

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Armenia	Project Title:	Infrastructure Sustainability Support Program
Lending/Financing Modality:	Policy-Based loan	Department/ Division:	Central and West Asia Department / Public Management, Financial Sector, and Trade Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

In 2008, the Government of Armenia adopted the Sustainable Development Program, 2008–2025, which had three objectives: (i) reducing poverty and eliminating extreme poverty, (ii) accelerating human development, and (iii) mitigating disproportions in the territorial development. To achieve this, the program prioritizes: an economic policy to support sustainable and accelerated economic growth, an active social and income policy for vulnerable groups of the population, and modernization of the governance system. Following the financial crisis in 2008 and the vulnerabilities exposed in the Armenian model for economic growth, the government in 2012 adopted the Armenia Development Strategy, 2012–2025. It has four priorities: employment growth, development of human capital, improvement of the social protection system, and institutional modernization of the public administration and governance. Under this strategy, the government plans to reduce the poverty level to 23% in 2017 (compared with 35.8% in 2010) by raising employment incomes and increasing public spending on social insurance and social assistance with better targeting. Reducing poverty to this level is ambitious, requiring significant work and focus by the government on the four priorities. One of the major challenges is policy coordination and coherence within the government. Further, the government has had difficulties measuring progress—and assessing where and how changes can be made—to meet the poverty reduction and other targets.

In 2006, the Asian Development Bank (ADB) issued its interim operational strategy for Armenia¹, shortly after the country joined ADB. The interim strategy aimed to promote rural development by rehabilitating rural infrastructure, boosting the private sector through the development of the finance sector, and strengthening regional cooperation through the development of regional highways and power transmission. The country operations business plan for Armenia, 2012–2013 (update)² focuses on three core areas: regional cooperation, private sector development, and infrastructure. These are consistent with the government's priorities and commitments; they also reflect the findings of ADB's country strategy final review for Armenia, 2006–2011.³

B. Targeting Classification:

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)
The proposed policy-based operation is not specific to household or particular geographic areas.

C. Poverty and Social Analysis

Before the financial crisis in 2009, Armenia recorded an uninterrupted reduction in poverty. The share of the population living in poverty fell from 34.6% in 2004 to 23.5% in 2008, largely driven by economic growth. Following the financial crisis, Armenia experienced a sharp economic decline and increases in poverty. The share of the population living in poverty rose to 28.7% in 2009 and 28.9% in 2010—levels not been seen since 1999. Similar trends were seen for those in extreme poverty. During 2004–2008, extreme poverty was halved to 3.1% but reached 5.3% following the financial crisis, the highest level since 2005.

Improvements to the water sector will have direct health impacts by giving people greater access to better quality water supply. Improvements to the road system will increase people's access to important services such as schools and health clinics. Greater connectivity through improved roads will also increase economic integration, which can lead to greater entrepreneurial activity, better access to markets, and more jobs. Reforms in public financial management in the roads and water sectors make public expenditures in these sectors more effective, efficient, and accountable. Further, improvements in service delivery and value-for-money in these important infrastructure sectors will help accelerate growth and create additional fiscal space for social expenditures. The Armenia Development Strategy states that annual investments in the drinking water system will amount to 0.4% of gross domestic product (GDP) and will focus on the 560 rural communities that are not connected to the water system grid. Allocative efficiency of limited funds is critical, especially for rural communities, if they are to benefit from a more regular and higher-quality water supply. According to the Armenia Development Strategy, annual public investments in the transport sector will average about 1.6% of GDP during 2013–2015. Afterwards, planned expenditure will account for

¹ ADB. 2006. *Armenia: Economic Report and Interim Operational Strategy (2006-2009)*. Manila.

² ADB. 2012. *Armenia: Country Operations Business Plan (2012-2013) (Update)*. Manila.

³ ADB. 2012. *Armenia: Country Strategy and Program (2006-2011) – Final Review*. Manila.

about 1% of GDP (85% of which will be for the road network). Further, the government plans to increase allocative efficiency vis-à-vis achievement of sector development targets against budget outlays and implement modern management systems during 2013–2015. The budget allocations and support from this program loan will create an opportunity to make substantive and long-lasting improvements to the roads sector, which will help stimulate economic growth and reduce poverty. Public financial management reforms in these sectors will indirectly contribute to poverty reduction. Therefore, no direct social impacts are expected from the program. However, indirect social impacts are expected as the quality and quantity of public roads and drinking water improve. No adverse impacts requiring mitigating measures have been identified.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? As this is a program loan, the focus is on policy changes at the institutional level that will affect change. However, improved service delivery over the long term is expected to help women be more productive members of society.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) EGM (effective gender mainstreaming)

SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

The primary stakeholders for the program are beneficiaries of road and water services, the Ministry of Finance, Ministry of Economy, Ministry of Transport and Communication, Ministry of Territorial Administration, the State Committee on Water Economy, private sector providers of water and road transport services and infrastructure. These stakeholders have been consulted extensively on the policy conditions and timetable for implementation during workshops, focus group discussions, working group sessions held intermittently from March to August 2013.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

Part of the policy conditions seek to provide a more robust and structured framework for the direct users of the road and water sectors to engage with the government. Methods that will allow the poor and disenfranchised to engage easily have been given particular attention.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

Information generation and sharing Consultation Collaboration Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

Resettlement plan Resettlement framework Social impact matrix

Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

3. Will the project require broad community support of affected indigenous communities? Yes No

<p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>V. OTHER SOCIAL ISSUES AND RISKS</p>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>None of these issues pose a significant risk to this program and need not be addressed in program design.</p>
<p>VI. PROJECT PREPARATORY TECHNICAL ASSISTANCE OR DUE DILIGENCE RESOURCE REQUIREMENT</p>
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Due diligence conducted under the program's policy and advisory technical assistance confirmed the program will not have a direct social, gender, social safeguards impact or pose other social risks.</p>
<p>3. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence? N/A</p>