



The World Bank

Trade Promotion and Quality Infrastructure (P146994)

REPORT NO.: RES38609

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
TRADE PROMOTION AND QUALITY INFRASTRUCTURE
APPROVED ON JULY 2, 2014
TO
MINISTRY OF FINANCE

FINANCE, COMPETITIVENESS AND INNOVATION

EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

ANIF	Armenian National Interests Fund
CRM	Customer Relations Management
DFA	Development Foundation of Armenia
DPM	Deputy Prime Minister
EDGP	Exporter Development Grant Program
EIF	Enterprise Incubator Foundation
EIPI	Investment, Export Promotion and Industrial Development Agency
FCI	Finance, Competitiveness and Innovation Global Practice
FDI	Foreign Direct Investment
FFPMC	Foreign Financial Projects Management Center
FM	Financial Management
GDP	Gross Domestic Product
ICT	Information and communications technology
ILAC	International Laboratory Accreditation Cooperation
IMG	Innovation Matching Grant
IMGP	Innovation Matching Grant Program
IT	Information Technology
NVF	National Venture Fund
M&E	Monitoring and Evaluation
MLA	Multilateral Agreement
MoE	Ministry of Economy
MoF	Ministry of Finance
MRA	Mutual Recognition agreement
MTR	Mid-term Review
MU	Moderately Unsatisfactory
NAB	National Accreditation Body
NIM	National Institute of Metrology
NQI	National Quality Infrastructure
PDO	Project Development Objective
PID	Project Implementation Department
PM	Prime Minister
PMU	Project Management Unit
PPP	Public Private Partnerships
QER	Quality Enhancement Review
RBF	Results-based financing
SME	Small and Medium Enterprise
TPQI	Trade Promotion and Quality Infrastructure Project
WB	World Bank



Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

BASIC DATA

Product Information

Project ID P146994	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 02-Jul-2014	Current Closing Date 30-Jun-2020

Organizations

Borrower Ministry of Finance	Responsible Agency Ministry of Economy, Ministry of High-Tech Industry, Office of the Prime Minister
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Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to strengthen the government's capacity to provide export promotion, investment attraction and quality management services to firms.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-83900	02-Jul-2014	06-Aug-2014	14-Jan-2015	30-Jun-2020	50.00	12.04	37.96

Policy Waiver(s)

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

No



The World Bank

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I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Background

1. **The Project Development Objective (PDO)** is to strengthen the Armenian government’s capacity to provide export promotion, investment attraction, and quality management services to firms. Table 1 shows other essential information about the project.

TABLE 1. KEY PROJECT DATA

Project Approval	July 2, 2014
Project Effectiveness	January 14, 2015
Original Closing Date	June 30, 2020
Original Project Amount	US\$50 million
Date of 1st Restructuring (Level 2) ¹	April 20, 2019
Total Disbursement as of 12/2019	US\$12.04 million

2. **Project components.** The project aims to upgrade key services in investment, export promotion, and quality infrastructure that facilitate trade for exporters and promote Foreign Direct Investment (FDI) in tradable sectors. The project comprises one results-based financing (RBF) component, two technical components, and one implementation support component:

- a. **Component 1. Improving the Effectiveness of the Trade Promotion and Quality System** (US\$10 million, US\$9.2 million disbursed) is a results-based financing of agreed-upon actions, outputs and outcomes (“Disbursement-Linked Indicators” or DLIs) that result in improvements to the export and investment promotion and quality system. The Component consists of fourteen DLIs focused on strengthening the National Investment and Export Promotion Services, National Metrology Services, and National Accreditation Services. Specific project activities under Components 2 and 3 complement these reforms and actions.
- b. **Component 2. Promoting Investment and Export** (US\$29.235 million, US\$2.11 million disbursed) aims at strengthening the capacity of local exporters to compete in foreign markets, facilitating cluster development, and attracting FDI. Three subcomponents support achievement of the objective:
 - i. **Subcomponent 2.1. Support services provided by Investment, Export Promotion and Industrial Development Agency (EIPi)** (US\$6.3 million, no disbursement).
 - ii. **Subcomponent 2.2. Exporter Development Grants** (US\$3.65 million, US\$1.5 million disbursed).
 - iii. **Subcomponent 2.3. Public Private Partnerships (PPPs) to promote research, skills and cluster Development** (US\$19.29 million, US\$0.51million disbursement).

¹ As described in more detail below, the first restructuring entailed amendment of the Loan Agreement replacing the Foreign Financial Projects Management Center (FFPMC) as the project implementing agency responsible for fiduciary functions with the newly created Project Implementation Department of the Ministry of Finance. The restructuring did not envisage any other changes to the project.



- c. **Component 3. Modernizing the National Quality Infrastructure (NQI)** (US\$8.64 million, US\$10,000 disbursed) aims at modernizing metrological, accreditation, and standards services to provide quality assurance services to industry. Three subcomponents support achievement of the objective:
 - i. **Subcomponent 3.1. Renovation of metrology building and laboratories, purchase of equipment and capacity building for National Institute of Metrology (NIM) staff** (US\$7.3 million, no disbursement).
 - ii. **Subcomponent 3.2. Refurbishment of the National Accreditation Body's (NAB) offices and facilitating service delivery improvements** (US\$1.2 million, US\$0.01 million disbursed). The objective of this Subcomponent is to support the NAB to achieve its goal of becoming an internationally recognized body by obtaining multilateral agreements (MLAs) and/or mutual recognition agreements (MRAs) with the international accreditation bodies.
 - iii. **Subcomponent 3.3. Development of a database for the catalogue of standards for the National Institute of Standards (SARM)** (US\$0.18 million, no disbursement).
 - d. **Component 4—Project Management and Monitoring and Evaluation** (US\$2 million, US\$0.72 million disbursed). The objective of this component is to finance project implementation and monitoring. This component finances: (i) consultants employed as part of the Project Management Unit (PMU) including the Project Manager and other consultant staff including a Translator, a Social and Environmental Safeguards Specialist and a Monitoring and Evaluation (M&E) Specialist; (ii) goods and services to support the functioning of the PMU as needed, including office equipment; (iii) fiduciary consultants of PID, including a Procurement Specialist and Financial Management (FM) Specialist; (iv) the incremental operating costs; and (v) all project related audits.
3. **Project Implementation Arrangements.** The Deputy Prime Minister (DPM) chairs the Project Steering Committee. The Project Manager, reporting to the DPM's office was hired to oversee and coordinate implementation of all project activities. The Project Implementation Department (PID) under the Ministry of Finance took over fiduciary functions, previously carried out by the Foreign Financing Projects Management Center (FFPMC). Three ministries are responsible for implementation of project components:
- a. **The Ministry of Economy (MoE)** is responsible for Component 1 (results-based financing of reforms), Subcomponent 2.1 (strengthening capacity of local exporters, attracting of FDI), and Component 3 (modernization of metrology and accreditation services).
 - b. **The Ministry of High-Tech Industry** (through the Enterprise Incubator Foundation (EIF) is responsible for Subcomponents 2.2 (Innovation Matching Grants) and 2.3 (PPP activities).
 - c. **The Project Implementation Department** of the Ministry of Finance (MoF) is responsible for fiduciary and safeguards compliance, procurement and disbursement under various project activities (Component 4).
4. **Implementation delays.** The project had faced significant implementation challenges since its effectiveness mainly caused by:
- a. **Frequent changes in the MoE leadership** created major delays in project implementation, weakened the ownership and commitment by implementing agencies for achievement of two DLIs related to quality infrastructure development (i.e., international accreditation of NIM and attainment of multilateral agreement or mutual recognition agreement by NAB), and delayed implementation of the exporter development and investment promotion activities (Subcomponents 2.1 and 2.2).



- b. **Fiscal rule constraints in 2016-2017 and the Velvet Revolution in 2018:** With Armenia’s national debt exceeding the threshold established in the country’s fiscal rule—50 percent of GDP—the Government embarked on fiscal consolidation in 2016 and 2017. The new cabinet formed in mid-2016 stated reduction of the budget deficit (mainly through cutting government expenditures) as a key priority. While the government maintained the level of welfare spending constant, the burden of adjustment fell heavily on development projects, including WB-financed ones: capital expenditures contracted by almost 2% of GDP. In this context, given the lack of funds, the government decided to prioritize public expenditures that helped maintaining the social contract, which had a significant adverse impact on implementation TPQI in 2016 and 2017.
- c. **In April 2018, the Velvet Revolution broke out** and resulted in political turbulence that only settled down with election of a new parliament in December 2018 and formation of a new cabinet in February 2019. The staff reshuffles and uncertainty at all levels of government after the Velvet Revolution put project implementation on hold for most of 2018. This caused difficulties for implementation of TPQI.
- d. **Insufficient capacity of Project Management Unit.** FFPMC, which was under the Ministry of Finance and formally had a mandate only to oversee fiduciary aspects of implementation, de facto played PMU role from the beginning of the project². The mandate, the number and expertise of FFPMC staff was not always sufficient for coordination of key stakeholders (Ministry of ICT and EIF, MoE and NQI institutes, DFA) and management of complex technical aspects of the project. In December 2018 the Government decided to abolish FFPMC and transfer its fiduciary functions to the Project Implementation Department of the Ministry of Finance. The process was completed in March 2019 with partial retention of FFPMC’s capacity at the PID. In response to the WB’s concerns about deteriorated project implementation capacity, following the MTR mission in March 2019, the government took the following steps to improve the situation: (a) The Chairmanship of the Project Steering Committee was transferred from the MoE to the Deputy Prime Minister’s Office in March 2019 and the Deputy Prime Minister’s Advisor was put in-charge of coordinating project activities, including establishment of Project Management Unit; and (b) the government recruited a Project Coordinator in August 2019.

B. Project Status

5. **The project has been effective since January 14, 2015.** Since February 2017, the “Overall Implementation Progress” and the “Progress Towards Achievement of PDO” have been rated “Moderately Unsatisfactory” (MU). The current disbursement rate is 24% (US\$12.04 million disbursed of US\$50 million) after 4.5 years of implementation. Most of the amount disbursed (US\$9.2 million) has been disbursed under Component 1, while other components have not disbursed much. Table 2 shows the amounts disbursed by component.

TABLE 2. DISBURSED AMOUNTS, PER COMPONENT (US\$ MILLION)

Activity name	Budget	Disbursed as of 12/2019
Component 1. Result Based Financing	10	9.2
Component 2. Promoting Investment and Export	29.24	1.5
2.1. Services to Exporters & Investors (ANIF)	6.3	
2.2. Innovation Financing	3.65	1.5
2.3 PPP Promotion	19.29	0.51
2.3.1 Engineering City	10.5	0.51
2.3.2 Cybersecurity Incubator	3	

² Staffed and operational Project Implementation Unit existed only between February 2016 and January 2017.



2.3.3 Supercomputing Center	1.5	
2.3.4 Advanced Industrial Research Labs	2	
2.3.5 Advancing Engineering Education	2.3	
Component 3. Modernizing NQI	8.68	0.01
3.1 Modernization of NIM infrastructure	7.3	
3.2 NAB capacity building	1.2	0.01
3.3 Building a modern information technology infrastructure for SARM	0.18	
Component 4. Project Management	2	0.7.2
Front end fee	0.1	0.1
TOTAL (Cumulative)	50	12.04

6. **Component 1. Results Based Financing** is progressing as planned except achievement of targets of two Disbursement Linked Indicators (#10 and #14) related to international recognition of selected parts of the National Quality Infrastructure supported by the Project.

7. **Component 2. Promoting Investment and Export** demonstrates limited progress in all three sub-components:

- i. **Subcomponent 2.1. Support services provided by IEPI.** On April 1, 2019 the Government of Armenia ceased financing of DFA, which was responsible for implementation and transferred the investment and export promotion to Armenia National Interests Fund (ANIF). During the project implementation support mission in July 2019, the counterparts confirmed that ANIF is considered DFA’s successor and proposed to the WB to implement the export and investment promotion activities through ANIF. On July 30, 2019 ANIF provided its action plan with planned disbursement of US\$3 million by December 31, 2020 for the WB’s review. Updated Project Procurement Plan incorporating ANIF activities was cleared by the Bank on October 16, 2019. The ToRs for the first activity (PR campaign) were reviewed and cleared by the Bank on December 6, 2019. ANIF plans to sign a respective contract (in amount of approximately US\$0.48 million) in April 2020.
- ii. **Subcomponent 2.2. Exporter Development Grants.** Implementation of exporter development grants was delayed throughout 2016–2018. Following consultations with the task team during implementation support missions, the government decided to launch the grant programs with two parallel grant windows:
 - **Innovation Matching Grant Program (IMGP):** on March 31, 2019, government approved the IMGP (aimed to support export-oriented high-tech startups) and launched the first call for proposals on July 12, 2019. The implementing agency is the Enterprise Incubator Foundation (EIF), which has accumulated relevant experience over the past 10 years in providing matching grants, technology support, and incubation services to hi-tech startups in Armenia. As of October 1, 2019, US\$1.5 million disbursed.
 - **Exporter Development Grant Program (EDGP):** on July 31, 2019, Ministry of Economy (MoE) submitted EDGP implementation roadmap for the WB’s review with planned approval of the grant manual by October 2019 and announcement of the call for proposals by November 2019. The government proposed the Investment Support Center (successor of the Small and Medium Entrepreneurship Development National Center, SME DNC) as the implementing agency. The WB team reviewed the roadmap and provided feedback on August 20, 2019. The roadmap was cleared



by the Bank in October 2019 and the finalized grant implementation manual was cleared by the Bank on December 4, 2019. The grant program is expected to be announced by end of December 2019.

iii. **Subcomponent 2.3. Public Private Partnerships (PPPs) to promote research, skills and cluster Development.** Out of several planned PPP Projects, the Engineering City (EC) is the most advanced in implementation. The implementing agency, EIF, is moving forward procurement along three main activities: (i) Design of EC master plan and infrastructure; (ii) Design of EC Accelerator Building and (iii) Purchase of EC lab equipment. Currently EIF is advancing implementation of activities (i) and (iii), while activity (ii) is pending the results of activity (i). The World Bank approved two additional PPP concepts (Cybersecurity Incubator and R&D Lab and National Supercomputer Center) in December 2019. EIF is planning to finalize and submit for Bank review the remaining two PPP packages – Establishing Advanced Industrial Research Labs and Advancing Engineering Education in Gyumri – in January 2020.

8. **Component 3. Modernizing the National Quality Infrastructure.** There were significant delays in execution of key procurement items of this component, such as upgrade of metrology laboratories and staff capacity building. As a result, the government failed to attain the two DLIs (#10 and #14) that envisage international recognition of Armenian quality assurance systems, which is critical for export promotion. Implementation started picking up in September 2019 currently the NIM is evaluating proposals for the equipment of two metrology laboratories. NIM intends to co-finance the development of online e-accreditation system from donor funds and plans to resubmit the revised TOR for Banks' review by December 31, 2019.

9. **Component 4. Project Management and Monitoring and Evaluation.** The counterparts hired a Project Manager reporting directly to the Deputy Prime Minister's Office to ensure efficient coordination and implementation of project activities. The Project Steering Committee is chaired by the Deputy Prime Minister. The Project Implementation Department of the Ministry of Finance is responsible for fiduciary aspects of project implementation. In addition to the Project Manager, PMU Environment and Social Specialist was hired to ensure compliance with WB safeguards policies applicable to the project. Starting January 1, 2020, the Government plans to transfer PID capacity and functions under the Prime Minister's Office.

10. Currently the financial management under the project is satisfactory and there are no pending audits under the project.

C. Rationale for Restructuring

11. **This is the second proposed restructuring of the project.** The first restructuring (a Level 2 Restructuring) took place on April 20, 2019 and entailed amendment of the Loan Agreement. It replaced the FFPMC as the project implementing agency responsible for fiduciary functions with the newly created Project Implementation Department of the Ministry of Finance. The first restructuring did not envisage any other changes to the project.

12. **Amidst political uncertainties during 2018, the World Bank (WB) team continued working with the government to help the new counterparts learn about the TPQI Project and regain the full ownership of the project.** During the implementation support mission in November 2018, the WB initiated discussions with the counterparts about the necessity to restructure the project to significantly improve its implementation. The Quality Enhancement Review (QER, held in January 2019) recommendations were communicated and discussed with the new government counterparts during the Mid-term Review (MTR) mission in March 2019. The counterparts did not agree to the partial cancellation options that were advised by the QER and confirmed their renewed commitment to accelerate project implementation at the highest government level, including during the meeting the World Bank Vice



President for Europe and Central Asia had with the Prime Minister of Armenia. The regional WB management acknowledged the government's commitment and recognized the improved implementation momentum.

13. **The project restructuring discussions were finalized in July 2019 during implementation support mission.** The World Bank team, through the mission Aide Memoire, shared with the counterparts a project restructuring proposal that included: (i) extension of the Closing Date by 24 months to allow additional time to implement the envisaged activities, (ii) cancellation clauses for the Investment Attraction and Investment Promotion activities (subcomponent 2.1 and Export Development Grant Program under subcomponent 2.2), the Innovation Venture Fund (new subcomponent 2.4), National Quality Infrastructure activities (Component 3) in case if the agreed disbursement targets are not met by the due date, (iii) keeping the loan amount unchanged, (iv) introduction of a new activity on creation of a National Venture Fund, (v) reallocation of project funds between the components in favor of the most implementation ready activities and a new activity, and (vi) changes to the project's Results Framework.

14. **New activity: National Venture Fund.** During the March 2019 MTR mission, the Minister of High-Tech Industry formally proposed to introduce a venture financing Subcomponent based on the successful implementation of an early-stage venture fund project supported by the WB loan few years ago. This activity aims to create a VC Fund to make VC financing available for technology start-ups. If successful, this demonstration effect is expected to attract other VC companies and therefore catalyze venture capital market in Armenia. The government suggested allocating US\$10 million of project funds for this purpose using the amounts freed up from other subcomponents as a result of restructuring. The proposed size of the NVF is US\$100 million, of which US\$10 million is government co-financing through TPQI.

15. **The government of Armenia sent its project restructuring request to the Bank on November 13, 2019.** The requested changes to the project broadly corresponded with the Bank's restructuring proposal shared after the implementation support mission in July 2019 but did not support cancellation clauses and advised new project implementation arrangement by vesting responsibility for fiduciary aspects of project implementation in the Prime Minister's Office.

16. **The World Bank team reiterated the discussion with the counterparts on loan cancellation clauses** during the implementation support mission on December 2-12, 2019. Based on extensive discussions with the counterparts, consultations with the country lawyer and advice from the Country Management Unit, the Project team proposes to introduce loan cancellation clauses for the activities described earlier conditioned by the achievement of specified disbursement targets by certain dates into the Loan Agreement. The specific deadlines were discussed and agreed upon with the counterparts.

II. DESCRIPTION OF PROPOSED CHANGES

A. Change of implementation arrangements

In Fall 2019, the government decided to cease the operation of the PID in the MOF and transfer PMUs under all WB funded projects to PM's office or line ministries. This reform was discussed and agreed with CMU. In November 2019, the DPM and MOF requested the Bank to change the implementation arrangement for TPQI as follows: (i) PMU with fiduciary functions moves to the Prime Minister's Office (OPM), (ii) Deputy Prime Minister coordinates the implementation .



B. Change of Closing Date

Change the Project Closing Date from June 30, 2020 to May 31, 2022 based on the Borrower's request and additional consultations. In task team's assessment, extension of the Closing Date by 23 months provides sufficient time to complete all project activities and the matter was agreed with the counterparts.

C. Component 1 Improving the Effectiveness of the Trade Promotion and Quality System (Result Based Financing: RBF).

All activities under this component, except achievement of DLIs #10 and #14, were implemented by the government and Ministry of Economy (MoE) was responsible for Eligible Expenditure Program (EEP) and would submit semiannual reports to the Bank for reimbursement against the achieved DLIs. The proposed change is as follows: MoE will submit the EEP reports to the Bank through the PMU at Prime Minister's Office. No changes in the amount allocated to the Component.

D. Component 2: Promoting Investment and Export

Subcomponent 2.1 Support services provided by Investment, Export Promotion and Industrial Development Agency: (i) change the implementing agency to the Armenian National Interests Fund (ANIF, the successor of the DFA), (ii) decrease of the original amount from US\$6.3 million to US\$3 million to finance investment promotion and export development activities.

Subcomponent 2.2 Exporter Development Grants: (i) decrease of the original amount from US\$3.65 million to US\$3.6 million, (ii) introduce two windows of Exporter Development Grant Program: Exporter Development Grants (US\$2.1 million), implemented by the Investment Support Center (previously SME DNC) and Innovation Matching Grants (US\$ 1.5 million) implemented by the EIF.

Subcomponent 2.4 (National Venture Fund, US\$10 million): introduce as a new activity.

E. Component 3: Modernizing NQI

Subcomponent 3.1 Renovation of metrology building and laboratories, purchase of equipment and capacity building for NIM staff: reduce the original amount from US\$7.3million to US\$2.8 million.

Subcomponent 3.2 Refurbishment of the National Accreditation Body's (NAB) offices and facilitating service delivery improvements: reduce the original amount from US\$1.4 million to US\$0.2 million.

Subcomponent 3.3 Development of a database for the catalogue of standards for the National Institute of Standards (SARM): drop the activity.

F. Component 4 (Project Management and Monitoring and Evaluation, US\$2 million)

Component 4 will be reduced by US\$1 million. The overall coordination of the Project, including fiduciary functions, will be transferred to the Prime Minister's Office with establishment of the Project Management Unit under it.



G. Cancellation of undisbursed loan proceeds:

Introduce the following loan cancellation clauses conditioned by specific disbursement targets to be achieved by the specified date:

- a. **Subcomponent 2.1 Support services provided by Investment, Export Promotion and Industrial Development Agency:** if by December 31, 2020, the Borrower has not made fifty percent (50%) of projected disbursements (or \$1,500,000), the Bank may cancel an amount of three million dollars (\$3,000,000) out of the Loan effective January 1, 2021 from Category 2.
- b. **Subcomponent 2.2 Exporter Development Grants:** if by June 30, 2021, the Borrower has not made fifty percent (50%) of projected disbursements (or \$1,800,000), the Bank may cancel an amount of three million and six hundred thousand dollars (\$3,600,000) out of the Loan effective July 1, 2021 from Category 3.
- c. **Subcomponent 2.4 National Venture Fund:** if by October 30, 2020, the Borrower has not made fifty percent (50%) of projected disbursements (or \$5,000,000), the Bank may cancel an amount of ten million Dollars (\$10,000,000) out of the Loan effective November 1, 2020 from Category 6.
- d. **Subcomponent 3.1 Renovation of metrology building and laboratories, purchase of equipment and capacity building for NIM staff:** if by March 31, 2021, the Borrower has not made fifty percent (50%) of projected disbursements (or \$1,500,000), the Bank may cancel an amount of three million Dollars (\$3,000,000) out of the Loan effective April 1, 2021 from Category 2.

H. Changes to the Results Framework

17. Update the Project’s Results Framework to align it with the proposed changes: (i) improve PDO level indicators to capture project outcomes, update targets taking into account the changed financing volume and new Closing Date, (ii) improve intermediate indicators (PPP, exporter development grants) to better capture the results of relevant subcomponents and update the targets considering changed volume of funding and extension of the Closing Date, (iii) introduce indicators to capture establishment and operations of the National Venture Fund, (iv) introduce a new indicator on citizen engagement.

Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Implementing Agency	✓	
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	



Disbursement Estimates	✓	
Institutional Arrangements	✓	
Implementation Schedule	✓	
DDO Status		✓
Project's Development Objectives		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

IMPLEMENTING AGENCY

Implementing Agency Name	Type	Action
Ministry of Economy	Implementing Agency	New
Ministry of High-Tech Industry	Implementing Agency	New
Office of the Prime Minister	Implementing Agency	New



COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1: Improving the Effectiveness of the Trade promotion and Quality system	10.00	No Change	Component 1: Improving the Effectiveness of the Trade promotion and Quality system	10.00
Component 2: Promoting Investment and Exports	29.20	Revised	Component 2: Promoting Investment and Exports	35.90
Component 3: Modernizing the National Quality Infrastructure	8.70	Revised	Component 3: Modernizing the National Quality Infrastructure	3.00
Component 4: Project Management and Monitoring and Evaluation	2.00	Revised	Component 4: Project Management and Monitoring and Evaluation	1.00
TOTAL	49.90			49.90

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-83900	Effective	30-Jun-2020		31-May-2022	30-Sep-2022

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed
IBRD-83900-001 Currency: USD				
iLap Category Sequence No: 1	Current Expenditure Category: Payments for EEP for Part A			
10,000,000.00	9,200,000.00	10,000,000.00	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: GD, CW, Non-CS, CS, TRNG, Aud, IOC			
18,500,000.00	228,143.18	6,975,000.00	100.00	100.00



iLap Category Sequence No: 3	Current Expenditure Category: Grants for Part B.2			
3,000,000.00	0.00	3,600,000.00	100.00	100.00
iLap Category Sequence No: 4	Current Expenditure Category: Financing for PPP Init for Part B.3			
18,375,000.00	0.00	19,300,000.00	100.00	100.00
iLap Category Sequence No: 5	Current Expenditure Category: Front-end Fee			
0.00	0.00	0.00		100
iLap Category Sequence No: 6	Current Expenditure Category: Goods, works, consulting services, non-consulting services for NVF Investments and NVF Subprojects under Part B.4			
0.00	0.00	10,000,000.00		100
Total	49,875,000.00	9,428,143.18	49,875,000.00	

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2015	500,000.00	1,675,000.00
2016	1,500,000.00	2,325,000.00
2017	2,000,000.00	2,000,000.00
2018	6,633,000.00	2,000,000.00
2019	17,000,000.00	3,910,526.00
2020	22,367,000.00	15,200,000.00
2021	0.00	22,889,474.00



Results framework

COUNTRY: Armenia

Trade Promotion and Quality Infrastructure

Project Development Objectives(s)

The Project Development Objective (PDO) is to strengthen the government's capacity to provide export promotion, investment attraction and quality management services to firms.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Strengthen the government's capacity to provide export promotion, investment attraction and quality										
1. Number of exporters accessing new markets and/or introducing new products (Number)	0.00	0.00	6.00	12.00	18.00	18.00	20.00	50.00	50.00	50.00
Action: This indicator has been Revised	Rationale: <i>The Indicator Name changed from "New customers for exporters generated through the foreign representatives" to "Number of exporters accessing new markets and/or introducing new products" to capture the end result across several subcomponents instead of one (Subcomponent 2.1). Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target for Year 4 revised from 30 to 18, Intermediate Target for Year 5 revised from 35 to 18 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension; (iii) the End Target revised from 40 to 50.</i>									
2. Cluster development and research and skills development PPPs established (Number)	0.00	0.00	0.00	0.00	0.00	2.00	4.00	6.00	6.00	6.00
Action: This indicator has been Revised	Rationale: <i>The Indicator Name changed from "Cluster development and research and skills development PPPs developed" to "Cluster development and research and skills development PPPs established" to better capture the end result. Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target</i>									



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
<p><i>for Year 2 revised from 2 to 0, the Intermediate Target for Year 3 revised from 3 to 0, the Intermediate Target for Year 4 revised from 5 to 0, the Intermediate Target for Year 5 revised from 6 to 2 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension; (iii) the End Target revised from 7 to 6.</i></p>										
3. Successful investments facilitated by IEPI (Number)	0.00	0.00	0.00	0.00	0.00	0.00	2.00	4.00	10.00	10.00
Action: This indicator has been Revised	<p>Rationale: <i>Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target for Year 2 revised from 1 to 0, the Intermediate Target for Year 3 revised from 2 to 0, the Intermediate Target for Year 4 revised from 3 to 0, the Intermediate Target for Year 5 revised from 3 to 2 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension; (iii) the End Target revised from 4 to 10.</i></p>									
4 (DLI 10). Industrial Laboratories of the National Institute of Metrology (NIM) accredited by an accreditation organization that is a signatory to an MLA/MRA from ILAC or IAF. (Number)	0.00	0.00	0.00	0.00	1.00	1.00	1.00	2.00	2.00	2.00
Action: This indicator has been Revised	<p>Rationale: <i>Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target for Year 4 revised from 1 to 0 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension.</i></p>									
5 (DLI 14). National Accreditation Body	Not a member	Not a member	Not a member	Not a member	Not a member	Not a member	Not a member	Not a member	NAB becomes an affiliate member	NAB achieves MLA or MRA



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
(NAB) becomes a signatory to a Multilateral agreement (MLA) or Mutual Recognition agreement (MRA) with an international accreditation organization (Text)										of an international organization (ILAC, IAF)
Action: This indicator has been Revised	Rationale: Target values revised in accordance with agreements with the Borrower: (i) originally, NAB was to become an affiliate member of ILAC or IAF in Year 2. The proposed date of achieving this Intermediate Target is Year 7; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension.									

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Component 1: Improving the Effectiveness of the Trade promotion and Quality System										
1.1. Strengthening investment and export promotion services (Text)		See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub indicators
DLI 1. Decree on Investment Reform Map issued (Text)		Not in existence								Decree on Investment



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
										Reform Map issued
DLI 2. Merger of ADA and IDF into IEPI completed (Text)		Not in existence								Merger of ADA and IDF
Action: This indicator has been Revised	Rationale: Intermediate and end targets (and respective timeline) have not been changed. We corrected Indicator Name that is reflected in Portal incorrectly for some technical reason: replaced DFA with IEPI (in line with Loan Agreement).									
DLI 3. Government decree issued to establish the NTO (Text)		Not in existence								Decree issued to establish the NTO
DLI 4. IEPI staffed with organizational structure in line with international best practice (monitored throughout the project period) (Text)		Not in existence	IEPI staffed with organizational structure in line with international best practice	IEPI staffed with organizational structure in line with international best practice	IEPI staffed with organizational structure in line with international best practice	IEPI staffed with organizational structure in line with international best practice	IEPI staffed with organizational structure in line with international best practice	IEPI staffed with organizational structure in line with international best practice		IEPI staffed with organizational structure in line with international best practice



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Action: This indicator has been Revised	Rationale: <i>Intermediate and end targets (and respective timeline) have not been changed. We corrected Indicator Name that is reflected in Portal incorrectly for some technical reason: replaced DFA with IEPI (in line with Loan Agreement).</i>									
DLI 5. Adequate budget for IEPI included in State budget (monitored throughout the project period) (Text)	Not in existence	Adequate budget for IEPI included in State budget	Adequate budget for IEPI included in State budget	Adequate budget for IEPI included in State budget	Adequate budget for IEPI included in State budget	Adequate budget for IEPI included in State budget	Adequate budget for IEPI included in State budget	Adequate budget for IEPI included in State budget	Adequate budget for IEPI included in State budget	IEPI budget for agency included in State budget
Action: This indicator has been Revised	Rationale: <i>Intermediate and end targets (and respective timeline) have not been changed. We corrected Indicator Name that is reflected in Portal incorrectly for some technical reason: replaced DFA with IEPI (in line with Loan Agreement).</i>									
DLI 6. Monitoring and Evaluation of IEPI conducted (monitored throughout the project period) (Text)	Not in existence	Monitoring and Evaluation of IEPI conducted	Monitoring and Evaluation of IEPI conducted	Monitoring and Evaluation of IEPI conducted	Monitoring and Evaluation of IEPI conducted	Monitoring and Evaluation of IEPI conducted	Monitoring and Evaluation of IEPI conducted	Monitoring and Evaluation of IEPI conducted	Monitoring and Evaluation of IEPI conducted	Monitoring and Evaluation of IEPI conducted
Action: This indicator has been Revised	Rationale: <i>Intermediate and end targets (and respective timeline) have not been changed. We corrected Indicator Name that is reflected in Portal incorrectly for some technical reason: replaced DFA with IEPI (in line with Loan Agreement).</i>									
Component 2: Promoting Investment and Exports										



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
2.1. Number of investment inquiries that lead to site visits generated by foreign representatives (Number)		0.00	0.00	20.00	60.00	104.00	107.00	116.00	128.00	128.00
Action: This indicator has been Revised	Rationale: <i>Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target for Year 2 revised from 3 to 20, the Intermediate Target for Year 3 revised from 6 to 60, the Intermediate Target for Year 4 revised from 9 to 104, the Intermediate Target for Year 5 revised from 10 to 107 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension; (iii) the End Target revised from 12 to 128.</i>									
2.2. Number of export related leads generated by foreign representative offices (Number)		0.00	0.00	30.00	80.00	259.00	262.00	292.00	342.00	342.00
Action: This indicator has been Revised	Rationale: <i>Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target for Year 3 revised from 50 to 80, the Intermediate Target for Year 4 revised from 67 to 259, the Intermediate Target for Year 5 revised from 90 to 262 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension; (iii) the End Target revised from 100 to 342.</i>									
2.3. Number of beneficiaries of the Exporter Development Grants (Number)		0.00	0.00	0.00	0.00	0.00	25.00	30.00	50.00	50.00
Action: This indicator has been Revised	Rationale: <i>The Indicator Name changed from "Share of beneficiaries of the Exporter Development Grants that access new markets and introduce new products" to "Number of beneficiaries of the Exporter Development Grants ". The new indicator makes the end result more attributable to the project. Target values revised in accordance</i>									



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
<p><i>with agreements with the Borrower: (i) the Intermediate Target for Year 2 revised from 5 to 0, the Intermediate Target for Year 3 revised from 10 to 0, the Intermediate Target for Year 4 revised from 30 to 0, the Intermediate Target for Year 5 revised from 40 to 25 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension.</i></p>										
Female beneficiaries of the Exporter Development Grants (Percentage)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00	30.00	30.00
Action: This indicator is New	<p>Rationale: <i>This is a supplemental indicator aimed to capture gender impact of Exporter Development grants</i></p>									
Number of public-private partnership concepts approved (Number)	0.00	0.00	0.00	0.00	1.00	2.00	4.00	6.00	6.00	
Action: This indicator is New	<p>Rationale: <i>Indicator added to monitor progress of subcomponent 2.3</i></p>									
Establishment of the National Venture Fund (Yes/No)	No	No	No	No	No	No	Yes	Yes	Yes	
Action: This indicator is New	<p>Rationale: <i>Indicator added to monitor progress under subcomponent 2.4</i></p>									
Investments made by the National Venture Fund (Amount(USD))	0.00	0.00	0.00	0.00	0.00	0.00	5,000,000.00	10,000,000.00	10,000,000.00	



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Action: This indicator is New	Rationale: Indicator added to monitor performance of NVF activities under subcomponent 2.4									
The beneficiaries who reported that the approaches discussed in the framework of the discussions held during the Project reflect their opinion (Percentage)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60.00	75.00	75.00
Action: This indicator is New	Rationale: Indicator added to capture efficiency of citizen engagement processes									
Component 3: Modernizing the National Quality Infrastructure										
1.2. Strengthening national metrology services (Text)	See Sub Indicators	See Sub indicators	See Sub indicators	See Sub indicators	See Sub indicators	See Sub indicators	See Sub indicators	See Sub Indicators		See Sub indicators
DLI 7. NIM staffed with organizational structure in line with international best practice (monitored throughout the project period) (Text)	Not adequately staffed	NIM staffed with organizational structure in line with international best practice	NIM staffed with organizational structure in line with international best practice	NIM staffed with organizational structure in line with international best practice	NIM staffed with organizational structure in line with international best practice	NIM staffed with organizational structure in line with international best practice	NIM staffed with organizational structure in line with international best practice			NIM staffed with organizational structure in line with international best practice



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
DLI 8. Adequate budget for NIM included in State budget (monitored throughout the project period) (Text)		Not adequately budgeted	Adequate budget for NIM included in State budget	Adequate budget for NIM included in State budget	Adequate budget for NIM included in State budget	Adequate budget for NIM included in State budget	Adequate budget for NIM included in State budget	Adequate budget for NIM included in State budget		Adequate budget for NIM included in State budget
DLI 9. Monitoring and Evaluation of NIM conducted (monitored throughout the project period) (Text)		Not in existence	Monitoring and Evaluation of NIM conducted	Monitoring and Evaluation of NIM conducted	Monitoring and Evaluation of NIM conducted	Monitoring and Evaluation of NIM conducted	Monitoring and Evaluation of NIM conducted	Monitoring and Evaluation of NIM conducted		Monitoring and Evaluation of NIM conducted
DLI 10. International Accreditation attained for at least 2 metrology laboratories (Please see Indicator 4 in the Project Development Objective Indicators) (Text)		International Accreditation for at least 2 metrology laboratories not attained	International Accreditation for at least 2 metrology laboratories not attained	International Accreditation for at least 2 metrology laboratories not attained	International Accreditation for at least 2 metrology laboratories not attained	International Accreditation for at least 2 metrology laboratories not attained	International Accreditation for at least 2 metrology laboratories not attained	International Accreditation for at least 2 metrology laboratories not attained	International Accreditation for at least 2 metrology laboratories	International Accreditation attained for at least 2 metrology laboratories



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Action: This indicator has been Revised	Rationale: It is proposed to move the target date of achievement of this DLI from Year 4 to Year 7. The date of end target changed to May 31, 2022 in view of project extension.									
1.3. Strengthening accreditation services (Text)		See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub Indicators	See Sub indicators
DLI 11. NAB staffed with organizational structure in line with international best practice (monitored throughout the project period) (Text)		Not adequately staffed	NAB staffed with organizational structure in line with international best practice	NAB staffed with organizational structure in line with international best practice	NAB staffed with organizational structure in line with international best practice	NAB staffed with organizational structure in line with international best practice	NAB staffed with organizational structure in line with international best practice	NAB staffed with organizational structure in line with international best practice		NAB staffed with organizational structure in line with international best practice
DLI 12. Adequate budget for NAB included in State budget (monitored throughout the project period) (Text)		Not adequately budgeted	Adequate budget for NAB included in State budget	Adequate budget for NAB included in State budget	Adequate budget for NAB included in State budget	Adequate budget for NAB included in State budget	Adequate budget for NAB included in State budget	Adequate budget for NAB included in State budget		Adequate budget for NAB included in State budget
DLI 13. Monitoring and Evaluation of NAB conducted (monitored throughout the project period) (Text)		Not in existence	Monitoring and Evaluation of NAB conducted	Monitoring and Evaluation of NAB conducted	Monitoring and Evaluation of NAB conducted	Monitoring and Evaluation of NAB conducted	Monitoring and Evaluation of NAB conducted	Monitoring and Evaluation of NAB conducted		Monitoring and Evaluation of NAB conducted



Indicator Name	DLI	Baseline	Intermediate Targets							End Target	
			1	2	3	4	5	6	7		
DLI 14. NAB attains MLA or MRA in testing laboratories (Text)		Not a member	Not a member	Not a member	Not a member	Not a member	Not a member	Not a member	Not a member	NAB achieves MLA or MRA	NAB achieves MLA or MRA
Action: This indicator has been Revised	Rationale: <i>It is proposed to move the target date for achievement of this DLI from Year 4 to Year 7. The End Target date moved to May 31, 2022 in view of project extension</i>										
3.1. Number of Industrial metrology laboratories built (Number)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	2.00	2.00
Action: This indicator has been Revised	Rationale: <i>Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target for Year 3 revised from 3 to 0, the Intermediate Target for Year 4 revised from 5 to 0, the Intermediate Target for Year 5 revised from 6 to 0 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension; (iii) the End Target revised from 7 to 2 (in view of reduced scope of the Subcomponent 3.1).</i>										
3.2. Number of accreditations conducted in line with international practice issued by NAB (Number)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00	10.00	10.00
Action: This indicator has been Revised	Rationale: <i>Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target for Year 2 revised from 5 to 0, the Intermediate Target for Year 3 revised from 10 to 0, the Intermediate Target for Year 4 revised from 15 to 0, the Intermediate Target for Year 5 revised from 18 to 0 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension; (iii) the End Target revised from 20 to 10 (the End Target downsized from 20 to 10 in view of reduced scope activities in Subcomponent 3.2).</i>										



Indicator Name	DLI	Baseline	Intermediate Targets							End Target	
			1	2	3	4	5	6	7		
3.3. Share of NIM technical staff trained in internationally recognized calibration methods (Percentage)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	60.00	70.00	70.00
Action: This indicator has been Revised	Rationale: <i>Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target for Year 2 revised from 10 to 0, the Intermediate Target for Year 3 revised from 20 to 0, the Intermediate Target for Year 4 revised from 40 to 0, the Intermediate Target for Year 5 revised from 50 to 0 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension; (iii) the End Target revised from 60 to 70.</i>										
3.4. Share of NAB technical staff trained in international methodology for Accreditation (Percentage)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.00	40.00	40.00
Action: This indicator has been Revised	Rationale: <i>Target values revised in accordance with agreements with the Borrower: (i) the Intermediate Target for Year 2 revised from 10 to 0, the Intermediate Target for Year 3 revised from 20 to 0, the Intermediate Target for Year 4 revised from 40 to 0, the Intermediate Target for Year 5 revised from 50 to 0 to reflect actual results so far; (ii) introduced new Intermediate Targets for Years 6 and 7 in view of project extension; (iii) the End Target revised from 50 to 40 (the End Target reduced based on updated projections and in view of reduced scope of activities under Subcomponent 3.2).</i>										
The beneficiaries who reported that the approaches discussed in the framework of the discussions held during the Project		0.00	0.00	0.00	0.00	0.00	0.00	0.00	60.00	75.00	75.00



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
reflect their opinion (Percentage)										
Action: This indicator is New	Rationale: To monitor efficiency of citizen engagement processes									



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Trade Promotion and Quality Infrastructure (P146994)

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