

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Armenia	Project Title:	Infrastructure Sustainability Support Program Phase 2
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

Armenia continues to face challenges in reducing poverty and eliminating extreme poverty, accelerating human development, and mitigating disproportions in the territorial development to promote inclusive and sustainable economic growth. The overarching goal of the Government of Armenia's long-term strategy is to improve the welfare of the society. In 2014, the government revised its 2008 Sustainable Development Program (SDP) to address post-crisis challenges and adjust to new economic realities. A new program, the Armenia Development Strategy for 2014–2025 (AMS), replaced SDP and identified the following four priorities: (i) growth of employment, (ii) development of human capital, (iii) improvement of social protection system, and (iv) institutional modernization of public administration and governance. The first two priorities are aimed to lift the majority of population out of poverty by accelerating human development through better access to public services, and promoting opportunities for jobs and income generation. Remaining two priorities aimed at providing effective targeting and support to vulnerable groups and better public sector investment through better efficiency and promoting good governance. The 2009 financial crisis and changes in external economic environment demonstrated the vulnerabilities of previous Armenian model for economic growth. Under new program, the government plans to reduce the poverty level to 13% by 2025 from 32.0% in 2013 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 these four priorities. One of the major challenges is policy coordination and coherence within the government.

In 2014, the Asian Development Bank (ADB) and the Government of Armenia agreed on new country partnership strategy for Armenia for 2014-2018 (CPS).⁸ The country operations business plan for Armenia, 2016–2018 was also approved⁹ focusing on core areas: (i) improving regional roads and urban roads in Yerevan and in secondary cities; (ii) water and other urban infrastructure and services, by focusing on urban environments and on supporting targeted interventions in secondary cities; and (iii) energy, by helping enhance energy security through the diversification of energy sources, rehabilitation and upgrading of electricity transmission and distribution networks. COBP also supports main cross-cutting CPS strategic priorities of private sector development, regional cooperation, knowledge solutions, environmental sustainability, disaster risk management, gender, governance, and institutional strengthening. These are consistent with the government's priorities and commitments. The first Infrastructure Sustainability Support Program (ISSP 1) or Phase 1, was aimed at supporting government in developing necessary capacity to measure the progress towards its long-term objective — and assessing where and how changes can be made — to meet the poverty reduction and other targets. The second phase is aimed to build on the results of the ISSP and support the government budget for further institutional modernization of public administration and governance in road and water sectors.

B. Targeting Classification

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

As specified in COBP the proposed policy-based operation is not specific to household or particular geographic areas.

C. Poverty and Social Analysis

In 2013, recorded 32% of population being below poverty line, with 2.7% being in extreme poverty. This is a slight improvement from 2010 due to rebound in economic growth. ADS 2014-2025 is aimed to tackle the inefficiencies in the market. The program aims to reduce extreme poverty to 1.8%, while population being below poverty line should decrease to 13% by 2025. Armenia has a well-developed social protection system including contributory and non-contributory programs. Cash income received through various social protection programs on average made up 16.6% of total household income in 2013. The social protection system plays an important role in shielding people from poverty.

⁸ ADB. 2014. *Armenia: Country Partnership Strategy (2014-2018)*. Manila.

⁹ ADB. 2015. *Armenia: Country Operations Business Plan (2016-2018)*. Manila.

Improvements to the water sector (supply of drinking water and sanitation) 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. Secondary cities and rural areas still have water rationing and efficiency in allocation 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 ADS 2014-2025, the annual public investments in the transport sector will average about 1.6% of GDP during 2014–2017. Afterwards, planned expenditure will account for 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. 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 and sanitation improve. No adverse impacts requiring mitigating measures have been identified. If during due diligence there will be a need for additional analysis it will be carried out under the PPTA during the project design stage.

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 little impact on gender issues. However, improved service delivery over the long term is expected to help women. It has both positive affect in terms of more free time for women to get quality education, training and better which will add to productivity. Increased investment in road and water sector will create opportunities for new jobs for men and women due to more reliable infrastructure.
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, Public Services Regulatory Commission, 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 sessions held intermittently from July to October 2015.
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?
Proposed policy conditions seek to provide a more robust and structured framework to improve quality of performance indicators for road and water sectors. Improved institutional capacity of MOTC, PSRC and SCWE will strengthen governance and technical skills of the regulatory authorities. As a result tariff policies and investment planning is expected to improve. This would allow the poor and disenfranchised to have better services at reasonable cost.

<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?</p> <p><input type="checkbox"/> Information generation and sharing <input 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>
IV. SOCIAL SAFEGUARDS
<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 PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement 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>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 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>
V. OTHER SOCIAL ISSUES AND RISKS
<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</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?</p> <p>None of these issues pose a significant risk to this program and need not be addressed in program design.</p>
VI. PROJECT PREPARATORY TECHNICAL ASSISTANCE OR DUE DILIGENCE RESOURCE REQUIREMENT
<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>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? N/A</p>