



# Initial Poverty and Social Assessment

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Project Number: 43106

## Republic of Armenia: Preparing the Railway Development Program

An initial poverty and social assessment (IPSA) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the IPSA is disclosed upon completion. The final summary social assessment is included as an appendix to the project's report and recommendation of the President.

**Asian Development Bank**

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country/Project Title: Armenia Railway Corridor Development

Lending/Financing Modality: Project/Sector/Multitranches Financing Facility<sup>2</sup> /Policy-Based, others (please specify) Department/ Division: CWRD/CWTC

### I. POVERTY ISSUES

#### A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy<sup>3</sup>

Owing to robust economic growth the proportion of Armenians living below the poverty line had steadily declined since late 1990s when it exceeded 50%. The government data put the poverty rate at 22.7% in 2008. The Government's Sustainable Development Program (the same Poverty Reduction Strategy Paper) adopted in 2008 expects further reduction of the poverty level. The Program envisages a range of measures, including development of efficient transport infrastructure, for harmonized regional development within Armenia and for enhancing the country's economic performance and competitiveness.

Armenia is bordering with Azerbaijan, Georgia, Iran and Turkey. After the collapse of the Soviet Union only the borders with Iran and Georgia have been open. Georgia provides the only rail access to the Black Sea and Russia. The lack of relevant transport infrastructure between Armenia and the only alternative route to southern border is seen as major hindrance to the development of economic links to other countries in the region. There is no transit traffic across Armenia. This has great negative impact on international links to Caspian Sea Port, former Soviet Union Countries and Europe.

Armenia has advantageous geographical location between Central Asia and Europe. If a well developed transport infrastructure is in place Armenia can be a land bridge between the two continents. The role of a transit country will facilitate trade and investment flows thus boosting economic growth of Armenia.

Covering only 16% of South Caucasus Armenia possesses valuable reserves of mineral resources due to its difficult and interesting geographical structure. There are deposits of 38 metals and 70 types of solid minerals, as well as resources of underground sweet, mineral and thermal water were determined on the territory of Armenia. Armenia possesses one of the largest reserves of copper in the world. Yet, mining industry's share in GDP was only 1.7% in 2008. Currently, mining industry is privately owned by two big companies which have developed multimillion investment programs for copper processing and exporting. Given the scattered geographical location of the mineral reserves the rail connection will support economic growth and job creation in the Marzes. Harmonized Marz development is crucial for the Government given the low impact of double digit economic growth over the last six years mostly affected the capital whereas current situation with poverty reduction in remote areas can be described as stagnant.

The current rail infrastructure connecting with Georgia is not effective. Serving as alternative to road carriage imports through the Georgian and the Armenian railway takes at least twice time those of trucks. Presently rail transport does not produce any notable credit in the balance of payment of the country. However, being relatively cheaper and climate friendly transport mode railway could serve as an important alternative for exporters of heavy-loading mineral products, importers of commodities (including fuel and wheat) as well as passenger traffic to the tourist destinations in the south of the country.

Taking into consideration the high level of poverty in especially remote areas, the project will establish prospects for inclusion and enhancement of local ownership of the population in economic activities throughout the Marzes. The well developed resorts infrastructure is critical for women's employment in administrative services. In view of the above the southern railway will: i) being relatively cheaper mode of transport decline inflation through lower importation prices (Armenian economy is highly dependent on imports), ii) increase mining industry income, iii) raise agriculture productivity, iv) promote tourism, v) enhance access of remote areas population to social services institutions, vi) balance regional development within the country, thus increasing employment opportunities, increasing the population's affordability related to provision of basic services and accordingly reducing poverty. The possible resettlement and social safeguards issues will be considered in detail during project design stage.

The program is in line with ADB Interim Operational Strategy 2006–2009 and Country Operational Business Plan 2008–2010 for Armenia in the context of regional transport infrastructure.

**B. Targeting Classification**

1. Select the targeting classification of the project:

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

2. Explain the basis for the targeting classification:

Poverty reduction by indirect contribution through expansion of transport links, widening access, accelerating economic activity and increasing employment.

**C. Poverty Analysis**

1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed?

2. What resources are allocated in the PPTA/due diligence?

The PPTA include 1 person-months international and 2 person-months national social and resettlement specialists each. In addition, PPTA includes budget to carry out social surveys, land acquisition and resettlement surveys, stakeholders consultations, seminars and workshops to stimulate public support for the project.

3. If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)?

The PPTA will examine the social aspects and explore opportunities for social inclusion subcomponents.

**II. SOCIAL DEVELOPMENT ISSUES**

**A. Initial Social Analysis**

Based on existing information:

1. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?

Shippers, traders and inter-city train passengers.

2. What are the potential needs of beneficiaries in relation to the proposed project?

Acceptable quality and reasonable price of freight rail transport service for shippers and traders, and acceptable quality and socially-determined price of passenger rail transport service.

3. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them?

Nonexistence of transit through Armenia is a major constraint. The project will provide Armenia with competitive rail links to neighboring countries thus boosting economic activity and providing short and fast railway services.

**B. Consultation and Participation**

1. Indicate the potential initial stakeholders.

The Government of Armenia; ministries of economy, finance, and transport and communications; shippers, traders, passengers, and general public.

2. What type of consultation and participation (C&P) is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of nongovernment organizations and community-based organizations, etc.)?

Workshops, stakeholders and community consultations.

3. What level of participation is envisaged for project design?  
 Information sharing     Consultation     Collaborative decision making     Empowerment
4. Will a C&P plan be prepared?  Yes     No    Please explain.

All consultations will be carried out during the PPTA implementation. Specific measures will be designed during the PPTA to ensure that C&P is carried out during the ensuing project implementation stages.

### C. Gender and Development

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project/program?

There are no specific gender issues in Armenia that need special measures in transport infrastructure projects.

2. Does the proposed project/program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making?  Yes     No    Please explain.

All contracts under the ADB financing will include specific provisions to ensure equal opportunities for men and women in employment, wages and benefits generated by the project.

3. Could the proposed project have an adverse impact on women and/or girls or to widen gender inequality?  
 Yes     No    Please explain

No, there are no women-driven economic or social activities that could be adversely affected by the project.

### III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS<sup>11</sup>

| Issue   | Nature of Social Issue  | Significant/Limited/<br>No Impact/Not Known | Plan or Other Action<br>Required <sup>13</sup>   |
|---|---|---|--|
| <a href="#">Involuntary Resettlement</a>  |   | Not known                                   | <input type="checkbox"/> Full Plan<br><input type="checkbox"/> Short Plan<br><input type="checkbox"/> Resettlement Framework<br><input type="checkbox"/> No Action<br><input checked="" type="checkbox"/> Uncertain    |
| <a href="#">Indigenous Peoples</a>  |   | Not known                                   | <input type="checkbox"/> Plan<br><input type="checkbox"/> Other Action<br><input type="checkbox"/> Indigenous Peoples Framework<br><input type="checkbox"/> No Action<br><input checked="" type="checkbox"/> Uncertain |
| <b>Labor</b><br><input checked="" type="checkbox"/> Employment Opportunities<br><input type="checkbox"/> Labor Retrenchment<br><input type="checkbox"/> Core Labor Standards  | The project may offer opportunities for skilled and unskilled construction work to residents in project areas. The contractors will be required to meet all labor law standards | No Impact                                   | <input type="checkbox"/> Plan<br><input type="checkbox"/> Other Action<br><input checked="" type="checkbox"/> No Action<br><input type="checkbox"/> Uncertain  |
| <b>Affordability</b>  |   | Not Known                                   | <input type="checkbox"/> Action<br><input type="checkbox"/> No Action<br><input checked="" type="checkbox"/> Uncertain   |
| <b>Other Risks and/or Vulnerabilities</b><br><input checked="" type="checkbox"/> HIV/AIDS<br><input checked="" type="checkbox"/> Human Trafficking<br><input type="checkbox"/> Others (conflict, political instability, etc.), please specify | The Project will include measures to mitigate the risks of sexually transmitted infections (including HIV/AIDS) and drug/human trafficking.                                     | Not Known                                   | <input type="checkbox"/> Plan<br><input type="checkbox"/> Other Action<br><input type="checkbox"/> No Action<br><input checked="" type="checkbox"/> Uncertain  |

**IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT**

1. Do the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s?  
 Yes       No    If no, please explain why.
2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the PPTA/due diligence?     Yes       No    If no, please explain why.