



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 30-Jun-2021 | Report No: PIDC32001

**BASIC INFORMATION****A. Basic Project Data**

Country Armenia	Project ID P176803	Parent Project ID (if any)	Project Name Fourth Public Sector Modernization Project (P176803)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Nov 15, 2021	Estimated Board Date Mar 29, 2022	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Republic of Armenia	Implementing Agency Office of the Government	

Proposed Development Objective(s)

The project development objective is to improve the efficiency of public administration and public service delivery through citizen and business centric solutions.

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

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. Armenia is an upper middle-income country with a gross domestic product per capita (constant 2010 US\$) of US\$ 4,732 in 2019.**¹ Following steady economic growth in recent years (7.5 percent in 2017, 5.2 percent in 2018, and 7.6 percent in 2019), Armenia experienced one of the region's sharpest GDP contractions of 7.6 percent in 2020. Poverty is estimated to have increased by 7 percentage points.
- 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**At the same time, Armenia has been hit hard by COVID-19.
- 3. The economic recovery is expected to be gradual.** Assuming that the pandemic is contained, and regional stability is maintained, output should reach pre-COVID levels by 2023.² While the outlook for economic recovery is hopeful, it is put at risk due to Armenia's exposure to climate change effects. Aware of these risks, the Republic of Armenia (RA) has adopted a ten year Nationally Determined Contribution (NDC) implementation for 2021-2030. The country mitigation target by 2030 is 40% below 1990 emission level³. Armenia plans to continue growing as a low carbon, modern economy, and to contribute to the long-term global goal of the Convention and of the Paris Agreement in line with its capability and respective capacity.⁴ To achieve these goals, the RA has embarked on a journey to also strengthen its governance structure and systems to achieve these goals while mitigating and adapting to climate change. The following sectors of the economy are targeted in achieving the ambitions goals – energy, mineral industry, agriculture, waste management, and forestry.
- 4. The PSMP4 project aims to contribute to the climate change agenda in Armenia** and ensure that every individual, business and government is provided with digitally enabled access to services, processes, and opportunities.

¹ World Bank. World Development Indicators. <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD>

² World Bank. Macro poverty outlook, April 2021.

³ [NDC Update](#) Total GHG emissions 1990: 25,855, Gg CO₂eq; Net GHG emissions 1990: 25,118, Gg CO₂eq, (NIR 1990-2017)

⁴ Armenia is a land-locked, mountainous country with altitudes ranging from 375 to 4090 meters above sea level and has six climate zones: dry subtropical, semi dessert, steppe, forest, alpine and cold high mountainous. The climate is rather dry with annual precipitations of 592 mm, some regions are arid, while the highest levels of precipitation are observed in the mountains. The average air temperature has significantly increased compared to the 1961-1990 annual average: by 1.03°C during 1929-2012, and during 1929-2016 this increase made 1.23°C.



Sectoral and Institutional Context

5. **The Government of Armenia (GoA) is working to enhance public sector effectiveness and trust in government through the modernization of its infrastructure and the digitalization of public services, with support from the World Bank (WB) and the European Union (EU) through the PSMP3 and EU4Armenia projects, respectively.**
6. **The institutional and policy framework is developing to support the digitalization program.** The Deputy Prime Minister is Chief Information Officer of the central government and leads the GovTech agenda, including inter-ministerial coordination at the strategic level. The state-owned E-Governance Infrastructure Implementation Agency (EKENG) coordinates work at the operational level, including implementation and maintenance of digital public services. The Ministry of High-Tech Industry is responsible for Information and Communications Technology (ICT) infrastructure, including broadband, cybersecurity, government central data center/G-Cloud, and digital skills and capacity. Line ministries implement sector-specific digital initiatives. The GoA approved the Armenia Digital Strategy in February 2021 which emphasizes that the development of advanced technologies plays a decisive role in the competitiveness, security, and living standards of the state. The Public Administration Reform Strategy is pending approval.
7. **Digital skills and capabilities within the government are mixed.** Demand for digital skills in the public and private sectors is high. The Government is actively seeking talent for the public sector, including basic digital skills, project management and related soft skills. Some institutions (such as the State Revenue Committee, Cadaster Committee, National Center of Educational Technologies, Nork Foundation, EKENG, etc.) have developed a strong cadre with experienced and qualified digital skills, while others lag behind. Public administration reforms aiming at implementing Govtech would thus need to be accompanied by a change management strategy to create an agile and innovative culture and system in the public sector.
8. **Despite this progress, Armenia's digitalization agenda still suffers from multiple challenges:** limited access to and usage of digital services by the lowest income groups; duplication of line ministry investments on data centers and servers and common tools; fragmented data standards; absence of mobile service applications; constrained database models; siloed operation systems; fragmented management and accessibility criteria; limited documentation of current business processes and systems; and some security vulnerabilities. Digitalization of public functions and services at the municipal level faces additional challenges due to limited technical and financial resources. Ongoing sector-specific digital public services initiatives also need further implementation support.
9. **Underlying limitations of Armenia's public administration system also constrain progress.** These include a weak civil service system, largely paper-based databases, and cumbersome business processes with weak transparency and accountability. The civil service system remains segmented and lacks professionalism, competitiveness, and completeness. A lack of relevant capacity and functioning senior executive service results in an inability to transform policy-level decisions to reality. The challenges posed by COVID-19 have clearly demonstrated the urgent need to move away from manual, and inefficient processes, towards a modern, well-functioning public administration which includes state of the art digital business processes.
10. **The GoA has identified several important areas for further improvement:** simplifying complex and bureaucratic administration, modernization of databases and business processes, greater transparency, accelerated innovation, and more productive government operation. Mobile government is an emerging priority to increase access to digital services by the poor. Use of advanced technologies like cloud computing and artificial intelligence (AI) have also been identified as high priority areas, together with strengthening of cybersecurity.



11. **The proposed Fourth Public Sector Modernization Project (PSMP4) builds on the gains of the previous three Bank-supported PSMPs.** PSMP1 (2004-2011) and PSMP2 (2010-2017) focused on improvements in efficiency, effectiveness and performance of public sector management and enhanced transparency and accountability of public administration. The emphasis was on strengthening institutional capacity in policy formulation, maximizing the efficiency of human resources, and developing limited information systems for internal workflows and external communications. PSMP3 (2015-2022) has been supporting the introduction of eGov to improve access to selected, enhanced government services. PSMP3 established an e-platform with a limited scale HRMIS implementation covering an e-competition platform to enhance the efficiency and transparency of staff recruitment, and a CS training system. Previous operations mainly targeted digitalization of existing processes without addressing the need for major business processes improvements, whereby specific public sector organizations and their demands are the focus of attention. PSMP4 would aim to support a substantial broadening of efficiency gains in the provision of key public services. The project would promote a “whole of government” approach to modernization of public sector functions and services in Armenia through GovTech, with application of technology for more efficient and transparent government services responsive to the needs of citizens and businesses. This involves significant business process reengineering and simplification of core government functions and services, placing citizens and businesses in the center.

Relationship to CPF

12. **The proposed project is consistent with the World Bank 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; Objective 4 - Improved public spending efficiency and increased private financing for development. The project is addressing the CPF Annex 5 on “Can Armenia Leverage Digital Opportunities?” by supporting GovTech agenda and using digital solutions for public sector services delivery. The project is also aligned with WBG COVID-19 Crisis Response Approach Paper Pillar 4 - Strengthening Policies, Institutions and Investments for Rebuilding Better. The proposed project will build on the accomplishments of the ongoing World Bank-financed project in Armenia – Public Sector Modernization Project 3 (P149913).
13. **The project is highly relevant to the Government Development Strategy 2019-2025 and the 2021 Economic Response Plan on Recovery** through promoting technology-intensive and export-oriented business initiatives. The new Digitalization Strategy for 2021-2025 sets a fertile ground for the development and implementation of a whole-of-government GovTech approach. It calls for the public sector to leverage political commitment and contributing to the Government climate agenda by working together across administrative boundaries, strengthening the digital strategy roadmap, sequencing and performance monitoring and organizational set-up to deliver faster, better and more inclusive services to citizens and the private sector, enhancing public sector efficiency, effectiveness, accountability and transparency.

C. Proposed Development Objective(s)

The project development objective is to improve the efficiency of public administration and public service delivery through citizen and business centric solutions.



Key Results (From PCN)

Successful achievement of the PDO above will be measured with the following outcome level indicators:

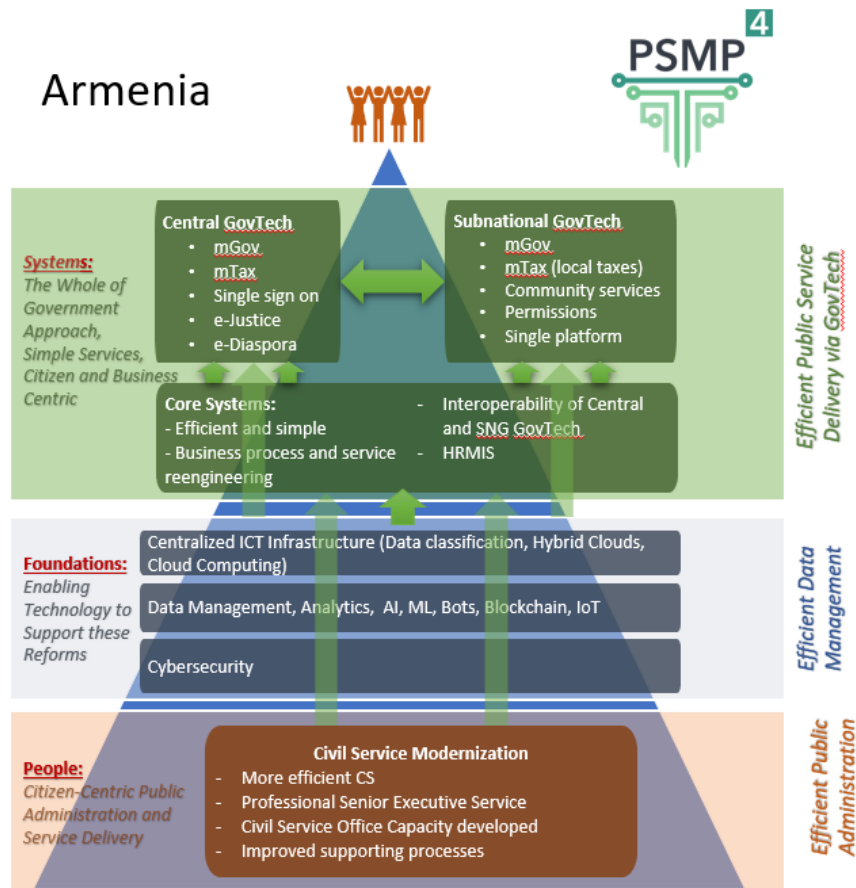
1. Efficiency Gains to Citizens and Businesses. Reduced time elapsed to complete selected processes in public administration and/or delivery of selected services to the public as a result of digitalization (for example, reduced time required to pay income, property or land tax).
2. Administrative Efficiency Gains. Higher productivity of selected public institutions or services, as measured by lower cost of providing specific services using digital methods or higher rates of service provision to the public through web-based and electronic procedures.
3. Improved citizen satisfaction with the efficiency of government services for a predetermined set of services (measured through targeted surveys).

D. Concept Description

14. **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.** Government has prioritized advancing a digital economy as key pillar of economic growth and GovTech as one of the most critical dimensions of this strategy. Government has made progress on providing digital public services to its citizens over the past decade, but the scope and access of these services is 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 (see Figure 1). 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 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.



Figure 1 “Schematic Approach of PSMP4 Project”.



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

Component 1: Civil Service Modernization

16. The key objective is modernization for a more efficient civil service, through the establishment of a professional and a committed Senior Executive Service (SES), improvement of the HRMIS system, and development of the CSO’s (Civil Service Office) capacities. Despite previous civil service reforms, the system remains segmented and lacks professionalism, competitiveness, and completeness. A lack of relevant capacity results in an inability to transform policy-level decisions to reality. The GoA envisages that the establishment of an SES will be a major contribution to modernization of the civil service system, promoting greater productivity and adoption of cutting-edge policies and practices. An integrated Human Resource Management Information System (HRMIS) with high level automation of HR business processes, initiated under PSMP3, will strengthen coordination and management capacity of the CSO. These reforms will help create a modern civil service with a highly qualified staff and systems, leading to higher productivity and, in the longer term, to enhancing accountability and transparency for the public sector.

Component 2: Central Government GovTech

17. The main objective is to improve the efficiency of public services provided by the central government through digitalization and re-engineering of the central Government’s services, databases and business processes, which will allow the Government to operate faster and more efficiently. The GovTech reforms also will facilitate making public



services more accessible and affordable to all segments of the population, particularly those who are economically most vulnerable.

Component 3: Digital Public Service Delivery at Local Level

18. The objective is to improve efficiency of public services provided by the local governments. Digitalization of services at the community level is lagging among approximately 40 municipal services. The GoA supports establishment of one-stop offices in all the regions to provide all public and local services. Digitalization of public service delivery at the local level will bring high quality and affordable services closer to remote regional populations and economically vulnerable groups. This will help local government institutions to perform their tasks more efficiently by taking into account the preferences of the local populations and ensuring equal access to public services across the country.

Component 4: Data Management and Digital Infrastructure

19. The objectives of this component are to improve and strengthen data governance/management, cloud computing, cybersecurity, and artificial intelligence. The GoA plans to implement G-Cloud to reduce maintenance costs and improve security of its digital systems currently hosted on ministry-specific data centers but has not yet formulated a cloud-first policy or assessed its readiness for cloud computing. AI, already used to enhance tax compliance and revenue collections, will be expanded. Government has set-up an initial Cybersecurity Emergency Response Team, but further strengthening of its capacity, institutional arrangements, and technologies will be needed to mitigate cybersecurity risks. Improvement of data management and digital infrastructure will help to ensure proper data management, cloud computing and cybersecurity of digital infrastructures. These reforms will further reinforce data security and enhance cost efficiency, leading in the long term to promoting good governance.

Component 5: Project Management

20. To implement project management, coordination, development of institutional capacity, and absorption of the project-supported reforms.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

The environmental and social risk of the project is assessed as Low. The Project does not support any civil works, and physical activities are associated with the installation of computers and other hardware in core government offices and centers. Labor and OHS 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 to ensure broader and more inclusive access to the project benefits.

CONTACT POINT

World Bank

Arman Vatyan, K. Migara O. De Silva
Lead Financial Management Specialist

Borrower/Client/Recipient

Republic of Armenia
Tigran Avinyan
Deputy Prime Minister
tigran.avinyan@gov.am

Implementing Agencies

Office of the Government
Tigran Avinyan
Deputy Prime Minister
tigran.avinyan@gov.am

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):

Arman Vatyan, K. Migara O. De Silva



Approved By

Country Director:	Sebastian-A Molineus	30-Jun-2021
-------------------	----------------------	-------------
