

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Armenia	Project Title:	Power Transmission Rehabilitation Project
Lending/Financing Modality:	Project	Department/Division:	Central and West Asia Department Energy Division

### 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

According to the 2013–2017 Government Action Plan, government policy for the energy sector will focus on increasing the country's energy security, implementing policies to contribute to energy saving, continually updating the energy system in terms of equipment, improving indicators of electrical energy quality, and increasing reliability of the supply. In addition, the Armenian Development Strategy (2012–2025) includes targets for the energy sector: construct and replace aging generation assets, expand and upgrade the power transmission system, and implement energy-saving measures and maximal use of renewable energy and alternative energy resources.

The Asian Development Bank (ADB) is currently preparing the country partnership strategy for Armenia (to be finalized in 2014). ADB will continue assisting Armenia in improving the utilization of energy resources. The key areas of ADB operations in the energy sector are based on government priorities, are aligned with ADB's Strategy 2020 and Energy Policy 2009, and include (i) rehabilitation of large hydropower generating assets, (ii) rehabilitation of aging transmission and distribution assets, (iii) improvement of cross-border interconnection of power systems, (iv) development of renewable energy, and (v) policy and institutional development. The project is included in ADB's country operations business plan, 2014–2016.

Rehabilitation of existing substations will improve the reliability and quality of power supply to urban and rural consumers in secondary towns, reducing regional disparities within Armenia, and supporting inclusive and sustainable economic development. By increasing the supply of efficient and reliable electricity to the system, the project will increase the reliability of the power supply nationwide, benefiting the poor and neglected regions. Since the rural poor are the first to be cut off from supply during winter power shortages, system loss reduction and stronger supply reliability will particularly benefit the poor and the socially excluded. The project will also enhance regional power trade with neighboring countries, which will stimulate economic growth and increase employment opportunities. The project will contribute to maintaining a high electrification rate in Armenia and ensuring reliable energy supply to the industry (i.e., mining), which is among the main employers in the project areas.

#### B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues. The project will rehabilitate critical high-voltage substations by replacing equipment that has reached the end of its life-span and general modernization activities within the confines of existing substations. It will thus contribute to strengthening energy security through improved power system reliability and efficiency. If the transmission network is not modernized, the risk of system breakdowns will increase with negative impacts on the general livelihood situation of more than 80% of the population who currently are electricity users. The upgraded transmission network will increase the reliability of power supply nationwide, also benefiting the poor and neglected regions. In addition, the project will contribute to enhancing power exports and regional integration.

The project benefits the poor indirectly by improving efficiency and reliability of power transmission, which will contribute to improved living conditions of residents and productivity of commercial and industrial users and community service providers (e.g., hospitals, schools).

2. Beneficiaries. The potential primary beneficiaries of the project would be the general population in urban and rural areas and commercial, industrial users, and community service providers benefiting from improved power supply reliability. The high-voltage network is the basis of the transmission network. More than 80% of the Armenian population has access to electricity and are in need of a reliable and affordable electricity supply. People who were consulted noted that power supply within the local (low voltage) electricity grid needs to be stabilized and power cuts within the local grid reduced. They also noted the need for increased street lighting and asphalted roads.

3. Impact channels. Indirectly, the project will help improve the living situation of the poor by provided them with access to efficient and reliable power in their residence and their sources of livelihood. To a limited extent, the project will be able to provide some short-term employment opportunities for the rehabilitation and upgrading of substations.

4. Other social and poverty issues. The project is not expected to generate any significant direct social impacts related to land acquisition issues, gender, or indigenous peoples during its design, construction, or operation phases as the replacement of equipment will take place within the confines of the substations.

5. Design features. Vulnerable people are concerned about gas and electricity price increases. Increased energy efficiency would decrease dependency on gas imports and contribute a stable fuel price for consumers.

## II. PARTICIPATION AND EMPOWERING THE POOR

1. Consulted stakeholders indicate broad support for the project as the rehabilitation of infrastructure at the end of its life-span is logical and the stabilization of power supply is an important general goal. The consulted stakeholders agree that the project does not generate foreseeable social impacts.

2. Explain how the project ensures adequate participation of civil society organizations in project implementation. Stakeholder consultation included meetings, interviews, and small focus group discussions with the main stakeholders. Staff of the substations and the nearest local residents were interviewed on potential environmental and social impacts, the livelihood situation in general, and poverty issues. Municipalities were informed about the project and consulted on problems with energy development and development priorities. Other stakeholder consultations included the NGO-Forum on ADB (environmental impacts, waste management) and the Aarhus Centre Armenia (on public consultation and access to information). The consulted organizations appreciate being informed and consulted about the project but do not see a specific role in this specific project for civil society organizations.

3. What forms of civil society organization participation is envisaged during project implementation?

Information gathering and sharing (H)  Consultation  Collaboration  Partnership

4. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable?

Yes.  No. Rehabilitation works limited to substations, no community involvement, low social impacts.

## III. GENDER AND DEVELOPMENT

Gender mainstreaming category: No gender elements

**A. Key issues.** The rehabilitation of substation infrastructure is not expected to have negative impacts on gender relations. The project is not considered to have the potential to directly improve access and control over resources or opportunities, assets, or services. Indirect gender benefits may arise through improved electricity supply and economic growth. These positive impacts will for the most part benefit men and women equally.

**B. Key actions.** Given the nature of the project and its focus on upgrading the national power system, enhancing transmission capacity, and rehabilitating substations, the benefits will be of a generalized and indirect nature, and the project does not permit the inclusion of gender design features. Equal wages for male and female workers should be ensured. Appropriate sanitary facilities at substations for female workers should be installed.

Gender action plan  Other actions or measures  No action or measure

## IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

### A. Involuntary Resettlement

Safeguard Category:  A  B  C  FI

1. Key impacts. No land acquisition and resettlement impacts have been identified. No people will be displaced. No assets are to be acquired.

2. Strategy to address the impacts. Compliance with ADB information disclosure and consultation requirements and implementation of grievance redress mechanism.

3. Plan or other actions.

Resettlement plan  Combined resettlement and indigenous peoples plan  
 Resettlement framework  Combined resettlement framework and indigenous peoples planning framework  
 Environmental and social management system arrangement  Social impact matrix  
 No action

### B. Indigenous Peoples

Safeguard Category:  A  B  C  FI

1. Key impacts. The project is not expected to generate any impacts on indigenous peoples. Is broad community support triggered?  Yes  No

2. Strategy to address the impacts. No impacts on indigenous peoples.

3. Plan or other actions.

Indigenous peoples plan  Combined resettlement plan and indigenous peoples plan  
 Indigenous peoples planning framework  Combined resettlement framework and indigenous peoples planning framework  
 Environmental and social management system arrangement  Indigenous peoples plan elements integrated in project with a summary  
 No action

## V. ADDRESSING OTHER SOCIAL RISKS

### A. Risks in the Labor Market

1. Relevance of the project for the country's or region's or sector's labor market: low or not significant (L).  
 unemployment  underemployment  retrenchment  core labor standards The workers will come from outside the project location and the rehabilitation work will be limited to the confines of existing substations.
2. Labor market impact. The project offers limited employment opportunities for the local population, as only qualified staff with sufficient capacities will be employed. The staff will come from outside the project location (national or international). Employment generated is short term and limited to rehabilitation activities, with very limited civil works. Core labor standards are normally respected. The project is not expected to lead to a reduction of staff in substations.

### B. Affordability

According to the tariff-setting methodology stipulated by the regulator for the energy sector, tariffs will be reviewed and adjusted based on the government-approved investment projects. The project will lead to a marginal increase in consumer electricity tariffs. Electricity supply is relatively price inelastic. Having a reliable electricity supply is the household priority. A worsening of the electricity supply (by not replacing outdated equipment) would negatively impact poor consumers who do not have access to other power generating facilities (i.e., generators). Meanwhile, the capacity of people, especially in rural areas, to pay for electricity is very limited and in terms of energy supply people report shifting back to heating with wood (and dried cow dung) due to the gas price increases. A considerable increase in the electricity price would put the poorest and most vulnerable among electricity users in a position of not being able to afford electricity anymore. The government has developed and will implement social support programs for vulnerable people to prevent increased vulnerability.

### C. Communicable Diseases and Other Social Risks

1. Indicate the respective risks, if any, and rate the impact: not applicable  
 Communicable diseases  Human trafficking  
 Others (please specify) \_\_\_\_\_
2. Limited impact by external workers due to limited number and magnitude of construction work and short construction time. HIV/AIDS issues are to be incorporated in health and safety trainings for all construction workers and permanent employees (for other H&S issues electrical safety, transportation of hazardous substances) (included in the environmental monitoring plan).

## VI. MONITORING AND EVALUATION

1. Targets and indicators. EPSO and HVEN will monitor the implementation of safeguard requirements and prepare concerned reports respectively. They will monitor compliance with safeguard covenants and include the results in the project progress reports submitted to ADB semi-annually. The grievance mechanism for monitoring suggests collecting the following data: number of grievances lodged, number of grievances settled, number of grievances not resolved, number of cases taken to court, and documentation of grievance settlement procedure and results.
2. Required human resources. The project implementation consultants will include an environment specialist (part-time international and part-time national specialists) will be employed for the duration of the construction. The consultants will support and assist the Safety Engineering and Reliability Service of EPSO and HVEN in implementing the environmental monitoring plan. The specialists will perform regular site visits (audits) and assist EPSO and HVEN in their reporting duty (monthly monitoring reports). The aim is that all mitigation measures will be implemented adequately.
3. Information in the PAM. Compliance with covenants will be monitored through regular ADB review missions and on a quarterly basis in discussion with EPSO and HVEN. A list of performance indicators will be tracked and evaluated under the PAM. Baseline data and performance targets established at project commencement will be monitored and reported to ADB through the quarterly progress report.
4. Monitoring tools. Monitoring will include (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan, and (d) updated implementation plan for the next 6 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure projects continue to be viable and sustainable, project accounts together with the associated auditor's report should be adequately reviewed.

Source: Asian Development Bank.