

Environmental and Social Data Sheet

Overview

Project Name:	ARMENIA RURAL FRAMEWORK
Project Number:	2015-0276
Country:	Armenia
Project Description:	Framework loan to improve irrigation and other rural infrastructure in several regions of Armenia
EIA required:	Multi-Investment framework, EIA requirements vary

Project included in Carbon Footprint Exercise¹: no
 (details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Environmental Assessment

Most of the infrastructure in Armenia dates back to Soviet times. It was therefore designed for large collective and state farms, lacks metering systems and is highly energy inefficient. This infrastructure is inadequate for the smallholder agriculture that prevails in the country today and is at the end of its economic life. Due both to its inappropriate design and age, heavy water losses and inefficient energy use affect all levels of Armenian irrigation systems. This in turn compromises the competitiveness and sustainability of Armenian agriculture (and food availability), which is heavily reliant on irrigation.

The framework loan targets system modernization, through a series of sub-projects across the country, of existing irrigation infrastructure at the water storage, distribution and farm levels. Water savings will be used to reduce—or, in the best-case scenario, eliminate—abstraction from unsustainable water sources, such as artesian and other groundwater sources, and to resume production in some of the most suitable formerly irrigated areas. Within this framework, sub-schemes for finance will be pre-screened in order to ensure that their investments will result in net water savings.

This framework project will predominantly focus on sub-projects involving irrigation for agriculture. As such, if in the EU, sub-projects would fall under Annex II of the EIA Directive (2011/92/EU) and be subject to an environmental screening decision by the competent authority. In Armenia, it is expected that most projects will be screened in for at least light method of assessment according to national regulations on Environmental Impact Assessment which will also imply requirements for formal public consultation. The Environmental Protection Law was updated in 2014 to adapt it to international standards. Also, the Water Code was modified in 2002 to transpose the main elements of the EU Water Framework Directive 2000/60/EC. The institutional framework can therefore be considered to be progressing towards international standards (particularly as regards implementation and transposition into practice).

EIB will in any case require the Promoter, through the corresponding undertakings, to apply and follow environmental and social standards established in the EIB Environmental and Social Handbook for the implementation and operation of the different sub-projects within this framework. The two PIUs engaged to manage selection and implementation of sub-projects

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

will develop, with international expert support, an Environmental and Social Management Plan in line with the standards established in the EIB E&S Handbook. The aim of this PIU Environmental and Social Management Plan is to address, inter alia, any E&S issues that may arise from agricultural intensification through irrigation (e.g. management of increased PE piping waste) as well as establishing an agri-chemicals management plan. In the finance contract, the Promoter will undertake to ensure that such E&S Management Plan is applied during construction of sub-projects under this framework, and later during their operation by beneficiary WUAs (Water Users' Associations) and farmers.

The Republic of Armenia includes twelve independent river basins, which are all sub-basins of the Kura/Araks River Basin System. In line with the principles of the EU Water Framework Directive—transposed into national law by the 2002 Water Code—, the country has undertaken to develop integrated River Basin Management Plans (RBMPs) for all its sub-basins. The competent authority has grouped its river basins under seven Basin Management Organisations, three of which have developed or are in the process of developing draft RBMPs for the most part with the support of international donors. In order to ensure that the source of water supply for irrigation is sustainable, only sub-projects located in areas covered at least by finalised draft RBMPs, on which relevant stakeholders have been duly consulted and broad agreement reached will be considered for financing under this framework. The Promoter will further commit to have the relevant draft RBMPs adopted before the commissioning of sub-projects located within the relevant river basin.

It is unlikely that any of the sub-projects will imply a negative impact on the water flow of transboundary rivers or imply water transfer schemes among the international Kura/Araks River Basins and as such trigger international notification obligations. The finance contract will nevertheless include government undertakings to alert EIB of any potential negative effects on transboundary water flows as a result of any of the sub-projects under this framework and to facilitate notification to riparian countries according to established UNECE or alternatively World Bank procedures as and when deemed necessary by the EIB. In the unlikely event that any sub-project involved the modernisation or construction of infrastructure for the transfer of water from one river sub-basin of the Kura/Araks River Basin System to the other, the Promoter would conduct an EIA according to the standards established in the EIB E&S Handbook.

Social Assessment

In Armenia, farmers that irrigate land are mostly grouped under WUAs which are regulated by the Law on Water Users' Associations and Federations of WUAs (2002). WUAs are charged with the operation and maintenance of irrigation water distribution systems. Under this framework there will be a formal call for proposals from the WUA across the country to propose eligible investment initiatives (sub-projects). The aim of each of the sub-projects is for farmers to enjoy 24/7 water availability on demand over the whole growing season and benefit from the financing of the on-farm investment. Sub-project proposals will be prioritised on the basis of a series of pre-established selection criteria, including their potential for water savings and water use sustainability.

To maximise water and energy efficiency as well as flexibility in use by the farmers, the technical system design requires that all farmers along an irrigation supply system (for example, those served from the same tertiary or secondary/tertiary water distribution line) are incorporated within the scheme and accept revision of their water rights to incorporate permanent pressurised water availability on demand with reduced instant water flow capacities that are required to serve modern irrigation systems (depending on the system design these will most probably be drip irrigation or micro-sprinkler systems).

The preparation and selection of sub-projects will therefore require an open consultation and decision-making process that will enable farmers to make an informed decision about engaging in sub-projects involving irrigation system upgrades. International consultants will support the Promoter in further developing the selection criteria and farmer engagement procedures as well as in organising public consultations. The Promoter will also undertake to

develop these procedures following the standards of the EIB Environmental and Social Handbook and submit the relevant documents for EIB review and non-objection.

Sub-projects will focus on the renewal of existing irrigation networks. While permanent physical resettlement of populations located alongside the infrastructure is not expected, some degree of temporary economic or physical displacement due to the installation works (e.g. laying pipes, canals, etc.) and new infrastructure (e.g. filters) cannot be excluded.

Therefore, the two PIUs will work with international experts to develop a Resettlement Framework Policy consistent with the requirements of the EIB E&S Handbook. The Promoter will also undertake to assess all sub-projects for their potential social impacts. In the case of schemes that induce any type of permanent or transient economic or physical displacement of local populations or farmers, the Promoter will undertake, through the relevant clauses in the finance contract, to prepare a Comprehensive Resettlement Action Plan based on the pre-established Resettlement Action Framework Policy agreed among the parties and to the satisfaction of the EIB.

Public Consultation and Stakeholder Engagement

Besides the consultations and decision making process concerning the beneficiary farming community described above, further public consultation and stakeholder engagement events may be legally required for individual sub-projects. The overall assessment and permitting needs for each of the selected sub-projects will be determined according to relevant Armenian E&S regulations, always ensuring that the standards established in the EIB E&S Handbook are met.

Other Environmental and Social Aspects

Project implementation will be managed by the Water Sector PIU, a unit within the State Committee for Water Economy (SCWE), which reports to the Ministry of Agriculture, and the Rural Areas Economic Development (RAED) PIU, a state institution under the apparatus of the Government. Both PIUs have a track record in delivering similar projects in the sector, notably for the World Bank, International Fund for Agricultural Development and OPEC Fund for International Development.

The capacity of the two PIUs is deemed adequate for this operation. Procedures covering project management as well as social and environment assessment are operational at both PIUs and will require only minor adjustments to be consistent with EIB standards, as established in the EIB Environmental and Social Handbook. The PIUs will engage with international expertise to support the adaptation and standardisation of their procedures to EIB requirements.

The social and occupational health framework in Armenia is developing and the government has ratified the ILO Core Labour Standards.

All construction contracts will be closed on the basis of FIDIC (International Federation of Consulting Engineers) Pink Book or equivalent standards.

Summary, conclusion and recommendation

With the contractually binding safeguards mentioned in this document in place, the EIB services are confident that the proposed framework project will be implemented according to EIB E&S standards and the operation is therefore considered acceptable for EIB finance from the social and environmental point of view.

