

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Armenia	Project Title:	High-Efficiency Horticulture and Integrated Supply Chain Project
Lending/Financing Modality:	Project Loan	Department/Division:	Private Sector Operations Department/Office of the Director General

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY
Targeting classification: General intervention
A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy
<p>The Asian Development Bank (ADB) will extend a loan of up to \$32 million to the Spayka Limited Liability Company for its greenhouse expansion in Yerevan. The project promotes agricultural modernization, food security, and employment generation, which are highlighted in ADB's Midterm Review of Strategy 2020.^a The Midterm Review emphasizes improved agricultural productivity through investments in research and development, water infrastructure, and agribusiness. Moreover, the project is also aligned with the following development pillars in ADB's country partnership strategy for Armenia: (i) high and sustainable economic growth, and (ii) broadened access to economic opportunities.^b The country partnership strategy supports building needed infrastructure and improving the business environment, as well as catalyzing new economic opportunities where poverty is highest through improved urban environments and business conditions.</p>
B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due Diligence
<p>1. Key poverty and social issues. Agriculture has played a vital role in Armenia's socioeconomic development since it became independent from the former Soviet Union. The agriculture sector accounted for almost 16% of gross domestic product in 2016,^c and employs around one-third of the population, of which more than half are women.^d Although Armenia's unemployment rate declined slightly from 18.1% in the second quarter of 2016 to 17.4%. In the second quarter of 2017,^e it remained in the double digits. The national poverty rate also declined from 35% in 2011 to 29.8% in 2015;^f however, the livelihood of rural population remains vulnerable and over one-third live below the poverty line.</p> <p>Armenia's agricultural sector suffers from low productivity due to such factors as limited irrigated land, inadequate infrastructure, limited access to finance, a lack of efficient technology, vulnerability to natural hazards, and underdeveloped market mechanisms. Furthermore, the water shortage in some parts of Armenia threatens the irrigation system used for agricultural production. In November 2017, the Government of Armenia announced its intentions to increase agricultural productivity by introducing modern technologies, promoting high value-added agriculture, expanding exports volume, and providing favorable conditions for farmers.^g</p> <p>2. Beneficiaries. The project will help the country and the government meet the agricultural productivity goal and expanding its export volume. This will also create employment opportunities in Yerevan, especially for women.</p> <p>3. Impact channels. The project will indirectly contribute to economic growth, reduce poverty, and create jobs. During the greenhouse construction, new job opportunities will be created for mostly local workers. During the operations, about 240 greenhouse workers and 35 administrative staff will be employed.</p> <p>4. Other social and poverty issues. None</p> <p>5. Design features. The proposed project will develop a greenhouse facility on unused municipal land. This new industry will offer new job opportunities to Yerevan Municipality, which will translate into higher incomes for the local population and yield government revenues.</p>
II. PARTICIPATION AND EMPOWERING THE POOR
<p>1. Participatory approaches and project activities. Spayka plans to consult relevant stakeholders on the proposed greenhouse project. During the greenhouse construction phase, the Spayka project coordinator will lead communications with stakeholders. During the operations phase, the local greenhouse director will handle engagement with local communities and other stakeholders. An informal grievance redress mechanism is being practiced, but Spayka will establish a formal grievance procedure.</p> <p>2. Civil society organizations. There is limited opportunity to engage with civil society organizations on the proposed project, as it focuses on the development of a greenhouse facility the location and design of which has already been defined.</p> <p>3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA)</p> <p style="padding-left: 40px;"><input checked="" type="checkbox"/> Information gathering and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>4. Participation plan. Indicate whether a project-level participation plan will be prepared to strengthen the participation of civil society as interest holders for affected persons, particularly the poor and vulnerable. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
III. GENDER AND DEVELOPMENT
Gender mainstreaming category: Effective gender mainstreaming

A. Key issues. The project is categorized as effective gender mainstreaming. The greenhouse project will be developed in Yerevan Municipality. During full operation, Spayka will employ about 240 greenhouse workers, likely from nearby villages. The company commits that 65% of the greenhouse workers to be employed will be women. Most of the workers, including the recruited women workers in the greenhouse, lack the skills and technical knowledge to grow and take care of the plants in the greenhouse, as well as knowledge of safety practices. The Food and Agriculture Organization of the United Nations (FAO) notes that “Women have unsatisfactory access to technical knowledge on agriculture, and face barriers to accessing information, extension services and training.”^h The company provides training and mentoring to its greenhouse workers to ensure that proper techniques are applied in the greenhouse operations. This will also build the capacity and skills of women through knowledge transfer.

In Armenia, the labor participation gap between men and women is around 17 percentage points.ⁱ Although the earnings gap between men and women has narrowed, women earn 36% less than men, on average. Also, a significant proportion of women are engaged in informal work, leaving them outside the protection of the Labor Law, which provides for maternity or child care leave.^j A formal job like employment in a corporate greenhouse gives them a better chance to be covered by the Labor Law. Spayka is currently developing its Human Resource Policy, and women workers will benefit from the inclusion of relevant gender-related provisions from the Labor Law.

B. Key actions. Gender action plan Other actions or measures No action or measure.

For this proposed project, Spayka commits to implement a gender action plan including the following measures: (i) the requirement that 65% of the 240 greenhouse workers must be women, (ii) a human resource policy including provisions on gender equality in recruitment and salary, (ii) a human resource policy prohibiting sexual harassment in the workplace, and (iii) a company code of conduct prohibiting pregnant workers and women workers taking care of children younger than 1 year old from engaging in tasks with dangerous factors and harmful conditions, such as the handling of fertilizers and harmful chemicals, and carrying heavy loads, among others.

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: A B C FI

1. **Key impacts.** The project will not cause involuntary resettlement. The greenhouse will be built on a 47.76-hectare land plot donated by Yerevan Municipality. The land was owned by the municipality and has been unused since 2012. Under the former Soviet Union, the land was used for agriculture. In the 1990s, the land was under the control of Shengavit Community, which issued permits to people to cultivate the land. These permits were canceled in 2008 when a law was passed changing the status of the communities to administrative districts. However, a number of people continued using the land until 2012 when Yerevan Municipality acquired Shengavit Community’s land for a greenhouse facility, to be developed by a partially government-owned company. The government compensated the land users; however, the development did not materialize as the company failed to meet some of the conditions. Thus, the land was left unused from 2012 until 2017. In early 2017, Spayka applied to the Mayor of Yerevan for the allocation of a land plot to develop a greenhouse complex. In July 2017, Yerevan Municipality and Spayka signed the donation agreement and the property certificate obtained by Spayka. No one is currently living on or using the land informally, and there are no outstanding complaints with regard to the land.

2. **Strategy to address the impacts.** N/A

3. **Plan or other Actions.** No action

B. Indigenous Peoples

Safeguard Category: A B C FI

1. **Key impacts.** The proposed greenhouse project is located within the boundaries of Yerevan Municipality in the Shengavit Administrative District, which is close to the Noragavit district of Yerevan and the rural community of Nor Kharberd in the Ararat region. These areas are mostly inhabited by Armenians and a few Yazidis who are already mainstreamed into society. The project will not impact any socio-cultural groups who may be considered indigenous peoples as per ADB Safeguard Policy Statement.

Is broad community support triggered? Yes No

2. **Strategy to address the impacts.** N/A

3. **Plan or other actions.** No action

V. ADDRESSING OTHER SOCIAL RISKS

A. Risks in the Labor Market

1. Relevance of the project for the country’s, region’s, or sector’s labor market, indicated as high (H), medium (M), and low or not significant (L).

unemployment underemployment retrenchment core labor standards (L)

2. **Labor market impact.** Construction of the greenhouse will require approximately 300 workers. During the greenhouse operations, 240 workers and 35 administration staff will be employed. Spayka and its contractors and subcontractors will comply with national labor laws and adopt measures to comply with relevant internationally recognized core labor standards.

B. Affordability. Not applicable. Spayka will export produce from the greenhouse to the Russia Federation and other countries.

C. Communicable Diseases and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):

Communicable diseases NA Human trafficking NA Others (please specify)

2. **Risks to people in project area.** NA. The contractor will engage local workers from nearby villages who will travel to the worksite on a daily basis. There is no need to construct a workers’ camp.

VI. MONITORING AND EVALUATION

1. Targets and indicators. The project design and monitoring framework included the following social indicators: (i) 240 greenhouse workers employed in Yerevan (including at least 65% women); (ii) all women greenhouse workers trained in good agriculture practices and techniques; (iii) the company human resource policy includes a provision ensuring gender equality in recruitment, training, and salary; and (iv) the company code of conduct includes a provision prohibiting pregnant workers and women taking care of children younger than 1 year old from engaging in tasks with dangerous factors and harmful conditions.

2. Required human resources. Spayka will engage an environment and social officer to handle the environmental and social aspects of the facilities at the corporate level, including monitoring and reporting to lenders. The greenhouse manager will lead the management of the environmental and social aspects of the Yerevan greenhouse facility.

3. Monitoring tools. ADB will conduct periodic visits and review environmental and social performance reports prepared by the company.

^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 National Statistical Service of the Republic of Armenia. ARMSTAT Database (2016 data).

^d FAO. 2017. Gender, Agriculture and Rural Development in Armenia. Budapest.

^e Trading Economics. Armenia Unemployment Rate. <https://tradingeconomics.com/armenia/unemployment-rate?embed> (accessed 20 November 2017).

^f National Statistical Service of the Republic of Armenia. 2016. Statistical Yearbook. Yerevan.

^g 2017. We Have Set a Goal to Increase Farming Productivity in Armenia—Premier Karapetyan. Armenpress. 8 November. <https://armenpress.am/eng/news/911712/we-have-set-a-goal-to-increase-farming-productivity-in-armenia%C2%A0%E2%80%93-premier-karapetyan.html> .

^h FAO. 2017. *Gender, Agriculture and Rural Development in Armenia*. Budapest.

ⁱ World Bank. *Armenia Country Gender Assessment: The State of Gender Equality in Armenia*. 2016

^j ADB. 2015. *Armenia Country Gender Assessment*. Manila.