

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Azerbaijan	Project Title:	MFF Power Distribution Enhancement Investment Program
Lending/Financing Modality:	MFF-Facility (Loan)	Department/Division:	Central and West Asia Department/Energy Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The country has made significant progress in reducing poverty. Poverty incidence has fallen from 49.67% in 2001 to 5% in 2013. Economic growth can be regarded as partly inclusive because of substantial poverty reduction, the decline in regional poverty disparities, the rise in rural employment rates, and the broad-based impact on household consumption in urban and rural areas.

Despite this achievement, challenges remain in improving the living conditions of the population. Accessibility and reliability of public utilities has been identified as among the constraints to development.

The Government's State Program on Poverty Reduction and Economic Development (2008–2015), identified power sector improvement as among its strategic goals to reduce poverty. The investment program is fully consistent with this goal. It is consistent with ADB's Midterm Review of Strategy 2020 and the ADB Energy Policy (2009) by promoting inclusive growth, regional integration, energy security, and supporting energy efficiency and renewable energy.

B. Targeting Classification

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

The proposed infrastructure contributes to improvements in energy efficiency and electricity distribution services, benefiting all including the poor and marginalized groups, but without specific poverty targets.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

1. Key issues and potential beneficiaries. The Azerbaijan power distribution system suffers from inefficient use of energy resources with consequent economic and environmental drawbacks. Deficiencies and the unreliability of power distribution affect living conditions of households and discourage new economic activities. Households in rural areas, IDPs and lower income households are more disadvantaged in terms of access to a reliable power supply. Through this project, more reliable power supply is expected to benefit firms and industries throughout the entire country, which will provide increased economic and job opportunities for households, including the poor and socially excluded. The overall MFF will benefit 1.45 million power customers, of which 60% are residential customers.

2. Impact channels and expected systemic changes.

The program is focused on improving the energy efficiency and reliability of the distribution system, which is the part of the energy system that takes generated power, steps down the voltage and delivers it to households and industries. The program will also improve revenue collection systems, reduce commercial losses and the load management capability of the system, hence improving the accessibility of all segments of population to a quality power supply. Adequate and reliable electricity supply will improve the quality of life and well-being of the people. It will increase the productivity and reduce costs to small and medium entrepreneurs of the current aged, unreliable system.

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

1. Focus of (and resources allocated in) the PPTA or due diligence. Based on a household survey conducted under the poverty and social analysis (PSA) during the PPTA in 2009, the first project tranche will directly positively affect 184,824 beneficiaries of which about 29% are poor (Source State Statistical Committee of the Republic of Azerbaijan and household survey conducted under PPTA). The proportion of poor and non-poor was determined by identifying the households, by income on per capita basis, with monthly incomes that fell below the lower poverty line (relative poverty line) of 65 AZN. This is a higher than the national poverty headcount of 13.2% .

The PSA showed that most households use electrical appliances for entertainment, heating and cooling. As an indicator of use of labor saving devices (particularly for women's household work), in the surveyed area, only 52% of households use a washing machine. The most commonly used non-electrical appliances include a firewood stove, gas stove, kerosene lamp and other lamps for heating and lighting purposes, indications of insufficient electricity supply. Most of the households (98%) were connected to national electricity grid free of cost. Overall, 75% of households stated that the quantity of distributed

electricity from the national grid is not sufficient to meet their household electricity consumption needs. While power cuts are common, they are scheduled in a controlled manner, meaning the majority of households (over 95%) are satisfied with the present service.

In response to questions on the number and duration of power cuts and shortage of supply, 61% of respondents referenced power cuts of an hour or so during the day while 35% of respondents observed power cuts of more than one hour. Respondents noted that, due to the low voltage and inconsistency in electricity supply the use of sensitive appliances is difficult. About 10% of households stated that small and large electrical appliances had been damaged due to the voltage fluctuations of the existing electricity supply. The cost of repair for damaged appliances is an extra burden; similarly extra cost is incurred for voltage stabilizers to prevent appliance damage.

The Project will result in positive impacts on improved reliability of electricity supply at the household level. This, in turn, will lead to decreased household spending on solid/liquid fuels for heating, cooking and lighting purposes, and the associated indoor air quality issues. Households will also be able to use more labor saving electrical appliances without risk of damage due to power voltage fluctuations. The project is also expected to contribute to improved income generating opportunities by providing reliable electricity to small industries, and agricultural businesses.

Poverty, social and gender impacts will be updated during project preparation in 2015.

4. Specific analysis for policy-based lending.

N.A.

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?

Azerbaijan exhibits near gender parity in some spheres (education and literacy rates) but also shows distinctive inequalities in terms of women's empowerment overall, especially in women's participation in public and political spheres, and in decision making. Azerbaijan has a Gender Inequality Index (GII) value of 0.314, ranking it 50 out of 146 countries in the 2011 index. Female participation in the labor market is nearly 60% compared to 67% for men, relatively high compared to other CIS countries. A broad-based gender equality law, the Law on State Guarantees on Equal Rights for Women and Men was passed in 2006 which prohibits gender discrimination in all forms and provides guarantees of gender equality in a broad range of spheres, including employment and remuneration. The Labor Code includes provisions on gender equality in some key aspects of employment relations although not on pay. There is a large gender pay gap. In 2010 the average monthly wage for women was AZN226.6, or only 54.8% of the men's average monthly wage (AZN413.2). The pay gap is attributed to high levels of vertical segregation in the labor market. Women are also heavily concentrated in lower-paid, public sector activities such as education (67.7% female), health and social services (76.5%).

Gender patterns are explicit in the energy sector in Azerbaijan. Men, as heads of households, make decisions on sources and types of energy, even though women are the primary users of energy in the home and are therefore more vulnerable to risks related to energy supply and use, and more able to benefit in terms of reduction of drudgery or manual tasks through use of household electrical appliances.

In 2012, women's employment in the energy sector of Azerbaijan was only 15%. Despite the high income potential, in 2012 there were no female private entrepreneurs in the energy sector. Women are under-represented in the energy sector not only in employment but also in education. The PPTA update will determine the sex disaggregated labor profile of Azerishig and make suggestions for how new jobs created through the investment program can be used to develop or recruit female workers. Training for sector development activities will include 20% women.

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

Actions on reduction of household drudgery, improvement to living conditions, and employment and training opportunities, as outlined above.

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

Yes No

The above actions will decrease the possibility of entrenching sector-based gender roles by paying women who conduct advocacy/demand side management work and encouraging more women to work in the sector.

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 main stakeholders will include power distribution companies, consumers (men and women), business and public institutes and media.

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?

During PPTA update, consultations with the poor and low-income groups will be conducted to include them in the planning process. Risks and vulnerabilities for low income, women, poor and excluded groups will be documented in consultation with and participation of these groups.

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?

M Information generation and sharing **L** Consultation **N** Collaboration **N** Partnership

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

None.

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

N.A.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

N.A.

3. Will the project require broad community support of affected indigenous communities? Yes No

N.A.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

Indigenous peoples plan Indigenous peoples planning framework Social impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

Creating decent jobs and employment Adhering to core labor standards Labor retrenchment(**L**)
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design?

The meter readers will not be retrenched but will be required to have their skills upgraded through training provided as project component.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

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?

Yes

No

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?

Social, gender and resettlement experts are included in the PPTA update.