

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Armenia	Project Title:	Public Efficiency and Financial Markets 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
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</p> <p>Armenia experienced a long period of economic growth preceding the 2008–2009 global financial crisis that supported significant poverty reduction. However, the financial crisis and subsequent economic slowdown have negated the gains in improving the lives of the poor. The latest household income and expenditure survey (2015) showed that poverty had decreased marginally from 30.0% in 2014 to 29.8% in 2015 and was still higher than in 2008 (27.6%). The share of the extremely poor was 2.0% in 2015 as compared to 1.6% in 2008.</p> <p>The overarching goal of the Government of Armenia’s long-term strategy—ADS—is to improve the welfare of society.^a The ADS identifies four priorities for 2014–2025: (i) employment growth, (ii) human capital development, (iii) improvement of the social protection system, and (iv) institutional modernization of public administration and governance.</p> <p>Achieving strong, inclusive economic growth is a core government objective. This requires an ambitious reform agenda to foster private investment, expand the private sector, and increase the public sector’s efficiency and transparency. Developing deep and liquid government debt markets improves budget management and helps finance overall economic development, growth, and poverty reduction. Capital market development will help finance real sector needs and develop a more balanced and stable financial sector, which benefits the poor (as the poor tend to be more adversely affected by financial instability and volatility).^b It will also contribute to greater social inclusion by expanding the range of investment opportunities for local institutional investors (e.g., pension funds and insurance companies).</p> <p>The proposed program is aligned with the ADS and builds on ADB’s Midterm Review of Strategy 2020.^c Though financial sector development was not identified as a main strategic priority in ADB’s CPS for Armenia, 2014–2018,^d it was reflected as an emerging government need in the COBP, 2017–2019.^e</p>
<p>B. Poverty Targeting</p> <p><input checked="" type="checkbox"/> General Intervention <input type="checkbox"/> Individual or Household (TI-H) <input type="checkbox"/> Geographic (TI-G) <input type="checkbox"/> Non-Income MDGs (TI-M1, M2, etc.)</p> <p>The proposed policy-based program has a broad and nationwide impact on inclusive growth through strengthened public debt management, enhanced access to financial products and services, and improved efficiency in government systems. The proposed program has an indirect impact on poverty.</p>
<p>C. Poverty and Social Analysis</p> <p>1. Key issues and potential beneficiaries. The potential beneficiaries are (i) the public, who will benefit from greater transparency and improved efficiency in government systems for procurement, audits, and public resource usage that will free public resources to finance public investment; (ii) the Ministry of Finance, through strengthened public debt and financial risk management; (iii) the Central Bank of Armenia, through enhanced money and market tools; (iv) market participants (i.e., public and private corporations, financial institutions, and individuals) through more transparent financial information, higher accounting and auditing quality standards, and additional alternatives to finance their investment needs. The poor and the socially excluded will benefit from the program indirectly, through improved financial sector stability, higher economic growth, and increased employment opportunities.</p> <p>2. Impact channels and expected systemic changes. These would include (i) greater financial sector stability, (ii) improved public budget management; (iii) increased quality and transparency of financial reporting, and (iv) diversified range of funding sources and investment opportunities.</p> <p>3. Focus of (and resources allocated in) the TRTA or due diligence. No poverty, social, or gender issues requiring specific attention have been identified.</p> <p>4. Specific analysis for policy-based lending. The program will benefit all citizens, including the poor, through several channels that will contribute to economic growth and job creation. These include (i) developing deep and liquid government debt markets that will improve public debt management and indirectly help free resources to finance investments in infrastructure investments; (ii) making the financial sector more resilient to financial shocks (making the real sector less dependent on banking sector finance, which tends to be more procyclical), and (iii) providing more varied investment opportunities for local institutional investors, such as pension funds and insurance</p>

<p>companies, and helping safeguard the assets of the elderly and vulnerable groups. The intervention will have a broad, nationwide direct impact on inclusive growth; however, it has an indirect impact on poverty reduction.</p>
<p>II. GENDER AND DEVELOPMENT</p>
<p>1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Not applicable.</p> <p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain.</p> <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain</p> <p>4. Indicate the intended gender mainstreaming category: <input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input checked="" type="checkbox"/> NGE (no gender elements)</p>
<p>III. PARTICIPATION AND EMPOWERMENT</p>
<p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. Identified stakeholders include (i) government agencies (Ministry of Finance and Central Bank of Armenia); (ii) Nasdaq OMX Armenia and other financial institutions, including banks and non-banks; (iii) the Association of Accountants and Auditors of Armenia; (iv) public and private corporations; and (v) other international development organizations providing assistance in public financial management and financial sector development. The program, including the proposed timetable for implementing the policy actions, is being designed in close consultation with all primary stakeholders.</p> <p>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? The proposed policy conditions will (i) improve transparency in public management and public procurement; (ii) help protect the interests of investors and increase transparency of financial reporting (through establishing a Public Oversight Board to ensure quality of the accounting and auditing professions, and a public registry of financial statements); and (iii) protect financial consumers (through reforms to the residential mortgage lending regulation).</p> <p>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 <input checked="" type="checkbox"/> Information generation and sharing L <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>IV. SOCIAL SAFEGUARDS</p>
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. What action plan is required to address involuntary resettlement as part of the TRTA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" 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</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 TRTA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input checked="" type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>

V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design? Not applicable.</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> 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>2. How are these additional social issues and risks going to be addressed in the project design? Not applicable.</p>
VI. TRTA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the TRTA (or other due diligence) contain key information needed to be gathered during TRTA 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No No poverty, social, or gender issues requiring specific attention have been identified.</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 TRTA or due diligence? Not applicable.</p>

ADB = Asian Development Bank, ADS = Armenia Development Strategy, COBP = Country Operations Business Plan, CPS = Country Partnership Strategy, TRTA = transaction technical assistance.

^a Government of Armenia. 2014. *Armenia Development Strategy for 2014–2025*. Yerevan.

^b S. Jeanneney and K.Kpodar. 2008. International Monetary Fund Working Paper: *Financial Development and Poverty Reduction: Can There Be a Benefit Without a Cost?* Washington, DC.

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

^d ADB. 2015. *Country Partnership Strategy: Armenia, 2014–2018*. Manila.

^e ADB. 2016. *Country Operations Business Plan: Armenia, 2017–2019*. Manila.

Source: Asian Development Bank.