

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Azerbaijan	Project Title:	Railway Sector Development Program
Lending/Financing Modality:	Program Loan	Department/ Division:	Central and West Asia Department / Transport and Communications Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

An efficient transport system is a key factor in sustainable development. About two thirds of Azerbaijan's transport network estimated to be in poor condition. This contributes to high-priced consumer goods because of high transport costs; long delivery times; long travel times; and decreased travel safety. Poor-quality transport also limits access to economic opportunities, education, social services, especially in secondary towns and rural areas.

To lessen dependency on the oil sector, Azerbaijan is working on 60 state programs and strategies across all sectors. The core program is the State Program on Poverty Reduction and Sustainable Development in the Republic of Azerbaijan for 2008–2015. The government's poverty reduction and development program, together with *Azerbaijan 2020: Look into the Future*, emphasize inclusive growth, poverty reduction, infrastructure development, environmental sustainability, job creation, social protection, education, private sector development, good governance and capacity development, gender equity, and knowledge solutions. The various programs aim to achieve sustainable economic development, economic diversification beyond oil, global integration, and balanced development throughout the country.

ADB's Country Partnership Strategy (CPS) supports Azerbaijan's transition to a diversified, knowledge-based economy, with sustainable expansion of economic opportunities, particularly in the non-oil economy. The CPS also emphasizes broad access to economic opportunity and high-quality basic services for rural populations, women, and internally displaced persons. The CPS prioritizes transport, urban infrastructure and services since transport infrastructure is an important contributor to inclusive growth, and improving access to economic opportunities. Transport infrastructure provides better connectivity between the major cities, secondary towns and rural areas.

The proposed program is fully consistent with the government's poverty reduction and development program for 2008–2015 and ADB's CPS for 2014–2018. Developing a reliable and profitable rail network will contribute to the government's aims to diversify beyond oil and to develop sustainable, efficient, safer, and more environmentally sound transport.

The proposed program is listed in the ADB Country Operations Business Plan for Azerbaijan (2016–2018). This priority program for the government will be considered in 2016/2017 and will promote efficient and effective rail transport services with incentives and capacity to improve quality, reliability, accessibility, affordability, integration, and coverage of transport services.

B. Poverty Targeting

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

The Project will improve railway operations, reduce transport costs, and increase access to regional markets for the local population in the project areas. It does not have a direct poverty reduction impact and is, hence, classified as general intervention.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

Azerbaijan has one of the largest economies in the Caucasus region. However, the country's high economic growth during the last few years has been mostly a result of oil and natural gas exports. Gross domestic product (GDP) per capita increased from \$1,770 in 1999 to \$10,900 in 2010, which placed Azerbaijan among a group of countries like Brazil, Venezuela, or Kazakhstan. However, a decrease in oil export revenues and exchange rate depreciation, GDP per capita dropped to \$5,558 in 2015. Until that point, oil-driven economic growth had created nearly 94,000 new jobs in Azerbaijan. This growth and other factors reduced unemployment and allowed the government to improve social benefits and expand its welfare coverage (insurance and social security). A low-quality, high-cost rail network significantly hinders domestic trade of agricultural products and access to imported goods for the regional rural population. The Project will improve rail network efficiency, operation, and maintenance, reducing transport costs and travel time. The primary beneficiaries will be passengers and those transporting freight, including mobile vendors, shippers, freight transporters, and subsequently producers. The benefits to producers will, theoretically, be passed on to consumers through lower prices and a greater selection of goods. Aside from increased access to economic

opportunities and markets, the rural poor will benefit through increased access to urban health, educational, and social services. It is also expected that unskilled workers from the project areas will be employed during construction.

2. Impact channels and expected systemic changes.

To be examined during the PPTA

3. Focus of (and resources allocated in) the PPTA or due diligence.

\$1,000,000 is proposed to be allocated from TASF-Others. Resettlement/social development specialist will be recruited and targeted group consultations with local communities, local stakeholder organizations, and district governments will be undertaken under the PPTA.

4. Specific analysis for policy-based lending.

Not applicable.

II. GENDER AND DEVELOPMENT

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

Gender relations in Azerbaijan are influenced by many factors, including social and economic difficulties of the transition period (post-Soviet era) and traditional Azeri values and culture. The promotion and protection of gender equality is one of the nine strategic goals of the government's poverty reduction and development program and gender issues are prioritized in education, health, labor market and employment sectors and in programs for internally displaced persons (IDPs) and the refugee population. The ADB Country Partnership Strategy (2014–2018) identified key gender issues in water sanitation, transport, energy and finance. During the preparation of the project, focus group discussions, key informant interviews, and individual interviews with women passengers of buses and trains when preparing for another ADB investment in 2015 identified some gender issues relevant to this project. One of the key findings is the lack of public transportation connecting the capital Baku with surrounding cities, which limits poor women's access to employment opportunities and markets for their goods. The long travel time and cost of transport are constraints in access to education, health, markets, and social services. Lack of appropriate facilities such as designated seats, wheelchair access, and low floors for easy access for pregnant women, children, the elderly, and disabled were also identified by women as important issues in transport. Safety around railways may be an issue, as many rail/road crossings are unprotected. Overcrowding was seen as an issue that could cause harassment of women or deterioration in personal security. The ADB TA 7563 sub project: AZE: Rapid Assessment of Sexual Harassment in the Baku Metro Rail conducted a survey in 2014 and interviewed 200 women passengers. Of the 200 respondents, 162 experienced some form of sexual harassment while using public transport. The study made recommendations covering transport company policy, rail carriage design, station facilities and equipment, operational standards, and behavior modification campaigns which would be applicable to this project.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No Given that the project is mainly about track rehabilitation and reform and restructuring of ADY, sufficient gender design elements are unlikely to be incorporated.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No No negative impact on women as the project involves the existing rail network.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) EGM (effective gender mainstreaming)

SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

The project stakeholders would include the ADY, the Ministry of Finance, railway users, local people living in the project area (men and women), affected people, and people who will work during construction, operation, and maintenance of the improved rail network. Other stakeholders would include the State Committee on Land Resources, Geodesy, Cartography and the State Cadaster; and the Ministry of Public Health. The main project stakeholders outside ADY will be duly consulted, through meetings and briefings, during the project design. A human resource management plan for ADY employee retrenchment will be developed with involvement of concerned ADY employees as part of the sector and institutional reform.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

The project will meet with local governments, nongovernment organizations (NGOs) and/or community-based organizations, and local communities and/or affected people. It will supplement information gained from these meetings with surveys. Issues to be discussed include, but are not limited to, (i) resettlement of affected persons (if

any); (ii) protection of communities from construction and environmental disturbances; (iii) identification and management of safety hazards to workers and the public during construction; (iv) temporary employment opportunities; (v) efforts to minimize the impact of any ADY staff retrenchment; and (vi) how villages along and off the railway can benefit from the project.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

Information generation and sharing (M) Consultation (M) Collaboration (N) Partnership (N)

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No The proposed activities will mainly involve rehabilitating tracks along an existing rail line. The project should familiarize people living along the rail line, and those using road transport to cross the rail tracks, with safety considerations.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The proposed civil works activities mainly involve track rehabilitation of the existing rail line. Current rail alignment remains unchanged and small adjustments, if needed for technical reasons, will be within the right of way. Some land may be acquired for stations and associated facilities. Some crop land may be temporarily affected during construction. The due diligence work under PPTA will further verify potential effects before a resettlement plan is prepared.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

Resettlement plan Resettlement framework Social impact matrix

Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No No indigenous peoples are living in the project area.

3. Will the project require broad community support of affected indigenous communities? Yes No No indigenous peoples are living in the project area.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

Indigenous peoples plan Indigenous peoples planning framework Social Impact matrix

Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

Creating decent jobs and employment (Low) Adhering to core labor standards (Low) Labor retrenchment (Low) Spread of communicable diseases, including HIV/AIDS (Low) Increase in human trafficking Affordability Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design?

An action plan will be developed during the design stage to employment opportunities for local communities in rail construction to the extent possible. The action plan will also aim to manage effects to any ADY staff that will be affected by layoffs under the sector and organization reform. Due diligence will be conducted during project preparation for adherence to core labor standards.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified? Yes No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or due diligence?

Social development specialist, 4 person-months; legal expert (corporate and labor law), 4 person-months.