



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
ARMENIA SUPPORT TO CONFLICT AFFECTED FAMILIES PROJECT  
APPROVED ON APRIL 22, 2021  
TO  
REPUBLIC OF ARMENIA

SOCIAL PROTECTION & JOBS

EUROPE AND CENTRAL ASIA

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**ABBREVIATIONS AND ACRONYMS**

E&S	Environmental and Social
ESMP	Environmental and Social Management Plan
ESCP	Environmental and Social Commitment Plan
FM	Financial Management
FCS	Food Consumption Score
GM	Grievance Mechanism
IRI	Intermediate Results Indicator
MLSA	Ministry of Labor and Social Affairs
M&E	Monitoring & Evaluation
OHS	Occupational Health and Safety
PCU	Project Coordination Unit
PDI	Project Development Indicator
PDO	Project Development Objective
POM	Project Operational Manual
RMSNA	Rapid Multi-Sector Needs Assessment
SEA/SH	Sexual Exploitation and Abuse and Sexual Harassment
USS	Unified Social Service
WFP	World Food Programme

**BASIC DATA**

**Product Information**

Project ID P176454	Financing Instrument Investment Project Financing
Environmental and Social Risk Classification (ESRC) Moderate	
Approval Date 22-Apr-2021	Current Closing Date 31-May-2022

**Organizations**

Borrower	Responsible Agency
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Republic of Armenia	Ministry of Labor and Social Affairs
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**Financing (in USD Million)**

**SUMMARY**

<b>Total Project Cost</b>	0
<b>Total Financing</b>	0
<b>Financing Gap</b>	0

**DETAILS**

**Project Development Objective (PDO)**

Original PDO

The grant development objective is to improve the resilience of conflict-affected people and to reduce the financial burdens of hosting families.

**Summary Status of Financing (US\$, Millions)**

TF	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-B5651	05-May-2021	07-May-2021	03-Jun-2021	31-May-2022	3.72	3.31	.41

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No

**I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING**

**Project Status**

1. The project includes two components. The first component supports four cash-based assistance programs adopted by The Government between mid-November 2020 and end-March 2021 and targeted to conflict-affected people and families. The second component is financing project management, including financial management



(FM), monitoring and evaluation (M&E), as well as compliance with the World Bank environmental and social (E&S) standards during project implementation. The Project became effective on June 3, 2021. The Project Coordination Unit (PCU) staff (including FM, E&S, and M&E specialists) was in place at the end of May 2021, and the Project Operations Manual (POM) was approved by the Bank on June 11, 2021. The Project is on track to close on May 31, 2022.

2. **Implementation Progress is rated Moderately Satisfactory.** The Government made significant progress with the implementation of the main programs co-financed by the Project. Subcomponents 1.1 and 1.2 of the Project are co-financing two programs launched by the Government immediately after the conflict escalation: (i) one-time cash benefits for displaced people in Armenia (November 2020-June 2021), and (ii) monthly cash benefits for hosting families in Armenia (December 2020-August 2021). Under the first program, more than 102,000 displaced people applied in the first round in December 2020 and 99,370 were enrolled. Around 76,000 displaced people applied in the second round in March 2021. Almost 7,000 hosting families applied for the second program and 4,892 were enrolled, hosting 12,943 displaced persons.
3. **The employment measures for displaced people financed by the Project recorded a lower take-up than initially expected.** Until September 2021, the number of applicants to the temporary employment subsidies measure (Subcomponent 1.3) was only 824 (against an expected number of 6,000 at project design), out of which 387 have been enrolled in the program (against a target of 936). One reason for the low enrollment is that many of the employable displaced people continued to receive wages in the place of origin (which is an exclusion criterion by design). Under the public works measure (Subcomponent 1.4), 17 subprojects have been implemented so far, employing 81 beneficiaries (against a target of 115 at project design).
4. **The Project is on track towards achieving its Development Objectives.** The project activities are currently executed with Government funds and have reached 60 percent of the original targets under the project. The budget was approved on November 18, 2021, and the Government submitted a withdrawal application for the expenditures made so far. The verification procedures for the distribution of cash transfers under Subcomponents 1.1. and 1.2 have been completed and are close to completion for Subcomponents 1.3 and 1.4.
5. **The financial management arrangements under the project are overall satisfactory.** There are no pending audits under the project at this point. A project audit covering all project disbursements will be conducted by an external independent auditor and due to the World Bank six months after the project closure.
6. **The E&S performance of the project is rated as Moderately Satisfactory.** The PCU within the MLSA is currently completing due diligence on the activities implemented under the project thus far. These activities include 17 paid public work subprojects, out of which 11 have been completed after the signing date of the Grant Agreement (May 5, 2021). The E&S requirements were partially met for 11 subprojects: workers received formal contracts prior to starting employment, workers received, adopted, and trained on the Code of Conduct, GM, Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH), and Occupational Health and Safety (OHS), and skills training. According to the Environmental and Social Management Plan (ESMP) checklists and E&S monitoring checklists completed by the Project E&S specialists, the activities were generally compliant with the requirements. It was discussed and agreed during the last mission (September 15-30, 2021) that the project will not be funding already completed activities that have not followed actions as outlined in the Environmental and Social Commitment Plan (ESCP). The PCU team has been regularly reporting to the Bank team on the project E&S performance, including on the status of stakeholder consultation and the GM for Project workers.



**Rationale for Restructuring**

- 7. The proposed restructuring is in response to the request of November 26, 2021 from the Ministry of Finance to revise and adjust selected indicators and targets of the Project Results Framework. The revisions are necessary to reflect two recent changes in project implementation: (i) a budget reallocation among subcomponents within Expenditure Category 1 of the Project (Cash Transfers); and (ii) a change in the data collection instruments. The request was reviewed and discussed with the Bank team, additional clarifications and adjustments were made during meetings and by email, and the final agreements are reflected in this restructuring paper.
- 8. **Budget Reallocation.** During August 2021, the Ministry of Labor and Social Affairs (MLSA) informed the Bank team of its intention to reallocate budget within Expenditure Category 1 of the Project from the ‘Cash Benefits to Displaced People’ (Subcomponent 1.1) to the ‘Monthly Cash Benefit for Hosting Families’ (Subcomponent 1.2) as follows (Table 1 Budget reallocation within the Expenditure Category 1 of the Project). The budgets of Subcomponents 1.3 and 1.4 were also decreased for the reasons explained below.

**TABLE 1 BUDGET REALLOCATION WITHIN THE EXPENDITURE CATEGORY 1 OF THE PROJECT**

<b>Project Subcomponents</b>	<b>Original Allocation (US\$, millions)</b>	<b>Revised Allocation (US\$, millions)</b>
1.1. Cash benefit to displaced people in Armenia (AMD 68,000)	1.49	0.65
1.2. Monthly cash benefit for hosting families in Armenia	1.13	2.66
1.3. Employment subsidies for unemployed displaced people in Armenia	0.97	0.31
1.4. Public works for displaced people who are in Armenia	0.1	0.07
<b>Total</b>	3.69	3.69

- 9. There are several factors that made these changes necessary to ensure the achievement of the project development objective (PDO):
  - (a) According to the Grant Agreement, only payments done on or after December 21, 2020 are considered eligible for retroactive financing. In addition, according to the POM, only payments performed through Haypost (the official national postal operator of the Republic of Armenia, which provides payment services) are eligible to be financed under Subcomponent 1.1. However, starting January 2021, the Government decided to improve efficiency and timeliness of payments by shifting the cash assistance to electronic payments through bank accounts/ATMs. As a result, most of the Subcomponent 1.1 beneficiaries (approximately 43,900) actually received payments through the Haypost before December 21, 2020, and only 3,894 beneficiaries received payments through Haypost after that date and before the payment mechanism was modified (against a Project target of 11,530). Consequently, the eligible expenditure for Cash Benefits to Displaced People under the Project was reduced by 56 percent. While this reduction created savings under this Subcomponent of the Project, the overall funding of the Government Support Programs for Displaced People recorded a financing gap as more affected families received benefits than planned.
  - (b) In addition, it became clear that due to the low take-up of the employment measures (Subcomponents 1.3 and 1.4), including the fact that many of the employable displaced people continued to receive wages in the place of origin, the initial targets for these subcomponents will not be achieved, and the time remaining until project closure (May 31, 2022) is not enough to both identify and address the take-up challenges.
- 10. The MLSA, after consulting with the Bank team, decided to increase the budget allocation and targets for Subcomponent 1.2 (Monthly Cash Benefits for Hosting Families in Armenia) to address the budgetary implications



of reduced eligible expenditures under Subcomponent 1.1 and low take-up under the employment measures. While the budget revision does not affect the PDO, nor the original allocation to expenditure categories, it affects the targets of selected intermediate indicators.

11. **Change in the data collection instruments.** One important challenge faced by the project M&E is related to the impossibility to update the project development indicators (PDIs) because of changes in the data collection instruments for the second round of the Rapid Multi-Sector Needs Assessment (RMSNA) in Armenia – the only available survey collecting data on both displaced people and host families that could provide information at baseline (November-December 2020). The survey was implemented by REACH to inform the humanitarian and development partners, as well as the Government, about the needs of people in a refugee-like situation and hosting households affected by the conflict. Unfortunately, the question selected to measure two of the PDIs (for displaced people, respectively host families) was reformulated and cannot be used anymore to track progress since it is not comparable between survey rounds.

## II. DESCRIPTION OF PROPOSED CHANGES

12. **Changes in the Project Development Objective Indicators (PDI).** The proposed restructuring will replace two PDIs measuring the ability to purchase food of displaced households, respectively hosting families, which are not collected in a comparable manner in the second round of the RMSNA. The indicators will be replaced by the average Food Consumption Score (FCS) for displaced people respectively hosting families, based on the RMSNA data. The FCS is a food security indicator commonly used by the humanitarian and development community, measuring households' dietary diversity and nutrient intake. The methodology used for calculating this indicator follows the World Food Programme (WFP) guidelines (<https://www.wfp.org/publications/meta-data-food-consumption-score-fcs-indicator>).
13. **Changes in the Intermediate Results Indicators (IRI).** The main changes proposed would align the targets of selected intermediary indicators with the budget reallocation across subcomponents. More specifically, the targets for the following indicators will be decreased: (i) Number of project beneficiary displaced individuals receiving AMD 68K cash grant payments in Armenia (Subcomponent 1.1); (ii) Number of project beneficiary individuals participating in the temporary subsidized employment program with an employer in Armenia (Subcomponent 1.3); and (iii) Number of project beneficiary participants in public works programs (Subcomponent 1.4). At the same time, the targets will be increased for the Subcomponent 1.2 main indicators: (i) the number of hosting families receiving cash grants and (ii) the number of displaced people for whom payments are made to hosting families.
14. Two new indicators will be added for a more consistent alignment between results indicators and expenditures, and to enhance progress measurement for Subcomponent 1.2: (i) Number of monthly payments made to project beneficiary hosting families in Armenia (cumulative); and (ii) Monthly number of displaced individuals hosted for whom payments are made to project beneficiary hosting families in Armenia (person/months, cumulative).
15. Finally, the citizens engagement indicator will be replaced with a more specific indicator regarding the access of beneficiaries to feedback and grievance mechanisms (GM). Other minor changes were made with respect to baseline values and dates, as well as the wording and definitions of some indicators, to accurately reflect the information available in the Unified Social Service (USS) information systems.



16. **The proposed project restructuring does not involve new project activities, changes to E&S risk rating, or changes to project design that may impact the Bank’s disclosed E&S due diligence.** Therefore, the E&S instruments prepared for this project do not need to be revised for this restructuring purposes.

**III. SUMMARY OF CHANGES**

	Changed	Not Changed
Results Framework	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Additional Financing Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Change in Overall Risk Rating		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓



IV. DETAILED CHANGE(S)

RESULTS FRAMEWORK

Project Development Objective Indicators

Share of project displaced households in Armenia that report that the conflict reduced their ability to purchase food. Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	73.00		50.00	Marked for Deletion
Date	15-Mar-2021		31-May-2022	
Average Food Consumption Score of displaced households benefiting of social protection measures in Armenia. Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	61.00		75.00	New
Date	31-Dec-2020		15-Apr-2022	
Share of project beneficiary hosting households in Armenia that report that the conflict reduced their ability to purchase food. Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	52.00		36.00	Marked for Deletion
Date	15-Mar-2021		31-May-2022	
Average Food Consumption Score of hosting households benefiting of social protection measures in Armenia. Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	76.00		76.00	New
Date	31-Dec-2020		15-Apr-2022	
Share of project beneficiaries who are employed (by any employer) in Armenia after participating in the temporary subsidized employment program				





Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		30.00	No Change
Date	15-Mar-2021		31-May-2022	

**Intermediate Indicators**

Number of project beneficiary displaced individuals receiving AMD 68K cash grant payments in Armenia				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	3,894.00	3,986.00	Revised
Date	20-Dec-2020	31-Aug-2021	15-Apr-2022	

Share of project beneficiary female displaced individuals receiving AMD 68K cash grant payments in Armenia				
Unit of Measure: Percentage				
Indicator Type: Custom Supplement				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	52.00	52.00	Revised

Total number of hosting families in Armenia applying for cash grants				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	4,560.00	6,933.00	19,898.00	Revised
Date	31-Dec-2020	31-Aug-2021	31-May-2022	

Number of project beneficiary hosting families in Armenia receiving cash grant payments				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	4,892.00	4,892.00	Revised



Date	20-Dec-2020	31-Aug-2021	15-Apr-2022	
<b>Number of monthly payments made to project beneficiary hosting families in Armenia (cumulative)</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	15,309.00	15,347.00	New
Date	20-Dec-2020	01-Dec-2021	15-Apr-2022	
<b>Number of displaced individuals for whom payments are made to project beneficiary hosting families in Armenia</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	12,943.00	12,943.00	Revised
Date	20-Dec-2020	31-Aug-2021	15-Apr-2022	
<b>Monthly number of displaced individuals hosted for whom payments are made to project beneficiary hosting families in Armenia (person/months, cumulative)</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	43,688.00	43,820.00	New
Date	18-Dec-2020	01-Dec-2021	15-Apr-2022	
<b>Total number of applicants to the public works program</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	79.00	500.00	Revised
Date	21-Dec-2020	31-Aug-2021	15-Apr-2022	
<b>Share of female applicants to the public works program</b>				
Unit of Measure: Percentage				
Indicator Type: Custom Supplement				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	30.00	18.00	Revised



**Number of project beneficiary participants in public works programs**

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	81.00	81.00	Revised
Date	15-Mar-2021	31-Aug-2021	31-May-2022	

**Share of female project beneficiary participants in public works programs**

Unit of Measure: Percentage

Indicator Type: Custom Supplement

	Baseline	Actual (Current)	End Target	Action
Value	0.00		18.00	No Change

**Number of applicants to the temporary subsidized employment program for displaced people with an employer in Armenia**

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	824.00	6,000.00	Revised
Date	21-Dec-2020	31-Aug-2021	31-May-2022	

**Share of displaced female applicants to the temporary subsidized employment program with an employer in Armenia**

Unit of Measure: Percentage

Indicator Type: Custom Supplement

	Baseline	Actual (Current)	End Target	Action
Value	0.00	75.00	75.00	Revised

**Number of project beneficiary individuals participating in the temporary subsidized employment program with an employer in Armenia**

Unit of Measure: Number

Indicator Type: Custom



	Baseline	Actual (Current)	End Target	Action
Value	0.00	317.00	387.00	Revised
Date	15-Mar-2021	31-Aug-2021	31-May-2022	

Share of female project beneficiary individuals participating in the temporary subsidized employment program with an employer in Armenia

Unit of Measure: Percentage

Indicator Type: Custom Supplement

	Baseline	Actual (Current)	End Target	Action
Value	0.00	77.00	75.00	No Change

Share of project beneficiaries who report that the project has established effective engagement processes

Unit of Measure: Percentage

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00		90.00	Marked for Deletion
Date	15-Mar-2021		31-May-2022	

Percent of beneficiaries who agree that the project has in place accessible feedback (hotline, email/ webpage form) and grievance mechanism

Unit of Measure: Percentage

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00		80.00	New
Date	31-Mar-2021		31-May-2022	