

Armenia Protracted Relief and Recovery Operation

SYNOPSIS

Project Country, Number/Title:	Armenia, PRRO 10053.2 – Transitional Relief and Recovery Assistance for Vulnerable Groups
Duration:	1 July 2007 – 31 December 2008
Number of beneficiaries:	110,000
WFP food tonnage:	11,965
WFP food cost:	US\$ 4,028,660
Total cost to WFP:	US\$ 6,696,917

EXECUTIVE SUMMARY

Armenia continues to achieve progress in human and economic development despite the closure of borders with two of its neighbours and the unresolved conflict over Nagorno-Karabakh. This progress is reflected through the Government's growing capacity in poverty reduction and strengthening the social welfare system, maintaining economic growth and improving the business environment; these factors are enhanced by significant remittances from abroad. Yet, 34 per cent of the population live in poverty and food assistance to the most vulnerable is critical during this period of transition and until Government social safety net schemes are expanded and strengthened. Official data show that in 2005 the average calorie intake among the very poor or food-insecure was 34 percent of the national minimum daily energy requirement.

The Government's efforts to combat poverty, the overall economic growth and higher incomes and remittances all resulted in lower levels of poverty - from 56 percent of the population in 2002 to 34 percent at present. Extreme poverty fell to about 6.4 percent in 2006. The per capita GDP increased from USD1,623 in 2005 to USD2,150 in 2006. While there is still work to be done on further poverty reduction, redistributing gains from economic development as well as improving governance, the Government's plans and ongoing trends indicate that the Government's efforts will likely be successful. WFP initiated discussions with the Government and cooperating partners towards end-2006 to prepare a smooth handing over of activities to the government, thus allowing sufficient time to consider related plans and budgets.

WFP intends to implement an 18-month PRRO, which represents the last phase of its intervention in Armenia. The activities under the proposed PRRO will include a planned gradual handover, to ensure uninterrupted support to vulnerable groups..

The planning of this PRRO is based on the ODC support mission on exit and handover in early 2007. The mission found a growing Government technical and financial capacity in addressing poverty reduction, along with the presence of other programmes in the country initiated by development partners such as the World Bank.

The handover plan envisages a gradual phase-out of WFP's relief food assistance, in tandem with increased Government budget in the existing Family Poverty Benefit programme . The Government has already adopted and budgeted a strategy for phasing out from food for work (FFW) through a public cash-for-work scheme. WFP will work to connect its FFW support with other ongoing infrastructure development projects in order to invest where gaps are the most acute, particularly in remote rural communities. WFP will focus its food for education (FFE) programmes under this operation in areas where there is commitment and resources as part of a strategy to handover the activity to local ownership.

This PRRO continues to contribute to the country's commitments under Millennium Development Goals (MDGs) 1, 2, 3, 6 and 7, and the United Nations Development Assistance Framework (UNDAF). Along with Strategic Objectives 2 and 4, the PRRO will work toward strategic objective 5 prioritizing capacity building at the local governance level.

SITUATION ANALYSIS AND SCENARIOS

(a) The overall context

1. Armenia is a small land-locked country in the Caucasus, with a population of 3.2 million. The unresolved Nagorno-Karabakh conflict and the border closure with Azerbaijan and Turkey keep tensions high and impose large costs on the economy as the main trade links are by rail and road through Georgia's Black Sea ports.
2. Following the collapse of the Soviet Union in 1991, the country entered into a period of deep economic crisis exacerbated by the effects of a severe earthquake in 1988, armed conflict and the influx of 360,000 refugees from Azerbaijan, a transportation blockade and an energy crisis. From 1990 to 1993, the country's GDP contracted to 47 percent of its 1990 level. Hundreds of thousands of people left the country as a result of deteriorating living conditions, high unemployment rates and triple-digit inflation.
3. The country began to recover in 1994 with the adoption of a comprehensive reform programme aimed at establishing a liberal market economy and a democratic regime. However, the country remains highly dependent on international assistance and remittances from the close to 25 percent of the population that emigrated following independence. A recent slowdown of remittances, especially from Russia, which accounted for 81 percent of such flows in 2005, leaves it uncertain whether the former volume of remittances will be regained.¹ In addition, significant appreciation of the local currency resulting from foreign currency inflows is affecting segments of the population that rely on dollar-denominated remittances.² Besides remittances, Armenia benefits from one of the highest levels of US per capita assistance fed into important capital expenditure programmes, notably infrastructure. Driven by overseas-funded construction projects, Armenia recorded in 2003 a GDP growth of 14 percent³. The per capita GDP increased from USD1,623 in 2005 to USD2,150 in 2006.⁴
4. Since Armenia's independence, both the IMF and the World Bank have provided the country with concessional funds and large-scale technical assistance. Armenia's macroeconomic stability has been strengthened during the three-year arrangement (2001-2004) that the country had with the IMF under the Poverty Reduction and Growth Facility. The World Bank approved in June 2004 a new Country Assistance Strategy which focuses on promoting private sector led economic growth, on making growth more pro-poor and on reducing non-income poverty. The European Bank for Reconstruction and Development (EBRD) continues to focus on financing small and medium enterprises (SME) and micro-enterprises through local banks.
5. Still, private enterprises remain few, and many are under-developed to absorb sufficient labour. Most of the unemployment is long-term and many of the poor that are employed

¹ IMF Country Report. No. 06/196, May 2006.

² The average exchange rate of US\$1.00 to the Armenian dram stood at 573, 578, 533, 457, 416, 426, and 359 respectively in 2002, 2003, 2004, 2005, 2006, and 2007.

³ The Lincey Foundation alone spent US\$175 million on road construction and the renovation of cultural centres.

⁴ The Socio-economic Situation in the Republic of Armenia, January-December 2006, National Statistical Service, 2007.

are "working poor". The officially registered unemployed represented 7.4 percent in 2006 of whom 71.7 percent were women.⁵ However, according to a survey conducted by the National Statistics Service in the fourth quarter of 2005, real unemployment represented 31.3 percent of the economically active population.⁶

6. The agricultural sector currently represents 20 percent of the GDP. Production is characterized by mountain farming, with 90 percent on an elevation of over 1,000 meters. Farming land accounts for 1.4 million hectares of cultivable land, of which only about 400,000 are arable. The sector is mainly subsistence farming. Weak infrastructure (especially dilapidated irrigation systems from Soviet times), coupled with poor financial, institutional and marketing conditions, are major obstacles for small farmers, and result in low yields of grain and other crops. The food-processing industry is rather small and requires substantial investments.
7. During the past four years, Armenia has shown an economic growth averaging 12.8 percent. In 2005, it rose to 13.9 percent but slowed down to 7.9 percent in the first quarter of 2006.⁷ According to projections by the Government and IMF, the unusual double-digit economic growth over the past four years will come down to an annual 6-7 percent in the medium term as "catching-up" effects are wearing off. The growth outlook is based on the assumption that the Government will maintain its strong track record on reforms and further improve the business climate and that Armenia will continue to attract large volumes of capital transfers from the Millennium Challenge Corporation (MCC) and other private foundations. Armenia's eligibility for further capital transfers from MCC will depend on improving governance in a manner meeting internationally accepted standards such as occurred in the recent parliamentary elections.
8. The general economic growth, higher incomes and remittances, along with the Government's measures to combat poverty, have begun to affect the levels of poverty, falling from 56 percent of the population 5 years ago, to 34 percent (over one million people) currently. Extreme poverty fell from 21 percent to about 6.4 percent (200,000 people) in 2006.⁸ The average food poverty line per adult is estimated at USD 30.37 using mean prices and USD 29.23 using median Urban, peri-urban and rural poverty stand at 36.4, 44, and 31.7 percent respectively.⁹ Rural poverty is highest in areas 1,700 m above sea level.
9. Armenia ranked 80th on the Human Development Index in 2006. The Modified Human Poverty Index¹⁰ average of 32.4 is calculated as the mean value of indicators for lack of access to education, healthcare, safe drinking-water and permanent dwelling. Although budget expenditures for healthcare surged over the last few years, they still do not exceed 1.4 percent of GDP. The PRSP contemplates increasing healthcare spending

⁵ The Socio-economic Situation in Armenia, National Statistical Service, 2006.

⁶ Food Security and Poverty Bulletin, National Statistical Service, 2006.

⁷ UN Armenia Economic Brief, Q1, 2006.

⁸ National Statistical Service poverty data of 2006.

⁹ Social Snapshot of Poverty in Armenia, National Statistical Service, 2006.

¹⁰ The Human Poverty Index adjusted to Armenia's realities was calculated in order to obtain the summary picture of human poverty in Armenia's provinces. Human Poverty and Pro-poor Policies in Armenia, UNDP, 2005.

up to 2.5 percent of the GDP by 2015, but this would still be insufficient for any tangible improvement.¹¹ Public spending for education has increased by 0.5 percent during the past five years, accounting for 2.5 percent of the GDP.¹² Yet, most schools in rural areas are in poor condition due to lack of funding for repairs and renovations.

10. Enrolment for boys/girls in primary school is 95/93¹³ percent and attendance 96.9/96.7.¹⁴ Attendance in rural schools is lower as children lack proper clothing and footwear, and are obliged to perform various household chores (girls) or look after livestock (boys) to support their families. According to a WFP Baseline School Feeding Survey conducted in 2003, students rate the importance of school feeding in relieving short-term hunger as highly significant in 97 percent of new schools (where the programme started the year of the survey) and highly significant in all the existing schools (in which the programme was ongoing for more than a year at the time of a survey).
11. While the majority of the refugees have received Armenian citizenship and are no longer referred to as refugees, they remain one of the most vulnerable groups as the change in their status has not affected their situation. There remain 2,500 among them who have retained their refugee status, refusing to become Armenian citizens. Many more than the 2,500 from both categories are assisted by the Government's Family Poverty Benefit programme and WFP's relief assistance as they are registered in the vulnerability index PAROS¹⁵ and have the highest vulnerability score regardless of their status.
12. The current response to HIV/AIDS in Armenia is weak, with state allocations for the National HIV/AIDS Prevention Programme remaining extremely low. Although currently there is no indication of an alarming situation, the risk of an escalation of the disease cannot be underestimated due to Armenia's extensive seasonal migration ties with Russia and Ukraine, which have very high HIV/AIDS growth rates. Low awareness at the Government level and among the population increases the risks of spreading the disease. A recent HIV/AIDS situation assessment has shown that the estimated number of people living with HIV in the country is around 2,800.¹⁶

(b) Food security and nutrition situation

¹¹ MDG National Report, 2005.

¹² UN Armenia Economic Brief, Q1, 2006.

¹³ Education in Armenia, Report by the RA Ministry of Education, 2006.

¹⁴ Standard Project Report 2006 on PRRO Armenia 10053.1.

¹⁵ In 1995, the Government, supported by USAID, initiated a poverty assessment system, known as PAROS (meaning "Beacon" in Armenian), which has been extensively used by WFP and NGOs to streamline targeting of humanitarian aid. PAROS assesses the vulnerability of each household, taking into account, *inter alia*, family composition, including the presence of household members belonging to socially vulnerable groups, household income level, assets, and location and conditions of accommodation. Numerical values are assigned to each variable and a vulnerability index is calculated for each household. Regular updating of the system for the registered families, and household budget surveys by the National Statistical Service provide a factual picture as well as the dynamics and trends of poverty in the country.

¹⁶ RA National Centre for AIDS Prevention – HIV Statistics, April 2007.

13. For the most vulnerable groups, food insecurity is chronic as a result of income poverty. The problem worsens in winter months when extra calories are needed to maintain a normal level of energy given the harsh climatic conditions, and lack of heating and proper housing. Poorer areas are characterized by heavy reliance on limited own production and seasonal fluctuations as agricultural crops are relatively small and insufficient to cover winter and spring months until the new harvest. Interruptions in food availability and remittances or non-formal earnings expose households to transient poverty. Official data show that the average calorie intake for the very poor or food-insecure in 2005 was extremely low – 1,464 Kcal/capita/day, well short of the national minimum daily energy requirement of 2,232 Kcal/capita/day (34 percent)¹⁷. Thirteen percent of children suffer from stunting and 5 percent from wasting. More than one-third of children aged 6-59 months are anemic. Anemia levels are highest in Gegharkunik Province (63 percent) and Yerevan (45 percent). As identified by the Demographic and Health Survey in 2005, more than half of the children aged 6-35 months ate foods rich in vitamin A the day before the survey. Three-quarters of the same group ate foods rich in iron during that period. Nearly all the children were using adequately iodized salt.
14. While the 2005 harvest was favourable (378,000 tons of cereals against the annual requirement of 597,000 tons), the localized drought during part of the season affected the 2006 crop yields (244,000 tons of cereals). As a result, Armenia will require more of commercially imported wheat during the 2006/07 marketing year¹⁸. As compared to 45kg/per capita domestic wheat production in 2006, in the years 2002/2003/2004/2005, it stood at 89 kg, 67kg, 91kg and 80 kg respectively.

(c) Scenarios

15. The scenario the PRRO builds on is the continuation of the current positive trends in human and economic development. It assumes the status-quo of the Nagorno-Karabakh conflict in the form of the ceasefire and the continued role of the Minsk Group to find a peaceful solution.
16. Armenia is located on Alpen-Himalayan and Balkan-Carpathian seismic zone that becomes a plate-boundary, and therefore is frequently hit by earthquakes. The PRRO considers four likely scenarios for the purpose of emergency contingency planning of natural and man-made hazards: (i) **powerful earthquake**, considering that 15 tremors take place on average monthly, and that around 2 million of the population inhabit urban areas rated as High or Very High for earthquake hazard, likely to result in large-scale displacement; (ii) **drought**, causing food shortages to farmers and lost employment opportunities to rural labourers; (iii) **armed conflict**, erupting from the unresolved Nagorno-Karabakh conflict with Azerbaijan; and (iv) **nuclear accident** at Metzamor Nuclear Power Plant, 30 km from Yerevan, which could affect up to 180,000 people. WFP is a member of the UN Disaster Management Team in Armenia, has a contingency plan for these scenarios and follows the situation.

¹⁷ WFP VAM Report, 2006 referring to data of the Social Snapshot of Poverty in Armenia, National Statistical Service, 2006.

¹⁸ Crop Prospects and Food Situation, FAO, February 2007.

POLICIES, CAPACITIES AND ACTIONS OF THE GOVERNMENT AND OTHERS

17. The Government's poverty reduction strategy adopted for 2003-2015 aims at eradicating mass poverty and improving living standards by 2015, in accordance with the MDGs. The PRSP first and second progress reports provide a poverty update and show progress towards overall poverty reduction attributing it to economic growth, the increase in labour income and remittances, and refined targeting of social transfers through a Family Poverty Benefit (FPB) Programme run by the Government.
18. Originally created to target humanitarian assistance, the Government's poverty assessment system, PAROS, is increasingly used as a solid foundation for enhancing the state social assistance policy and ensuring a better impact on poverty reduction. The FPB is targeted through PAROS and applies a vulnerability index from zero to 40, with the latter representing the worst cases. Registration in the system is voluntary and the eligibility threshold for the FPB starts at 33.01 of the index. From 2004 to 2006, the Government introduced more stringent criteria which discourage families from registration once they realized they would not qualify for the benefit. Out of the registered families, those qualifying for FPB decreased from 140,000 in 2004 to 130,000 in 2006 and 125,000 in 2007. The average monthly FPB for the respective years stood at USD 19.55, USD 36.05 and USD 39.86¹⁹. Although Government spending on FPB increased from USD 21.25 million in 2002 to USD 75.2 million in 2007, such an increase was sufficient mainly to absorb inflation²⁰ and the weakened purchasing power of the local currency. WFP's relief assistance implemented in close collaboration with the Government so far has been able to provide additional assistance to the recipients of the FPB for the worst cases of this ranking in order to reduce the gap with the poverty line, until the Government is able to increase its assistance. Government discussions are under way to review the present social welfare system to make it more effective for the most destitute. The new package to be prepared through support from USAID will offer differentiated support according to identified needs which may include addressing food needs.
19. Wide-scale small FFW projects implemented by WFP in the late 1990s encouraged the State Employment Department to adopt the strategy and WFP-developed work norms and establish a public cash-for-work scheme in 2000. The budget for 2006 has increased to US\$ 2 million. Participants under this scheme could be those receiving the FPB.
20. The Armenian Social Investment Fund (ASIF) is one of the World Bank's extension links addressing rural poverty. It concentrates on the rehabilitation and repair of

¹⁹ The increase of the FPB during the mentioned years was due to several increases of the FPB base amount and the additional amounts per minor child in the family. The average above is of a family of 4.

²⁰ Inflation in 2006 was 5.2%, National Statistical Service.

infrastructure, including educational buildings, drinking and irrigation water systems. Initiated in 1995, the Fund has reached its third cycle (2007-2012), and has thus far increased its budget from US\$18 million to US\$33.3 million. To date, the Fund has implemented 600 projects primarily in border, refugee-populated and high altitude areas. Generally, ASIF is covering 90 percent of project expenses while communities are expected to cover the remaining 10 percent. In reality, most of the 10 percent community shares originate from Armenian Diaspora charity funds and international partners.

OBJECTIVES OF WFP ASSISTANCE

21. The overall goal of the PRRO is to support the most vulnerable and food-insecure during a time of transition and gradually handover the WFP relief caseload by the end of 2008 to the Government which will assist them through increasing family benefits. In addition to undertaking measures/activities for a responsible handover, WFP will continue focusing on household food security, creation of community assets and the development of human capital by:
- enhancing the food security of targeted populations (SO2, MDGs1 and 6);
 - rehabilitating agricultural and rural infrastructure, (SO2, MDGs1 and 7);
 - alleviating short-term hunger, improving concentration and assimilation among children and maintaining high attendance rates (SO4, MDGs2 and 3);
 - increasing HIV/AIDS awareness (SO4 and MDG6);
 - promoting self-reliance, especially among women, by imparting knowledge on micro-enterprise development and agricultural techniques (SO4 and MDG3); and
 - strengthening government and local partner capacities to absorb WFP's caseload (SO5)²¹.

4. WFP RESPONSE STRATEGY

(a) Nature and effectiveness of food-security related assistance to date

22. WFP in Armenia started with emergency food distributions in 1993 to alleviate the plight of refugees and internally displaced persons. Later assistance also covered the vulnerable resident population, since they suffered almost as much as the displaced due to the deep economic and energy crises, armed conflict, blockade and implementation of economic reforms. In mid-1999, the emergency operation (EMOP) was replaced by a PRRO to help rebuild people's lives and livelihoods. At the end of 2000, WFP launched another EMOP to assist the victims of a severe drought. Since its inception, WFP has mobilized 144,178 tons of food aid for Armenia.
23. The current PRRO²² contributes to the recovery process, in line with the national priorities of poverty eradication, enhancing national safety nets, improving rural infrastructure and fostering education performance. It does this through relief food distribution and food-for-work/training activities for 45,000 beneficiaries each and food-for-education for 25,000 children.

²¹ Subject to a request by the Government if they opt to use a food aid program as an additional safety net in the new PRS

²² PRRO 10053.1 from July 2004 to June 2007

24. The effectiveness of the current programme was evaluated through a WFP After Action Review in September 2005. The review was facilitated by the Regional Bureau with the participation of the Government and Cooperating Partners. Below are the summarized conclusions, by project component.

- Relief distribution supplemented the Government's social welfare system and addressed the targeted beneficiaries' basic food needs and helped fill in part of the poverty gap.
- Food-for-Education made the schools more attractive for the children and parents. It contributed to maintaining regular attendance and relieved short-term hunger. Daily meals improved children's concentration, as reported by all school headmasters and teachers. The Programme increased parent and community participation by way of contributions of food and non-food items and realization of their indispensable role in implementation. In numerous cases, WFP used FFW and helped communities renovate schools lacking minimum conditions, thus making them qualify for the programme.
- Food-for-training on micro-enterprise skills development encouraged participants to seek employment and/or self-employment opportunities and increased their adaptability to new realities, including market relations.
- Food-for-work addressed the most felt needs of communities and contributed towards gradually changing perceptions about the role of communities under the current setting of decentralized management. The benefiting communities have shown commitment to sustaining created assets and further improving infrastructure by involving other donors. In communities where several FFW projects were implemented, Cooperating Partners learned to better mobilize themselves, and were more disciplined, results-oriented and accountable²³.

(b) Strategy outline

25. In view of the positive trend in the Government's capacity in poverty reduction and strengthening the social welfare system, maintained economic growth and remittances as well as improvement of the business environment, WFP intends to implement an 18-month PRRO, which represents the last phase of its intervention in Armenia. The PRRO focuses on activities implemented in the previous operation and includes a number of capacity building initiatives, as part of a handover strategy.

26. **Relief assistance:** WFP will supplement the FPB for families with an index between 36 and 40 to help them reduce the gap with the food poverty line²⁴. WFP's assistance to 45,000 beneficiaries --comprise one-third of those receiving the FPB-- will be given

²³ Results under PRRO 10053.1 include some 95,000 sq. m of rehabilitated schools and pre-schools, 9,600 planted fruit trees, 300 ha of newly founded nurseries/orchards, 310 km of rehabilitated/constructed irrigation canals, 710 cub m of constructed water reservoirs, and 130 km of repaired roads.

²⁴ The food poverty line is US\$ 36 while the FPB is US\$ 11.84 and WFP's ration is US\$ 8.7 (all figures per person per month)

during the months of highest food insecurity, between December and May. Some 4,000 unaided elderly people included in the caseload will be assisted throughout the year.

27. **FFW** will assist mostly the same communities as under the current PRRO to take them substantially forward until the end of the programme. FFW priorities will continue to be the repair and rehabilitation of vital infrastructure including drinking and irrigation water supply systems, dilapidated schools, kindergartens and health posts as well as orchard establishment, agricultural production and reforestation. FFW would create an average of 90-day employment opportunities for 7,000 participants in villages and provincial towns from spring to autumn. WFP will also collaborate with the Armenian Social Investment Fund (ASIF), as both WFP and ASIF are addressing rural poverty through similar activities - rehabilitation and repair of infrastructure including educational buildings, drinking and irrigation water systems. WFP and ASIF's joint efforts and resources will allow the achievement of more sustainable results.
28. **Food-for-training (FFT)** will continue to promote people's self-reliance in vulnerable villages and provincial towns, where opportunities of improvement are almost non-existent. Small farmers will acquire agricultural knowledge and skills while unemployed peri-urban residents will learn how to engage in small businesses. The number of participants in each sub-component will be 1,000.
29. **FFE** will provide daily school meals to 25,000 children in primary schools in destitute areas to alleviate short-term hunger, improve concentration and assimilation, and maintain a higher attendance rate. WFP assistance will be complemented by community inputs mobilized by parent councils to include fresh products and fuel.
30. WFP will use FFW/FFT/FFE activities to distribute HIV/AIDS/Nutrition leaflets and/or posters to create and enhance awareness about the related risks among the participants and their family members.
31. The programme will focus on women's needs and strive to increase their role in decision-making. WFP will ensure that women are 60 and 75 percent of the beneficiaries of relief and FFT assistance, respectively. They will be fewer in FFW as most projects require hard physical labour. Nevertheless, women will have control over FFW rations earned by their male family members as the household food stocks and savings are typically controlled by the woman. Parent councils represented mainly by mothers will be responsible for community input mobilization which will add to women's decision-making role. As before, all kitchen helpers in FFE will be women.
32. WFP will encourage increased government involvement in WFP processes to contribute to the counterpart's capacity to take over its obligations towards the socially vulnerable. To further add value to the government counterpart and local partners, WFP will increase their capacity through training on results-based management (RBM), to be conducted by the CO RBM focal point/s.

(c)Exit strategy

33. In view of the afore-mentioned trend of economic development over the past few years and the achievements of the Government's poverty alleviation efforts, as well as the status-quo of the Nagorno-Karabakh conflict, WFP plans to phase over its assistance in Armenia by the end of 2008. WFP initiated discussions with the Government and Cooperating Partners towards end-2006 to prepare a smooth phasing over of some activities and phasing out of others, thus allowing for sufficient time to consider related plans and budgets. The CO benefited from a support mission on exit and phase over of WFP's presence in Armenia at the beginning of 2007. In its assessment, the mission found a growing government technical and financial capacity in addressing poverty alleviation and the creation of safety nets, in addition to other ongoing programmes in the country (such as ASIF) to help rural development; all are cash-based. As such, WFP agreed with the Government that its relief food assistance would be replaced by an increased FPB budget.
34. The strategy of FFW has already been adopted and budgeted by the Government and is operated through a public cash-for-work scheme. WFP will focus its food for education (FFE) programmes under this operation in areas where there is commitment and resources as part of a strategy to handover the activity to local ownership.. Below is an overview of the handover plan for each activity. WFP activities would cease by September 2008, to allow a transition period and integration into the said programmes. Annex III provides the implementation plan. Below are more exit details per activity.
35. **Relief:** Over the years, the Ministry of Labour and Social Issues (MoLSI) has developed its capacity to refine and regularly revalidate the targeting method of PAROS for those receiving the FPB, on the one hand, and regularly increase the budget to absorb inflation on the other. The Government is also aware that a single-type of assistance for the vulnerable poor (in the form of FPB) remains inadequate, since there are different levels of vulnerability. The next FPB envisages establishing a needs-based assistance which may include food. As such, WFP intends to phase over to the Government the relief caseload, whereby it would provide additional assistance to those receiving the FPB. Discussions with the MoLSI showed that the Government will be able to increase the FPB budget in real terms by 3-4 percent as of 2009, to make up for WFP's relief assistance to the beneficiaries by the end of 2008.
36. **FFW:** WFP will support the less advantaged communities benefiting from FFW to have access to the ASIF Fund to make up for the ASIF-required community cash input to implement larger rural infrastructure improvement and agriculture production. During the previous phase, WFP created the capacity in communities and local partners to initiate proposals of small schemes to be supported from different sources. Hence, WFP will phase over its FFW by the end of this PRRO, allowing communities to use more ASIF funds and participate in the Government's FFW scheme.
37. **FFE:** Discussions with the Ministry of Education revealed that the Government does not have sufficient resources to continue FFE. While WFP is targeting schools in only four provinces, the Government would be obliged to assist schools in all the provinces, which would require more resources than what WFP is currently contributing. However, WFP will actively advocate for the continuation of the activity by the communities and link local farmers/growers with the activity as food suppliers. Seeing the benefits of FFE, communities are already contributing food and other inputs and are active in

implementation. As WFP plans to phase over the FEE intervention by the end of the school year 2007/2008, it will support areas where there is already community participation in school feeding to gradually build capacity and local ownership..

38. The FFW and FFE created by WFP will leave behind well-organized communities and groups who will increasingly be able to contribute towards achieving sustainable results, backed up by appropriate capacity-building measures and poverty-reduction efforts by the Government and other players.
39. **Capacity-building:** As stated, the Government's technical capacity in addressing poverty-related issues is growing significantly. Discussions with MoLSI showed that the Government could benefit from guidance to build capacity in maintaining contingency food stocks for emergency situations. The Ministry also indicated that if the Government opts to use a food-based safety net in its new PRS, it would like WFP to assist in the planning and implementation arrangements.



5. BENEFICIARIES AND TARGETING

40. In order to limit geographical coverage and focus on areas with larger needy populations, WFP will use the findings of a 2005 Vulnerability Assessment Survey establishing that out of 11 *marzes* (provinces), the most vulnerable are Gegharkunik, Lori, Shirak and Tavush, and the City of Yerevan.²⁵

41. WFP will apply two separate targeting approaches for relief and recovery:

- a. For **relief assistance**, WFP will use PAROS to identify 45,000 beneficiaries²⁶ in urban, peri-urban and some rural areas of Lori and Shirak *marzes*, and Yerevan. The recipient families will include the disabled, orphans, female-headed households and households with many children. Families with three children and more will receive two rations. Within this caseload, 4,000 unaided, bed-ridden elderly people will be reached; nearly half are former refugees from Azerbaijan who live in deplorable conditions in hostels in Yerevan and Gyumri.

Some 5,000 rations within the relief component will be targeted to the poorest rural areas already benefiting from FFW/FFT/FFE. As they depend too much on subsistence farming, one-time relief assistance in winter will help them cope with adverse weather conditions.

- b. For **recovery assistance**, WFP will go a step further to replace targeting of entire *marzes* under the ongoing PRRO with VAM-based community cluster targeting which will ensure a sharper focus on outstanding needs. As a result of this approach, border areas, settlements at high altitudes and provincial towns within the identified *marzes* have come to the forefront as areas requiring WFP food assistance.

²⁵ The largest number of families in extreme poverty are in Yerevan as one-third of the population lives there.

²⁶ This generally translates into one individual ration per family.

42. FFW, FFE and FFT activities will be carried out in rural and peri-urban areas in Gegharkunik, Lori, Shirak, and Tavush *marzes*. As before, FFW will be self-targeting, involving unemployed adult household members. FFT participants will be the unemployed in urban areas and small-scale farmers in rural areas. FFE will benefit primary schoolchildren in destitute communities.

TABLE 1: NUMBER OF BENEFICIARIES BY GENDER				
Beneficiaries by gender	Relief Vulnerable persons	FFW	FFT	FFE
Women	27,000	14,000	6,000	12,500
Men	18,000	21,000	4,000	12,500
Total	45,000	35,000	10,000	25,000
of whom refugees	1,000	1,000	500	

Some 5,000 rations within the relief component will be targeted to the poorest rural areas already benefiting from FFW/FFT/FFE, hence they will not be counted twice in total beneficiary numbers

TABLE 2: TOTAL COMMODITY REQUIREMENTS BY ACTIVITY				
Beneficiary type	Wheat flour (Mt)	Pulses (mt)	Veg. oil (mt)	Total (mt)
Relief component				
Relief assistance to vulnerable groups (45,000) urban/rural <i>Including Elderly (4,000 under Institutional feeding)</i>	6,000	245	432	6,677
Recovery component				
Food for Work (35,000)	2,520	197	197	2,914
Food for Training (10,000)	50		5	55
Primary Schools (25,000)	1,100	176	44	1,320
Contingency (20,000)	900	36	63	999
Total	10,570	654	741	11,965

6. NUTRITIONAL CONSIDERATIONS AND RATIIONS

43. Food items consumed by the poor are predominantly cereals and potatoes, supplemented by fruit and vegetables in season. These are preserved (dried and/or canned) for consumption during the winter months. Cheese is a major source of protein.

44. Relief rations will improve the beneficiaries' food security by supplementing the daily caloric intake of household members, thus enhancing the FPB by 50 percent for an average family of four, thus bridging the gap with the extreme poverty line. Daily school meals will provide 55 percent of energy and 90 percent of protein requirements for children in primary schools operating half of the day. The FFW/FFT ration covering an average household of five is calculated considering its transfer value so as to maintain its incentive level.

TABLE 3: BREAKDOWN BY BENEFICIARIES, FEEDING DAYS, RATIONS AND DAILY ENERGY AND MONETARY VALUE

Beneficiary type	Feeding days	Wheat flour (g)	Pulses (g)	Veg. oil (g)	Daily ration energy (kcal) ²⁷	US\$ Value
Relief component						
Relief assistance to vulnerable groups (45,000) urban/rural <i>Including Elderly (4,000 under Institutional feeding)</i>	240 545 ²⁸	500	20	35	2,128	0.29
Recovery component						
Food for Work (35,000)	90	800	60	60		2.60
Food for Training (10,000)	10	500		50		1.34
Primary Schools (25,000)	176	250	40	10	1,100	0.18
Contingency (20,000)	90	500	20	35	2,128	0.29

7. IMPLEMENTATION ARRANGEMENTS

45. Upon approval of the PRRO, WFP will sign a Letter of Understanding with its main counterpart, the MoLSI, defining implementation modalities and the parties' respective roles and responsibilities. Collaboration will continue with the MoLSI and its departments managing PAROS/family benefits and employment, education departments in governor offices, local authorities, agricultural support centres, the National Centre for AIDS Prevention, Armenian Caritas, UN agencies, the Armenian Social Investment Fund, GTZ, World Vision as well as Mission Armenia, Caravan-88, local NGOs, farmer associations and community unions.

²⁷ Kcals are calculated per household under relief distribution and per child under food-for-education.

²⁸ 180 days for Year 1 and 365 days for Year 2.

46. General relief distribution for 45,000 beneficiaries will be implemented in one cycle in the first calendar year and three cycles in the second calendar year (from beginning to end 2008) in collaboration with the government counterpart. The Government will provide distribution points located where they are most convenient for the recipients. The representatives of the social service departments will supervise the entire distribution. Radio/TV announcements made by the local social service departments will disseminate information on upcoming distributions, including ration composition. Upon completion of each cycle, the counterpart will present a consolidated report in an agreed format. WFP will help the Government build capacity to establish and maintain a contingency food stock after WFP completes its mission in the country.

Selected NGOs will implement an “Elderly Care and Support” sub-component of the general relief distribution to feed 3,300 elderly people living in hostels in Yerevan and 700 in hostels in Gyumri. They will ensure that food is stored, prepared and consumed in a safe and appropriate manner.

47. FFW will maintain and enhance the already established constructive cooperation with Cooperating Partners and potential local and international partners to ensure complementary inputs. The Cooperating Partners will be responsible for identifying sustainable projects and mobilizing other resources indispensable for implementation. At the same time, community groups will be closely involved in project planning and implementation to ensure that locally available resources are used and ownership and capacity are built. Project proposals will be approved by the Country Office Project Review Committee in line with priorities established for FFW. WFP will continue using work norms developed by the Programme Unit as a proper and transparent procedure ensuring fairness and accountability, managing and measuring results against set objectives. A Letter of Approval will be signed by WFP and the Cooperating Partner, defining respective responsibilities, inputs, the scope of work to be undertaken and timeframe. Non-food items provided by WFP will increase the efficiency of assisted activities.

48. FFE will assist around 350 schools, the same number covered under the current operation. As in the last PRRO, food will be allocated twice a year, before the beginning of each semester. The school administrations and parent councils will select kitchen helpers from the poorest households, who will work on a rotational basis and be remunerated with FFW rations. The schools will continue to maintain regular documented accounts of food utilization and appropriate food management practices. Quarterly and annual reports will be submitted to WFP through governor offices. In many schools where WFP implements FFE, UNICEF will intervene with teacher training, provision of teaching materials, sensitization of parents on the importance of early childhood development, etc. WFP will distribute posters on nutrition to all the schools implementing FFE.

49. FFT on agriculture and micro-enterprise development will be implemented respectively in partnership with agricultural support centres and the State Employment Agency. The Cooperating Partners’ responsibilities and inputs will be laid out in field- level agreements with WFP. Local authorities will provide training space.

50. WFP will help some communities to carry out FFE by building the capacities of currently assisted parent councils, school management and kitchen helpers. WFP will conduct trainings on fund-raising skills for the representatives of parent councils and

school management as well as healthy/nutritious cooking for kitchen helpers. The first will play a role in the continuity of FFE activities while the second will increase the knowledge and skills of FFE kitchen helpers.

51. Logistics arrangements - Internationally procured food will arrive by rail from the Georgian Port of Poti. Apart from the main office and warehouse in Yerevan, a sub-office and warehouse will be retained in Vanadzor. This is a major entry point to the country by rail from Georgia and is itself covered by the programme. Almost half of the in-country stocks will be stored in and dispatched from Vanadzor. To move food to project sites, WFP will contract private trucking companies on a competitive basis and use their services for six-month periods. COMPAS will continue to be used for commodity tracking.

52. For the last three years, the country office has been purchasing wheat flour²⁹ from the local market, making it less costly for WFP while at the same time ensuring quality similar to that of international purchases.



8. PERFORMANCE MONITORING

53. WFP will monitor the implementation of activities as well as the progress of handover plans. At the activity level, WFP will continue using its well-established system of performance monitoring using indicators according to the logical framework to measure results (outputs and outcomes). Random visits to households receiving food aid will ensure beneficiary feedback on the effectiveness of the food aid intervention. The five field monitors will report on contextual changes that may necessitate adjustment to the programme and identify problems that require corrective action. Monitoring will be planned on a weekly basis, and each activity will be visited on average three times. WFP will continue to record and analyse the collected information in an accurate and consistent manner and report to donors. This will establish a knowledge base, which will later be handed over to the Government counterpart within the phase-out arrangements. Furthermore, WFP will encourage involvement in the monitoring process of those with a stake in the programme, specifically government counterparts. At the handover level, WFP will monitor a set of benchmarks for each activity as per the table below:

Activity	Benchmark	Timeframe
Relief	MoLSI establishing a needs-based safety net which may include food	^{1st} quarter 2008
	MoLSI considers budgetary provision of the additional assistance as of 2009	Mid-2008
	WFP hands out the relief beneficiary lists to MoLSI	Sept. 2008
FFE	WFP identifies an area to work with on continuation of FFE	October 2007
	Community groups for discussions and training are established	November 2007
	WFP visits communities to assess and build capacities	January to May 2008
FFW	Identify community proposals that could be linked to the WB's project ASIF	August 2007

²⁹ Locally procured wheat flour is not fortified.

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9. RISK ASSESSMENT AND CONTINGENCY PLANNING

54. Adequate funding remains a key factor in achieving intended results. In case of shortages, WFP will give priority to the relief activity to support the most destitute. FFW will be the second priority as WFP intends to leave behind assets contributing to community self-reliance.

55. The implementation of the PRRO could be undermined should there be an escalation of the unsettled conflict over Nagorno-Karabakh. The PRRO includes a contingency to enable the country office to act rapidly if and when required.

56. WFP will consider the possibility of participation in the joint EC-FAO Global Information and Early Warning System (GIEWS) initiative, with the purpose of further exploring various hazards in the country and the region.

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10. SECURITY CONSIDERATIONS

57. In Yerevan, WFP uses shared premises with other UN agencies in the UN building. Yerevan and the *marzes* of Lori and Shirak are classified as Security Phase I while Gegharkunik and Tavush *marzes* fall under Security Phase II. The country office in Yerevan and sub-office in Vanadzor are MOSS/MIST-compliant. WFP is a member of the UN Security Management Team. Prior to each field visit, security clearance is issued for the staff member by the UN Security Advisor.

58. The country office, sub-office and all vehicles are equipped with HF and VHF devices. All staff has completed the Basic Security in the Field CD-ROM Training.

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11. Approval of the Executive Director:

The Executive Director is requested to approve the proposed Protracted Relief and Recovery Operation for Armenia, PRRO 10053.2.

APPROVAL

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Date:

Josette Sheeran
Executive Director

ANNEX IA

WFP PROJECT COST BREAKDOWN

	Quantity (mt)	Average cost (US\$) per mt	Value (US \$)
COSTS			
A. Direct operational costs			
Wheat flour	10,570	286	3,024,288
Pulses (lentils)	654	418	273,679
Vegetable oil	741	986	730,693
Total commodities	11,965		4,028,660
External transport			309,785
Landside transport			173,059
ITSH			441,269
Total LTSH			614,328
Other direct operational costs			234,000
Total direct operational costs			5,317,538
B. Direct support costs (see table below for details)			1,072,027
C. Indirect support costs (7 percent of total direct costs)			438,116
TOTAL WFP COSTS			6,696,917

ANNEX IB

DIRECT SUPPORT REQUIREMENTS (*dollars*)

Staff	
National professional officers	131,100
National general service staff	424,750
Temporary assistance	1,500
Overtime	3,600
Incentives	233,817
Staff duty travel	38,700
Staff training and development	18,000
Subtotal	851,467
Office expenses and other recurrent costs	
Rental of facility	37,000
Utilities (general)	2,200
Office supplies	30,000
Communication and IT services	96,560
Insurance	1,000
Equipment repair and maintenance	4,500
Vehicle maintenance and running cost	22,500
Other office expenses	7,500
United Nations Organizations Services	
Subtotal	201,260
Equipment and other fixed costs	
Furniture tools and equipment	
Vehicles	19,300
TC/IT equipment	
Subtotal	19,300
TOTAL DIRECT SUPPORT COSTS	1,072,027

Annex II – Logical Framework Summary of Armenia PRRO

Overall Objective

Results-Chain	Performance Indicators	Risks, Assumptions
<p>Outcome: WFP assisted beneficiaries under the relief component phased over to the Government as of 2009</p>	<p>Outcome indicators:</p> <ol style="list-style-type: none"> 1. Ministry of Labour and Social Issues' (MoLSI) confirmation by 3rd quarter of 2008 for allocating required budget for 2009 and on-ward to accommodate WFP's beneficiaries 2. Introducing different allowance by MoLSI for beneficiaries receiving the FPB by mid 2008 3. WFP shares beneficiary lists under relief component with MoLSI by mid 2008 4. WFP identification of a zone to advocate for communities carrying over FFE (October 2007) 5. Establishment of community groups for discussions and training 6. WFP visits communities to assess and build capacities for FFE continuation 7. Identify FFW community proposals that could be linked to the WB's project ASIF 	<p>Government financial resources allows for a budget for WFP caseload</p> <p>The next Poverty Reduction Strategy includes different modalities of social welfare according to different vulnerability levels</p>

Strategic Objective 2

Results-Chain	Performance Indicators	Risks, Assumptions
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<p>Outcome: Increased beneficiary ability to manage shocks and meet necessary food needs (<i>GRD</i>)</p> <p>Output: 27,000 female and 18,000 male targeted beneficiaries provided with food ration covering 100 percent of daily caloric needs in Lori, Shirak and Yerevan for 240 days</p> <p>Outcomes: 1. Increased beneficiary ability to manage shocks and meet necessary food needs; 2. Assets created/rehabilitated are used and maintained (<i>FFW</i>)</p> <p>Output: Target beneficiaries participated in food-assisted asset creation/rehabilitation activities and received food</p> <p>Outcome: Increased ability to manage shocks and meet necessary food needs (<i>FFT</i>)</p> <p>Output: Participants received food in exchange for completing the training on micro-enterprise development and agriculture</p>	<p>Outcome indicator: Proportion of targeted beneficiary households' expenditures on food is maintained at 75 percent</p> <p>Output indicators: 1. Number of targeted male/female beneficiaries receiving rations; 2. Percent of distributed food rations containing full food basket; 3. Percent of food rations distributed on planned distribution date</p> <p>Outcome indicators: 1. Proportion of targeted beneficiary households' expenditures on food is maintained at 65 percent; 2. Level of use among beneficiaries of assets created/rehabilitated</p> <p>Output indicators: 1. Number of participants (male/female) in asset creation and rehabilitation activities who received food; 2. Number of buildings (school/pre-school/health point) rehabilitated; 3. Number of km of water systems (drinking/irrigation) constructed and rehabilitated; 4. Number of ha of forests/fruit-tree gardens established; 5. Number of ha of wheat/barley/potato sown; 6. Number of km of secondary roads rehabilitated; 7. Quantity of food provided to the beneficiaries</p> <p>Outcome indicators: 1. Fifty percent of FFT participants on micro-enterprise development applied for/received loans to establish own business; 2. The extent to which participants feel they have increased knowledge enabling to improve food production</p> <p>OUTPUT INDICATORS: 1. Number of male/female participants who completed the micro-enterprise development training; 2. Number of male/female participants who completed the training on agriculture; 3. Quantity of food provided to the participants</p>	<p>The Government continues pursuing its poverty reduction strategy and no economic or natural shocks occur;</p> <p>Stakeholders implement their responsibilities as agreed with WFP;</p> <p>Pipeline breaks;</p> <p>Sufficient community inputs secured;</p> <p>No loan schemes are available (although this is beside WFP's control/competence);</p> <p>All implementation arrangements are ensured by IP's;</p> <p>All other conditions enabling to improve food production are in place (although this is beside WFP's control/competence).</p> <p style="text-align: right;">2</p>
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Strategic Objective 4

Results-Chain	Performance Indicators	Risks, Assumptions
<p>Outcomes:</p> <ol style="list-style-type: none"> 1. Maintained attendance of boys and girls in WFP-assisted pre- and elementary schools; 2. Improved capacity of boys and girls to concentrate and learn (<i>FFE</i>) 	<p>Outcome indicators:</p> <ol style="list-style-type: none"> 1. Percentage of girls and boys in WFP-assisted elementary schools attending classes during the school year is maintained at 95 percent; 2. Teachers' perception of children's improved capacity to concentrate and learn during classes thanks to school feeding 	<p>Schools functioning during 176 days;</p> <p>Helpers/teachers/parents are actively involved;</p> <p>Food/non-food items are provided by WFP and community;</p>
<p>Outputs:</p> <ol style="list-style-type: none"> 1. Timely provision of food to boys and girls in WFP-assisted pre- and elementary schools; 2. Non-food items provided as needed in pre- and elementary schools; 3. Community contribution provided throughout implementation 	<p>Output indicators:</p> <ol style="list-style-type: none"> 1. Number of boys and girls benefiting from the Programme; 2. Quantity of food distributed to boys and girls of pre- and elementary schools; 3. Number of NFI's provided to pre- and elementary schools; 4. Percentage of benefiting communities contributing to FFE (in kind and/or cash) throughout implementation 	<p>Pipeline breaks;</p> <p>Absence of community inputs.</p>

Strategic Objective 5

Results-Chain	Performance Indicators	Risks, Assumptions
<p>Outcome: 1. Increased capacity to identify food needs, develop strategies and carry out assistance programmes (SO5)</p>	<p>Outcome indicators: 1.1 -</p>	<p>Counterpart/IP actively participate in trainings;</p> <p>Appropriate IP representatives/staff are selected for the training.</p>
<p>Outputs: 1. Capacity-building assistance provided to local entities involved in food assistance efforts</p>	<p>Output indicators: 1.1 Number of counterpart/IP staff/parent councils trained under WFP's technical assistance activities</p>	
<p>Outcome: 2. Readiness of the Government counterpart to take over the relief caseload from WFP at the time WFP withdraws assistance</p>	<p>Outcome indicators: 2.2 - Amount of the FPB increased by 3-4 percent toward end-2008</p>	<p>Continuing inflation erodes the increased FPB</p> <p>The new Government will take ownership of the commitment to increase the FPB when WFP withdraws assistance</p>
<p>Output: 2. Continued interaction with the Government counterpart to prepare them to take over from WFP</p>	<p>Output indicators: 2.2 NFRs on such interactions</p>	<p>The Government shows a responsible approach towards its increased role to satisfy the needs of the most vulnerable</p>

Provisional phase out implementation plan and monthly breakdown of beneficiaries and tonnage

	2007							2008												T
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Relief																				
urban	<i>bfs</i>					41,000	41,000	41,000	41,000	41,000	41,000	41,000				41,000				
	<i>mt</i>					684	684	684	684	684	684	684				684				
elderly	<i>bfs</i>	4,000		4,000		4,000		4,000		4,000		4,000		4,000		4,000				
	<i>mt</i>	134		134		134		134		134		134		134		267				
FFW	<i>bfs</i>	-		3,000	3,000	3,000	4,000	-	-	4,000	3,000	3,000	3,000	3,000	3,000	3,000				
	<i>mt</i>	-		250	250	250	332	-	-	332	250	250	250	250	250	250				
FFT	<i>bfs</i>	2,000	2,000								2,000			2,000	2,000					
	<i>mt</i>	11	11								11			11	11					
FFE	<i>bfs</i>		25,000					25,000												
	<i>mt</i>		660					660												
Contingency	<i>bfs</i>						20,000													
	<i>mt</i>						999													
Totals	<i>bfs</i>	6,000	30,000	7,000	3,000	49,000	65,000	70,000	41,000	49,000	46,000	48,000	3,000	9,000	5,000	48,000				
	<i>mt</i>	145	671	384	250	1,068	2,015	1,478	684	1,150	945	1,068	250	395	261	1,201				

Food will be allocated to schools twice a year at the beginning of each semester. FFE will stop by the end of the school year 2007/2008