the trips to those communities (additional security measures may be taken into account). In case of restrictions to effectively operate in certain communities that result in considerable implementation constrains relevant project activities and budget will be adjusted accordingly.
2.	Insufficiency of funds due to: fluctuations of currency exchange rates, increase of prices for materials, equipment, machinery etc.	February 2016	Financial Operational	I = 3 medium P = 3 medium	Attracting additional funds from the communities and beneficiaries, establishing public private partnerships, leveraging funds with other organizations / projects operating in the region. Budget revision may also be considered.
3.	Certain reputational risk and undermined project impact due to limited resources to address all the components which will be included in rural tourism development plans.	February 2016	Communications	I = 3 medium P = 3 medium	Proper communication plan with the communities regarding the capacity and scale of the project. Continuous search for partners (institutional donors, government, and private parties) to provide resources for components of the plans not covered under this project.
4	Undermined long-term sustainability of the developments implemented by the project due to lack of adequate management and financial resources, after the completion of the project.	February 2016	Operational Financial	I = 3 Medium P = 3 medium	Set of measures addressing sustainability aspects for the developments should include built-in mechanisms for income generation or secured financing to cover operational maintenance of the facilities set-up by the project; as well as promoting and enforcing sense of ownership and responsibility in local communities and governance bodies towards set-up structures.

Annex 4

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Small & Medium Entrepreneurship Development National Center of Armenia

N 15/887 - 15
«08» 10 20 15 р.

To: Ms. Claire Medina

UNDP Deputy Resident Representative

Dear Ms. Medina,

With this letter I would like to confirm that SME Development National Center will cooperate with UNDP Armenia in the framework of the upcoming Project on Integrated Rural Tourism Development in particular through availing our revolving funds for up to $ 12,000 in loans with preferential terms per each entrepreneurial activity (but not more than in total of $5 mln for 60 communities within five years) for financing start-ups and entrepreneurial activities initiated as a result of the project. The financing will be made available for those initiatives and entrepreneurs that successfully passed through the evaluation and preparatory activities and processes of the project.

Using the opportunity I would like to thank UNDP for our ongoing cooperation and wish success in realization of our joint initiatives.

Yours sincerely,

Gegham Petrosyan

Annex 5

Following consultations with KfW representation in Armenia, it has been agreed that they will support this initiative on rural tourism development via their ongoing project on Support Programme for Protected Areas. According to the initial agreement, they will provide small grant funding to SMEs and individuals who will be selected through Rural Tourism Project under Component 2, given the grant will be used to mitigate environmental effects of their businesses (e.g. the funds might go to finance solar panel on B&Bs etc.). This commitment from KfW's project relates to 30 villages that are located in or near protected zones in Syunik region of Armenia. The total funds available for such grants are around US$ 1,3 mln.

Sent: Saturday, September 26, 2015 2:52 PM
To: Artak Melkonyan <artak.melkonyan@undp.org>
Subject: RE: Follow up on rural tourism project

Dear Artak,

I would like to confirm that in the period between now and June 2020, the Support Programme for Protected Areas – Armenia (funded by KfW and implemented on behalf of the Ministry of Nature Protection) will be investing in the region of 1.5 Million Euros into livelihood and small enterprise development in rural communities in the Southern Syunik region. This money will be directed in the form of grants to local community members. The focus of the activities will be on eco-tourism, small producers, and community based green initiatives.
These activities and others directly related to the protected areas have a strong synergy with the proposed UNDP programme and I look forward to implementing our shared objectives.

With kind regards

Gavin Bell

Gavin BELL

Team Leader
Support Programme for Protected Areas
German Financial Co-operation with Armenia

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Tel.: +374 41 14 04 66 · Fax: +49 221-29 203-601
www.gitec-consult.de · gavin.bell@gitec-consult.com

From: Artak Melkonyan [mailto:artak.melkonyan@undp.org]
Sent: 25 September 2015 15:56
To: Gavin Bell - GITEC
Subject: Follow up on rural tourism project

hi Gavin,

We are going to submit Tourism proposal to Russia UNDP Trust Fund by 29th of September. In this regard it would be very helpful to have some sort of message (email) from you stating intention/prospect of allocating grant funds of 1.5 mln to support green initiatives in the defined communities in the framework of rural tourism development project.

Looking forward to hear from you,

Best regards,
Artak