

**Budget Revision no. 8**  
**Armenia PRRO 100532 “Transitional Relief and Recovery Assistance for Vulnerable Groups”**

	<u>Initials</u>	<u>In Date</u>	<u>Out Date</u>	<u>Reason For Delay</u>
<b><u>ORIGINATOR</u></b>				
Country Office or Regional Bureau on behalf of Country Office	.....	.....	.....	.....
<b><u>CLEARANCE</u></b>				
Regional Director	.....	.....	.....	.....
Project Budget and Programming Officer, RMBP	.....	.....	.....	.....
Chief, RMBP	.....	.....	.....	.....
Chief, ODLT (change in LTSH and/or External Transport)	.....	.....	.....	.....
Director and Deputy CFO, RMB	.....	.....	.....	.....
Director, ODX	.....	.....	.....	.....
<b><u>APPROVAL</u></b>				
Deputy Executive Director and COO - OD	.....	.....	.....	.....

<b>PROJECT</b>	<b>Previous Budget</b>	<b>Revision</b>	<b>New Budget</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Food cost	11,007,548	1,866,370	12,873,918
External transport	465,238	57,246	522,484
LTSH	1,279,965	289,272	1,569,237
ODOC	541,747	-	541,747
DSC	2,017,115	-	2,017,115
ISC (7%)	1,071,813	154,902	1,226,715
<b>Total WFP cost (US\$)</b>	<b>16,383,427</b>	<b>2,367,790</b>	<b>18,751,217</b>

**TYPE OF REVISION**

- |   |   |  |   |
|---|---|--|---|
| <input checked="" type="checkbox"/> Additional commodity          | <input type="checkbox"/> Additional DSC | <input type="checkbox"/> Additional ODOC | <input checked="" type="checkbox"/> Additional LTSH   |
| <input checked="" type="checkbox"/> Additional external transport | <input type="checkbox"/> Other          | <input type="checkbox"/> Re-orientation  | <input checked="" type="checkbox"/> Extension in time |

**NATURE OF THE INCREASE**

1. This budget revision is to extend in time the operation from January to June 2011. This extension is needed to allow the utilization of the 2010 Russian contribution of that was not provided in August 2010, as planned, due to a temporary ban by Russia’s Government on grain export after a severe drought and a spate of wildfires devastated crops in the Russian Federation. The delayed shipment is expected to arrive in mid-January 2011.
2. The 2011 project budget will be fully covered by existing resources.

## JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

### Summary of existing project activities

3. This protected relief and recovery operation (PRRO) “Transitional Relief and Recovery Assistance for Vulnerable Groups” commenced in July 2007, with a target of 110,000 beneficiaries assisted through relief food distributions, food for work (FFW), food for education (FFE) and food for training (FFT). To complement the Government’s public works programme for the most vulnerable people in response to the high food price crisis in 2008, a cash-for-work (CFW) component was piloted to enhance the food security of some 5,400 beneficiaries.
4. The PRRO was due to close at the end of 2008. However, the subsequent global economic crisis severely affected the vulnerable people in Armenia: the operation was extended to December 2010 in response to the Government’s request to continue assistance to lessen the impact of the crisis on household food security.

### Conclusion and recommendation of the re-assessment

5. WFP has conducted studies of the impact of the high food prices and global economic crises in Armenia in 2008 and 2009.<sup>1</sup> Results showed severe negative effects of the economic crisis on the living standards of the most vulnerable households, whose purchasing power declined due to unemployment, cuts in remittances, pay-cuts in the private sector, and increases in living costs (particularly for fuel and gas). Poor households compensated through changes in diet, spending less on health care, borrowing, and selling assets. These behaviours are damaging their lives and livelihoods, both in the short-term and in the longer-term.
6. The full negative effect of the economic downturn on agriculture emerged much later than in other fields of the economy. With a dramatic decline of agricultural output by 18 percent during the first ten months of 2010, the sector is currently in deep crisis, partly due to the inability of farmers to pay for agricultural inputs. The total area sown in wheat and potatoes in 2010 decreased by 30 percent in comparison to 2009.
7. Inflation during the first ten months of 2010 reached 8 percent year-on-year. In the third quarter of 2010, the cost of the minimal monthly consumer basket stood at about US\$120 and the cost of the minimal food basket at US\$77, while the minimum monthly salary remained at US\$90. The minimum salary will only be increased by US\$7 as of January 2011, reaching US\$97 and thus remaining lower than the minimum consumer basket.
8. Household economic access to basic food staples declined dramatically as the prices of commodities such as bread, dairy products, eggs and fruit increased rapidly and substantially. Between September and October 2010, the price of meat (beef and pork) rose by 30 percent, eggs by 21 percent, fruit by 11 percent, dairy products by 4 percent, and bread by 3 percent. The price of potatoes also increased considerably, by about 60 percent, partly due to disease in the late spring crop. Prior to that, bread prices had risen by 20 to 30 percent in July-August 2010, reflecting the effects of the drought in Russia from where Armenia imports more than 80 percent of its grain.
9. The prices of gasoline and diesel increased by 4 and 12 percent respectively between October 2009 and October 2010, resulting in higher heating and transportation costs for the poor and

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<sup>1</sup> WFP. 2009: Impact of the global financial crisis: Armenia case study.

WFP. 2010: Follow-up Rapid Assessment of the Impact of the Global Financial Crisis in Armenia.

further compounding the effects of the steep increase in the price of gas in March 2010, by some 40 percent.

10. The poor and vulnerable rely to a large extent on government transfers. Some 60 percent of the income of the extreme poor comes from pensions or family benefits, but these are insufficient to meet essential food and non-food needs.

### **Purpose of extension and budget increase**

11. The Government of the Russian Federation made an in-kind donation of 3,781 mt of wheat flour to WFP to continue to assist poor and food-insecure households affected by the global economic crisis in Armenia. While the wheat flour was due to arrive in August 2010, the export ban by the Russian Government in response to the drought and wild fires during the summer has delayed the arrival of the commodity to mid-January 2011. About 6 months are needed to distribute the food to targeted households, including selection of beneficiaries and implementation of asset-creation activities with an average duration of 90 days each.
12. The objectives of the PRRO remain unchanged during the extension period, with a focus on contributing to WFP Strategic Objective 3 (“restore and rebuild lives and livelihoods in post-conflict, post-disaster or transition situations”). Only FFW activities will be undertaken in 2011 under this budget revision. Among other activities, damaged school kitchens and cafeterias where WFP is providing daily hot meals to children under the recently approved school feeding project will be repaired, using the school kitchen/cafeteria repair experience gained during this PRRO. The activities will be extended to the provinces of Armavir and Aragatsotn accordingly.

<b>TABLE 1. BENEFICIARIES BY ACTIVITY TYPE</b>			
<b>Activity</b>	<b>2010</b>	<b>Increase/Decrease</b>	<b>2011</b>
General Food Distribution	30,000	(30,000)	0
Food-for-Work	15,000	21,500	36,500
Cash and Voucher	13,500	(13,500)	0
<b>TOTAL*</b>	<b>58,500</b>	<b>(22,000)</b>	<b>36,500</b>

\*The total excludes overlap of beneficiaries among activities.

11. No modification of the ration is envisaged. The following table shows the additional food requirements for January-June 2011.

<b>TABLE 2. FOOD REQUIREMENTS BY ACTIVITY TYPE</b>			
<b>Activity</b>	<b>Food requirements (mt) Cash/voucher (US\$)</b>		
	<b>Current</b>	<b>Increase</b>	<b>Revised total</b>
General Food Distribution	11,072	-	11,072
Food For Education	1,320	-	1,320
Food For Training	55	-	55
Food-for-Work	5,901	3,615	9,516
<b>Total</b>	<b>18,348</b>	<b>3,615</b>	<b>21,963</b>
<b>Cash and Voucher (US\$)</b>	<b>1,570,400</b>	<b>-</b>	<b>1,570,400</b>

### **Recommendation**

This budget revision for PRRO Armenia 100532 is recommended for approval by the Deputy Executive Director and Chief Operating Officer.

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