Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 14-Dec-2021 | Report No: PIDA32485

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Armenia	P176803	Fourth Public Sector Modernization Project	

Region	Estimated Appraisal Date	Estimated Board Date	Practice Area (Lead)
EUROPE AND CENTRAL ASIA	07-Dec-2021	22-Mar-2022	Governance

Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Republic of Armenia	Prime Minister's Office	

Proposed Development Objective(s)

The project development objective is to improve the efficiency of and access to selected public services for businesses and citizens.

Components

Component 1: Modernization of public administration
Component 2: Digital Service Delivery
Component 3: Data management and digital infrastructure
Component 4: Project Management

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	36.00
Total Financing	36.00
of which IBRD/IDA	30.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	30.00

Non-World Bank Group Financing

Counterpart Funding	6.00
Borrower/Recipient	6.00

Environmental and Social Risk Classification

Low

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Armenia is an upper middle-income country with a gross domestic product (GDP) per capita (constant 2010 US$) of US$ 4,364 in 2020.**[1] Following steady economic growth during 2017-2019 (on average 6.8 percent annually), Armenia experienced one of the region's sharpest GDP contractions of 7.4 percent in 2020. Services -trade and the hospitality sector, in particular - were the most affected sectors.

2. **Military conflict and the COVID-19 pandemic had major political, fiscal, and economic implications for Armenia in 2020 and into the first half of 2021.** The escalation of the Nagorno-Karabakh conflict in 2020 triggered political tension in the country, forcing the announcement of snap elections on June 20, 2021. At the same time, Armenia has been hit hard by COVID-19.

3. **The Government of Armenia's (GoA) strategy to these challenges focuses on measures to support the most affected sectors and preserve jobs** through state financing of the economy using various channels such as the banking sector and state agencies, subsidizing utility payments, and various social payments to households and citizens.

4. **The COVID-19 pandemic's impact on vulnerable households, which has been severe, was only partially mitigated by the Government's response (about 3.5 percent of GDP, including support through the banking sector to businesses).**[2] The unemployment rate increased marginally by 0.2 percentage points year on year, reaching 18.1 percent in 2020. Mitigation measures implemented by the Government and the relatively short duration of pandemic-related restrictions prevented a greater increase in the already high rate of unemployment. The poverty rate (measured at the upper-middle-income economy poverty line) increased marginally from 43.9% in 2019 to 44.7% in 2020.

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[1] World Bank. World Development Indicators. https://data.worldbank.org/indicator/NY.GDP.PCAP.KD
[2] The total number of cases as of December 6, 2021 was 341,000 and 7,683 deaths.

5. **The economy began to recover during the first months of 2021 at a faster pace than expected.** In the first half of 2021, the Economic Activity Index (EAI) showed 5 percent year-over-year growth. However, although GDP growth is projected to recover partially in 2021, the economy is likely to return to pre-COVID-19 output levels only near the end of 2022/early 2023. Forecasts suggest that in 2021, driven by income losses, 48 percent of the population will remain below the 2011 US$ 5.5 purchasing power parity poverty line, down only slightly from 51 percent in 2020.

6. **The new Government's Development Program for 2021-2026[3] acknowledges the role of digitalization reforms as a key tool for efficient governance, economic development and productivity, and improved service delivery.** It highlights the role of digitalization of public services in enhancing service quality and helping mitigate corruption risks in the service provision process. Among other initiatives, the Program also spells out the importance of implementation of the e-identification system, digitalization of public services at central and local levels and for the diaspora, introduction of cybersecurity and digitalization standards, and the enhancement of digital literacy of citizens. The Government's new Digitalization Strategy for 2021-2025[4] elaborates the actions necessary for achievement of the ambitious digitalization goals.

Sectoral and Institutional Context

7. **Establishing an efficient and accountable governance framework to achieve economic growth and sustainable development, is one of the goals of the GoA set forth by the Government's Development Program for 2021-2026.** A The GoA has prioritized the digital economy as a key pillar of economic growth and GovTech as one of the most critical dimensions of this approach**.** The Government's new Digitalization Strategy sets the foundation for the development and implementation of a whole-of-government GovTech approach. It calls for the public sector to leverage political commitment and contribute to the GoA's climate agenda by working across administrative boundaries, strengthening the digital strategy roadmap, and establishing an organizational set-up to deliver faster, better, and more inclusive services to citizens and the private sector. Likewise, the GoA's draft Public Administration Reform Strategy 2030 envisages the establishment of a citizen-centric and accessible state, including municipal services, with modern technology foundations.

8. **The above initiatives reflect the commitment of the GoA to comprehensive modernization and digitalization reforms to enable the public sector to perform its core operations more efficiently, enhance citizen and business centric digital public services, and promote citizen engagement.** Under its Digitalization Strategy, the GoA aims to ensure an increase in the use of these services to 50 percent of the population and 70 percent of businesses by 2025. Key to meeting this goal will be structuring accessible digital public services around citizens' life events. The availability of mobile-based services will also be an important element to promote greater accessibility. Citizens representing different ages, regions, and backgrounds are involved in the service design to ensure a user-centric approach. Citizen participation and feedback will enhance the trust necessary for the ultimate success of these initiatives.

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[3] Government Development Program for 2021-2026, adopted on August 18, 2021 by Government Decree N1363-A.
[4] Digitalization Strategy for 2021-2025, adopted on February 11, 2021, by Government Decree N183-L.

9. **PSMP3 (2015-2022) has been supporting the introduction of the e-Gov portal to improve access to selected enhanced government services.** It established a limited scale human resource management information system (HRMIS) e-platform covering an e-competition platform to enhance the efficiency and transparency of staff recruitment, and a Civil Service training system. Under PSMP3, in addition to development of 120 state digital services, the GoA is also implementing several foundational digital technologies. These are expected to significantly strengthen citizen engagement and the accountability of service providers. Under the Tax Administration Modernization Project (P111942), simplified procedures for taxpayers were introduced to remove barriers to fulfill their obligations through e-filing and enhanced taxpayer services.[5] The Project also established a modern risk-based (computerized) audit case management system to improve compliance, and a well-targeted enforcement mechanism. As a result of its efforts, Armenia's ranking in the UN E-Government Development Index improved by 19 positions in 2020.[6]

10. **The PSMP4 builds on the gains of the previous three WB-supported PSMPs.** These include improved policy coordination and responsiveness mechanisms, better management of civil service through a digital system, and availability of wider number of IT systems. PSMP4 will aim to support a national and substantial broadening of efficiency gains in the provision of key public services, which remain a key challenge. PSMP4 will provide further continuous support to the sectors covered under PSMP3, as well as engage in new areas the Government has identified as in need of urgent reforms. The Project will promote the GovTech "whole of government" approach to modernization of public sector functions and services in Armenia, with application of technology for more efficient, responsive, and accessible government services.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to improve the efficiency of and access to selected public services for businesses and citizens.

Key Results

The PDO Level Indicators are:

a) Enhanced efficiency of selected public services: % decrease in time to obtain selected central government and local level services (target 50 percent).
b) Improved access to digital public services: % in use of selected digital public services, disaggregated by gender (target 25 percent).
c) Improved citizen satisfaction with public services: % increase in citizen satisfaction with selected public services supported by the project, as measured by surveys and embedded feedback mechanisms, disaggregated by gender (target 20 percent).

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[5] For example, in 2011, the percentage of total tax filed electronically was 20 percent, by 2021 this reached approximately 98 percent, meeting the levels achieved by most OECD countries in this respect. Taxpayer services have also significantly improved with the establishment of the call center and other internal reforms.

[6] See UN E-Government Survey 2020. The E-Government Development Index includes Online Service Index which has also improved in Armenia – from 0,5625 in 2018 to 0,7 in 2020. The full report is available at https://publicadministration.un.org/egovkb/en-us/Reports/UN-E-Government-Survey-2020

D. Project Description

11. **The Project has three technical components and a project management component**. The GovTech concept encompasses the development of a dynamic system of infrastructure with a technological platform for a gradual expansion of service digitalization, delivery, and deployment to a wide range of citizens throughout the country. Such a system allows for growth through standardization of commodity technologies, including hardware, software, and personnel. The three project components encompass an integrated changeset that resolves outstanding issues of accessibility and efficiency and promotes ongoing innovation within a broadly interoperable GovTech infrastructure. Component 1 will focus on modernizing the public administration, providing an essential underpinning of improved management capacity. Component 2 will support digital service delivery to citizens and businesses by consolidating information systems, improving access, efficiency, and improving availability of public services provided by the central and local governments to citizens. Component 3 will support the underlying technological foundations needed for the successful implementation of Components 1 and 2, by improving and strengthening data governance/management, cloud computing, cybersecurity, and AI. Component 4 will support project management to ensure timely and successful implementation. All components of the Project will finance primarily IT (software and hardware) and Management Information Systems (MIS), advisory services (i.e., hiring of consultants), training and workshops, and covering of operating costs.

C. Project Beneficiaries

12. **Citizens and businesses will be the primary direct beneficiaries of this Project.** Implementation of the Project will allow businesses and citizens to have broader access to more efficient public services, benefiting from time and resource efficient, smart, and secure processes. Availability of digital access to streamlined processes will provide a more fertile environment for business operation, competitiveness, and market growth. Availability of a productive public service system will improve citizens' trust towards public administration, encouraging more active social and economic initiatives. Modernization of public administration and core systems in the identified areas, development of digital service delivery capacities at the central and local levels, and widespread improvements of data management and digital infrastructure will improve the efficiency of the whole government, resulting in better service delivery for society.

13. **The secondary group of beneficiaries are public entities,** including the PMO, Civil Service Office, MoJ, SRC, MHTI, Ministry of Territorial Administration and Infrastructure, and the municipalities.

Legal Operational Policies	
	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

14. **The environmental and social risk** of the Project is assessed as Low. The Project does not support any new construction or renovation works, and physical activities are associated with the installation of computers and

other hardware in core government offices and centers. Dismantled electronic equipment may cause risks to human health and the environment if not disposed of in an environmentally sound and safe manner. As the country lacks electronic waste recycling/disposal facilities, obsolete equipment shall be safely stored before its reuse or until the licensed facilities are established in the country or before exporting abroad. Labor and Occupational Health and Safety risks will be limited and can be easily mitigated. Potential social risks relate to the inclusiveness of digital services provided and/or enhanced with the support of the project. Potentially vulnerable and disadvantaged persons may include the elderly, persons with disabilities and limited mobility, persons living in rural, remote, or mountainous areas, ethnic minorities who lack proficiency in the national language, displaced persons, or persons and households lacking connection to high-speed internet and/or the required skills to use digital services. The Project will mitigate these risks by undertaking inclusive consultations and enabling the extension of digital services and skills training to remote and rural locations in order to ensure broader and more inclusive access to the Project benefits.

15. To address environmental and social risks, PMG has prepared Environmental and Social Commitment Plan (ESCP) and Stakeholder Engagement Plan. Labor Management Procedures (LMP) will be elaborated as part of the Project Operations Manual (POM). The draft ESCP and SEP were translated in Armenian and were disclosed by the PMG on November 24, 2021 and subsequently conducted consultations with stakeholders on December 13, 2021. The SEP sets outs mechanisms for identifying and engaging with stakeholders on an on-going basis.

E. Implementation

Institutional and Implementation Arrangements

16. The institutional and implementation arrangements for the Project will largely remain the same as those for PSMP3. The Project will be implemented under the leadership of the Public Sector Reform Commission (PSRC), which has been in place since PSMP1 and will continue to serve as the Project's management board or steering committee. The PSRC will provide political support and strategic guidance for project activities; approve important FM and procurement documents; ensure that adequate provisions for the project are made in the national budget; resolve inter-agency coordination issues; and assist in building support for and overcoming resistance to reforms. Day-to-day project implementation will be carried out by a small PMG headed by a Project Manager, who will report to the Project Director (Deputy Prime Minister/Chief of Prime Minister's Staff). The PMO, with the support of PMG will be responsible for: 1) technical and administrative support for project implementation, 2) FM, 2) procurement, 3) compliance with environmental and social safeguards requirements, 4) M&E, 5) support/guidance on development of technical requirements and specifications for procurement documents based on inputs provided by the project's stakeholders, and 6) advisory services to agencies that implement project activities. EKENG will be in charge of supporting PMG and beneficiary entities in shaping the terms of reference and specifications for all ICT related procurement.

17. A number of specialized agencies will participate in project implementation as clients/beneficiaries. Their roles will be to provide technical requirements and specifications for the systems or other activities to be financed through the Project, to review consultant and vendor outputs, to organize acceptance testing of IT software and hardware, and to utilize the project outputs that correspond to them.

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APPROVAL

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