


PROJECT BUDGET REVISION FOR APPROVAL BY THE CHIEF OF STAFF

| | | | |
|--|-----------------|--------------------|--------------------|
| 5) To: | Division | Room | Approval and Date |
| Mr. Jim Harvey Chief of Staff | OED | 6G36 | |
| 4) Through: | Division | Room | Signature and Date |
| Ms. Barbara Noseworthy Assistant Executive Director (a.i) | PG | 6G72 | |
| 3) Through: | Division | Room | Signature and Date |
| Mr. Manoj Juneja Assistant Executive Director | RM | 6G00 | |
| 2) Through: | Division | Room | Signature and Date |
| Mr. Ramiro Lopes da Silva Assistant Executive Director | OS | 6G62 | |
| 1) From: | Regional Bureau | Signature and Date | |
| Muhannad Hadi Regional Director | RBC | | |

**Armenia DEV 200128
BR No. 009**

| | |
|--|--|
| Total revised number of beneficiaries | 68,500 |
| Duration of entire project | 84 months (01 July 2010 – 30 June 2017) |
| Extension / Reduction period | 12 months (01 July 2016 – 30 June 2017) |
| Gender marker code | 0* |
| WFP food tonnage | 16,787 |

*Kindly note that the original project was approved prior to the introduction of gender marker code for WFP projects, and it cannot be adjusted through a Budget Revision.

Start date: 1 July 2010 **End date:** 30 June 2016 **Extension period:** 12 months **New end date:** 30 June 2017

Cost (United States dollars)

| | Current Budget | Increase | Revised Budget |
|-------------------------------------|------------------------|-----------------------|------------------------|
| Food and Related Costs | US\$ 12,999,971 | US\$ 2,690,768 | US\$ 15,690,740 |
| Cash and Vouchers and Related Costs | US\$ - | US\$ - | US\$ - |
| Capacity Development & Augmentation | US\$ 1,629,890 | US\$ 261,080 | US\$ 1,890,970 |
| DSC | US\$ 4,833,064 | US\$ 653,068 | US\$ 5,486,132 |
| ISC | US\$ 1,362,405 | US\$ 252,344 | US\$ 1,614,749 |
| Total cost to WFP | US\$ 20,825,330 | US\$ 3,857,260 | US\$ 24,682,590 |

CHANGES TO:
Food Tool

- MT
 Commodity Value
 External Transport
 LTSH
 ODOC

C&V Tool

- C&V Transfers
 C&V Related Costs

- CD&A
 DSC
 Project duration
 Other

Project Rates

- LTSH (\$/MT)
 ODOC (\$/MT)
 C&V Related (%)
 DSC (%)

NATURE OF THE INCREASE

1. *The proposed budget revision (BR) of the ongoing “Development of Sustainable School Feeding Project” (DEV 200128) extending the project in time for one year until 30 June 2017 will allow continued implementation of the activities while strengthening the strategy and developing a better informed and more comprehensive portfolio. Acting on the recommendations from the February 2015 Operation Evaluation, the BR will a) undertake critical assessments to strengthen the current school feeding strategy and reformulate its objectives; b) re-define a gradual handover plan, taking into consideration the national budgetary constraints; c) strengthen the national project in the administrative districts handed over to the government; d) broaden partnerships to move towards home-grown school feeding; and e) adjust WFP-managed implementation modalities.*
2. *Specific changes under this budget revision will:*
 - *Increase food requirements by 3,672 mt valued at US\$ 2.8 million, which includes the provision of take home rations to kitchen helpers in the WFP-administrated project;*
 - *Increase DSC by US\$ 653,068 to support the implementation of a series of assessments and thematic studies to enhance the effectiveness of the operation;*
 - *Increase CD&A by US\$ 261,080 to provide further support to the national school feeding programme in the administrative districts handed over to the government in September 2014 and January 2015;*
 - *Discontinue the provision of fruit bars to 7,000 children enrolled in schools without school kitchens, which will reduce ODOC by US\$ (132,391); and*
 - *Adjust the total number of school students benefiting from the WFP project to 60,000.*

JUSTIFICATION FOR THE REVISION

Summary of existing project activities

3. *WFP's school feeding in Armenia has a two-fold objective: to support the food security and education of primary schoolchildren through the provision of school meals, and to support the government in developing a sustainable national school meals programme. To achieve the second objective, WFP provides technical assistance to the government through the Social and Industrial Feeding Institute (SIFI), a Russian NGO.*
4. *The project started in 2010, and WFP direct implementation was gradually expanded targeting the most food insecure areas in all the districts. The project underwent a number of changes, not only increasing the number of children receiving meals but also improving the nutrition composition of the basket and*



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the ration size as well as introducing the provision of ready-to-eat nutritious fruit bars to reach children in schools where kitchen conditions did not allow on-site preparation of meals. In the 2014-2015 school year, the WFP-administered project provides school meals or fruit bars to 67,000 primary school students, accounting for approximately half of the student population in grades 1-4, and distributes take-home food rations to 1,700 kitchen helpers involved in the daily preparation of school meals. Food is provided to the children five days a week over the 180 days of the school year.

5. *Partnership with SIFI for capacity development has resulted in improved programme management and administration. The adoption of a National School Feeding Strategy and a US\$3 million funding from the national budget for government-run pilots in three districts taken over from WFP are critical milestones to establishing national school feeding. Activities are implemented by the school headmasters in coordination with district administrations. Despite these achievements, significant challenges remain with the national pilot programme. While the government programme intended to provide hot meals, instead it is providing biscuits and juice in most schools. WFP was expected to support the preparation of hot meals in the national project since its inception with the provision of basic kitchen equipment. However, the delivery was delayed as a result of a protracted procurement approval process and the depreciation of the Armenian dram/Russian rouble during that time. Consequently, the provision of hot meals in these newly equipped schools will only start in September 2015, with the next school year.*
6. *By combatting child poverty and enabling children to exercise their basic rights to education, nutrition and health, the project contributes to Millennium Development Goals 1 and 2, and is in line with WFP's Strategic Objectives 3 and 4. It is linked with the priorities of the 2014-2025 Armenia Development Strategy, focusing on human capital development and improvement of social protection. The project has been provided with robust and predictable contributions from the Russian Federation amounting to a total of US\$21 million until mid-2016. The Armenian government is funding food transportation, storage and handling costs of the WFP-administered project until the end of 2015 with discussions on-going to ensure such funding continues.*

Resourcing Prospects, with donor details

7. *The project has an unassigned amount of US\$4.2 million as of to date in addition to US\$ 3.8 million unspent balances. This budget revision requires an increase of US\$3.8 million in addition to US\$ 3.5 million current requirements. Therefore, the forthcoming needs of this BR will be fully covered by the unassigned funds. Moreover, the country office has indicated positive feedback was received on possible contributions from the main donor (Russian federation) and EMERCOM-Russia of US\$ 2 million.*



Conclusion and recommendation of the re-assessment

8. *In its fifth year of implementation and nearing its planned end in mid-2016, the school feeding project remains relevant as more than a third of the population live in poverty. The lingering effects of the 2009 crisis are still visible in the Armenian economy, with limited progress made toward reducing poverty and inclusive growth. According to a World Bank Armenia Poverty Assessment Report of June 2014, the country's high poverty rates are comparable to those of low-income countries, such as Tajikistan. International financial institutions project near-zero growth in Armenia in 2015. The 2014 slowdown of economic activity in Russia - Armenia's single largest trading partner - has already led to a substantial contraction in remittances from hundreds of thousands of Armenians working in Russia, a source of income for an overwhelming majority of families in Armenian villages.*
9. *A growing state debt has strained the government budget, currently hindering any extension of social safety nets and lowering investment in education to 2.6 percent of GDP and state allocation to health to a mere 1.51 percent of GDP. Furthermore, the Ministry of Labour and Social Issues is narrowing the targeting of social assistance. Except social pensions, all public expenditures on social spending were cut by 10 percent. This included the original US\$3 million funding for the national school feeding pilots.*
10. *A full hand-over within the next two years (present - 30 June 2017) would be unrealistic given the government's growing budgetary constraints and a mounting recession. Despite its commitment to establish a national school feeding programme, it would be financially difficult for the government to be ready for a third tranche of takeover before 2017. Also, the institutional and organisational set-up of the national school feeding programme launched since September 2014 is weak and lacks vital features for proper implementation at all levels - central, regional and the schools. Under the circumstances, there is an obvious need to continue technical support to the national programme to strengthen its quality rather than opt for another rapid and ineffective hand-over threatening to erode previous achievements.*
11. *Based on beneficiary feedback and monitoring of program implementation, the hot meals with daily baked bread have, over the years, contributed to maintaining regular attendance, eradicating short-term hunger, boosting community participation through temporary employment, parents' contributions with seasonal vegetables, enhancing the nutritional value and diversity of the children's diet.*
12. *As an interim solution for schools lacking minimum conditions for the on-site preparation of hot meals, the introduction of the modality with locally produced fruit bars was welcomed by all stakeholders. However, children's appetite for the ready-to-eat snacks diminished rapidly. The schools have informed their regional administrations and WFP that children do not eat the fruit bars, even though most of these children may not have eaten prior to school. WFP's monitoring*



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indicates that over 70 percent of schoolchildren do not eat the fruit bars or refuse to even take them home, while another 20 percent leave them half-eaten. Often, the fruit bars are given to the schoolmates in higher grades. Considering this waste of an expensive product that does not contribute to meeting the project objective, WFP will discontinue the provision of fruit bars while encouraging these schools to upgrade their facilities and implement a hot meals modality, which is already being initiated in the schools accounting for a majority of the children who received fruit bars.

13. *The mid-term evaluation provided key strategic and operational recommendations on improving the effectiveness of implementation, including through strengthening the handover process, rethinking the school feeding strategy as well as reinforcing good practice and knowledge transfer to the government. To address these issues, the evaluation recommended extending the project timeframe by one year to give sufficient time for these processes, to strengthen the Monitoring and Evaluation (M&E) system, to conduct a series of assessments and thematic studies informing the design of a more coherent and comprehensive portfolio. Such a portfolio would keep the focus on school feeding embedded in the Government's social protection system, diversifying WFP activities through a school feeding lens.*
14. In Armenia, the World Bank rolled out the System Assessment and Benchmarking for Education Results (SABER) exercise in 2012¹. In 2011, WFP held a Stakeholder Conference to benchmark school feeding against the previous eight quality standards for sustainable school feeding, which placed Armenia in mid-position on the way to fully taking it over as a sustainable national programme. However, according to the independent evaluation measuring the performance of school feeding against the five policy goals (which replaced the previous eight) of the 2013 WFP School Feeding Policy, the transition to a sustainable national home-grown school feeding programme is still at the early stage. The Country Office is planning a follow-up of SABER in the first quarter of 2016 to help the government develop a roadmap with the ultimate goal of taking over school feeding from WFP.
15. With the noted increase of the government's budgetary constraints, WFP will undertake a study using secondary data to establish the fiscal space that can be created to fund a school feeding.
16. *WFP will begin developing the new portfolio as the results of these critical assessments become available between 2nd and 3rd quarters of 2016. A mission by the Regional Food Security Adviser in April 2015 identified a comprehensive food security and vulnerability (CFSVA) and nutrition analysis as a first priority. It helped the Country Office prepare a 2015-16 food security analysis work plan. The CFSVA will essentially use the data of a 2015 Demographic and Health Survey (DHS), the results of which are anticipated in late 2016. The Country Office will also undertake an analysis of the 2014 data of the annual integrated living*

¹ <http://saber.worldbank.org/index.cfm?indx=2&ctm=AM>



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conditions survey from the Statistical Department once they will be made available in the 4th quarter of 2015.

17. *To address the recommendation of the evaluation to improve partnerships, WFP is vigorously building partnerships to enhance synergies and maximize the impact of its interventions. In addition to the main counterpart, the Ministry of Education, four ministries (territorial administration and emergency situations; health; agriculture; and labour and social affairs) have expressed their commitment to national school feeding. WFP is stimulating an inter-ministerial committee at decision-making level as well as a technical working group on School Feeding with UN Agencies. WFP recently engaged and coordinated with Asian Development Bank (ADB) and UNICEF for the renovation of kitchens and cafeterias in the schools under ADB-funded School Seismic Safety Improvement Program. Collaboration has been activated with FAO, UNIDO, and UNDP on the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) to provide a stable, structured market for smallholder farmers and strengthen the national school feeding project. The one-year extension will allow WFP to develop these partnerships into concrete actions.*
18. *As recommended by the evaluation, WFP is taking measures toward strengthening its M&E system. A recent mission from the Regional Bureau helped the Country Office align it with WFP corporate requirements and produce structured monthly and quarterly reports tailored to different audiences.*

Purpose of change in project duration and budget increase

19. *The proposed one-year extension in time will allow WFP to continue the on-going activities while providing sufficient time for rethinking the National School Feeding Strategy aiming to put in place a realistic gradual hand-over plan based on the results of the assessments and thematic studies. It corresponds to the estimated chronology of events supporting a transition to a more coherent portfolio. During the period from 2015 to mid-2016, WFP will engage with the Government and SIFI to re-think the strategy and undertake the assessments. The period from mid-2016 to early 2017 will be dedicated to the design and submission of a more comprehensive portfolio to the 2017 February Board expecting that the results of all assessments and studies will be available by the first quarter of 2016. By June-July 2016, the Country Office will submit a country strategy document for approval.*
20. *During this period, WFP will strengthen partnerships and move towards a home-grown school feeding programme (HGSF) to introduce the use of locally produced and locally procured food in school meals. This activity will contribute to enhancing women's empowerment and improving gender-sensitive programming by actively promoting women's entrepreneurship as farmers and food processors. Being constrained with access to markets, smallholder farmers, both female and male, receive only a fraction of the value of their output as gains are shared down the chain. However, compared to men, women face even greater challenges*



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including a lower physical mobility, less access to market information and productive assets. Providing a structured local demand for agricultural products during 180 school days a year, school feeding will attract women to increase their production activities and incomes. Women's groups producing food for school feeding may be provided with training, technical assistance and possibly production assets. This can be addressed jointly with other agencies. Additionally, HGSF is expected to stimulate the national debate on food and nutrition security.

21. *Once the national school feeding strategy together with the objectives of the national programme will be re-defined, the next step will be to develop an M&E strategy, embedding WFP M&E system within the regular framework of the Education Monitoring and Information System (EMIS) of the Ministry of Education. This will be undertaken during the 3rd quarter of 2016 when agreed with the School Feeding Inter-ministerial Committee.*
22. *This extension in time will decrease the number of students under the WFP-administered project by 7,000 students, bringing down their total number to 60,000. This reduction corresponds to the combined effects of the hand-over to the Government and the discontinuation of the fortified fruit bar modality. Ararat province with 6,000 students previously reached under the WFP-administered project, was handed over to the government in January 2015 reducing the number of students under the WFP project to 54,000.*
23. *Of the 7,000 students receiving fruit bars, over 78 percent (5,500 children) will receive hot meals from September 2015 as their schools are currently upgrading the cooking facilities with at least minimum hygienic conditions. It is expected that the remaining schools with 500 children will gradually improve their facilities during the course of the coming school year to qualify for hot meals. The Country Office will continue mobilising the related communities and engaging in discussion with the private sector as well as the ADB-funded school building seismic reinforcement project to renovate these schools and allow the provision of hot meals. The goal is to help these schools qualify for hot meals and start implementation in the course of 2016.*

| Activity [or Component] | Category of beneficiaries | Current | | | Increase / Decrease | | | Revised | | |
|-------------------------|----------------------------|---------------|---------------|---------------|---------------------|---------------|---------------|---------------|---------------|---------------|
| | | Boys / Men | Girls / Women | Total | Boys / Men | Girls / Women | Total | Boys / Men | Girls / Women | Total |
| School meals | School Children 0-4 grades | 33,500 | 33,500 | 67,000 | -3,500 | -3,500 | -7,000 | 30,000 | 30,000 | 60,000 |
| FFA (HH ration) | Kitchen helpers | 4,250 | 4,250 | 8,500* | - | - | - | 4,250 | 4,250 | 8,500* |
| TOTAL | | 37,750 | 37,500 | 75,500 | -3,500 | -3,500 | -7,000 | 34,250 | 34,250 | 68,500 |

*1,700 kitchen helpers will receive household ration (estimated HH size is 5).



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Only the cooked meals modality will remain. The ration composition will remain unchanged.

FOOD REQUIREMENTS

24. The table below represents the tonnage changes resulting from the proposed extension in time.

| TABLE 3: FOOD REQUIREMENTS BY ACTIVITY | | | | |
|--|---|------------------------|--------------|---------------|
| Activity | Commodity ² / Cash & voucher | Food requirements (mt) | | |
| | | Current | Increase | Revised total |
| School meals | Commodity | 11,385 | 1,958 | 13,343 |
| FFA (HH ration) | Commodity | 1,730 | 1,714 | 3,444 |
| | | | | |
| TOTAL | | 13,115 | 3,672 | 16,787 |

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Cleared by: [name] Regional Bureau on [date]

² Please only present overall food requirement. Do not split by commodity.

ANNEX I-A

| PROJECT COST BREAKDOWN | | | |
|---|------------------|------------------|------------------|
| | Quantity (mt) | Value (US\$) | Value (US\$) |
| <i>Food Transfers</i> | | | |
| Cereals | 3,204 | 2,248,559 | |
| Pulses | 260 | 221,000 | |
| Oil and fats | 208 | 353,600 | |
| Mixed and blended food | - | - | |
| Others | - | - | |
| Total Food Transfers | 3,672 | 2,823,159 | |
| External Transport | | | - |
| LTSH | | | - |
| ODOC Food | | | -132,391 |
| Food and Related Costs ³ | | | 2,690,768 |
| C&V Transfers | | - | |
| C&V Related costs | | - | |
| Cash and Vouchers and Related Costs | | | - |
| Capacity Development & Augmentation | | | 261,080 |
| <i>Direct Operational Costs</i> | | | 2,951,848 |
| Direct support costs (see Annex I-B) | | | 653,068 |
| Total Direct Project Costs | | | 3,604,916 |
| Indirect support costs (7.0 percent) ⁴ | | | 252,344 |
| TOTAL WFP COSTS | | | 3,857,260 |

³ This is a notional food basket for budgeting and approval. The contents may vary.

⁴ The indirect support cost rate may be amended by the Board during the project.

ANNEX I-B

| DIRECT SUPPORT REQUIREMENTS (US\$) | |
|--|----------------|
| WFP Staff and Staff-Related | |
| Professional staff * | 345,184 |
| General service staff ** | 139,208 |
| Danger pay and local allowances | -2,625 |
| Subtotal | 481,768 |
| Recurring and Other | 58,200 |
| Capital Equipment | 43,500 |
| Security | 4,400 |
| Travel and transportation | 65,200 |
| Assessments, Evaluations and Monitoring⁵ | - |
| TOTAL DIRECT SUPPORT COSTS | 653,068 |

* Costs to be included in this line are under the following cost elements: International Professional Staff (P1 to D2), Local Staff - National Officer, International Consultants, Local Consultants, UNV

** Costs to be included in this line are under the following cost elements: International GS Staff, Local Staff - General Service, Local Staff - Temporary Assist. (SC, SSA, Other), Overtime

⁵ Reflects estimated costs when these activities are performed by third parties. If WFP Country Office staff perform these activities, the costs are included in Staff and Staff Related and Travel and Transportation.