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PROJECT DOCUMENT

[Country: Armenia]

Project Title: SDG Fund- Unlocking Sustainable Finance for Nutrition-Sensitive, Climate-Smart Food Systems Transformation in Armenia
Project Number: 01005188
Implementing Partner: UNDP
Start Date: November 6, 2025 **End Date: October 31, 2028** **PAC Meeting date: November 5,2025**

Brief Description
The **Unlocking Sustainable Finance for Nutrition-Sensitive, Climate-Smart Food Systems Transformation in Armenia** (SDG Fund Project) project is funded through the Joint SDG Fund and implemented jointly with FAO (lead agency), UNDP and UNEP. UNDP component aims to introduce, design, structure and pilot an innovative financing instrument—specifically, a Dairy Development Impact Bond (DIB**)**—to support climate-smart, biodiversity-friendly, and productivity-enhancing transformation of Armenia's dairy sector. The project addresses structural constraints faced by smallholder farmers, cooperatives, and dairy processors, including degraded pastures, low milk productivity, limited access to finance, and insufficient quality-testing infrastructure. The project applies a results-based financing model, whereby measurable improvements in milk yield, pasture condition, and farmer incomes are independently verified by an Independent Verification Agent (IVA). These verified results serve as the basis for outcome payments and investor returns, establishing a new mechanism for mobilizing private capital into Armenia's agricultural sector. To enable the DIB and ensure readiness across the value chain, the project strengthens farmer capacities in climate-smart and biodiversity-friendly pasture management, improves processor engagement through contract modernization and quality-linked pricing, and enhances institutional capacities within the Ministry of Economy and Ministry of Environment. At the operational level, the project establishes a Milk Collection and Cooling Point (MCCP) equipped with digital quality-testing systems, distributes in-kind support to farmers, and rehabilitates degraded pastures using agroecological methods. The UNDP component contributes to the broader Joint Programme by building financial resilience, enabling innovative financing, and supporting sustainable management of natural resources. Through strong coordination with government partners and continuous community engagement, the project aims to create a replicable model that can be scaled nationally and applied to other agricultural value chains.

Contributing Outcome (UNSDCF, CPD, RPD): UNSDCF Outcome 2/CPD 2026-2030 Outcome 1: By 2030, people benefit from green, inclusive, economic development, sustainable livelihoods and decent work opportunities. Indicative Output(s) with gender marker: Output 1.3 Balanced territorial development promoted by supporting entrepreneurship and Micro and Small Enterprises (MSEs), through innovative rural and urban development, inclusive nature-positive regional growth and improved livelihoods particularly for women, youth, and refugees, especially in remote and bordering communities. GEN2 SDGs supported by the Project: SDG 8.

Total resources required:		USD 350,000
Total resources allocated:		USD 350,000
	UNDP TRAC:	
	Donor: Joint SDG Fund	USD 350,000
	Government:	
	In-Kind:	
Unfunded:		N/A

Agreed by (signatures):

UNDP DocuSigned by: C9987F31EEF2477...
Natia Natsvlishvili Resident Representative
Date: 6 November 2025

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I. DEVELOPMENT CHALLENGE

Armenia's agri-food sector stands at a critical juncture, shaped by structural constraints, environmental degradation, and emerging opportunities for innovative financing. Agriculture remains a cornerstone of the national economy, employing around one-third of the rural population and serving as the main livelihood source for communities in mountain and border regions. Within this sector, the dairy value chain and livestock-based livelihoods represent a vital economic and social pillar—providing nutrition, income, and employment for over 80,000 smallholder farmers.

Yet, the sustainability of this system is increasingly undermined by the degradation of grazing lands, climate vulnerability, and limited access to investment capital, particularly among small-scale producers. These interconnected challenges continue to limit productivity, deepen rural inequalities, and impede Armenia's transition to a modern, resilient, and inclusive food system.

1. Degradation of Pastures and Ecosystem Services

More than 1.2 million hectares of Armenia's land are classified as pastures, yet over 40 percent are degraded due to overgrazing, poor management, and climate-induced pressures such as drought and irregular precipitation. In many regions—particularly in Syunik, Gegharkunik, Lori, and Tavush—traditional rotational grazing practices have eroded, leading to loss of vegetation cover, soil erosion, and declining biodiversity.

This environmental degradation directly constrains the carrying capacity of pastures, reducing feed availability and quality for livestock. As a result, milk yields and herd health have steadily declined, increasing the vulnerability of smallholders whose income depends heavily on seasonal pasture access. The degradation of these ecosystems has also reduced their carbon sequestration capacity and water-retention functions, creating feedback loops that amplify climate risks and rural poverty.

Despite multiple government and donor-supported initiatives, pasture rehabilitation and management remain underfunded and fragmented. Investments often focus on short-term inputs—such as machinery or fodder—rather than systemic solutions like land restoration, governance mechanisms, or incentive-based financing for sustainable management. This limits the scalability and sustainability of improvements achieved at the community level.

2. Structural Challenges in the Dairy Value Chain

The dairy sector is characterized by low productivity, weak value-chain integration, and limited quality assurance systems. Average milk yields in Armenia range from 2,500–3,000 liters per cow per year—less than half of the European average. Smallholder herds typically consist of fewer than five cows, with limited access to improved breeds, veterinary services, or modern feed technologies.

The absence of collective infrastructure (such as milk collection centers, cooling facilities, and laboratories for quality control) perpetuates inefficiencies and post-harvest losses. Moreover, informal market dominance undermines traceability and safety standards, reducing competitiveness in both domestic and export markets.

These constraints are aggravated by limited access to affordable finance. Rural producers face high collateral requirements, limited financial literacy, and perceived risk from commercial lenders. Traditional subsidy schemes and grant-based models often fail to create accountability for results or attract private capital. This

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situation traps small farmers in low-investment, low-productivity cycles and inhibits modernization across the dairy sector.

3. Socioeconomic Vulnerabilities and Gender Disparities

Rural poverty in Armenia remains concentrated in remote and border communities, where dependence on livestock and natural pastures is highest. For many families—especially women-headed households—milk production is the primary source of subsistence income. However, women have limited ownership of assets, weaker access to credit, and underrepresentation in cooperatives or producer associations.

The burden of unpaid labor in animal care, milking, and small-scale processing further constrains women's participation in value addition and entrepreneurship. Young people, meanwhile, increasingly migrate out of rural areas due to a lack of viable economic opportunities. The combined effect is a gradual depopulation of highland villages and loss of traditional knowledge essential for sustainable pasture management.

In this context, the degradation of natural resources, combined with institutional and financial barriers, is not only an environmental problem but a major driver of social inequality and economic exclusion.

4. Climate and Market Risks

The dairy and livestock sectors are particularly sensitive to climatic shocks—heat stress, drought, and unpredictable rainfall patterns. The intensification of these events has increased feed shortages and disease outbreaks, exacerbating production instability. At the same time, fluctuating global milk prices and rising input costs (feed, fuel, veterinary supplies) erode the profitability of smallholders.

The lack of financial instruments to buffer such shocks—insurance, blended finance, or performance-based contracts—exposes both farmers and public agencies to high volatility. Without mechanisms that reward efficiency and verified results, the sector's resilience remains weak.

5. Rationale for an Outcome-Based Financing Mechanism

Traditional grant-based agricultural support has demonstrated limited success in reversing these trends. Despite multiple investments in equipment, training, and subsidies, systemic transformation requires results-driven incentives and blended capital that can align public, private, and social outcomes.

The Development Impact Bond offers such a mechanism. It introduces an outcome-based approach where private investors pre-finance interventions—such as pasture restoration, farmer training, improved feed systems, and quality enhancement—and are repaid by outcome funders (government or donors) only upon the achievement of independently verified results.

In the Armenian dairy context, the DIB model can unlock private capital for sustainable food-system transformation by sharing risks, incentivizing efficiency, and focusing on measurable improvements such as:

- increase in milk yield per cow,
- rehabilitation of pasture land (hectares restored),
- reduction in greenhouse gas emissions per liter of milk,
- improvement in farmers' income, and
- gender-balanced participation in value-chain upgrading.

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6. Alignment with National Priorities and Global Agendas

The Government of Armenia's Agriculture Development Strategy 2020–2030 and Food Systems Transformation Roadmap emphasize climate-resilient, high-value production and improved access to sustainable finance. Similarly, the National Biodiversity Strategy and Action Plan (NBSAP) highlights the need for restorative approaches to pasture management and agro-ecological transition.

By combining environmental stewardship with innovative financing, the Unlocking Sustainable Finance for Nutrition-Sensitive, Climate-Smart Food Systems Transformation in Armenia (Dairy DIB) Project directly contributes to Armenia's commitments under the Paris Agreement, the Kunming–Montreal Global Biodiversity Framework, and the 2030 Agenda for Sustainable Development.

The development challenge addressed by this project is multifaceted—combining degraded natural resource bases, low productivity, and financial exclusion in rural dairy systems. Addressing these issues through a traditional project-based approach has proven insufficient. Instead, the **Dairy DIB Project** introduces an outcome-based model that ties financial returns to verified impact, mobilizing private investment to restore ecosystems, enhance productivity, and improve livelihoods of rural households, particularly women and youth dependent on dairy and pasture-based production.

II. STRATEGY

The ***Unlocking Sustainable Finance for Nutrition-Sensitive, Climate-Smart Food Systems Transformation in Armenia*** *(SDG fund)* Project proposes a new way of addressing long-standing structural and environmental barriers in Armenia's rural economy. It is founded on the idea that the country's transition toward a sustainable food system requires both a rethinking of production practices and a reconfiguration of how development resources are mobilized and used. The project applies a Development Impact Bond (DIB) mechanism to the dairy sector, creating a model in which public, private, and social interests converge around verified results.

Theory of Change

The theory of change underpinning the project is straightforward yet transformative. If Armenia establishes a transparent and performance-based financial mechanism that rewards measurable improvements in dairy productivity and pasture rehabilitation, and if smallholder farmers—women and men alike—gain access to knowledge, tools, and partnerships that enable them to adopt climate-smart practices, then the dairy value chain will become more resilient, efficient, and environmentally sustainable. These improvements will, in turn, generate higher incomes and restore degraded ecosystems, thereby contributing to inclusive economic growth and poverty reduction in rural communities.

Three change pathways drive this logic. The first involves financial innovation and risk-sharing. Through the DIB, private investors will pre-finance interventions in pasture management, farmer training, and productivity improvements. Public or donor outcome funders will reimburse investors once independent verification confirms that the agreed results have been achieved. By shifting risk from public budgets to private financiers, the project encourages efficiency, accountability, and innovation. The second pathway relates to sustainable production and value-chain upgrading. The initiative supports interventions that enhance milk yields, animal health, and product quality while rehabilitating degraded pastures. Finally,

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inclusive capacity strengthening ensures that women, youth, and vulnerable farmers can participate equitably, benefit from better market access, and contribute to decision-making within producer organizations.

Strategic Approach

UNDP's comparative advantage lies in its ability to bridge policy dialogue, technical expertise, and access to impact-oriented finance. Drawing on this strength, the SDG fund Project combines financial innovation with practical field interventions. The initiative is organized in two sequential phases. The first, lasting approximately eighteen months, will establish the DIB structure and operational framework. It will include financial modelling, legal design, and the development of outcome metrics and verification protocols. During this stage, UNDP will convene the Ministry of Economy, private investors, and local cooperatives to define governance and risk-sharing arrangements. It will also launch pilot interventions in one or two marzes to demonstrate how improved pasture management, feed quality, and herd health can deliver measurable productivity gains. Parallel training for farmers and extension agents will strengthen local capacities and create a baseline for future performance assessment.

The second phase, expected to last up to eighteen months, will focus on verification and consolidation. Independent evaluators will assess results—such as the increase in average milk yields, the number of hectares of rehabilitated pasture, and the participation of women farmers in productive activities. Verified achievements will trigger repayments to investors in accordance with DIB terms. The project will then synthesize lessons learned into a practical toolkit and policy guidance package for replication across other agricultural value chains. By the end of this phase, the Ministry of Economy will be equipped to integrate outcome-based financing mechanisms into national agricultural programmes.

Gender Equality and Social Inclusion

Women perform much of the daily work in Armenia's livestock economy, yet their contribution remains undervalued and their access to resources limited. The project therefore places gender equality and social inclusion at its centre. It seeks to enhance women's economic agency by ensuring that they participate in training, benefit from productivity-enhancing technologies, and access financing opportunities created through the DIB structure. Special attention will be given to women-headed farms and to female members of rural cooperatives, who will receive targeted support to improve product quality and market linkages. These measures will not only reduce gender disparities but also amplify the social impact of the DIB by embedding equity considerations within the financial model itself.

Digital and Climate-Smart Integration

To guarantee objectivity and transparency in outcome verification, the project will rely on digital and climate-smart solutions. A digital monitoring and verification system will be established to collect and analyze data on pasture conditions, milk yields, and farm performance. Satellite imagery and GIS tools will be used to monitor vegetation recovery, while farm-level data will be uploaded through mobile applications that allow near-real-time tracking. Such tools will reduce verification costs and ensure that payments are triggered on the basis of credible evidence. In parallel, the project will introduce environmentally efficient technologies—solar-powered cooling units, improved fodder production systems, and low-emission milking equipment—to reduce greenhouse-gas intensity and strengthen climate resilience.

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Knowledge and Innovation

The SDG fund Project is as much a learning platform as it is a financing mechanism. Every stage—from design to verification—will generate knowledge about how results-based finance can operate in Armenia's agricultural context. UNDP will capture and systematize these lessons to create a comprehensive "DIB knowledge package," including templates, operational guidelines, and financial models. This resource will help national institutions, investors, and development partners replicate the approach across other value chains such as horticulture or water-use efficiency. In this way, the project will contribute to building a national ecosystem for impact investment and innovative financing in agriculture.

Alignment and Assumptions

The initiative directly supports UNSDCF Outcome 2 and CPD Outcome 1, which emphasize inclusive economic opportunities and sustainable livelihoods. It also aligns with Armenia's Agriculture Development Strategy 2020–2030, its National Biodiversity Action Plan, and the country's Nationally Determined Contributions under the Paris Agreement. Key assumptions behind the strategy include sustained policy commitment to innovative finance, investor willingness to engage under transparent rules, and stable market conditions that allow reliable measurement of outcomes. Regular monitoring and adaptive management of the project, as well as oversight by the Project Board will ensure testing and reviewing of assumptions , when necessary.

Strategic Value

Ultimately, the project's strategy lies in creating a tangible link between financial returns and verified development impact. By integrating environmental restoration, gender equality, and innovative finance into a single framework, the SDG fund Project will demonstrate that agricultural modernization in Armenia can be both profitable and sustainable, generating long-term benefits for farmers, ecosystems, and the national economy alike.

III. RESULTS AND PARTNERSHIPS

Expected Results

This project forms part of the **Joint Programme "Unlocking Sustainable Finance for Nutrition-Sensitive, Climate-Smart Food Systems Transformation in Armenia," implemented jointly by FAO, UNDP, and UNEP**. Together, the agencies contribute to strengthening Armenia's food-systems resilience through improved governance, sustainable land and pasture management, value-chain development, biodiversity mainstreaming, and introduction of innovative financing models that can catalyze long-term investments in the agricultural sector. At the Joint Programme level, the expected results include enhanced institutional capacity to operationalize climate-smart and biodiversity-friendly food-system interventions, rehabilitation and sustainable use of natural resources, strengthened dairy and seed value chains, and the establishment of mechanisms capable of mobilizing private and public capital for food-systems transformation.

Within this broader framework, **UNDP's component focuses** specifically **on designing, structuring, and piloting innovative financing instruments in the dairy sector**—most notably the Dairy Development Impact Bond (DIB)—and on delivering the enabling institutional and operational systems required for its success.

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UNDP's contribution includes the development of the DIB framework, strengthening institutional capacities, improving farmer and processor readiness, establishing digital and verification systems, and implementing field-level interventions such as the Milk Collection and Cooling Point (MCCP), distribution of in-kind support, and pasture improvements. Through these combined efforts, the UNDP component provides the financial and operational backbone needed to demonstrate a scalable and performance-based approach to transforming Armenia's dairy sector in alignment with national climate, biodiversity, and food-security priorities.

The project is aligned to UNSDCF Outcome 2/CPD 2026-2030 Outcome 1: By 2030, people benefit from green, inclusive, economic development, sustainable livelihoods and decent work opportunities. Output 1.3 Balanced territorial development promoted by supporting entrepreneurship and Micro and Small Enterprises (MSEs), through innovative rural and urban development, inclusive nature-positive regional growth and improved livelihoods particularly for women, youth, and refugees, especially in remote and bordering communities.

The SDG fund Project is designed to deliver a unified, coherent package of institutional, financial, and field-level results that collectively strengthen Armenia's dairy and pasture systems. Although the activities span multiple dimensions—from policy and capacity building to innovative finance design, infrastructure development, and farmer support—the project follows a single, integrated results pathway leading to measurable improvements in productivity, biodiversity outcomes, and community resilience.

The project's long-term development objective is to transform the dairy value chain into a resilient system built on improved productivity, healthier pastures, and a functioning innovative financing mechanism that rewards real, independently verified performance.

Output

Innovative financing instruments designed, structured, and piloted in dairy sector.

The Output is delivered through two mutually reinforcing Activities described below, and is measured by four output indicators.

Activity 1.1 Capacity, Engagement, and Innovative Finance Design This task covers all enabling, institutional, and design-level functions that prepare stakeholders, processors, and government partners for implementation of innovative financing and sustainable dairy systems. It includes:

- **Design and structuring of innovative financing instruments** such as the Dairy Impact Bond (DIB), including feasibility analysis, legal and operational frameworks, and preparatory financial modelling.
- **Capacity building for farmers** on climate-smart pasture management, biodiversity-friendly practices, permaculture, animal health, hygiene, and sustainable dairy production.

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- **Technical assistance to processors**, supporting improved contracting practices, supplier engagement, and development of quality-linked pricing mechanisms that align with DIB incentives.
- **Stakeholder engagement, outreach, communication, and visibility** to ensure broad understanding, policy coherence, and readiness among government, private sector, and community stakeholders.

This task ensures that institutions, producers, and value-chain actors are prepared, aligned, and capable of participating in outcome-based, climate-smart agricultural transformation.

Activity 1.1 will be implemented through a coordinated set of institutional, analytical, and capacity-building actions led by **UNDP**, with contributions from **UNEP** and **FAO**.

Implementation begins with establishing multi-stakeholder coordination platforms such as the **Food Policy Lab** and **Innovation Incubator**, which convene government agencies, dairy processors, cooperatives, financial actors, and civil-society organizations. These platforms ensure alignment of biodiversity, climate, and agricultural objectives and create a shared understanding of the project's outcomes.

UNDP will then lead the **design and structuring of the Dairy Development Impact Bond (DIB)**, including feasibility analysis, financial modelling, legal architecture, investor outreach, and development of the verification framework.

Parallel to this, farmer training, cooperative strengthening, and processor engagement will be implemented in close coordination with local authorities and agricultural extension actors. These activities will ensure that producers and processors understand climate-smart practices, biodiversity-friendly approaches, and the financial and quality requirements embedded in the DIB.

Communication, outreach, and visibility activities will reinforce stakeholder alignment and public awareness of sustainable dairy practices and innovative financing tools.

Through these steps, the institutional and financial foundation will be created necessary for effective field-level implementation under Activity 1.2.

Activity 1.2 Field Implementation, Infrastructure & Verification

This task consolidates all hands-on, operational, and verification components that produce measurable, field-level results tied to innovative financing and sustainable pasture/dairy practices. It includes:

- Establishment and operation of a Milk Collection and Cooling Point (MCCP) with quality-testing capacity to strengthen value-chain integration and enable verified improvements in milk quality.
- Monitoring & Evaluation, including oversight and financing of the Independent Verification Agent (IVA) responsible for validating outcomes under the Dairy Impact Bond.

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- Provision of in-kind support to smallholder farmers and communities, including milking equipment, dairy tools, pasture-improvement inputs, pasture-management tools, essential veterinary and animal-care supplies, and other basic farm equipment.

This task delivers the concrete, measurable improvements in productivity, pasture conditions, and farmer income that underpin the performance-based financing structure.

This activity will be implemented through hands-on, field-level interventions coordinated by UNDP, (working closely with FAO), local self-governments, pasture user groups, and dairy processors.

First, the project will establish and operationalize a Milk Collection and Cooling Point (MCCP) equipped with milk-quality testing facilities. The MCCP will serve as a critical value-chain node, enabling farmers to access higher-value markets and supporting the verification of improvements in quality and hygiene.

Farmer households and cooperatives will receive direct in-kind support—including milking equipment, veterinary supplies, and pasture-management tools—to address productivity constraints and allow them to participate effectively in the DIB. FAO will support technical specifications and ensure alignment with climate-smart and agroecological principles.

Pasture rehabilitation activities will include reseeding, installation of watering points, fencing for rotational grazing, and monitoring of ecological indicators. These interventions will be implemented with active collaboration from community pasture management groups.

Finally, UNDP will pilot the Monitoring & Evaluation and Verification system, including the contracting and oversight of the Independent Verification Agent (IVA). The IVA will validate productivity improvements, pasture conditions, and farmer-level outcomes, triggering results-based payments under the DIB.

Through this activity, the project will deliver the measurable, independently verified results necessary to demonstrate the effectiveness of innovative financing and to support long-term sustainability of Armenia's dairy and pasture ecosystems.

The Ministry of Economy serves as the lead national counterpart, ensuring that project interventions align with national priorities and supporting replication and scale-up.

Milk processors, local authorities, pasture user groups, cooperatives, women's associations, and community organizations are core partners in implementation, contributing to both governance and sustainability.

"Bridges Outcomes Partnerships" provide technical support on DIB structuring, investor engagement, and verification logic.

Sustainability and Replication

Because the Output integrates institutional capacity, innovative financing, and ecological restoration, sustainability is built into the project's architecture.

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The Ministry of Economy will retain and expand the DIB framework beyond the project period. Pasture user groups will sustain rehabilitation gains.
The MCCP will continue operating as part of local dairy infrastructure.
Lessons will be captured and disseminated through the Food Policy Lab and national platforms, enabling replication in other value chains.

Resources Required to Achieve the Expected Results

UNDP Armenia will use the organisational structures already in place to serve as the implementation hub for all activities falling under the UNDP-managed component of the project. Implementation will be anchored within the **UNDP Socioeconomic Development (SED) Portfolio**, which will provide the operational foundation and technical oversight necessary for the effective delivery of the consolidated Output.
To increase cost-efficiency and ensure smooth and timely rollout of the planned interventions, UNDP will build on its existing programme capacities and operational infrastructure. This includes the use of available office space, IT equipment, furniture, internet connectivity, vehicles, and administrative support services, thereby reducing overhead and enabling the project to concentrate resources on direct implementation and field-level results.
For the implementation of Activity 1.1 – Capacity, Engagement & Innovative Finance Design and Activity 1.2 – Implementation & Verification System, the SED Portfolio will engage a Project Coordinator and Project Assistant, who will oversee day-to-day implementation, ensure alignment among UNDP, FAO, and UNEP, and liaise with the Ministry of Economy. The activities will also require the contracted services of specialized firms and consultants, including experts in innovative financing mechanisms, financial modelling, legal review of the Dairy Impact Bond structure, climate-smart agriculture, and biodiversity finance (BIOFIN). In addition, technical specialists will be engaged to support processor engagement, communication and outreach activities, and farmer-capacity development. The Project Coordinator will oversee also the establishment and functioning of the MCCP, coordination of in-kind equipment distribution, pasture rehabilitation activities, and field-level monitoring as well as support the contracting and oversight of the Independent Verification Agent (IVA) and ensure that monitoring and verification processes meet the requirements of the DIB.

The SED Portfolio Manager will provide overall quality assurance, thematic guidance, and coordination with national partners and UN agencies. In addition, oversight for both activities will be also provided by the SED Portfolio Manager, ensuring consistency with UNDP quality standards and operational policies.

Throughout the project's duration, UNDP will provide operational support for finance, procurement, and human-resources processes, including the procurement of dairy equipment, pasture-management tools, MCCP infrastructure, consultancy services, and verification services. The UNDP Country Office Procurement Unit and Finance Unit will ensure that all transactions comply with UNDP rules and regulations.
The UNDP Communication Analyst will ensure that project results, knowledge outputs, and innovations—particularly those related to the Dairy Impact Bond—are documented and communicated effectively to national stakeholders, development partners, and the public. The Results-Based Management Analyst will support monitoring, data quality assurance, and consolidation of progress reports within the UNDP corporate systems.

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Relevant expertise from UNDP Headquarters and regional platforms will be engaged to ensure alignment with global best practices on Development Impact Bonds and sustainable food-systems transformation. Through this combination of in-country operational capacity, multi-disciplinary expertise, and global technical resources, UNDP will ensure efficient implementation and full achievement of the expected results.

Partnerships

The implementation of the Unlocking Sustainable Finance for Nutrition-Sensitive, Climate-Smart Food Systems Transformation in Armenia *(SDG fund Project)* will be carried out under UNDP's Direct Implementation Modality (DIM). UNDP will lead all activities described in this Project Document and will be fully accountable for the delivery of results, financial management, procurement, monitoring, verification coordination, and reporting.

UNDP will work in close collaboration with the Ministry of Economy and the Ministry of Environment, which will serve as the primary national counterparts. The Ministries will provide strategic guidance, help ensure alignment with national agricultural and dairy-sector priorities, facilitate engagement with local communities and processors, and support the institutionalization of results—particularly in relation to innovative financing mechanisms and pasture management reforms. The Ministries' leadership role will be essential for anchoring the DIB framework within national policy and investment planning processes.

To ensure technical robustness and evidence-based implementation, UNDP will collaborate with a range of external technical partners, engaged on an as-needed and activity-specific basis. These include:

- Bridges Outcomes Partnerships, which will provide specialized advice in the design and structuring of the Dairy Development Impact Bond and support investor engagement and outcome-verification frameworks.
- Independent Verification Agent (IVA), contracted by UNDP to validate performance results linked to the DIB, ensuring transparency, impartiality, and robust measurement of milk-yield increases, pasture rehabilitation, and farmer-level benefits.
- Local dairy processors and cooperatives, engaged through technical assistance to improve contracting systems, quality-linked pricing, and value-chain integration. Their participation is essential for establishing commercially viable and performance-based market relationships.
- Local self-governments and pasture user associations, which will support field coordination, access to communal pastures, mobilization of farmer groups, and upkeep of rehabilitated pasture areas.
- Community organizations, farmers' groups, and women's associations, which will help ensure inclusive participation, community ownership, and representation of women and youth in capacity-building activities.
- Academic and research institutions, providing support on training delivery, data collection, pasture assessments, and dissemination of knowledge products.

UNDP will additionally draw upon internal resources, including technical expertise from its Regional Hub and global specialized networks, particularly in areas of innovative financing, biodiversity finance, pasture

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governance, sustainable agriculture, and climate-resilient value chains. These resources will ensure that the DIB design and the field-level interventions reflect global best practices.

The project's partnership model is therefore centered on UNDP as the Dairy DIB implementing agency, surrounded by a tailored ecosystem of national counterparts, private-sector actors, technical experts, and community institutions. This arrangement ensures clarity of responsibility, coherence of approach, and high-quality delivery across all planned interventions, while preserving the flexibility to engage specialized expertise required for the successful piloting of the Dairy Development Impact Bond and the strengthening of Armenia's dairy and pasture systems.

Risks and Assumptions

The achievement of the project results is linked to the following assumptions:

- Government commitment to dairy-sector modernization and sustainable pasture management remains strong, enabling the adoption of innovative financing instruments such as the Dairy Impact Bond(DIB).
- Producers, cooperatives, and processors are willing to participate in capacity-building and apply climate-smart and biodiversity-friendly practices, improving milk quality and pasture conditions.
- Private investors and development partners remain interested in results-based financing, ensuring the successful structuring and piloting of the DIB.
- Local self-governments and pasture user groups actively support pasture rehabilitation and rotational grazing, helping protect ecosystems and improve productivity.
- Climate conditions allow for pasture restoration and dairy productivity improvements across targeted areas.
- Community members, including women and youth, are willing to engage in training, consultation, and decision-making processes, ensuring inclusiveness and sustainability.
- Reliable data can be collected and shared by farmers and processors, enabling accurate monitoring and verification of outcomes.

Throughout the risk analysis, the project has identified the following key risks:

Risk 1 – Shifts in national political priorities or institutional arrangements that may delay adoption of the innovative financing model or hinder coordination with government counterparts.
Risk 2 – Market and financial fluctuations, including limited investor appetite or changes in dairy prices, which may affect the feasibility or attractiveness of the DIB.
Risk 3 – Climate variability, extreme weather events, or environmental shocks that may affect pasture regeneration, dairy productivity, or the implementation of field interventions.
Risk 4 – Capacity limitations among farmers, cooperatives, or processors that could slow down adoption of improved practices, reduce milk-quality gains, or undermine performance targets under the DIB.
Risk 5 – High expectations among beneficiaries regarding the scope of equipment, financial support, or infrastructure improvements, exceeding the project's budget or strategy.
Risk 6 – Issues with data quantity and quality, including limited farmer record-keeping, inconsistent milk-yield data, or inaccuracies that may complicate monitoring and verification processes under the DIB.

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Mitigation approaches to the identified risks are as follows:

Risk 1 – The implementation strategy will be adjusted through regular engagement with the Ministry of Economy and other state bodies. UNDP will maintain close communication and flexible planning to ensure continued alignment with national strategies, while upholding core project principles.

Risk 2 – UNDP will conduct adaptive financial planning, apply robust financial modelling during DIB design, and engage stakeholders early to ensure realistic expectations. Continuous market monitoring and investor outreach will be conducted with technical support from Bridges Outcomes Partnerships.

Risk 3 – Field activities will follow climate-resilient methodologies, including drought-resistant seeds, rotational grazing, and water-point optimization. In extreme situations, the project may adjust implementation timelines to accommodate climate impacts, subject to consultation with partners.

Risk 4 – Extensive training tailored technical assistance, and continuous coaching will be provided to farmers and processors. Training schedules will be adapted to community needs, and learning materials will be practical and context-specific, reducing barriers to adoption.

Risk 5 – Transparent communication through local administrations, cooperatives, and community groups will clarify project scope and limitations. An accountability mechanism will be introduced to collect feedback, manage grievances, and ensure realistic, trust-based expectations.

Risk 6 – The project will use an evidence-based approach, combining farmer-level data, MCCP records, GIS monitoring, independent verification, and stakeholder consultations. Data-triangulation methods will be applied to reduce inaccuracies, and the Independent Verification Agent (IVA) will validate all performance indicators used for DIB repayment.

The project takes a precautionary approach to potential social and environmental challenges and is designed to avoid adverse impacts on people and ecosystems. UNDP's Social and Environmental Standards (SES) will be fully observed throughout the project lifecycle, ensuring that pasture rehabilitation, equipment distribution, and dairy-sector interventions are implemented responsibly and inclusively.

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Risk Event	Cause	Impact(s)	Risk Category & Sub-category (Risk Appetite)	Impact	Likelihood	Risk Level	Risk Treatment Measures	Treatment Owner
Changes in government priorities delaying DIB adoption	Political shifts; restructuring; competing agendas	Delay in DIB approval; reduced alignment; slower implementation	**Strategic → Government commitment (Medium)**	**4 – Extensive**	**3 – Moderate likely**	**Substantial**	Maintain continuous engagement with MoE; coordinate via Food Policy Lab; adjust timelines where needed	UNDP Project Coordinator
Insufficient investor appetite for the DIB	Market volatility; investor risk perception	Reduced investment; delay in DIB launch	**Financial → Market/currency fluctuation (Low)**	**4 – Extensive**	**3 – Moderate likely**	**Substantial**	Robust financial modelling; early investor outreach; clarify risk-sharing terms with Bridges Outcomes Partnerships	UNDP Project Coordinator
Climate variability affecting pasture rehabilitation	Droughts; extreme weather	Lower pasture recovery; lower yields; difficulty meeting DIB performance targets	**Social & Environmental → Climate risks (Medium)**	**5 – Extreme**	**3 – Moderate likely**	**High**	Use climate-resilient methods; monitor climate trends; apply climate-adjusted baselines	UNDP Project Coordinator
Low farmer/processor capacity to adopt improved practices	Knowledge gaps; reluctance to change	Reduced milk-quality gains; weaker DIB performance	**Operational → Execution capacity (Medium)**	**3 – Intermediate**	**3 – Moderate likely**	**Substantial**	Adapted training; follow-up technical assistance; integrate behavioural incentives	UNDP Project Coordinator
High beneficiary expectations beyond project scope	Limited understanding of project limitations	Dissatisfaction; reputational risk	**Reputational → Stakeholder management (Low)**	**3 – Intermediate**	**3 – Moderate likely**	**Substantial**	Clear communication; expectation-management meetings; strengthen grievance mechanism	UNDP Project Coordinator
Poor-quality data affecting DIB verification	Weak record-keeping; inconsistent data;	Verification delays; disputed results;	**Operational → Monitoring & oversight (Low)**	**4 – Extensive**	**3 – Moderate likely**	**Substantial**	Deploy digital tools; train farmers on data management; ensure	UNDP Project Coordinator

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Risk Event	Cause	Impact(s)	Risk Category & Sub-category (Risk Appetite)	Impact	Likelihood	Risk Level	Risk Treatment Measures	Treatment Owner
	insufficient data streams	incorrect outcome payments					robust IVA verification methods	
Procurement delays slowing field implementation	Supply-chain constraints; limited suppliers	Delayed MCCP establishment; delayed equipment distribution; delayed IVA contracting	**Operational → Procurement (Medium)**	**3 – Intermediate**	**2 – Low likelihood**	**Moderate**	Begin procurement early; use framework agreements; conduct market analysis	UNDP Project Coordinator

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Stakeholder Engagement

The project's direct target group consists of smallholder dairy farmers, cooperatives, pasture user groups, and local communities in the target marzes who face structural constraints in improving dairy productivity, managing pastures sustainably, accessing quality-testing infrastructure, and benefiting from market opportunities. These communities often operate with limited equipment, inadequate access to extension services, degraded pastureland, and limited financial instruments to upgrade their practices. The project will adopt an inclusive approach, ensuring participation of women farmers, women-headed households, youth, and vulnerable livestock-dependent families who are disproportionately affected by productivity limitations, market exclusion, and environmental degradation.

Women and youth in dairy-producing households face specific challenges in accessing training, quality infrastructure, and financial mechanisms. Therefore, the project will mainstream gender-sensitive and socially inclusive approaches throughout its activities. Vulnerability criteria will be elaborated further during implementation, and the beneficiary identification process will be coordinated with local governments, pasture user associations, community cooperatives, and local CSOs. The project will directly engage with beneficiary groups through structured community consultations, dedicated women's and youth-focused engagement mechanisms, participatory needs-assessment exercises, and continuous feedback loops as part of the project's accountability framework.

To ensure meaningful engagement and ownership, the project will conduct local-level consultations, provide accessible information on project activities, and maintain open channels for feedback and grievance submission. The establishment and operation of the Milk Collection and Cooling Point (MCCP), pasture rehabilitation interventions, and in-kind support distribution will be implemented through close collaboration with communities, cooperatives, and relevant local actors, ensuring that activities remain aligned with community needs and priorities.

At the national level, the project's key stakeholders include the Ministry of Economy and the Ministry of Environment, which play critical roles in shaping policy directions in agriculture, sustainable land management, biodiversity conservation, and innovative financing. Engagement and coordination with these ministries will be conducted through dedicated project consultations, technical working sessions, and regular progress updates. These ministries will provide strategic guidance and ensure that the Dairy Development Impact Bond (DIB) design and the project's field-level interventions are aligned with Armenia's agricultural development priorities, pasture management reforms, biodiversity strategies, and climate commitments. Additional coordination with relevant national agencies—such as the State Service for Food Safety and research institutions—will be conducted on an as-needed basis.

At the regional and local levels, stakeholders include regional administrations (marzpetarans), local municipalities, pasture user associations, dairy cooperatives, and local CSOs. UNDP has an established presence throughout Armenia and long-standing cooperation with regional and municipal authorities, which will support the rapid establishment of communication, coordination, and implementation arrangements.

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These partnerships will be crucial for mobilizing farmer groups, coordinating access to communal pastures, facilitating MCCP operations, and supporting long-term maintenance of rehabilitated pasture areas.

Throughout the project, UNDP will apply its Social and Environmental Standards (SES) and ensure that risks and potential impacts are systematically assessed through the Social and Environmental Compliance Review (SERC). Stakeholders and potentially affected groups will be informed of the available channels to raise concerns confidentially and safely through UNDP's Stakeholder Response Mechanism (SRM). The SRM will be communicated clearly and scaled appropriately to the nature of activities, ensuring transparent and responsive handling of concerns. This approach ensures that all stakeholders—including marginalized or vulnerable groups—can meaningfully engage with the project and influence decisions that may affect their wellbeing, livelihoods, or environment.

By combining structured national, regional, and local engagement mechanisms, and by ensuring transparent, inclusive, and responsive communication, the project will strengthen trust, build ownership, and promote sustainable adoption of innovative financing instruments and climate-smart, biodiversity-friendly dairy and pasture management practices.

Digital Solutions[1]

The project implementation envisages the introduction of several digital solutions designed to enhance the efficiency, transparency, and sustainability of project interventions, particularly in relation to performance monitoring, quality assurance, and the verification requirements of the DIB.

For the MCCP established under the project, UNDP will integrate a digital milk-quality testing and recording system. This digital module will enable automated measurement of milk fat content, protein levels, temperature, and hygiene indicators. Results will be uploaded to a secure cloud-based platform, allowing processors, farmers, and verification actors to access real-time data. The system will support transparent quality-linked pricing, reduce human error, and provide reliable datasets required for the DIB verification process.

For the DIB monitoring and evaluation framework, the project will utilize a digital results dashboard enabling secure storage and visualization of performance data. The dashboard will help automate indicator tracking, provide alerts on deviations from targets, and support the Independent Verification Agent (IVA) in conducting efficient and transparent verification. The system will ensure that all actors—farmers, processors, UNDP, and outcome funders—have access to consistent and verifiable information.

Where feasible, the project will explore opportunities to integrate digital tools with existing national agricultural information systems. This will lay the foundation for long-term sustainability and scalability of digital agriculture practices in Armenia.

Through the combination of quality-testing automation, where possible GIS systems, and digital verification platforms, the project will enhance the reliability of data, reduce operational delays, and strengthen the credibility of outcomes generated under the Dairy Development Impact Bond. These solutions will also

[1] *Please see the Guideline "Embedding Digital in Project Design".*

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contribute to a broader digital transformation of the dairy value chain, supporting long-term resilience and efficiency.

Knowledge and Communication

The project will prepare a visibility and communication plan to ensure that information about activities and results is shared with target groups and stakeholders in an accessible, timely, and clear manner. UNDP's official channels—including its website and social media—will be the primary tools for communicating progress, results, and knowledge products. The project will also make use of communication platforms of the Ministry of Economy and the Ministry of Environment to support broader outreach.

Depending on community needs, additional channels such as print materials, local notice boards, municipal information systems, radio, and community meetings will be used to reach dairy farmers, cooperatives, and local authorities. Messaging will be tailored to each audience, taking into account the social and cultural context and ensuring full visibility for national partners and UNDP.

UNDP will regularly capture and disseminate knowledge, lessons learned, and good practices, especially regarding pasture management, digital monitoring, and the design and piloting of the Dairy Impact Bond. These insights will inform adaptive project management and support replication of successful approaches in other sectors. By maintaining transparent communication and continuous learning, the project will strengthen stakeholder engagement and contribute to long-term sustainability of results.

Sustainability and Scaling Up

The project contributes to Armenia's broader efforts to modernize the dairy value chain and strengthen sustainable pasture management. The approaches applied—such as community-based pasture rehabilitation, climate-smart dairy practices, digital monitoring, and performance-based financing—build on models already piloted with the Government and local partners and demonstrated to be effective and sustainable.

Sustainability is ensured through strong national ownership. The Ministry of Economy and Ministry of Environment will continue integrating the project's tools, methodologies, and innovative financing elements into their programmes and policy frameworks. Verified results from the DIB pilot will provide evidence for scaling up similar performance-based models in other agricultural sectors.

At the local level, project-supported assets—including the MCCP, dairy farming tools, and pasture-management improvements—will be handed over to municipalities, cooperatives, or pasture user farmers. Their maintenance will be covered through community budgets or user contributions, as agreed during implementation. Training and capacity-building activities will ensure that farmers, cooperatives, and local authorities can manage these assets and sustain improved practices.

Lessons learned, good practices, and implementation insights will be documented by UNDP and used to guide national partners in expanding and replicating successful interventions. Through strengthened capacities, responsible handover arrangements, and strong government ownership, the project is designed to ensure sustainability and support long-term scaling up of climate-smart and financially resilient dairy and pasture systems.

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Project Management

Cost Efficiency and Effectiveness

The project will conduct the procurement of goods and services in compliance with UNDP Regulations and Rules, which envisages acquisition of proper quality goods and services prioritising also value for money.

The project will optimise the costs and increase the impact mobilising expertise and funds through synergised efforts with the projects and agencies working in the same direction in the target area.

Project Management

The project will be implemented through a direct implementation modality (DIM), fully managed by UNDP Armenia. The Resident Representative will exercise overall supervision of implementation, lead coordination, and consultations with key national partners, UNCT and other stakeholders. In accordance with corporate regulations UNDP will be responsible for: (i) identification and/or recruitment of project personnel; (ii) procurement of goods and services; and (iii) financial services, for which the project will incur Direct Project Costs as per UNDP 2023 Universal Price List (UPL). UNDP will ensure that the approved resources are used in line with the agreement with the donor, as well as in accordance with UNDP financial rules and regulations.

Financial oversight, including approval of expenditures and independent audits, monitoring and mid-term and final evaluation of progress and results will be also ensured by the Country Office. The costs directly attributable to activities that support programme quality, coherence and relate to development results as well as the policy advisory services provided by the UNDP staff related to activities of technical and implementation nature that are essential to deliver development results will be directly charged to the project budget.

The project will be implemented under the overall management of SED Portfolio Manager who will provide general project implementation and quality assurance, including other programme support as necessary.

UNDP will establish a project team, which will ensure that the envisaged activities are carried out and the outputs are reached. The project team will be managed by the Project Coordinator (PC), who will coordinate project activities and serve as the financial authorizing officer. The PC will report to the SED Portfolio Manager and will be responsible for all project operations. The incumbent will ensure the proper use of funds and that project activities are implemented in accordance with the agreed project document and project work plans. Management of project funds including budget revisions, disbursements, record keeping, accounting, reporting, and auditing will follow UNDP rules and procedures. The PC will be responsible for the project daily planning, implementation quality, reporting, timeliness, and effectiveness of the activities carried out. The PC will be supported by support staff and experts.

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IV. RESULTS FRAMEWORK[2]

Intended Outcome as stated in the UNSDCF/Country [or Regional] Programme Results and Resource Framework: UNSDCF Outcome 2/ CPD 2026-2030 Outcome 1: By 2030, people benefit from green, inclusive, economic development, sustainable livelihoods and decent work opportunities.
Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets: Poverty rate decreased, Baseline (2024): 23.7%, Target (2030): 21%, 1.2 Unemployment rate, Baseline (2024) 12.4%, Target (2030) 10%.
Applicable Output(s) from the UNDP Strategic Plan Output 1.1 Economic opportunities expanded for people and enterprises to access decent jobs, trade and productive assets, including human capital, human mobility and sustainable energy.
Project title and Quantum Project Number: SDG Fund- Unlocking Sustainable Finance for Nutrition-Sensitive, Climate-Smart Food Systems Transformation in Armenia, 01005188

EXPECTED OUTPUTS	OUTPUT INDICATORS[3]	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)					DATA COLLECTION METHODS & RISKS
			Value	Year	Year 2025	Year 2026	Year 2027	Year 2028	FINAL	
Output 1 *Innovative financing instruments designed, structured, and piloted in the dairy sector.*	***1.1** Number of Innovative financing instrument (DIB) piloted with defined outcome indicators and verification protocols*	*DIB contracts; verification protocols; MoE confirmation*	0	2025	*0*	0	0	1	*1 DIB piloted with investors/outcome funders engaged*	*Project's own monitoring mechanisms*
	***1.2** Number of Agri-SMEs and smallholders supported to access and benefit from financing mechanisms.*	*Training logs; equipment distribution records; M&E data*	*0*	*2025*	*0*	*60*	*100*	*40*	*200 farmers (≥ 40% women) receive equipment and training.*	*Project's own monitoring mechanisms*

[2] UNDP publishes its project information (indicators, baselines, targets and results) to meet the International Aid Transparency Initiative (IATI) standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audience clearly understand the results of the project.

[3] It is recommended that projects use output indicators from the Strategic Plan IRRF, as relevant, in addition to project-specific results indicators. Indicators should be disaggregated by sex or for other targeted groups where relevant.

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EXPECTED OUTPUTS	OUTPUT INDICATORS[3]	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)					DATA COLLECTION METHODS & RISKS
			Value	Year	Year 2025	Year 2026	Year 2027	Year 2028	FINAL	
	1.3 *Number of Milk Collection and Cooling Point (MCCP) established and operational with digital quality testing*	*MCCP reports; digital logs; farmer usage records*	*0 No MCCP in target areas*	*2025*	*0*	*0*	*0*	*1*	*1 MCCP operating, quality testing active, linked to DIB data*	*Project's own monitoring mechanisms*
	1.4 *Increase in average milk yield (%) among participating farmers*	*Independent Verification Agent (IVA) reports; farm surveys*	*Baseline to be set during inception*	*2025*	*0*	*0*	*10%*	*10%*	*≥ 20% increase*	*Project's own monitoring mechanisms*

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V. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans: *[Note: monitoring and evaluation plans should be adapted to project context, as needed]*

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analyzed to assess the progress of the project in achieving the agreed outputs.	Annually	Slower than expected progress will be addressed by project management.	FAO, UNEP	N/A
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Annually	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.	FAO, UNEP	N/A
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.	FAO, UNEP	N/A
Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	At design, implementation, and closure	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.	FAO, UNEP	N/A
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision-making.	At least annually	Performance data, risks, lessons, and quality will be discussed by the project board and used to make course corrections.	FAO, UNEP	N/A
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating	Annually, and at the end of the project (final report)		FAO, UNEP	N/A

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Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
	summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.				
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Annually	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.	N/A	N/A

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VI. MULTI-YEAR WORK PLAN [45]

All anticipated programmatic and operational costs to support the project, including development effectiveness and implementation support arrangements, need to be identified, estimated and fully costed in the project budget under the relevant output(s). This includes activities that directly support the project, such as communication, human resources, procurement, finance, audit, policy advisory, quality assurance, reporting, management, etc. All services which are directly related to the project need to be disclosed transparently in the project document.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year, USD				RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1 2025	Y2 2026	Y3 2027	Y4 2028		Funding Source	Budget Description	Amount
Output 1 **Innovative financing instruments designed, structured, and piloted in dairy sector** *Gender marker: GEN 2*	**Activity 1.1. Capacity, Engagement & Innovative Finance Design**	500	22,500	17,100	13,100	UNDP	Joint SDG Fund	Local Consultants	10,000
								Contractual Services Companies	31,300
								Travel	1,500
								Training, Workshops and Confer	8,500
								Audiovisual and printing production cost	1,400
								Miscellaneous Expenses	500
	Activity 1.2. Field Implementation, Infrastructure & Verification	0.0	50,200	36,191	21,191	UNDP	Joint SDG Fund	Materials and goods	80,680
								Contractual Services Companies	21,000
								Travel	1,982

[4] Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32.

[5] Changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs require a formal budget revision that must be signed by the project board. In other cases, the UNDP programme manager alone may sign the revision provided the other signatories have no objection. This procedure may be applied for example when the purpose of the revision is only to re-phase activities among years.

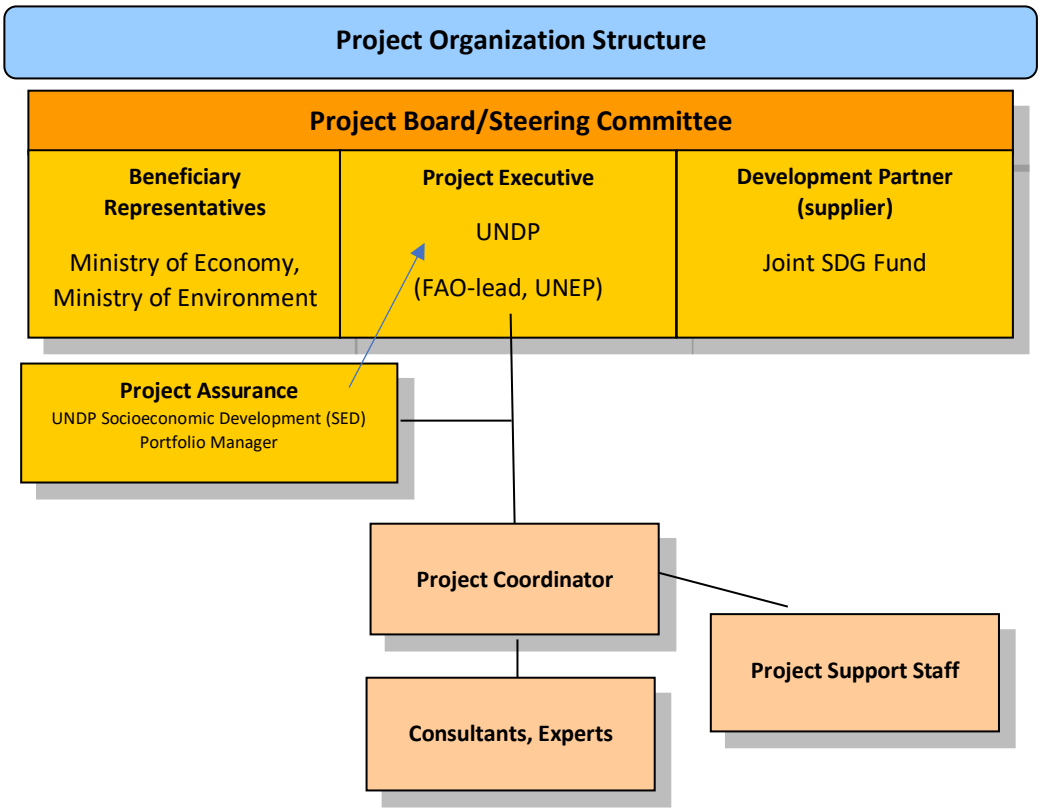
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EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year, USD				RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1 2025	Y2 2026	Y3 2027	Y4 2028		Funding Source	Budget Description	Amount
								Training, Workshops and Confer	1,700
								Audio visual and printing production cost	1,000
								Miscellaneous Expenses	1,220
				Sub-Total for Output 1					**160,782**
Management		6,500	61,320	61,320	37,180	UNDP	Joint SDG Fund	Delivery Enabling Services (Monitoring, Quality Assurance, Financial Oversight, Recruitment, Evaluation etc.)	12,800
								Contractual Services Individuals	123,620
								Travel	8,600
								Communication and Audio Visual	7,500
								Rental & Maintenance-Premises	12,800
								Miscellaneous Expenses	1,000
				Sub-Total for Management					166,320
General Management Support									**22,898**
TOTAL									**350,000**

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VII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

A Project Steering Committee (PSC) will be established to oversee the management of the project. The PSC will be represented by the implementing agency-UNDP, the key partners, including project beneficiaries, and the Embassy of Japan in Armenia. PSC meetings will be held at least once a year to monitor the execution of the project activities. If required, the PSC meetings can be arranged more frequently. PSC will monitor project progress, provide oversight, and offer general advice for project implementation to make certain the project is consistent with national and international development priorities.



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VIII. LEGAL CONTEXT

Option a. Where the country has signed the Standard Basic Assistance Agreement (SBAA)

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Armenia and UNDP, signed on March 8, 1995. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This project will be implemented by UNDP in accordance with its financial regulations, rules, practices and procedures.

IX. RISK MANAGEMENT

UNDP (DIM)

1. UNDP as the Implementing Partner will comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS).

2. UNDP as the Implementing Partner will undertake all reasonable efforts to ensure that none of the [project funds][6] [UNDP funds received pursuant to the Project Document][7] are used to provide support to individuals or entities associated with terrorism , that the recipients of any amounts provided by UNDP hereunder do not appear on the United Nations Security Council Consolidated Sanctions List, and that no UNDP funds received pursuant to the Project Document are used for money laundering activities. The United Nations Security Council Consolidated Sanctions List can be accessed via https://www.un.org/securitycouncil/content/un-sc-consolidated-list. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

3. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (http://www.undp.org/ses) and related Accountability Mechanism (http://www.undp.org/secu-srm).

4. UNDP as the Implementing Partner will: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.

[6] To be used where UNDP is the Implementing Partner

[7] To be used where the UN, a UN fund/programme or a specialized agency is the Implementing Partner

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5. In the implementation of the activities under this Project Document, UNDP as the Implementing Partner will handle any sexual exploitation and abuse ("SEA") and sexual harassment ("SH") allegations in accordance with its regulations, rules, policies and procedures.

6. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

7. UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor, and sub-recipient:

a. Consistent with the Article III of the SBAA *[or the Supplemental Provisions to the Project Document]*, the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP's property in such responsible party's, subcontractor's and sub-recipient's custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:
   i. put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
   ii. assume all risks and liabilities related to such responsible party's, subcontractor's and sub-recipient's security, and the full implementation of the security plan.

b. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the responsible party's, subcontractor's and sub-recipient's obligations under this Project Document.

c. Each responsible party, subcontractor and sub-recipient (each a "sub-party" and together "sub-parties") acknowledges and agrees that UNDP will not tolerate sexual harassment and sexual exploitation and abuse of anyone by the sub-parties, and other entities involved in Project implementation, either as contractors or subcontractors and their personnel, and any individuals performing services for them under the Project Document.

   (a) In the implementation of the activities under this Project Document, each sub-party shall comply with the standards of conduct set forth in the Secretary General's Bulletin ST/SGB/2003/13 of 9 October 2003, concerning "Special measures for protection from sexual exploitation and sexual abuse" ("SEA").

   (b) Moreover, and without limitation to the application of other regulations, rules, policies and procedures bearing upon the performance of the activities under this Project Document, in the implementation of activities, each sub-party, shall not engage in any form of sexual harassment ("SH"). SH is defined as any unwelcome conduct of a sexual nature that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment or creates an

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intimidating, hostile or offensive work environment. SH may occur in the workplace or in connection with work. While typically involving a pattern of conduct, SH may take the form of a single incident. In assessing the reasonableness of expectations or perceptions, the perspective of the person who is the target of the conduct shall be considered.

d. In the performance of the activities under this Project Document, each sub-party shall (with respect to its own activities), and shall require from its sub-parties (with respect to their activities) that they, have minimum standards and procedures in place, or a plan to develop and/or improve such standards and procedures in order to be able to take effective preventive and investigative action. These should include: policies on sexual harassment and sexual exploitation and abuse; policies on whistleblowing/protection against retaliation; and complaints, disciplinary and investigative mechanisms. In line with this, sub-parties will and will require that their respective sub-parties will take all appropriate measures to:

   (i) Prevent its employees, agents or any other persons engaged to perform any services under this Project Document, from engaging in SH or SEA;

   (ii) Offer employees and associated personnel training on prevention and response to SH and SEA, where sub-parties have not put in place its own training regarding the prevention of SH and SEA, sub-parties may use the training material available at UNDP;

   (iii) Report and monitor allegations of SH and SEA of which any of the sub-parties have been informed or have otherwise become aware, and status there of;

   (iv) Refer victims/survivors of SH and SEA to safe and confidential victim assistance; and

   (v) Promptly and confidentially record and investigate any allegations credible enough to warrant an investigation of SH or SEA. Each sub-party shall advise UNDP of any such allegations received and investigations being conducted by itself or any of its sub-parties with respect to their activities under the Project Document, and shall keep UNDP informed during the investigation by it or any of such sub-parties, to the extent that such notification (i) does not jeopardize the conduct of the investigation, including but not limited to the safety or security of persons, and/or (ii) is not in contravention of any laws applicable to it. Following the investigation, the relevant sub-party shall advise UNDP of any actions taken by it or any of the other entities further to the investigation.

e. Each sub-party shall establish that it has complied with the foregoing, to the satisfaction of UNDP, when requested by UNDP or any party acting on its behalf to provide such confirmation. Failure of the relevant sub-party to comply of the foregoing, as determined by UNDP, shall be considered grounds for suspension or termination of the Project.

f. Each responsible party, subcontractor and sub-recipient will ensure that any project activities undertaken by them will be implemented in a manner consistent with the UNDP Social and Environmental Standards and shall ensure that any incidents or issues of non-compliance shall be reported to UNDP in accordance with UNDP Social and Environmental Standards.

g. Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud, corruption or other financial irregularities, by its officials, consultants, subcontractors and sub-recipients

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in implementing the project or programme or using the UNDP funds. It will ensure that its financial management, anti-corruption, anti-fraud and anti-money laundering and countering the financing of terrorism policies are in place and enforced for all funding received from or through UNDP.

h. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices (b) UNDP Anti-Money Laundering and Countering the Financing of Terrorism Policy; and (c) UNDP Office of Audit and Investigations Investigation Guidelines. Each responsible party, subcontractor and sub-recipient agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.

i. In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.

j. Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud, corruption other financial irregularities with due confidentiality.

   Where it becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, each responsible party, subcontractor and sub-recipient will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). It will provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

k. UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that have been used inappropriately, including through fraud corruption, other financial irregularities or otherwise paid other than in accordance with the terms and conditions of this Project Document. Such amount may be deducted by UNDP from any payment due to the responsible party, subcontractor or sub-recipient under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail any responsible party's, subcontractor's or sub-recipient's obligations under this Project Document.

l. Each contract issued by the responsible party, subcontractor or sub-recipient in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from it shall cooperate with any and all investigations and post-payment audits.

m. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project or programme, the Government will ensure that the relevant national authorities shall

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actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.

n. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled "Risk Management Standard Clauses" are adequately reflected, *mutatis mutandis*, in all its sub-contracts or sub-agreements entered into further to this Project Document.