The World Bank
Fourth Public Sector Modernization Project (P176803)

Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 12/14/2021 | Report No: ESRSA01802

BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Armenia	EUROPE AND CENTRAL ASIA	P176803	

Project Name	Fourth Public Sector Modernization Project

Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing	12/7/2021	3/22/2022

Borrower(s)	Implementing Agency(ies)		
Republic of Armenia	PMG in the PM Office, Prime Minister's Office		

Proposed Development Objective

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

Financing (in USD Million)	Amount
Total Project Cost	**36.00**

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed project is anchored on the Government's newly adopted Digitalization Strategy which emphasizes that the development of advanced technologies plays a decisive role in the competitiveness, security, and living standards of the state. The PSMP4 is proposed to comprise four components with the three project components encompass an integrated changeset that resolves outstanding issues of stability 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 by consolidating information systems, improving access, efficiency, and improving outreach of public services provided by the central and local governments to citizens. Component 3 will improve and strengthen

data governance/management, cloud computing, cybersecurity, and AI. Component 4 will support project management to ensure timely and successful implementation.

Component 1 (Modernization of the public administration) will improve the overall efficiency of public administration. The component will support improving the productivity and service offerings of the public service administration, the Ministry of Justice (MoJ) and the newly established MoI. The component will have three sub-components that are focused on improving internal efficiencies of the public administration. The sub-components will focus on i) modernizing the public service, ii) digitalization of databases and business processes under the MoJ and judiciary, and iii) piloting the modernization of the public administration system in the MoI, a newly established agency to support more efficient delivery of civilian services.

Component 2 (Digital Service Delivery) will fund improvements in the central and local government digital public service delivery. Digitalization will enhance access to and engagement with services for all citizens, including in remote regions and among vulnerable groups. Central government service delivery improvements will also address the current challenges of the tax and customs administration through the expansion of services in electronic formats and multi-channel service delivery. There will be three sub-components on Central government digital public service delivery of the Tax and Customs Administration Systems; Central government digital public service delivery – Other Central Agencies; Local government digital public service delivery

Component 3 (Data management and digital infrastructure) aims to strengthen the ICT backbone of the GoA to address the issues with data governance/management, cloud computing, and cybersecurity, and to enhance government-wide decision-making support using AI in areas capable of support large data pools for analysis. The component will optimize the use of available public sector data in support of the Project's objectives of greater efficiency projection and accessibility of services, by providing a whole of government approach to the data management and digital infrastructure sectors.

Component 4 (Project Management) would fund support for project implementation, including project management, coordination, development of institutional capacity, and absorption of the project-supported reforms.
 under the project.

The proposed Project is consistent with the WB Group Country Partnership Framework (CPF) for the Republic of Armenia for the period FY19–FY23 (Report No. 123902-AM, dated March 28, 2019), specifically relating to Focus Area 1- Export enablers and firm competitiveness and Objective 4 - Improved public spending efficiency and increased private financing for development. CPF Annex 5 on "Can Armenia Leverage Digital Opportunities?" highlights the importance of smart use of ICT infrastructure for boosting the economy, arguing that digital infrastructure and services hold the potential to amplify the digital economy, enable exporters and boost competitiveness. The proposed Project addresses Objective 4 and Focus Area 1 by supporting the use of digital solutions for public sector service delivery to citizens and businesses, strengthening management of data and digital infrastructure, modernizing the civil service, reducing regional service delivery gaps, and enhancing revenue collection.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The Republic of Armenia is a landlocked mountainous country located in the South Caucasus, bordering Azerbaijan, Georgia, Iran, and Turkey. The Armenian climate is continental, with hot summers and cold winters. The country is regarded as being especially sensitive to the effects of climate change. The topographic and climatic variations have resulted in highly diverse ecosystems. Armenia is a seismically active country. The country comprises of ten administrative regions, called marzes: Aragatsotn, Ararat, Armavir, Gegharkunik, Kotayk, Lori, Shirak, Syunik, Tavush, and Vayots Dzor. The municipality of the capital city of Yerevan is a self-standing administrative unit. The population of the country slightly exceeds 2.9 million, over 60% of which resides in urban settlements. The project will be implemented nationwide.

The project will support the procurement of up to 100 computers. There is no separate collection of electronic equipment waste (e-waste) in Armenia or any official data regarding e-waste generation. The country lacks licensed e-waste recycling/disposal facilities. There are no specific requirements in the Law of the Republic of Armenia on Waste regarding e-waste. E-waste ends up in other waste streams, including municipal waste collected primarily via bins or chutes. Also, there are no dedicated temporary e-waste storage facilities in the country.

The Armenian public sector needs comprehensive modernization and digitalization reforms to perform its core operations more efficiently, enhance citizen and business-centric digital public services, and promote citizen engagement. The government has prioritized the digital economy as a key pillar of economic growth and GovTech as one of the most critical dimensions of this strategy. The government has made progress on providing digital public services to its citizens over the past decade, but the scope and access of these services are still limited. Under its Digitalization Strategy (2021-2025), the government plans to enhance the access of these services to 50 percent of the population by 2025. To support these reforms, the government plans to strengthen the enabling environment, including institutions, regulations, skills, and innovations based on a citizen-centric approach. This means that accessible digital public services are structured and designed around the citizen's life events – birth, vaccinations, schooling, employment, social assistance, starting a business, etc. In addition, citizens from various groups - ages, regions, and backgrounds - are involved in the service design to ensure a user-centric approach. Mobile-based services will be another important aspect of the development of citizen-centric service delivery, to promote greater accessibility. Citizen participation and feedback will enhance the trust necessary for economic growth. The proposed project is intended to support this approach through five components anchored in the key elements of public administration, data management, and service delivery systems.

The project would be funded by an IBRD loan of US$30 million and a government contribution of US$6 million.

D. 2. Borrower's Institutional Capacity

The designated implementing agency for the project is the Prime Minister's Office which will carry out the project through the existing Project Management Group (PMG). The PMG has experience with implementing prior World Bank-financed projects, most recently - the Third Public Sector Modernization Project (PSMP III). However, the PMG currently does not have environmental and social capacity and is not familiar with the requirements of the ESF. While the project entails low social and environmental risks, the capacity of the PMG will need to be enhanced to ensure familiarity with the principles of the ESF, capacity to conduct environmental and social screening and risk management proportionate to the risk of the activities, ensure compliance with national legislation and ESF on labor and occupational health and safety (OHS) aspects, and ensure proactive and inclusive citizen and stakeholder engagement. This would include provisions that the PMG has designated specialists responsible for the implementation of the project's Environmental and Social Commitment Plan (ESCP), Stakeholder Engagement Plan (SEP) and Labor Management Procedures (LMP). The LMP, along with basic environmental and social screening, risk

management, and monitoring will be included in the Project Operations Manual (POM) to be prepared prior to the Effective Date of the project. PMG staff, and specifically – the M&E consultant with relevant responsibilities for managing environmental and social (E&S) risks to be recruited under the project, would require additional capacity-building and training on managing all ESF requirements for the project.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)   Low

Environmental Risk Rating   Low

The project does not support any new construction or renovation works. Risks are associated with handling/disposal of (i) obsolete electronic equipment from upgrading computers and other hardware in core government offices and (ii) project-financed electronic equipment at the end of its useful life. Waste from electronic equipment may cause risks to human health and the environment if not disposed of in an environmentally sound and safe manner. As the volume of e-waste will be small, the environmental risk is rated low.

Social Risk Rating   Low

Social risk of the project is assessed as Low. The project will not have a physical footprint beyond installation of equipment and, therefore, is not expected to generate risks related to land acquisition or resettlement, labor influx, or community health and safety. Labor and OHS risks will be limited and can be mitigated by development, adoption and adherence to the LMP to be included in the POM. The LMP will be anchored in national legislation and consistent with ESS2, including the establishment of accessible grievance mechanism for all project workers. Potential social risks are related to the inclusiveness of digital services provided and/or enhanced with the support of the project. Potentially vulnerable and disadvantaged persons include the elderly, persons with disabilities and limited mobility, persons living in rural, remote, or mountainous areas, a small proportion of ethnic minorities or migrants 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 to ensure broader and more inclusive access to the project benefits. Other risks relate to the handling of personal data. Project activities will strictly follow national regulations, such as provisions of the national Constitution and the Law of the Republic of Armenia on Data Protection that provides for data privacy and protection as well as promotes the inclusion of good international practices with regard to data protection in all activities. Activities related to civil service modernization will incorporate a focus on equality and non-discrimination and will be gender-sensitized; as such, it is expected that the project will contribute to enhancing equity and inclusion in human resource practices of the civil service.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The following standards are assessed as relevant to the project: ESS 1, ESS 2, ESS 3, and ESS 10.

Physical activities under the project are associated with the installation of computers and other hardware in core government offices. Environmental issues relate to the handling/disposal of (i) obsolete electronic equipment from upgrading computers and other hardware and (ii) project-financed equipment at the end of its useful life. Dismantled electronic equipment may cause risks to human health and the environment if not disposed of in an environmentally sound and safe manner. Where obsolete equipment cannot be reused, it should be recycled or disposed of by a licensed contractor. As the country lacks electronic waste recycling/disposal facilities, obsolete equipment shall be safely stored until the licensed facilities are established in the country or before exporting abroad. These risks are mitigable with the E-waste Management Plan to be prepared by the Effective Date of the project. The E-waste Management Plan will include the provisions for e-waste handling and storage with due care to avoid the release of hazardous substances into the environment as a result of damage and/or leakage. The documentary evidence of proper management of obsolete equipment (e.g., reused, refurbished, discarded) shall be maintained.

Labor and OHS risks of the project are likely to be low and will be mitigated by strict adherence to national legislation and safety standards related to the installation and operation of equipment, following good international practice, and establishment of grievance mechanism for all project workers. The LMP will be incorporated in the POM. The project will introduce Code of Conduct (CoC) for all employees, and protocols for safe and confidential handling of SEA/SH concerns. Component 1 activities and all associated TORs for advisor services will include a focus on equity and non-discrimination, and gender sensitivity, to ensure that project-financed activities in the realm of civil service reform promote principles of inclusion and non-discrimination consistent with the ESF.

Some social risks under the project relate to the potential exclusion of disadvantaged or vulnerable groups from project benefits, as well as their ability to participate equitably in project consultations and provide their feedback in the course of project preparation and implementation. The project will employ tailored measures including multiple forms of communication - face to face as well as digital and print media - to inform and engage citizens and stakeholders. The project will have dedicated activities to the extension of digital services in urban and rural communities, accompanied by training in digital skills to expand the usage of e-services outside the capital city.

The Republic of Armenia Law on Personal Data Protection, adopted in 2015, regulates the principles of protection of citizens' personal data and sets the appropriate control procedures. A number of government decisions and regulations have been adopted arising from this law setting specific standards on the security and protection of privacy in the government's electronic service provision. The project will follow all legal regulations to ensure the privacy of citizens using e-services under all project-supported assignments and activities.

ESS10 Stakeholder Engagement and Information Disclosure

Citizen engagement and stakeholder engagement are a core part of the project design as the project aims to facilitate access to key public services for citizens, enterprises, and public agencies.

Project-affected parties include the state agencies and their employees (forming part of the civil service), enterprises, central and local government agencies, and the general public/citizens who will directly benefit from improved e-

services. Other interested parties include civil society, academic and professional associations, and consultancies who may benefit from or be involved in the development, implementation, or monitoring of e-service platforms.

The Borrower has prepared a SEP which outlines the activities and timeframe for engaging with different stakeholder groups throughout the life of the project, defines roles and responsibilities, human resources, and budget needed for implementing SEP activities. Key objectives of the SEP are to maintain a constructive relationship with stakeholders, ensure that their views are taken into account in project design and implementation, specifically in the management of environmental and social performance, provide means for inclusive engagement with all project-affected parties, and ensure that appropriate project information is disclosed to stakeholders in a timely, understandable, accessible, and appropriate manner and format. To achieve these objectives, the SEP was prepared with inputs from stakeholders and reflects methods of engagement that they would consider most effective. SEP activities will envision measures to ensure that disadvantaged and vulnerable groups have equal opportunity to obtain information and benefit from project activities, as well as have channels for grievance and redress if negatively affected. Such activities include tailored awareness and information campaigns, distributing information materials through multiple channels such as media, social media, and local municipality/community leaders, emphasizing the rules and principles of equity and non-discrimination, for example, in relation to employment opportunities in all training and consultation activities.

Disadvantaged and vulnerable groups under the project include: elderly, who do not use modern technologies or have limited access to it, persons with disabilities and limited mobility, persons living in rural, remote areas, ethnic minorities who lack proficiency in the national language, migrants and displaced persons who by virtue of limited social networks may find it harder to obtain information about the benefits of the project, or persons and households lacking connection to high-speed internet and/or the required skills to use digital services. These groups were identified in SEP and differentiated measures are proposed to ensure their participation.

The Borrower, via the PMG, established a grievance mechanism for the project to ensure that citizens have accessible channels to raise any questions, feedback, or complaints on project-related activities. The grievance mechanism incorporates multiple intake channels and will be widely communicated so that all interested parties and the general public can be informed on its existence and use. The details of the grievance mechanism – intake channels, advertisement, processing of feedback and complaints, recording of grievances, response to complainants, monitoring and reporting– are described in the SEP.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The project will include direct workers (employees of the PMG) as well as contracted workers (employees of consultancy / technical assistance teams; employees of contractors responsible for the installation of equipment in selected government offices). Community workers will not be involved in this project.

In the course of project preparation, the World Bank team will undertake an assessment of the national labor regulations and internal regulations of the PMG to identify gaps, if any, with ESS2. The LMP for the project will be integrated in the POM. These will include a description of the grievance mechanism available to all project workers to raise employment-related complaints in a safe and confidential manner.

Contracted workers will comprise the employees of all contractor and consultancy teams to be engaged under the project. At the moment, it is not possible to estimate the full number of such workers. All contractors will be required to comply with LMP specified in POM. This requirement will be included in bidding documents and contracts and supervised by PMG staff.

Labor and OHS risks are relatively low as the project will not involve construction or rehabilitation, or work in a hazardous environment. Contractors will be required to maintain valid insurance in the case of workplace injuries, to promptly notify the project management team in the case of any incidents, provide urgent medical care, and compensation consistent with national regulations and World Bank ESF. The LMP will also include measures to address SEA/SH risks, as well as COVID-19 infection prevention and response measures for workers in line with national regulations and WHO guidelines.

ESS3 Resource Efficiency and Pollution Prevention and Management

Dismantled obsolete electronic equipment may cause risks to human health and the environment if not disposed of in an environmentally sound and safe manner. Where dismantled equipment cannot be reused, it should be recycled or disposed of by licensed contractors. The obsolete equipment will be collected at the government offices in the capital and regional centers and safely stored before reuse or until the licensed recycling/disposal facilities are established in the country or before exporting abroad. E-waste shall be handled and stored with due care to avoid the release of hazardous substances into the environment as a result of damage and/or leakage. The existing storage location of government offices shall be adequately secured and protected against unauthorized entry. The documentary evidence of proper management of obsolete equipment (e.g., reused, refurbished, discarded) shall be maintained. The relevant provisions will be included in the E-waste Management Plan.

ESS4 Community Health and Safety

ESS4 is not considered relevant to the project. Equipment will be installed in the existing offices.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant. The project will not require land acquisition, nor entail land use restrictions or involuntary resettlement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant to the project. The equipment will be installed in the existing offices. Therefore, project-supported activities cannot affect biodiversity and living natural resources.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant as there are no Indigenous Peoples in Armenia.

ESS8 Cultural Heritage

This standard is not relevant. Equipment will be installed in the existing offices. Project activities are not expected to occur in or in proximity to cultural heritage sites.

ESS9 Financial Intermediaries

This ESS is not relevant. The project will not involve financial intermediaries.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

B.3. Reliance on Borrower's policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework?	No

Areas where "Use of Borrower Framework" is being considered:

The use of Borrower framework is not considered for the whole of the project or any of its parts.

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower:　　　　　　　Republic of Armenia

Implementing Agency(ies)

Implementing Agency: PMG in the PM Office

Implementing Agency: Prime Minister's Office

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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