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Annual Progress Report

Fostering Participatory Development in Bordering Settlements of Gegharkunik and Vayots Dzor Regions / Sustainable Communities

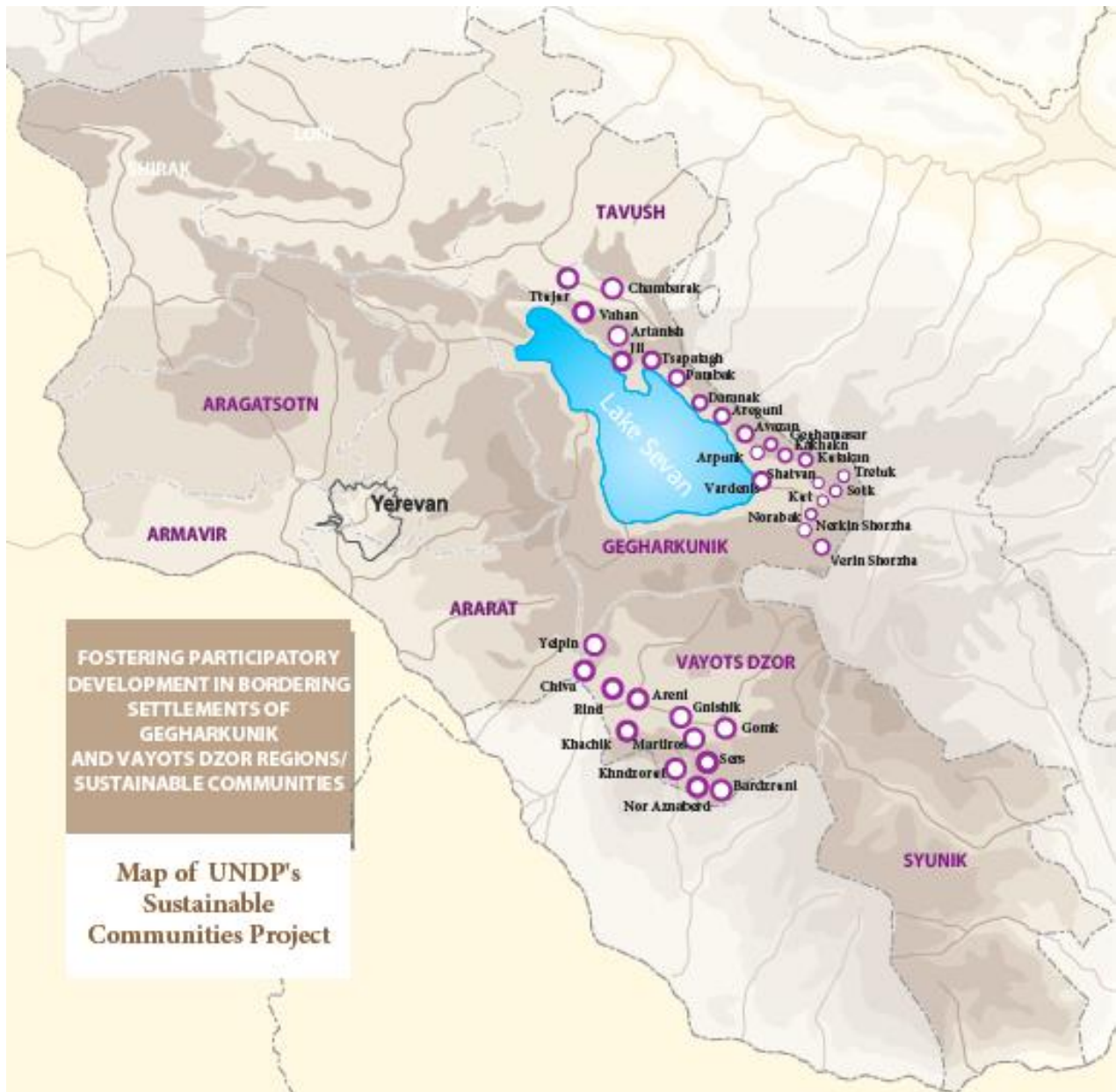


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Abbreviations

ANAU	-	Armenian National Agrarian University
ATC	-	Agribusiness Teaching Center
B2B	-	Business to Business
EU	-	European Union
GSS	-	Gyumri Selection Section
MARZ	-	Region
MARZPETARAN	-	Governor's regional office
MTAI	-	Ministry of Territorial Administration and Infrastructure
ME	-	Ministry of Economy
RA	-	Republic of Armenia
SNCO	-	State Non-Commercial Organization
TFD	-	Trust Fund for Development
UNDP	-	United Nations Development Programme
IRTD		Integrated Rural Tourism Development Project

I. Executive Summary

Reporting Period	March 2020-December 2020
Donor	Russian Federation
Country	Republic of Armenia
Project Title	Fostering Participatory Development in Bordering Settlements of Gegharkunik and Vayots Dzor Regions
Project ID	00118363
Implementing Partner(s)	Ministry of Territorial Administration and Infrastructure of Republic of Armenia
Project Start Date	March 2020
Project End Date	December 2022
Project budget USD	2,772,277
SDGs supported by the project	<p>SDG 10-Reduced Inequalities (specifically, 10.1 – By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.</p> <p>SDG 8 – Decent Work and Economic Growth.</p>

Fostering Participatory Development in Bordering Settlements of Gegharkunik and Vayots Dzor Regions (hereinafter referred to as Sustainable Communities) project aims at reducing the asymmetries of territorial development of Armenia targeting sustainable development and economic integration of 34 bordering settlements in Gegharkunik (22) and Vayots Dzor (12) regions with a total population of 41,981. The Project pursues the following objectives:

- ✓ Objective 1: To foster local participation in development planning and monitoring for bottom-up community development.
- ✓ Objective 2: To increase economic activity in the settlements through efficient local production and processing.
- ✓ Objective 3: To innovate for improved local production and management.

The timeframe of the project implementation is March 2020 - December 2022. The Project is implemented with the financial support of Russian Federation and is implemented in partnership with the RA Ministry of Territorial Administration and Infrastructure (MTAI).

The strategy is supported by the assumptions that i) community development is possible only with the involvement of people in identifying and solving the issues which affect their lives, ii) the residents of the local communities have the willingness and interest to contribute to the wellbeing of their communities and are the main actors to bringing positive changes into their community, iii) there is an abundance of local untapped potential in the communities which can be used for growth if revealed, developed, framed and granted enough resources, iv) the local communities can absorb innovation adopting new technologies, new mechanisms and management models for improved products, processing and sustainable growth.

II. Progress Review

As a result of the project activities in 2020, over **82 people** got access to income-generating opportunities (64 out of which were women). **13,430** women, men report increased economic activity through the project introduced local production and processing schemes and rehabilitated infrastructure. The whole consolidated community of *Chambarak* can benefit from the creation of seed reserve center, ensuring food security risked by COVID-19 and NK war. The initiative was implemented through the access to high quality seeds, increase in machinery pool, expansion of arable lands and inter-regional cooperation. Provision of **250** energy-efficient street lighting luminaries for total length of **7km** in Gegharkunik region, enhanced the security and quality of life for total **14,491 people** (8,126 women). Renovation of **6** (planned 10) school canteens started in 2020 will create better health and hygiene conditions for up to **500** schoolchildren. The project has institutionalized an *innovative community development model* to facilitate sustainable grain production and processing and ensure the food security for the most vulnerable bordering communities. It envisages to create eCommerce platform and logistic infrastructure to provide better opportunities for local producers for commercial realization of their products and market outreach. This will ensure the development of the whole value chain of production. The project also provided access to training and capacity building in agro-production and innovative agro-technologies to over **50** participants (90% of which are women).

Component 1: Fostered local participation in development planning and monitoring for bottom-up community development.

The Project managed to successfully launch community consultations despite the restrictions on movement imposed due to Covid-19 outbreak. To ensure a bottom-up approach and asset-based community development, the Project engaged 91 diverse stakeholders from local and regional administrations, non-governmental organizations, international organizations, SMEs, school principals and villagers to voice their needs and opinions. During the consultations, the Project has engaged the following stakeholders:



- ✓ 36 representatives of local and regional administration, including 34 Community Heads and 2 governors (Gegharkunik and Vayots Dzor);
- ✓ 20 active community members including NGO representatives.
- ✓ 15 school principals.
- ✓ 20 youth representatives participated in the essay competition “Let's make the community sustainable”
- ✓ More than 100 villagers

In 2020, 39 tons of potato seeds were sown, 40 tons of seeds and **200 tons of final products** were harvested.

In 2021, 100 tons of seeds will be sown and over **650 tons of mixed products** (seeds + final product) is expected to be harvested.

The project has identified and engaged three (3) local monitors from the target communities for ongoing monitoring of regional dynamics and project synergy. It is envisaged to establish two regional coordination centers in Gegharkunik and Vayots Dzor regions under the Governor's office.

As a result of these consultations the Annual Work Plan of the Project was developed, that focused on the following pillars:

- ✓ Food Security
- ✓ Support to SMEs
- ✓ Infrastructure Rehabilitation-Street Lighting
- ✓ Support to state-financed programs

Results:

- ✓ *Three (3) local monitors were identified and trained;*
- ✓ *Overall, 191 residents in Gegharkunik and Vayots Dzor regions participated in local consultations, needs assessment and prioritization, out of which 97 were women;*
- ✓ *Annual Work Plan was developed.*

Component 2: Increased Economic activity in the settlements through efficient local production and processing

ENSURING FOOD SECURITY:

Seed Reserve Logistic Centres

The global lockdown caused by Covid-19 pandemic exposed the vulnerability to food security in Armenia. As a landlocked country with limited land mass and arable land, small and often scattered population and high dependency on food import, Armenia needs support in building resilience to food deficit, especially in crisis situations. Hence, the Project planned to create an economic model that promotes sustainable domestic food production and consumption to reduce the reliance on international suppliers.



The Project benchmarked various community development models such as **one product one community, food banks, seed reserves** as strategic directions to follow for optimizing the

production of local region-specific agricultural champion products and processing them into high value foodstuff to maximize the profit and support the local livelihoods with sustainable and quality food reproduction.



Focusing on local region-specific production and capturing accumulated community experience enhances agricultural sector in target regions and creates sustainable multi-regional cooperation opportunities. With investments in small logistics centres, the Project intends distributing country-wide required food security capacities into regions and setting up an exchange mechanism to guarantee diversified food security for the settlements. In

2020, the agricultural component of the Project was particularly focused on reproduction of potato, wheat and legumes.



The model assumes setting up seed reserve logistic centre and production infrastructure capable of accomplishing abovementioned plans and supporting the regional small producers with the commercial realisation of the local products through the network of the regional logistic centres as well as the eCommerce platforms. The governing body (Board of Trustees) of the

As an experimental first step, the Project established an *innovative community development fund Ambar* in Chambarak consolidated community in Gegharkunik region, focusing on development of a full value chain of high-quality potato and wheat multiplication, storing and processing.

Fund consists of 11 members: consolidating five (5) stakeholders from local and regional administrations and UNDP, as well as engaging six (6) community members from those settlements of Chambarak consolidated community that are in the scope of the Project (Ttujur, Vahan and Chambarak) with overall 36% of female representation. The fund has established inter-community cooperation with Lori (Tashir community) and Shirak regions (Gyumri Selection Station) creating



additional income-generating opportunities. In 2021, the Project is planning to expand in Vayots Dzor and Tavush regions aiming at enlarging the arable lands for higher yield.

The table below reflects the amount of crops purchased, sown and harvested in the reporting period:

Crop	Purchased tons	Sown tons	Harvested tons	Stored tons
Super elite winter wheat	45 of	36.5	195	8
Super elite barley	4.2	3.4	39.3	800kg
Elite barley	7	-	-	7
Elite Potato	8	8	40	-
		26.4	160	
First reproduction of chickpea seeds	8.2	8.2 (in 2021)	82 (in 2021)	8.2
First reproduction of lentil seeds	1.8	1.8 (in 2021)	18 (in 2021)	1.8
First reproduction of bean seeds	2.2	2.2 (in 2021)	22 (in 2021)	2.2

Local bakeries (Cluster development initiative)

The feasibility study of the regions revealed the lack of access to factory-made high-quality bread in the majority of bordering settlements. Depending on the distance from the community centre and the road conditions the bread supply can vary from a few times per week to a few times per month.

Bread is usually baked by locals at home. It is made once a month or a season in a quantity to satisfy the family needs for a long period of time. Usually, people join resources to produce in a bulk for all neighbours, then it is stored in special wardrobes or in a cold room wrapped in clothes. The consumption may take weeks, sometimes months. These methods of bread storing, however traditional, raise alarms for potential health risks. The Project has initiated discussions with small entrepreneurs on commercializing this opportunity and revealed that the access to finance remains the biggest issue among others. Special financial conditions are required for these types of settlements, because return on investments takes longer time and it is not feasible to generate enough revenue to cover the loans and sustain the business.



Based on the collected information, the Project selected local bakeries as a cluster development model offering the following options to the beneficiaries:

1. Individual business with 70/30 cost sharing principal implemented on the premises of the beneficiary.

2. Community based bakeries implemented on the community owned premises with the condition of outsourcing to the business for operational purposes on revenue sharing bases.

Results:

- ✓ 12,416 people of the target settlements benefited from the creation of seed reserve bank, ensuring the food security risked by COVID-19 and NK war shattering effect on the economy of the country.
- ✓ 2 Niva Grain Harvester combines were repaired and put into operation by the project. As a result, the settlements of Chambarak consolidated community with a population of over 56,0001 have access to machinery that will enhance the productivity by 20-30%. Additionally, through the feasibility study 11 machines produced in 2001 and later with mechanical problems were identified and will undergo repairment in 2021.
- ✓ 5 packages of equipment for bread and bakery were acquired. The first bakery was established in Khachik settlement in Vayots Dzor region creating 2 workplaces as well as contributing to bread supply of 920 community members.
- ✓ Overall, 62 income generating opportunities were created as a result of this initiative 90% of which for women.

PROVIDING SUPPORT TO SMEs:

Start Me Up²

The lack of access to finance is considered the main problem for the bordering settlements when it comes to setting up or expanding a business. The problem mainly originates in failure to provide collaterals to the banks or micro credit organisations to guarantee the loans. This creates a huge gap between ideation and implementation of business ideas, leaving people in socio-economic isolation. To tackle this problem the Project has launched the Start-Me-Up initiative in 2020 to support individuals and small business owners with finance (co-financing model



¹ According to the Statistical Committee of RA https://armstat.am/file/article/nasel_01.01.2020.pdf page 4

² The progress of the initiative was paused by the outbreak of Nagorno-Karabakh war, since the majority of the beneficiaries were involved in military service. The Project will resume operations in 2021.

of 70/30), technical implementation, management and marketing. It was previously tested with Integrated Rural Tourism Development project and demonstrated successful outcomes.

As a result of promotional campaign, 42 applications were received from the target settlements (30 from Vayots Dzor and 12 from Gegharkunik regions). The Selection Committee comprised of MTAI, ME and UNDP has chosen seven (10) initiatives for further support. The following 4 projects have been launched:

- ✓ High value cheese production in Chambarak (Gegharkunik region)
- ✓ High value cheese production in Areni (Vayots Dzor region)
- ✓ Dried fruit production in Areni (Vayots Dzor region)
- ✓ Jam and syrup production (Vayots dzor region)

Note: Three (3) of the chosen projects refused to continue, due to socio-political instability in the country and the remaining three (3) will be launched in 2021.

The Project organized capacity development activities for the successful applicants by holding an online training for dried fruit production as well as a study visit to Euroterm CJSC - one of the leading companies in food processing industry in Armenia. The selected projects have the capacity to create up to 20 employment opportunities in the target communities.

INFRASTRUCTURE REHABILITATION:

Street Lighting



Street lighting is one of the priority focus areas for the project's infrastructure rehabilitation component. This initiative allows to register an immediate impact while increasing quality and security of the community life, drastically decreasing public expenses, as well as promoting the donor efforts.

In 2020, 250 energy efficient LED street luminaires were installed in the central streets of Vahan, Ttujur and Chambarak settlements of Chambarak consolidated community (total length of 7km) in Gegharkunik region, enhancing the security for total 14,491 people (8,126 women). It eased the financial burden of the local administration for four times and almost twice increased the quality and coverage. Based on agreement with community, saved funds will be invested in rehabilitation of community other infrastructure.

It is planned to install 1,400 LED lights in 2021 in other target settlements of the project.

School Canteens



In 2020, the Project identified 6 school canteens (out of 10 planned) to be renovated in cooperation with WFP. The renovation in 3 schools of Vayots Dzor (Khachik, Bardzruni, Martiros settlements) region has started. The renovation in Gegharkunik (Tretuk, Kakhakn, Shatvan settlements) region will start at the beginning of 2021. It was delayed because of the security risks around the Nagorno-Karabakh war and potential spill over to

bordering communities. The Project sets to accomplish the renovation of remaining four school canteens in 2021.



SUPPORTING STATE-FINANCED PROGRAMES:

To support the local population to overcome the consequences of the economic crisis caused by COVID 19, the government introduced the series of state supported projects. Small-medium smart barn construction/reconstruction and technological support program is one of the introduced projects providing 50% (total budget of the smart barn 11mln AMD) subsidy for constructing a smart barn.

Taking into consideration that access to finance was one of the main identified problems in the bordering communities, the Project introduced a support scheme (a subsidy of 70% on the remaining 50%) for the beneficiaries wishing to participate in the state supported project.

Through the public competition, the Project received 11 applications (30% of female applicants). 5 applications from Gegharkunik region have been selected for the assistance. This will yield up to 20 estimated new workplaces in Gegharkunik region and will strengthen 105 livelihoods.

Component 3: Improved production and management through new technologies and innovation.

The project has supported the development of acceleration program management portal and collaborative space [ImpactStation](#). It was tested and piloted in the scope of BOOST COVID-19 Acceleration programme. It is envisioned to use the portal during the whole Accelerator Program from open call applications to reporting.

ImpactAim SDG-alignment IMM toolkit has been designed and developed utilizing best features of the market available software and building on that by intergrading Business Lean Canvas into the core to address the needs of startups specifically. The toolkit has been presented to and discussed with ImpactAim Indonesia colleagues, project International Consultant on Impact Framework/Strategy Development, HQ colleagues and others. All the feedback has been studied and incorporated into the Toolkit. The Toolkit has been tested and will be piloted for further rounds of Accelerator programs.

III. Project Risks and Issues

Higher level of security risks along the borderline remains the biggest risk for the project. During 2020, the Project has faced serious bottlenecks created by NK war and the risk of potential spillover to bordering communities targeted by the project. It created delays in construction starts and agricultural components development of the project, meanwhile revealed pocket needs such as street lighting. Security risks limit the use of agricultural lands and remain one of the main risks for the project implementation.

Floating exchange rate of the Armenian Dram as well as the frequency of rate fluctuations imposes a risk of budget insufficiency particularly for a long-term implementation projects such as constructions or planting and harvesting.

Inflation in products prices. Due to the global economic instability and restrictions on import of products from Turkey the prices for some products may be speculatively increased causing overbudgeted expenses.

Political instability in the country might affect the project implementation, that is why it is planned to review the strategies and intervention mechanism with partners to align with the current situation.

High expectations for the target communities versus limited scope of the project is constantly targeted by ensuring the communication with beneficiaries and participatory project planning.

a. Updated project risks and actions

Project Risk 1: COVID 19, a newly emerged public health risk resulted to restrictions on movements and created a new risk for the project that may delay its activities.

Actions taken:

The project will follow UN DSS and RA Government instructions.

Project Risk 2: Political instability and low engagement rate from target community members caused by Nagorno-Karabakh war and internal political developments creates additional bottlenecks for project implementation. It is planned to provide additional incentives to target community members for active involvement

Project Risk 3: Closed borders may create problems with transportation of the acquired machineries, equipment and seeds, which may result on project implementation and delivery delays.

IV. Lessons Learned

- ✓ Significant amount of arable lands of the target settlements couldn't be accessed for project initiatives because of the security risks created by potential spillover of Nagorno-Karabakh war to the bordering communities of Gegharkunik region. The decision was made to set up inter-regional cooperation with Lori and Shirak regions for the production of wheat and legumes.
- ✓ As a result of created socio-political situation caused by war, it was challenging to find suppliers and vendors in the necessary timeframe. The project has reached out to the suppliers that have demonstrated successful cooperation with IRTD project.
- ✓ The morale and motivation of target population was low to engage in project-initiated activities because of the ongoing war. It was decided to provide additional incentives and hold community consultations using ICT technologies for more efficient outreach and communication.

V. Conclusions and Way Forward

- ✓ The project will build logistics center infrastructure in Gegharkunik region and look for cooperation in Vayots Dzor region. Additionally, eCommerce platform will be developed to ensure the wide distribution geography of the harvest.
- ✓ Since the energy efficient street lightning was well received by the beneficiary communities and the impact of this initiative on quality of life is immediate, the project planned to install Led luminaries in small villages (without street lighting) to guarantee at least 50% of coverage.
- ✓ The project will continue the renovation of the remaining 4 (out of 10) school canteens using good case practices.
- ✓ The remaining three (3) identified and on-hold Start-Me-Up projects will be launched in 2021 in Vayots Dzor region.
 - ✓ Up to 10 local bakeries will be opened.
- ✓ The project will hold more intensive community consultations, when necessary using ICT technologies to reach out to broader segments of the target population for idea generation.

VI. Financial Status

	Total Project Budget	Current Year (2020)			All Years Delivery as of SPR date (USD)	All Years Delivery rate as of SPR date (%)
		Annual Budget	Delivery as of SPR date (USD)	Delivery rate as of SPR date (%)		
Government of Russian Federation	2,772,277	728,480	669,186	92%	2,103,091	24%
Total	2,772,277	728,480	669,186	92%	2,103,091	24%

VII. Partnerships, Communications, Knowledge materials

The project has successfully created and maintained close partnership with the local administrations of the target communities and the regional administration of Gegharkunik and Vayots Dzor. On the national level, the project cooperates with MTAI, which is the national implementing partner of the project and a member of the Project's Steering Committee.

Collaborating with the RA Government using the subvention mechanism offered by the latter for co-financing of the infrastructure construction and rehabilitation within the communities created beneficial environment for the communities.

The project also sought thought leadership with the Scientific Center of Vegetable and Industrial Crops for mentoring and capacity building of the producer groups in horticulture as well as Gyumri Selection Station for creating a wheat seed bank.

The Project works closely with UNDP ImpactAim Accelerator to apply innovation to agricultural process and product improvement through technology acceleration programs using the existing tested mechanisms and the global partners' network. The partnerships network established throughout the implementation of Climate Change Technology Accelerator (financially supported by Russia-UNDP TFD), as well as AgriTech Incubator is mobilized and used for the implementation of Component 3, through close cooperation with and not limited to ANAU, ATC.

The project has a successfully joint the efforts with WFP for renovation of school canteens.

Mainstreaming and advocacy:

Please note that during the period of Nagorno-Karabakh war, the Project kept low visibility profile and limited promotion of ongoing activities.

Media Platform	Occasion	Link
Armenpress	News coverage about the launch of the project	https://armenpress.am/arm/news/1017520.html
Yerkir Media	News coverage about the launch of the project	https://yerkirmedia.am/hy/article/2020/06/05/10708/
Yegharkunik Marz website	News coverage about the launch of the project	http://gegharkunik.mtad.am/news/item/2020/06/03/2/
Arm Radio	News coverage about the launch of "Together" project	https://bit.ly/3gyTN9s
InterLur	News coverage about the launch of "Together" project	https://bit.ly/2QpG1LZ
Armenpress	News coverage about the launch of "Together" project	https://armenpress.am/arm/news/1025225.html
Ministry of Economy website	News coverage about the launch of "Together" project	https://mineconomy.am/page/1664
Mtad.am	News coverage about the launch of "Together" project	https://bit.ly/3aWogEN
Analitik.am	News coverage about the launch of "Together" project	https://rb.gy/gtsrcf
Mtad.am	Start-Me-Up competition announcement	http://www.mtad.am/hy/news/item/2020/07/13/mtad13.07/
Gegharkunik MTAD	Start-Me-Up competition announcement	http://gegharkunik.mtad.am/news/item/2020/07/03/2/