REPORT NO.: RES39815

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
ARMENIA SOCIAL PROTECTION ADMINISTRATION II PROJECT
APPROVED ON MARCH 24, 2014
TO
MINISTRY OF FINANCE

SOCIAL PROTECTION & JOBS
EUROPE AND CENTRAL ASIA

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tbody>
<tr>
<td></td>
<td>Investment Project Financing</td>
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</table>

<table>
<thead>
<tr>
<th>Original EA Category</th>
<th>Current EA Category</th>
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<tbody>
<tr>
<td>Partial Assessment (B)</td>
<td>Partial Assessment (B)</td>
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<table>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<td>24-Mar-2014</td>
<td>30-Nov-2020</td>
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Organizations

<table>
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<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
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<tbody>
<tr>
<td>Ministry of Finance</td>
<td>Ministry of Labor and Social Affairs</td>
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Project Development Objective (PDO)

Original PDO

The proposed Project Development Objectives (PDOs) are to (i) improve social protection service delivery and (ii) strengthen analytical and monitoring and evaluation functions of the agencies delivering social protection benefits and services.

Summary Status of Financing

<table>
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<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Commitment</th>
<th>Disbursed</th>
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Policy Waiver(s)

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

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
Project Status:
Progress towards Achievement of the Project Development Objective (PDO). The project shows moderately satisfactory performance on progress towards the PDO. The project has three indicators to measure the development objective. Of those, two are on track to be achieved and one is lagging. Client satisfaction with benefits and services received through existing ISPCs is at 89 percent and is on track to reach the end target by the closing date of November 30, 2020. Progress on the PDO indicator of increased monitoring and evaluation capacity for the social protection (SP) programs is notable with monitoring passports and indicators for all SP programs developed. The planned integration of these core project outputs in the regular operations of the Ministry of Labor and Social Affairs (MLSA), including through its information system, will further contribute towards achievement of the PDO. The client participation costs of receiving benefits and services (for the Family Benefit Program) is expected to decrease once the majority of Integrated Social Protection Centers (ISPCs) become fully operational.

Assessment of the Implementation Progress. The project’s implementation progress is rated Moderately Unsatisfactory. During the first two and a half years of the project, there were substantial implementation delays due to slow implementation of civil works activities under Component I (which covers 68 percent of the credit) and the previous Government’s decision not to implement activities under Component II. Significant progress was recorded in the project implementation after the mid-term review in September 2017, particularly with regard to the roll out of the functional social protection integration model. However, the project implementation has slowed down again in 2019. Currently, the works on 9 ISPCs have been completed, civil works are ongoing for 6 ISPCs and 6 additional are at the procurement stage. Credit disbursement increased to 39 percent.

Limited progress in 2019 has been due to the change in the government and transfer of Foreign Financing Projects Management Center’s (FFPMC) functions to the newly established Project Implementation Department (PID) under the Ministry of Finance (MOF), as well as the delayed re-establishment of the Project Steering Committee (PSC). New project activities had been de facto put on hold. Even after the new fiduciary arrangement has been put in place, it turned out not to be effective and the MOF and MLSA submitted a proposal to the government to transfer the fiduciary functions to the MLSA.

The project was restructured twice. A 23-month extension was granted in September 2018 to provide sufficient time to complete the civil works for remaining ISPCs and make them operational. In May 2019, the project was restructured to replace the FFPMC, as the project implementing agency under the MOF responsible for fiduciary functions, with the newly created PID. In addition to this proposed restructuring to exclude PID as the implementing agency, another restructuring is expected later in FY20 to perform needed adjustments in project activities and related intermediate results indicators.

Proposed changes:
This restructuring is in response to the request from the MOF dated November 28, 2019 (enclosed). The request is to exclude the PID as the project implementing agency under the MOF and transfer the responsibility for the fiduciary aspects of the project (including financial management and procurement) to the Project Coordination Unit (PCU) within the MLSA. The proposed amendment does not entail any other changes to the project. The financial management arrangements under the project are adequate and acceptable to the Bank, and there are no overdue audits under the project.
II. DETAILED CHANGES