

**SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY**

Country:	Armenia	Project Title:	ENA Investment Program Phase 2
Lending/Financing Modality:	General Corporate Finance	Department / Division:	Private Sector Operations Department / Infrastructure Finance Division 1

<b>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</b>
Poverty targeting: General Intervention
<b>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</b>
The project consists of (i) a loan of up to \$20,000,000 to Electric Networks of Armenia Closed Joint-Stock Company (ENA) from the ordinary capital resources of the Asian Development Bank (ADB) and (ii) administration of a loan of up to \$15,000,000 to be provided by Leading Asia's Private Infrastructure Fund. The loan to ENA is a follow-on project to support ENA's investment program, which is centered on rehabilitating and improving the efficiency of its electricity distribution segments across 10 provinces in Armenia. The ADB loan will provide financing for ENA investment program activities in 2021 and 2022. ADB's support will help ENA achieve its goals of improving the quality of the power supply in Armenia, reducing greenhouse gas emissions resulting from distribution losses, improving operational safety, and improving recovery of used oil and management of old transformer oil. ENA is the exclusive licensee for distribution of electricity in Armenia.
<b>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</b>
1. <b>Key poverty and social issues.</b> The project aims to modernize the transmission network to reduce the risk of system breakdown, which can have significant adverse impacts on livelihoods, especially for poor households. It targets rehabilitation, efficiency improvement, and capacity expansion of ENA's existing distribution network, including: (i) rehabilitation and renovation of outdated equipment and lines, (ii) reconstruction of substations, (iii) expansion and improvement of ENA's automatic electricity metering system, and (iv) other improvements, including upgrading of offices and testing equipment. As with phase 1, funds for phase 2 will finance ENA's investment program activities, covering 2021 and 2022.
2. <b>Beneficiaries.</b> The primary beneficiaries of the project will be the general population in urban and rural areas, commercial users, industrial users, and community service providers. The project will benefit the poor indirectly through improved efficiency and reliability of power transmission and distribution, which in turn will contribute to improved living conditions of residents and improved productivity of commercial and industrial users and other institutional service providers, including hospitals and educational institutions.
3. <b>Impact channels.</b> The ADB funding will support ENA to continue helping the poor improve their living situation by providing them with access to efficient and reliable power both at home and at their places of work.
4. <b>Other social and poverty issues.</b> None.
5. <b>Design features.</b> The project will provide financing support for ENA activities in 2021 and 2022, based on ENA's investment program, and will contribute to helping ENA achieve its overall goal of improving the quality of power supplies in Armenia.
<b>II. PARTICIPATION AND EMPOWERING THE POOR</b>
1. <b>Participatory approaches and project activities.</b> ENA presents its annual plan during a public hearing that is conducted annually by the Public Services Regulatory Commission (PSRC). Every project that ENA implements must be presented to and approved by the PSRC. Without the public hearing, ENA is not allowed to implement its investment program. There is continued strong support by the public for the project as power supply is a critical need for the population and the economy. ENA's stakeholder engagement plan has been enhanced to align it with the requirements of ADB and other lenders. Enhancements include routine community engagement related to site safety during operations; and a community awareness campaign related to electrical safety, which will be rolled out through a range of media.
2. <b>Civil society organizations.</b> The project does not provide opportunities for civil society organizations to participate in its implementation.
3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA): <input checked="" type="checkbox"/> Information gathering and sharing (L) <input checked="" type="checkbox"/> Consultation (L) <input type="checkbox"/> Collaboration (NA) <input type="checkbox"/> Partnership (NA)
4. Participation plan. <input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No.
ENA's environment and social management system has procedures to encourage stakeholder participation and engagement.



<b>V. ADDRESSING OTHER SOCIAL RISKS</b>
<p><b>A. Risks in the Labor Market</b></p> <p>1. Relevance of the project for the country's or region's or sector's labor market.  <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input checked="" type="checkbox"/> retrenchment (L) <input checked="" type="checkbox"/> core labor standards (L)</p> <p>ENA is guided by its Human Resources Policy and the Labor Code of Armenia, and implements a nondiscriminatory labor policy. (Confidential information redacted.)</p> <p>2. <b>Labor market impact.</b> The development and implementation of the Retrenchment Policy and Retrenchment Management Plan will ensure minimal to no labor market impact. Staff retrenchment will be minimal and will be spread across multiple years.</p>
<p><b>B. Affordability</b></p> <p>The PSRC sets tariffs for the energy sector. Tariff setting is beyond the purview of the ENA. The project is not likely to result in affordability issues to ENA's customers.</p>
<p><b>C. Communicable Diseases and Other Social Risks</b></p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):  <input checked="" type="checkbox"/> Communicable diseases (L) <input type="checkbox"/> Human trafficking  <input type="checkbox"/> Others (please specify) _____</p> <p>2. <b>Risks to people in project area.</b> Given the limited workforce requirements and short construction periods, the risk of the project contributing to the spread of communicable diseases is low. HIV/AIDS and other environment, health, and safety issues are incorporated in health and safety trainings for all construction workers and permanent employees.</p>
<b>VI. MONITORING AND EVALUATION</b>
<p>1. <b>Targets and indicators.</b> ENA will continuously monitor the implementation of safeguards and monitor compliance with safeguard covenants, and will include the results in its annual environment and social performance reports.</p> <p>2. <b>Required human resources.</b> The borrower and ADB staff will continuously monitor the environmental and social impacts of the project.</p> <p>3. <b>Information in the project administration manual.</b> Not applicable.</p> <p>4. <b>Monitoring tools.</b> ENA will continuously prepare and submit annual reports to ADB on environmental and social monitoring compliance, including its performance with regards to compliance with applicable national labor laws and internationally recognized core labor standards. The ADB project team will review the annual reports and will conduct review missions to validate and monitor progress of the project's implementation.</p>

<sup>a</sup> ADB. 2019. [Armenia Country Gender Assessment](#). Manila.

<sup>b</sup> International Labour Organization. [ILOSTAT Database](#) (accessed 29 January 2021).

<sup>c</sup> Oxygen. 2019. *Roadmap for Ensuring Equal Labor Rights for Women and Men in Armenia*. Yerevan.

Source: Asian Development Bank.