



Initial Poverty and Social Assessment

Project Number: 42401
March 2009

AZE: Power Distribution Development Investment 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 and Project
Title:

Azerbaijan Power Distribution Development Investment Program

Lending or Financing
Modality:

Multitranche Financing Facility

Department
and
Division:

Central and West Asia Department
Energy and Natural Resources Division

I. POVERTY ISSUES

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

The country's poverty incidence has been reduced from 47% in 2002 to 24% in 2006. This is partly the result of its consistently double-digit GDP growth between 2003 and 2007 which averaged 21.8 % per year. This growth owes much to its expanding oil industry and the rising oil price in the world market. The Interim Operational Strategy which guided ADB investment in the country since it became a member in 1999 identified development outside the oil sector as one area of ADB operations so that other sectors will grow as well. The Country Strategy and Program Update 2006 for Azerbaijan considers the country's development needs as still tremendous. The 2005 ADB sector review mission identified renewable energy and gas supply in regional towns as investment niches. The Country Strategy and Program Update 2006 identified the deteriorating physical infrastructure and their need for rehabilitation. The Government in its "State Program for Development of Fuel and Energy Sector in Azerbaijan (2005-2015)" sets out a challenging investment programs. The annual growth of power demand is expected to be 4.7% through 2015. The power sector will require an estimated investment of \$3.8 billion during 2005-2015 for construction of new thermal and hydropower plants (1,500 megawatt), modernization of existing generation facilities, and strengthening power transmission grid. The proposed program will improve electricity supply, both quantity and quality, to all consumers, contributing to achieve the country's socioeconomic development targets.

B. Targeting Classification

1. Select the targeting classification of the project:

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

2. Explain the basis for the targeting classification: The proposed program aims to remove the bottlenecks of power system operation and improve the sector operational and financial performance. All consumers will benefit through improved power supply service. By expansion of domestic generation resources and transmission facilities, energy import will be reduced while export will be increased. The increased revenues to the Government will be used for socioeconomic development and poverty reduction.

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? Not applicable
2. What resources are allocated in the project preparatory technical assistance (PPTA)/due diligence? The PPTA will undertake social and poverty analysis in accordance with ADB policy requirements.
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)? No opportunities for pro-poor design are envisaged.

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? The primary beneficiaries of the proposed program are all electricity consumers, domestic, industrial and commercial users including the poor.
2. What are the potential needs of beneficiaries in relation to the proposed project? To access reliable and sufficient power supply, with minimum negative social and environmental impacts.
3. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them? No substantial constraints are anticipated. However, due diligence, field investigations and communities consultations on social development impacts will be undertaken.

<p>B. Consultation and Participation</p> <p>1. Indicate the potential initial stakeholders. Adequate field investigations, surveys, and stakeholder consultations with central and local governments, NGOs, the private sector, local communities (including vulnerable groups), and major development partners in the power sector, will be conducted during the project preparation and implementation.</p> <p>2. What type of consultation and participation is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of nongovernment organizations and community-based organizations, etc.)? Consultations will be undertaken with affected people with respect to involuntary land acquisition and resettlement and IEE findings will be made available to the interested parties. In addition, consultation will be undertaken with relevant stakeholders.</p> <p>3. What level of participation is envisaged for project design? <input checked="" type="checkbox"/> Information sharing <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Collaborative decision making <input type="checkbox"/> Empowerment</p> <p>4. Will a consultation and participation plan be prepared? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain. The consultation process will be included in the resettlement plan and the social analysis.</p>

<p>C. Gender and Development</p> <p>1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? The gender issues will be assessed during the PPTA stage.</p> <p>2. Does the proposed project or 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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain. No gender component is required; however, gender equality will be secured when hiring construction laborers.</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. The proposed program will have positive impact by providing reliable and adequate electricity supply. Adverse gender impacts resulting from land acquisition and resettlement will be addressed in the resettlement plans</p>

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

Issue	Nature of Social Issue	Significant/Limited/ No Impact/Not Known	Plan or Other Action Required
Involuntary Resettlement	No large resettlement is anticipated. The PPTA consultants will conduct due diligence assessment.	Not known	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input checked="" type="checkbox"/> Resettlement Framework <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Indigenous Peoples	The PPTA will assess the impact on indigenous peoples and propose appropriate mitigation measures for any impact.	Not known	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> Indigenous Peoples Framework <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain

Labor <input checked="" type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input checked="" type="checkbox"/> Core Labor Standards	The program will create jobs for facilities construction and operation, and will not have any adverse impact on labor. Civil work contractors will be required to meet core labor standards, in terms of conditions of employment, work safety, pay, and insurance according to national laws; and equal opportunities and payment for national and international laborers including gender equality in wages.	No impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Affordability	The program aims to improve electricity supply service and reduce losses and no additional fares will be charged.	No impact	<input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input type="checkbox"/> Others (conflict, political instability, etc.), please specify	The risks of HIV/AIDS and human trafficking are considered low, however, this will be further reviewed through the social analysis.	No impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
IV. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT			
1. Do the terms of reference (TOR) for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist(s)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please explain why. 2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and consultation and participation during the PPTA or due diligence? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please explain why.			