

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Armenia	Project Title:	Electric Networks of Armenia Distribution Network Rehabilitation, Efficiency Improvement and Augmentation
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Lending/Financing Modality:	General Corporate Finance	Department/ Division:	Private Sector Operations Department / Private Sector Infrastructure Division 1
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I. POVERTY IMPACT AND SOCIAL DIMENSIONS
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A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The Armenian Development Strategy, 2012–2025 includes the following targets for the energy sector: constructing and replacing aging generation assets, expanding and upgrading the power transmission system, implementing energy-saving measures, and maximizing the use of renewable and alternative energy resources. The government policy for the energy sector, per the 2013-2017 Government Action Plan for Armenia, will focus on increasing the country's energy security, implementing policies to contribute to energy saving, continually updating the equipment of the energy system, improving indicators of electrical energy quality, and increasing the reliability of supply.

Support from the Asian Development Bank (ADB) for the project is in line with its country partnership strategy for Armenia, 2014–2018, which supports energy security by diversifying energy sources and rehabilitating and upgrading electricity transmission and distribution networks.^a The project is consistent with the Midterm Review of Strategy 2020, which includes a focus on private sector development and operations, and infrastructure development.^b The project is also in line with ADB's Energy Policy, particularly with one of its three pillars—maximizing access to energy for all by supporting the installation of modern transmission and distribution systems to transmit electricity efficiently from generation facilities to consumers, including upgrading existing systems.^c

B. Targeting Classification:

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The project will modernize the transmission network and help address the risks of system breakdowns, which have significant adverse impacts on the livelihood of the population, especially poor households.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.
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Armenia's power distribution network has been largely neglected and suffers from the effects of poor and irregular construction and maintenance work undertaken in the 1990s (post-Soviet Union). Distribution assets in the two largest cities of Yerevan and Gyumri are almost fully depreciated. Through investments in the power distribution networks, the project will help address the risks of system breakdowns, which have significant adverse impacts on the population. Potential primary beneficiaries are expected to include the general population in urban and rural areas; commercial, industrial users; and community service providers who benefit from improved power supply reliability. The project benefits the poor indirectly by improving the efficiency and reliability of power transmission and distribution, which will contribute to improved living conditions of residents and the productivity of commercial and industrial users and other institutional service providers, including hospitals and educational institutions.

2. Impact channels and expected systemic changes.

The project is expected to help improve the living situation of the population, especially the poor by providing them with access to efficient and reliable power in their residences and their sources of livelihood. To a limited extent, the project is expected to provide some short-term employment opportunities during the construction activities.

3. Focus of (and resources allocated in) the PPTA or due diligence.

The environmental and social safeguards compliance audit consultant team includes inputs of a social safeguard specialist, mandated to assess poverty and social issues that needs to be addressed in the project design.

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?
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The rehabilitation of existing networks and infrastructure is not expected to have negative impacts on women. Although indirect benefits are expected for women in the project areas through improved electricity supply and

economic growth, the project is not considered to directly improve incomes or opportunities for women. The positive impacts of the implementation of ENA's investment plan will benefit men and women equally.

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

While the project outputs present potential indirect benefits, opportunities for the proposed lending to directly contribute to promotion of gender equity are expected to be limited. However, such opportunities will be further explored and discussed with the borrower as part of diligence.

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

Yes No

The due diligence will include a review of the borrower's human resource policies to assess provisions relating to gender equality. In addition, the borrower's corporate social responsibility policy will be reviewed to identify measures which seek to promote gender equality.

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 key stakeholders include customers of ENA across the country, the local government agencies responsible for the regulatory requirements including the identification of government lands for siting of the subprojects, landowners whose lands will be used for the subprojects, surrounding communities and individuals who will be employed during construction and operation of the project components. The ESMS of ENA will include provisions for consultations with relevant stakeholders at all stages of the project planning, design and implementation.

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?

ENA's environmental and social management system (ESMS) will include provisions and procedures for stakeholder engagement, community consultation, and grievance resolution in its operations.

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?

[L] Information generation and sharing [L] Consultation Collaboration Partnership

While specific roles for civil society organizations is not envisaged due to the proposed investment, the due diligence will include discussions with the borrower highlighting the need for transparent sharing of information and consultation about the project components and inclusion as part of ENA's stakeholder engagement process.

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

The proposed rehabilitation and upgradation works will be within the areas of the existing facilities or networks, with limited community involvement, and are unlikely to have any adverse social impacts. There are no issues anticipated which would require the participation of the poor and excluded groups of the population in the project areas. This will be confirmed as part of the environmental and social compliance audit and ADB's due diligence.

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

It is expected that the proposed reconstruction and refurbishment of the distribution network will be carried out within the existing areas of the facilities, without needing any additional land acquisition, and are unlikely to result in impacts on private assets or structures and economic displacement. The rehabilitation of outdated lines will be within the available Right of Way of the government agencies, without needing physical or economic displacement. However, given that several of the components are likely to be located in densely populated urban areas of Yerevan, impacts on non-titleholders are likely to be triggered. The environment and social safeguards compliance audit will assess such potential involuntary resettlement impacts.

<p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input checked="" type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The investment program is unlikely to trigger impacts on indigenous peoples because, per the Safeguard Policy Statement definition, there are no known indigenous peoples in Armenia.</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <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</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p style="text-align: center;">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 checked="" type="checkbox"/> [L] Creating decent jobs and employment <input checked="" type="checkbox"/> [M] Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>The project is expected to offer limited employment opportunities for the local population because only qualified staff with sufficient capacities and experience are expected to be employed by ENA. The employment generated during construction is short term and limited to rehabilitation activities, with very limited civil works.</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>The borrower's ESMS will be assessed for compliance with the national labor standards and the core labor standards. Deployment of qualified staff to monitor the social issues and risks, including compliance to labor standards will be discussed and agreed with the borrower during due diligence.</p>
<p style="text-align: center;">VI. PPTA 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 (v) other social risks. Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The terms of reference for the environment and social compliance audit includes the requirements to carry out social and poverty analysis in addition to social safeguards risks.</p> <p>2. 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?</p> <p>The scope of works for environment and social compliance audit includes a social specialist who is expected to carry out the social analysis and provided inputs to the stakeholder engagement plan.</p>

^a ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

^b ADB. 2014. *Country Partnership Strategy: Armenia, 2014–2018*. Manila.

^c ADB. 2009. *Energy Policy*. Manila.