

Environmental and Social Monitoring Report

Project Number: 50146-001
Annual Report (August 2017-December 2018)
December 2018

Armenia: Distribution Network Rehabilitation, Efficiency Improvement, and Augmentation

Prepared by Electric Networks of Armenia CJSC for the Asian Development Bank.

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ARM 50146-001
Distribution Network Rehabilitation,
Efficiency Improvement, and
Augmentation Project

ANNUAL SAFEGUARDS
AND SOCIAL
MONITORING REPORT

ELECTRIC NETWORKS OF ARMENIA

YEREVAN, ARMENIA

Contents

- A. Terminology 2
- B. Summary 2
- C. Implementation status of the Environmental and Social Action Plan..... 3
- D. Investment Projects/Activities Portfolio Information 4
- E. Environmental and Social Management System (ESMS)..... 8
- F. For Ongoing Construction Investment Projects/Activities..... 15
- G. Implementation status of Stakeholder Engagement Plan (SEP). Please provide a summary of the implementation status of the SEP. Please add relevant supporting documents / reports as necessary. 16
- H. Sustainable Finance (investment projects with environmental and social benefits)..... 16
- I. Corporate sustainability activities..... 17
- J. Conclusion/Recommendation..... 17

Name of Organization	Electric Networks of Armenia		
Completed by (name):	Mher Manukyan		
Position in organization:	Environmental, Social and occupational health & safety consultant	Date:	
Reporting period	From: July 2017	To: December 2018	

A. Terminology

ADB – Asian Development Bank

EBRD – European Bank for Reconstruction and Development

EIA – Environmental Impact assessment

ENA – Electric Networks of Armenia CJSC

ESAP – Environmental and Social action plan

ESMS – Environmental and Social Management System

IMS – Integrated Management System based on ISO 9001, ISO 14001, ISO 27001, ISO 45001, ISO 50001 international standards’ and ADB, EBRD environmental and social requirements,

ISO – International Organization for Standardization,

GNG – Greenhouse Gases

kV – Kilo volts

OHS – Occupational health and safety

PSRC – Public Services Regulatory Commission of the Republic of Armenia

RESA – Rapid Environmental and Social Assessment

RA – Republic of Armenia

SS – Substation

B. Summary

ADB Project No: 50146-001 will allow Electric Networks of Armenia CJSC (hereafter ENA) to improve the quality of the distribution network and services of its multi-site operations across the country, reduce electricity losses and operational expenses, improving technical maintenance and safety conditions, modernizing the metering system, rehabilitating, reinforcing, and augmenting the distribution network, connecting new customers and introducing international standards of management and automated control system.

This report presents how ENA managed environmental, social, occupational health and safety issues that occurred or can be occurred during investment projects within the loan provided by ADB.

ENA has developed, approved and implemented all required policies and procedures based on not only ADB, EBRD safeguards requirements on environmental, social, occupational health & safety but also legal requirements and other international management standards’ applicable requirements such as ISO 9001, ISO 14001, ISO 45001 and ISO 50001.

ENA top management delegated implementation of above mentioned requirements to newly created IMS department through implementing policies and procedures and training relative staff.

For effective management of above mentioned requirements all related staff in ENA HQ and branches are trained. The effectiveness evaluation of implemented activities are assessed by:

- internal audit realized by competent and internationally certified staff and

- external audit (third party audit) realized by German certification body TUV Rheinland. ENA has positively passed audits by TUV Rheinland and has following international certificates: ISO 9001, ISO 14001, ISO 45001 and ISO 50001.
-

Internal audit team assesses management system implementation effectiveness against previously developed policies and procedures. If there is any nonconformity internal audit team rises nonconformity report including resources needed, corrective and/or improvement action, deadlines and responsible.

All investment projects prior implementation shall pass the following examinations:

1. Rapid environmental and social assessment (hereafter RESA) based on the questionnaire approved by all interested parties: ADB, EBRD. If RESA shows non-significant ES impact than project can be started to implement by passing ENA internal procedures and other legal requirements.
2. Environmental Impact Assessment (hereafter EIA). All project that have or can have significant environmental and social impact shall pass EIA based on RA legislation and ENA internal procedures which includes but not limited 4 phases of public hearings and public consultation for all stakeholders' engagement. Only after 4th public hearing ENA can receive special permit from state bodies to start project implementation. All reports from public hearings are submitted to Ministry of Environment of RA and Ministry of Environment can make any inspection to evaluate compliance of investment projects with RA laws and regulations related to environmental protection. If there is any deviation Ministry of Environment can impose penalty and fines.
3. Annual investment plan before final approval is communicated with PSRC for legal and financial assessment. PSRC can organize public hearing on each case. Reports are submitted on PRSC web site.

Within the period of this report there is only one sub-project that can have significant impact: Construction of "hazardous waste temporary warehouse". All legal requirements were respected during design and construction of "hazardous waste temporary warehouse – 4 public hearings are implemented and permission is received form state bodies. The final impact of this project is positive as ENA will collect its' hazardous waste in well-equipped and protected area by reducing ENA's environmental impact in Armenia. There is no other sub-project with major impact as all investment projects within this loan are renovation, replacement and reconstruction projects.

One of the major environmental and social challenges for ENA during implementation of ADB, EBRD safeguards requirements is review and update of oil management system including infrastructural issues and purchase, storage, usage and disposal processes.

One of the main environmental and social achievements of ENA is implementation of environmental and social management culture within the ENA staff and some subcontractors including risk-based and process thinking approach.

Other achievement is complete documentation of ENA know-how, working approaches and expertise. Another achievement is implementation of continuous improvement culture by promoting internal audits and empowering internal auditors.

C. Implementation status of the Environmental and Social Action Plan.

Prior to receiving loan ENA had invited specialized company for due diligence. Based on due diligence results ESAP was developed and shared with ENA management. Main aspects of ESAP were:

- Environmental Management System,
- Labor and Working Conditions,
- Resource Efficiency and Pollution Prevention and Control,
- Health and Safety,
- Information Disclosure and Stakeholder Engagement and
- Capacity building in ENA to fulfill above mentioned aspects.

Based on detailed ESAP ENA top management developed internal action plan, assigned responsible staff for each activity and created new IMS department for methodological support and continuous monitoring of action plans.

D. Investment Projects/Activities Portfolio Information

All investment projects during this report's period are passed RESA and summary of projects are presented in table below:

Summary Table of Investment Projects/Activities Portfolio Information

Project Name	Brief Description	Mo./yr started	Mo./yr finished	Amount ('000)		Safeguard category (A, B or C)		Key safeguard concerns / issues	Actions taken to address concerns
				AMD	USD	Env	IR		
Completed Projects									
Reconstruction of SS "Purak"35/6 kV	Reconstruction of substation in Yerevan city	2016	2017	912	1,892	C	C	No	
Purchase of networks from other owners	Purchase of networks from other owners	2016	2017	156	324	C	C	No	
Special projects	Special addressable works to improve SAIDI & SAIFI indicators	2016	2017	996	2,067	C	C	No	
Ongoing Construction Projects									
Special projects	Technical projects directed to reduce deviations in voltage.	2017	2018	994	2,063	C	C	No	
Reconstruction of 0,4 kV distribution networks	Replacement of 0,4 kV overhead lines and partially renovation of 0,4 kV underground lines	2016	2020	1,947	4,040	C	C	No	
Reconstruction of 6(10)kV distribution networks	Partially renovation of 6-10kV overhead lines and underground lines	2016	2020	15,202	31,540	C	C	No	
Reconstruction of 35 and 110 kV distribution networks	Capital repair of 35-110 kV distribution networks	2016	2020	1,757	3,646	C	C	No	
Reconstruction of industrial buildings and TSS	Renovation and Capital repair of substation buildings	2016	2020	888	1,842	C	C	No	

Project Name	Brief Description	Mo./yr started	Mo./yr finished	Amount ('000)		Safeguard category (A, B or C)		Key safeguard concerns / issues	Actions taken to address concerns
				AMD	USD	Env	IR		
Electric network improvement in multi-apartment buildings	Improvement and renovation of multi-apartment buildings' Electric network	2016	2020	1,856	3,851	C	C	No	
Connecting new customers to the network	Connecting new customers to the network based on the new consumer order	2016	2020	14,000	29,046	C	C	No	
Construction of DTSS, reconstruction of Yerevan HPP	Technical modification of networks and works	2017	2018	1,080	2,241	C	C	No	
Construction of DSS "Circus"	directed to eliminate deficit of power in the mentioned area	2016	2018	800	1,660	C	C	No	
Reconstruction of SS Teryan 35/6		2018	2018	238	493	C	C	No	
Acquisition and installation of meter boxes	Replacement of meter boxes	2016	2020	384	797	C	C	No	
Replacement of electricity meters	Replacement of electricity meters by implementing automated system of meters	2016	2018	1,488	3,087	C	C	No	
Reconstruction of 6(10)/0,4kV SS for Automated Metering System		2016	2020	432	896	C	C	No	
Automation of electricity metering at 6(10)-0,4kV networks		2016	2020	13,526	28,063	C	C	No	
Automation of electricity metering at 0,38/022 kV networks, Yerevan		2016	2020	11,146	23,125	C	C	No	
Purchase of office equipment	Purchase of office equipment	2016	2020	240	498	C	C	No	
IT	Purchase, implementation and development of ENA's IT infrastructure and software	2016	2020	840	1,743	C	C	No	
Capital repair of vehicles	Capital repair of vehicles owned by ENA	2016	2020	40	83	C	C	No	
Reconstruction of administrative buildings and structures	Reconstruction and improvement of existing administrative buildings and structures	2016	2020	768	1,593	C	C	No	


Project Name	Brief Description	Mo./yr started	Mo./yr finished	Amount ('000)		Safeguard category (A, B or C)		Key safeguard concerns / issues	Actions taken to address concerns
				AMD	USD	Env	IR		
Purchase of metering and safety devices	Purchase of metering and safety devices	2016	2020	576	1,195	C	C	No	
Purchase of testing devices for relay protection	Purchase of testing devices for relay protection	2016	2020	290	601	C	C	No	
Implementation of ISO system	Implementation of International standards requirement related to quality, environmental, occupational health and safety and energy management systems, including ESMS related requirements presented by ADB and EDRB	2016	2018	58	120	C	C	No	
Installation of compressed gas cylinders on vehicles	Installation of compressed gas cylinders on vehicles to reduce energy use	2016	2018	64	133	C	C	No	
Capital repair of equipment	Capital repair of equipment based on the technical specification	2016	2020	500	1,037	C	C	No	
Acquisition of vehicles and special machinery	Acquisition of vehicles and specialized machinery	2016	2018	3,121	6,474	C	C	No	
Investments aimed at environmental issues	Hazardous waste in Baghramyan substation,	2017	2020	64	133	C	C	Key issue is a positive impact as all hazardous waste generated by ENA will be collected in safe area	ENA implemented EIA for this project as there are legal requirements on such projects
	Construction and renovation of oil collectors in 110 kV substation					C	C		
Planned Projects									
Special projects	These are continuation of	2018	2020	2,856	5,925	C	C	No	

Project Name	Brief Description	Mo./yr started	Mo./yr finished	Amount ('000)		Safeguard category (A, B or C)		Key safeguard concerns / issues	Actions taken to address concerns
				AMD	USD	Env	IR		
	special projects started previously								
Note: Env =Environment, IR =Involuntary Resettlement									

In these projects there are no major environmental or social impact. Only one project was requiring EIA based on RA regulations.

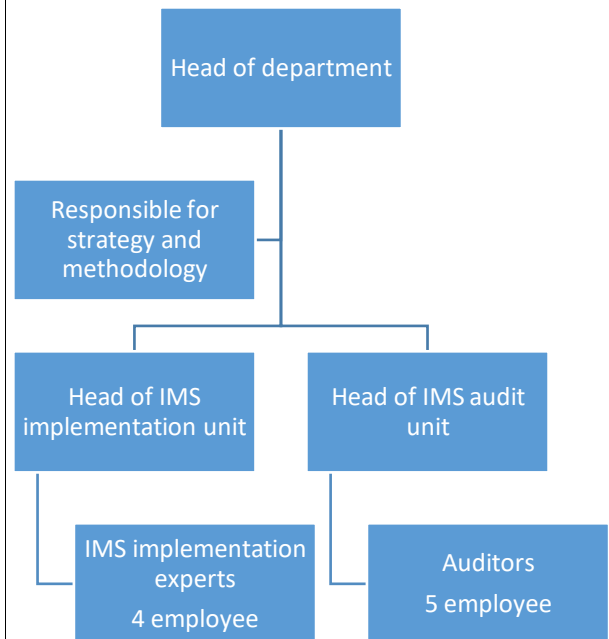
E. Environmental and Social Management System (ESMS)

Policies & Processes	Yes/NO	
<p>Has ENA developed and implemented an ESMS?</p>	<p>Yes</p>	<p>Here is the list of some documents that were developed by ENA IMS team with Management Mix support:</p> <ul style="list-style-type: none"> • Integrated Management System policy including ISO 14001, OHSAS 18001, ISO 5001 and social management requirements • Objectives for Quality, Environmental, Social, Occupational Health & Safety, Information Security and Energy management systems • Grievance mechanism procedure • A new soft and centralized grievance database is in testing stage • Waste management procedure • Hazardous Waste management instructions including management of <ul style="list-style-type: none"> - used oils, - contaminated soil, - used lumps, - used batteries, - waste transportation • Waste management scheme • Environmental and Involuntary resettlement management procedure • Legal requirements procedure • New project design and development procedure • Integrated Management System risk assessment and management procedure • On-site IMS inspection procedure • Contractors Management Procedure • IMS performance monitoring and measurement procedure • Emergency Situation Response and Business Continuity Procedure • Quality, Environmental, Social, Occupational Health & Safety, Information Security risk assessment is implemented and as result the following outcome is reached <ul style="list-style-type: none"> - Quality and Information Security risk register, - Health & Safety hazard register, - Environmental aspect register, - Control and mitigation measures list, - Management Action plan • New purchase policy is developed where mentioned that Environmental manager should be involved in review of all tender documentation packages: mainly technical specification to identify any specific risks requirements that may apply. • Job description of staff are reviewed and tasks ESMS related are added. • HR policy • Hazardous materials safe management procedure • Traffic and Road Safety instruction

		<ul style="list-style-type: none"> • Asbestos containing materials handling work instruction • PPE maintenance and calibration procedure • PPE's calibration plan • Visitors' safety management procedure • Subcontractors' management procedure • OSHA and Environmental incident management procedure • Gas cylinder safety procedure • Hazardous work performing workers' qualification procedure • Hot Work safety procedure • Work in confined space procedure • Fire safety management procedure • Monitoring Procedure • Internal audit procedure
<p>If there is an ESMS already in place, have there been any updates to the ESMS or policy and procedures adopted by ENA during the reporting period?</p>	<p>No</p>	<p><i>If yes, please provide a copy of the updates including dates and reasons for the same.</i></p> <p>N/A</p>
<p>Has senior management signed off on the updated policy/procedure?</p>	<p>No</p>	<p><i>If yes, please provide the date and internal communication indicating the same.</i></p> <p>N/A</p>
<p>Has ENA appointed staff tasked to implement the ESMS?</p>	<p>Yes</p>	<p>To implement ESMS in ENA top management appointed the following staff in different level of company:</p> <p><i>The Head Quarter</i></p> <p>ENA has environmental expert in Technical department (Ruzana Makinyan) who is responsible for EIA for the projects that can have major environmental impact or passes through the specially protected area. Expert also responsible for public hearing process is required. Environmental expert prepares waste passports for hazardous and reports to state bodies about hazardous waste based on the legal requirements of RA.</p> <p>The reporting scheme of environmental expert is presented bellow</p>  <pre> graph TD TD[Technical director] --- HSS[Head of safety and sustainability] HSS --- EE[Environmental expert] </pre>

For implementation and audit of IMS competent team is selected from ENA staff and appointed for as an “Integrated Management system implementation and audit department”. The structure of department is approved in December 2017 during the meeting of The Council of ENA. The department has the following structure.

IMS implementation and audit department’s structure:



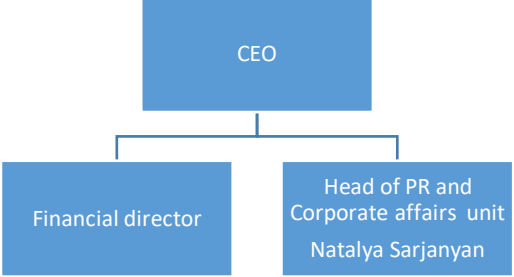
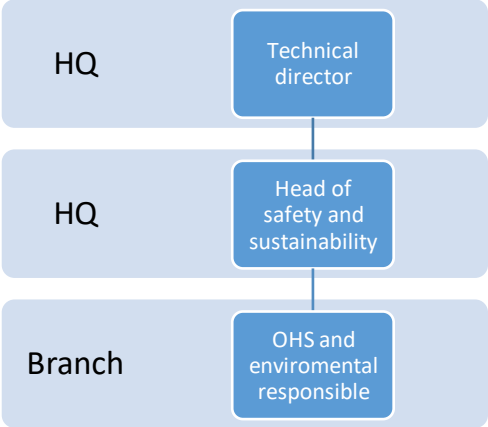
Responsible for social management system

The company’s “PR and corporate affairs” unit head is appointed as social management responsible mainly in Grievance mechanism and external communication with all affected people.

Financial director is appointed as a coordinator for

- projects’ potential social impact assessment,
- resettlement plan management (if required),
- land acquisition process (if required).

Reporting scheme of social management issues is presented below:

		 <p>Branches</p> <p>In each branch OHS responsible are appointed as a responsible for environmental management issues and branch deputy director are appointed as a responsible for social management issues. Newly assigned employees are trained based on the approved procedures that are communicated with ADB and EBRD previously. Job descriptions of all appointed staff are updated and special order was issued to all branches.</p> <p>Reporting schemes of environmental and social management issues in branches are following:</p> <p style="text-align: center;">Environmental management issues</p> 
Please give details of any project rejected due to environmental and/or social concerns.	N/A	For the moment all projects are assessed and there are no environmental and/or social concerns defined which could be reason for project rejection.
Please state any difficulties and/or constraints related to the implementation of the ESMS.		<p>There are few difficulties constraints related to the implementation of the ESMS</p> <p>1 Cultural approach – it is new for some staff mainly in low level to think about environmental and social issues as part of their main responsibility</p> <p>2 Distance – as it is known ENA as company is spread in all Armenian regions and the monitoring of effective implementation is little bit difficult</p>

		3 Legal aspects – there is no specified laws and regulation on Hazardous waste management and there is no hazardous waste storage or dump in Armenia
Please describe how you ensure that the investment projects are operated in compliance with the national laws and regulations and applicable Lenders’ (e.g. EBRD and ADB) requirements.		<p>All projects that are planned for implementation are sent to Public Services Regulatory Committee, which is state body. In this committee all projects should be approved based on state bodies.</p> <p>EBRD’s and ABD requirements (such as Rapid Environmental and social assessment, Project design and development, waste management, procurement policy, contractor selection and evaluation) are included in internal procedures. On-site inspections and Internal audits ensure the implementation of those requirements through process audits.</p> <p>Prior implementation of above mentioned procedures all documents were communicated with ADB experts and after their approval documents have been approved by ENA top management</p>
Please give details of any material social and environmental issues associated with the investments during the reporting period in particular.		Not available
In case the existing ESMS is not fully functional, what is the action plan being implemented by ENA?		<p>There are several procedures that can be used in case of not fulfillment of ESMS requirements:</p> <ul style="list-style-type: none"> • Improvement actions procedure • Control of non-conformities procedure • Change management procedure • Integrated management system effectiveness evaluation procedure • On-site inspection procedure • Internal audits procedure
Capacity	<i>Yes/NO</i>	
Please provide the name and contact information of the Environmental/Social Officer or Coordinator who has the overall responsibility for the implementation of ESMS.	Yes	Ruzanna Makinyan – Environmental Officer Natalya Sarjanyan – Social Officer
Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation.	Yes	<i>Please describe the training provided to the ESMS persons and other team members during the year 2018</i>
What was the budget allocated to the ESMS and its implementation during the year?		<p><i>Please provide budget details including staff costs and training as well as any actual costs.</i></p> <p>Please see “Investments aimed at environmental issues” and “Implementation of ISO system” lines in projects.</p>

Monitoring	<i>YES/NO</i>	
Do you receive environmental and social monitoring reports from specific investment projects?	No	<i>If yes, please describe and provide supporting documents including any social and environmental considerations if applicable.</i> N/A
Do you check for ongoing compliance of your investment projects with national regulation and any other requirements?	Yes	<p>ENA has “Project design and development procedure” which describes steps of design process where is activity of evaluation of project against existing law and regulations.</p> <p>ENA has “Legal requirement management procedure” which describes continuous assessment of current national laws and regulations & other requirements, updates and communication process of legal requirement among company.</p> <p>Annual investment plan including all investment projects before final approval are communicated with PSRC for legal and financial assessment. PSRC can organize public hearing on each case.</p>
Please describe how you monitor the investment projects and their social and environmental performance.		<p><i>Please describe and provide supporting documents such as environmental and social monitoring reports and please provide information on the number of investment projects where a field visit was conducted by staff to review aspects including social and environmental issues.</i></p> <p>Based on the following procedures</p> <ul style="list-style-type: none"> • Integrated management system effectiveness evaluation procedure • On-site inspection procedure • Internal audits procedure
<p>Please provide details of any accidents/ litigation/complaints/regulatory notices and fines:</p> <p>-Any incidents of non-compliance with the applicable Lenders Environmental and Social Requirements</p> <p>- Covenants/conditionality’s imposed by the regulatory authorities to ENA as a result of any non-compliance</p>		During this reporting period only one OHS incident occurred. Report is provided in Armenian language.
Reporting	<i>YES/NO</i>	
Is there an internal process to report on social and environmental issues to senior management?		<p>Based on the procedures there are several reporting schemes on social and environmental issues to top management:</p> <ol style="list-style-type: none"> 1. Reporting of each complaint, social and environmental issue (if any) during daily management meeting, 2. Monthly and annual reports on complaints, social and environmental issue, 3. Internal audit reports.

		Top management makes semiannual meeting and meeting upon request on the social and environmental issues according to “Land Acquisition and involuntary resettlement procedure” and makes management program based on inputs.
<p>Do you prepare any social and environmental reports:</p> <ul style="list-style-type: none"> -For other multilateral agencies - Other stakeholders - E&S reporting in the Annual Report - Sustainability reports 	No	<p><i>If yes, please provide copies of these reports.</i></p> <p>N/A</p>

F. For Ongoing Construction Investment Projects/Activities

Please provide information about all new/ongoing projects approved during this reporting period.

Overall safeguard category:	Environment: Involuntary Resettlement.
Were any environmental and social due diligence undertaken and by ENA?	For each project rapid Environmental and social assessment should be done before project. If the project has major impact the environmental and social full assessment should be implemented
Any environmental assessment report(including environmental management plan), involuntary resettlement plan, or audit reports reviewed by ENA?	If yes, please provide the names of documents reviewed. N/A
What were the main environmental and involuntary resettlement associated with the projects that were identified through due diligence conducted by ENA, and how were the issues dealt with (i.e., outcome of due diligence)?	
Did you discuss with the project staff on site the Applicable environmental and social safeguards requirements and their implementation?	YES
Were any conditions or covenants related to environmental and social issues made along with the investments?	If yes, please briefly describe.
Do the projects comply with applicable government requirements?	YES
Do the projects comply with applicable Lenders (EBRD and ADB) safeguards requirements?	YES

Report on Compliance with ADB's Social Protection Requirements	
Does the Company carry out its activities consistent with the intent of ensuring legally permissible equal opportunity, fair treatment and non discrimination in relation to recruitment and hiring, compensation, working conditions and terms of employment for its workers (including prohibiting any form of discrimination against women during hiring and providing equal work for equal pay for men and women?	Yes There is HR policy which identifies all such cases
Does the Company not restrict its workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment?	Described in HR policy
Does the Company engage contractors and other providers of goods and services: (i) who do not employ child labor or forced labor ² ; (ii) who have appropriate management systems that will allow them to operate in a manner which is consistent with the intent of (A) ensuring legally permissible equal opportunity and fair treatment and non-discrimination for their workers, and (B) not restricting their workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; and (iii) whose subcontracts contain provisions which are consistent with paragraphs (i) and (ii) above.	Described in Contractors' management procedure and stated also in annex with their contract.

G. Implementation status of Stakeholder Engagement Plan (SEP).

Please provide a summary of the implementation status of the SEP.

Please add relevant supporting documents / reports as necessary.

Stakeholder engagement plan was developed in June 20, 2017, which is not approved. This SEP needs to be modified and to be translated and after that final version will be shared with all stakeholders. Although all main points mentioned in SEP are included in IMS documentations: policies, procedures, work instructions and etc.

H. Sustainable Finance (investment projects with environmental and social benefits)

Sustainable finance

One of the main objectives of the loan is to decrease electricity losses during transmission. At the end of the investment projects in 2027 the plan is to reduce electricity losses up to 6,4%, which will reduce GNG emissions from the transmission losses to around 4,6%.

ENA is in stage of implementing projects with environmental benefits that are mentioned in table below. As the projects still in the progress the social and environmental benefits are not calculated yet.

Have you made any investments in projects that have social and environmental benefits such as investing in management systems, energy efficiency, renewable energy, cleaner production, carbon finance, pollution abatement and control, sustainable supply chain, corporate social responsibility, community development, etc.? Please list these in the format provided below:

Project Name	Value financed ENA	Type of social and environmental
	(US\$ thousand)	Benefit
Technical projects directed to reduce deviations in voltage.	2,063	Energy efficiency
Installation of compressed gas cylinders on vehicles to reduce energy use	133	Energy efficiency
Implementation of International standards requirement related to quality, environmental, occupational health and safety and energy management systems, including ESMS related requirements presented by ADB and EDRB	120	Investing in management systems
Special addressable works to improve SAIDI & SAIFI indicators	2,067	Investing in management systems
Investments aimed at environmental issues	133	Investing in management systems

I. Corporate sustainability activities

ENA always had a high sense of corporate social responsibility and one of the priority areas of the company's corporate social is supporting orphanages, retirement homes, churches and socially vulnerable group. ENA is constantly investing in science, healthcare, culture and sports. Acting as the largest employer in the Republic of Armenia, ENA also creates decent working conditions for its employees by providing them with the necessary social package.

J. Conclusion/Recommendation

As a complete investment project is aimed to renovation of Armenian electricity networks the main environmental and social impact of the project on Armenian community is positive, as at the end of project community will have stable electricity and voltage and as results stable performance of household and production equipment and efficiency of equipment will be increased.

At the end of the project ENA will have reduced electricity losses, which will reduce GNG emissions as well. All projects have minor environmental and social impacts as all investment projects within this loan are renovation, replacement and reconstruction projects.

One of the projects with positive impact is construction of Hazardous waste storage, which indirectly will reduce environmental pollution.

For the next stage ENA will concentrate on efficiency of its operations, will try to calculate environmental and social benefits and will improve stakeholders' engagement.