

Armenia PRRO 100532
“Transitional Relief and Recovery Assistance for Vulnerable Groups”
Budget Revision No. 10

PROJECT REVISION FOR THE APPROVAL OF:

➤ **Deputy Executive Director, Operations Department**

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

PROJECT

	Previous Budget (US\$)	Revision (US\$)	New Budget (US\$)
Food cost	12,873,918	653,940	13,527,858
External transport	522,484	0	522,484
LTSH	1,569,237	47,831	1,617,068
ODOC	541,747	129,416	671,163
DSC	2,017,115	132,000	2,149,115
ISC (7%)	1,226,715	67,423	1,294,138
Total WFP cost (US\$)	18,751,217	1,030,610	19,781,827

TYPE OF REVISION

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

NATURE OF THE INCREASE

1. This budget revision (number 10) to Armenia protracted relief and recovery operation (PRRO) 100532 proposes to extend-in-time the operation until June 2012.
2. The Government has requested continued support to 9,600 people in vulnerable rural communities in refurbishing vital agricultural and social infrastructure while at the same time increasing household food security through food-for-assets activities.
3. A new landside transport, storage and handling (LTSH) matrix will also be reflected in this revision.
4. This revision increases the overall budget from US\$18.8 million to US\$19.8 million, an increase of 5 percent. The 2012 project budget can be covered by a confirmed contribution by a major donor.

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

Summary of existing project activities

5. Protracted relief and recovery operation (PRRO) 100532 “Transitional Relief and Recovery Assistance for Vulnerable Groups” started in July 2007, assisting 110,000 beneficiaries through relief, food-for-assets, school feeding and food-for-training activities and was initially due to end in December 2008. The PRRO was extended until the end of 2010 in response to the Government’s request to continue food assistance to mitigate the impact of the global economic crisis on the food security of vulnerable households. To complement the Government’s public works programme for the most vulnerable people in response to the high food price crisis, WFP introduced a cash-for-work activity for 13,400 households. The PRRO was further extended in 2011 with directed donor contributions for the implementation of food-for-assets activities. Communities have repaired drinking water pipelines, agricultural warehouses and secondary rural roads as well as schools, kindergartens and health posts.

Conclusion and recommendation of the re-assessment

6. WFP conducted studies of the impact of the high food prices and the global economic crisis in Armenia.¹ The 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 food, fuel and gas). Poor households resorted to negative coping strategies, such as changing their diet, spending less on health care, selling assets and borrowing money.
7. National Statistical Service data indicate that 1.2 million people (36 percent of the population) were poor in 2010. The calculation is based on monthly income, which is less than US\$100, while the minimum monthly consumer basket is established at US\$120. Compared to 2008, the number of poor people increased by 270,000 with the impact of the global economic downturn since 2009. Inflation exacerbated the vulnerability of the food-insecure households, hampering their ability to recover from the crisis.

¹ 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.

8. With a 21 percent undernourishment rate, Armenia ranks as a country with a moderately high-level hunger prevalence, according to the most recent available data from the Food and Agriculture Organization of the United Nations (2006-2008).² Armenia is at risk of falling into a higher level of hunger prevalence, given the recent increased poverty and food insecurity.
9. The poor and vulnerable households rely mainly on government transfers: 60 percent of the income of the extreme poor comes from pensions or family benefits. Despite substantial government spending on welfare payments (approximately 50 percent of all government expenditure), these remain insufficient to meet essential food and non-food needs. The government-funded public works programme (established in 2004), which aimed to create temporary employment for the unemployed and mitigate social tensions, was indefinitely suspended in April 2011.
10. One-third of the population (some 1 million) that lives in urban Yerevan is substantially better off than the other two-thirds of the population that live in rural areas. The full negative impact of the economic downturn on agriculture became apparent much later than in other economic sectors. Agricultural output declined by around 20 percent in 2010 and the rural areas continue to face a serious crisis, partly due to the inability of farmers to pay for agricultural inputs.
11. The Government and WFP have agreed to continue to target PRRO assistance to the most vulnerable households in the impoverished rural areas (this is consistent with the targeting approach WFP has taken in the past). WFP plans to conduct a comprehensive food security and vulnerability analysis in 2012, subject to availability of funds.

Purpose of extension and budget increase

12. Only food-for-assets activities - labour-intensive infrastructure improvement - will be undertaken in this extension period. The PRRO will continue to be aligned to WFP Strategic Objective 3 “Restore and rebuild lives and livelihoods post-conflict, post-disaster or transition situations”. Specifically, the budget revision will contribute to addressing the long-lasting negative impact of the consecutive crises in the most food-insecure rural areas. WFP will continue to support building and rehabilitation of irrigation and drinking water pipelines, agricultural warehouses, secondary rural roads other essential rural infrastructure. In the period of the budget revision, the PRRO will contribute to the achievement of Millennium Development Goals 1 (“Eradicate extreme poverty and hunger”) and 3 (“Ensure environmental sustainability”).
13. The implementation strategy, the targeted areas and expected outcomes remain unchanged. This extension-in-time will also allow the WFP country office to undertake the necessary assessments to inform WFP’s future programme activities.

TABLE 1: BENEFICIARIES

Activity	2011	During the extension-in-time (to June 2012)
Food for Assets	36,500	9,600

² Armenia Food Security and Agriculture Highlights, July–September 2011.

14. The food-for-assets ration will be wheat flour only, which is the highly preferred commodity type. The ration covers an average household of five persons.

TABLE 2: FOOD FOR ASSETS RATION	
Commodity Type	Food For Assets Ration
Wheat flour g/participant/day	1,200
<i>Total kcal/day</i>	<i>4,200</i>

FOOD REQUIREMENTS

TABLE 3: FOOD/CASH & VOUCHER REQUIREMENTS BY ACTIVITY TYPE (SUMMARY FOR 2007-2012 WITH INCREASE FOR BUDGET REVISION 10)				
Activity	Commodity Cash/Voucher	Food requirements (mt) Cash/Voucher (US\$)		
		Current	Increase	Revised total
General Food Distribution	Commodity	11,072	-	11,072
Food For Education	Commodity	1,320	-	1,320
Food For Training	Commodity	55	-	55
Food-for-Assets	Commodity	9,516	1,038	10,554
Total	1,570,400	21,963	1,038	23,001
Cash for work (US\$)	Cash	1,570,400	-	1,570,400

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