PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA108567

Project Name	Modernization of Government Services in the Republic of Moldova (P148537)
Region	EUROPE AND CENTRAL ASIA
Country	Moldova
Lending Instrument	Investment Project Financing
Project ID	P148537
Borrower(s)	Republic of Moldova
Implementing Agency	State Chancellery
Environmental Category	C-Not Required
Date PID Prepared/Updated	06-Mar-2017
Date PID Approved/Disclosed	23-Mar-2017
Estimated Date of Board Approval	14-Aug-2017
Appraisal Review Decision (from Decision Note)	
Other Decision	

I. Project Context

Country Context

Moldova recent growth was high by regional standards, but volatile, reflecting its exposure to external and climate shocks. The economy experienced strong GDP growth of 5.5 percent per year over 2010-14, driven in large part by growth of remittances that averaged 24 percent of GDP. On the production side, around 20 percent of the GDP is generated by agricultural and agro-processing sectors, another 60 percent comes from services, with trade being the largest component. Remittances from Moldovans abroad account for a quarter of Moldova GDP, one of the highest shares in the world. In 2015, gross domestic product (GDP) contracted by 0.5 percent owing a drought affecting agriculture and weaker external demand due to the recession in the eastern partners. In the first half of 2016, growth rebounded by 1.3 percent (year over year). Private consumption rebounded by 2.2 percentage points, supported by lower inflation and government transfers to households, while destocking added 4 percentage points to growth.

Moldova has made progress in reducing poverty and boosting shared prosperity in the past years but remains one of the poorest countries in the region. Based on the Europe and Central Asia (ECA) regional poverty line of USD 5/day at PPP, poverty declined in recent years, from 45.3 percent in 2011 down to 40.7 percent in 2014 and a projected rate of 41.0 percent in 2015. The poor and the bottom 40 percent are concentrated in rural areas, which are significantly less well-off than urban areas: rural poverty is 51.3 percent, compared to 26.8 percent in urban areas (2014) based on the same poverty

line. The poor and bottom 40 percent have lower levels of education, less access to basic public services and larger families with significantly higher dependency ratios (especially for children between 0 and 14 years).

The Government reform agenda is driven in part by the potential for European integration, but progress is hampered by political dynamics. Since the 2009 Twitter Revolution there have been several changes of Government and periods without a Government, while public dissatisfaction with the quality of governance has deteriorated. The November 2015 Public Opinion Barometer showed that 88 percent of Moldovans thought that the country was moving in the wrong direction. The Government that came to office in January 2016 stated its commitment to growth of citizens welfare, safety and quality of life, by combating corruption, providing accessible and cost-efficient public services, and ensuring social protection of vulnerable groups

Sectoral and Institutional Context

Moldova has made significant progress in reforming its public administration in the last decade. With support of the World Bank administered Central Public Administration Reform Multi-Donor Trust Fund (CPAR MDTF), the transparency of decision making was improved by introducing a legislative process that requires public consultations on draft legislation and policies. The Government established a new legal and institutional base for civil service and public administration, aligning its procedures with good practices recognized by the European Union (EU), laying the foundation for a meritocratic civil service: competitive recruitment, job descriptions, performance appraisal, continuous professional development, methodology for developing staffing schedules, and clarified rules for part-time employment. Challenges remain, particularly in recruitment and retention of qualified staff, primarily because low salaries.

At the same time the governance environment in Moldova has deteriorated and constitutes a significant constraint on businesses. According to the Worldwide Governance Indicators (2014), Moldova has been consistently below the ECA average in terms of Government Effectiveness and Control of Corruption. Moldova control of corruption percentile ranking fell from 33 in 2008 to 21 in 2014. Businesses now identify corruption as their top concern in both the World Economic Forum Global Competitiveness Report (2016-17) and the World Bank-EBRD Business Environment and Enterprise Performance Survey (2013) with 40 percent of firms identifying corruption as a major constraint to business. The Cost of Doing Business Study (CODB) demonstrated no substantial improvements in companies perception of business environment throughout 2010-2015. More than 30 percent of the business community consider that the business environment worsened in 2015. Inspections, permissive documents (licenses, permits), unofficial payments, the application of the legislation (regulatory implementation gap) and the tax system are identified as the most significant burdens on businesses.

Citizens have similar concerns about governance: 67 percent of people expressing concerns about the high level of corruption according to the latest Transparency International Global Corruption Barometer Survey on Europe and Central Asia (2016). This has a direct impact on citizens trust in the Moldovan Government, which has fallen to 17 percent in the latest Gallup Poll (2015), well below other ECA countries. The service users survey undertaken by the Government in June 2013 revealed significant gaps between the expectations of recipients of administrative services and actual service delivery, including groundless delays in delivery, unavailability of complete and accurate information about services, the need for repeat visits to public institutions and demands for informal payments. The level of corruption in Moldova is severe and it is not realistic to expect that the problem will be solved through a single operation. However, the project will contribute to addressing administrative corruption in the long term through a gradual approach, moving increasingly government service

delivery on-line to reduce face-to-face interaction between citizens and service providers.

The Government has made significant strides in modernizing the administration through the use of Information and Communication Technology (ICT). In 2011, the Government issued a Decree on Government E-Transformation Strategy mandating the use of modern information technologies in the public administration. The Government set up a high capacity institution responsible for implementing digital governance, the E-Governance Center (eGC), supported by the Bank-financed Government E-Transformation (GET) project, put in place an enabling legal and regulatory framework and established a robust world class ICT infrastructure, allowing for further public modernization and enhanced service delivery.

Citizens access to government services is at the top of the Government public administration reform agenda, however access to digital service remains low. The Government has already partially digitized around 125 services and made them accessible through a single electronic platform. In addition, the Government has published information on 521 government administrative services provided by central government authorities (out of the estimated total of 570 services) available via the Public Services Portal (https://servicii.gov.md/). However, in 2016 only 24 percent of service users reported the y accessed digital services in the last 12 months, and only 6 percent of the bottom 40 percent income group had accessed digital services.

While Moldova has the ICT infrastructure and digital consumers ready to communicate, engage and interact with the government through digital channels, physical access or assisted access to digital administrative services is still necessary for the most disadvantaged and vulnerable. The current household computerization rate in Moldova is 71 percent, about 76 percent of households are connected to Internet and the mobile penetration rate is 123 percent. However, low penetration of smart phones among mobile devices and lack of broader Inter net access continue to hinder on-line access. There is also a gap in Internet access between urban and rural citizens: if 92 percent of those in Chisinau accessed the internet, in rural areas access drops to 59 percent. In addition, more respondents from the bottom 40 percent income group indicate the limited knowledge of the concept of electronic Government, 54 percent versus 41 percent in the group of top 60. To increase access to e-services, the project will support the piloting and roll out of assisted access points to provide access to digital services to those who lack internet access, have limited technological literacy, and for the disabled and otherwise vulnerable. These access points will build on Moldova experience with implementing one-stop shop model at sub-national level, including the Joint Information and Services Bureau (JISB) model, implemented at the local level with support of UN Women and a similar one-stop shop model established under USAID Local Self-Government Support project.

There are a number of areas where regulatory governance and efficiency of administrative services can be improved. Central agencies currently provide around 570 administrative services. The Government acknowledges that there is room for rationalization by discontinuing unnecessary services. While citizens can access a number of e-services on the service portal, in many cases only the front end of the service is automated, the back end of service processing and delivery is still completed manually using procedures and systems that have been in place for decades. Moldovan agencies continue to use manual, paper-based processes to receive and process applications for administrative services. These manual systems are sometimes inaccurate, slow, opaque and provide gate-keeping bureaucrats with opportunities for corruption. Business process reengineering has lagged, stalling further progress in modernizing administrative services and making them available on-line. The criteria for determining fees and charges for government services, currently administered in an ad-hoc manner by individual ministries, agencies and SOEs, should be transparent and consistent across government and avoid conflicts of interest, eliminating cases where SOEs act as both regulator and service provider. While

there are complaint mechanisms for some government administrative services, there is limited capacity for investigation and follow up. Data on citizen satisfaction with public services is not collected on a regular basis (with the exception of satisfaction with e-services) and the data that is available is not used for policy, planning and learning purposes.

II. Proposed Development Objective(s)

The project development objective is to improve access, efficiency and quality of delivery of selected government administrative services.

III. Project Description

Component Name
Component 1: Administrative Service Modernization
Comments (optional)
This component will support improvements in government services processes to address excessive administrative requirements, inefficiency of public institutions, ineffective communication and other deficiencies, creating barriers for citizens and businesses in accessing government administrative services.

Component Name
Component 2: Digital Platform and Services
Comments (optional)
This component will support the digitization of selected reengineered administrative services; complete and strengthen a common infrastructure and mechanisms for rapid deployment of ICT-enabled administrative services; and introduce government wide IT Management and Cyber Security standards and procedures. It will finance the acquisition of additional shared computing infrastructure elements, digitization of 21 government services needed to deliver Government services electronically and development of IT Management and Cyber Security standards and procedures, as well as a learning management system to mainstream them within the government.

Component Name
Component 3: Implementation of a Services Delivery Model
Comments (optional)
This Component supports the alignment of institutional and staff capabilities of key government agencies with the new citizen-centric model and digital administrative service delivery arrangements, implemented under Components 1 and 2. Implementation of this Component will be managed and coordinated by the unit of the State Chancellery responsible for human resources policy coordination and management in public service.

Component Name
Component 4: Project Management
Comments (optional)
This Component will finance the project implementation unit (PIU), based in E-Government Center and will co-finance the core E-Government Center management team.

IV. Financing (in USD Million)

Total Project Cost:	23.00	Total Bank Financing:	20.00
Financing Gap:	0.00		

Financing Source	Amount
BORROWER/RECIPIENT	3.00
International Bank for Reconstruction and Development	5.00
International Development Association (IDA)	15.00
Total	23.00

V. Implementation

A. Institutional and Implementation Arrangements

The project will be implemented by the the e-Government Center (eGC) in coordination with the State Chancellery of the Republic of Moldova. Fiduciary functions will be hosted within the PIU of e-Government Center. The eGC will lead on service modernization and e-services agenda building on the results of the World Bank funded GET project. The State Chancellery will assume leadership for human resource management activities. The State Chancellery will also take responsibility for promoting regulatory amendments to institutionalize the results of service reengineering.

The eGC Management Board will serve as the Project Steering Committee. The Board is chaired by the Secretary General of the Government, with Minister of Finance as Deputy Chair, and composed of several Ministers and Vice-Ministers, including Minister of Economy, Minister of Justice, Minister of Interior, Prime-Deputy Governor of the National Bank, Deputy Secretary General, Deputy Minister of Information and Communication Technologies, Chief of the Prime Minister Cabinet and Principal State Advisor to the Prime Minister. The Director of eGC will act as a Project Director and will report to the Secretary General of the Government. The Center for Special Telecommunication (CTS), under e-Government Center oversight, will manage the M-Cloud Platform and will maintain and operate the shared Government IT systems. eGC will sign an Agreement with CTS to enforce decision authority on all matters related to the Project, including development, operation and management of M-Cloud and relevant shared Government IT systems.

The Interagency Council of e-Transformation Coordinators will serve as a technical coordination body of the reform implementation and as a consultative body to the State Chancellery and eGC. Under Moldova Public Administration Reform Strategy and the Action Plan for Public Services Modernization in 2017-2021, the Council is responsible for coordinating the implementation of public services modernization activities performed by Central Public Agencies (CPAs) and subordinated agencies, Local Public Agencies (LPAs) and state owned enterprises.

The eGC management team and the State Chancellery will work closely with line ministries and agencies responsible for service delivery through tripartite MOUs between the Ministry of Finance, eGC and the line ministries, which will specify the roles and responsibilities of each actor. eGC and the State Chancellery will collaborate with the organizations in which the CUPS model will be piloted: these include Posta Moldovei, Novateca public libraries, district administrations hosting Joint Information and Service Bureaus (JISBs). These organizations are independent entities and IDA/IBRD funding will not be used to fund their operating expenses and salaries of CUPS employees.

The National Council on Public Administration Reform, established in September 2015, will oversee implementation of the public service reform under the project and will endorse decisions, recommended by the State Chancellery and eGC, including decisions based recommendations made by the Council of e-Transformation Coordinators. The Council is led by the Prime Minister and

comprises of five ministers and two members of Parliament.

Project implementation will be coordinated with other development partners, supporting government services modernization and their project implementation teams. Specifically, methodologies for service reengineering and digitization developed under the project and lessons from implementation will be shared with EU project team, supporting reengineering and digitization of selected administrative services. Citizen engagement and outreach approaches will be coordinated with: the UNDP supported Moldova Social Innovation Hub (MiLab) team, implementing a user-centered approach to administrative service modernization; IREX, which provides technical assistance to Novateca libraries; USAID which supported one-stop shop model at the local level; and UN Women which supports development and roll out of JISBs model at the local level in Moldova.

B. Results Monitoring and Evaluation

eGC will be responsible for monitoring and evaluation of the project outcome and intermediate indicators. eGC has gained experience in M&E during the implementation of the GET, The monitoring system will maintain records on implementation and generate mid-year project progress reports and annual reports prepared within four months of the end of the financial year. eGC will recruit a M&E specialist to support the M&E system. Progress reports will be prepared by the PIU, approved by the EGC Director, and forwarded to Bank and the State Chancellery for endorsement before implementation support missions to guide the discussion of key issues impacting project implementation.

A results framework with indicators and actionable monitoring arrangements has been developed jointly with Government. Implementation support missions will be report on progress through implementation status reports (ISRs), a mid-term review, and at the completion of the Project, through an implementation completion report (ICR). A mid-term review is scheduled for the third year of implementation. The results framework, including the number of services to be reengineered and digitized under the project, could be revisited and updated during the mid-term review.

The project will use of citizen feedback to inform improvements in administrative service delivery. The project will provide technical assistance and capacity-building for monitoring, evaluation and effective communication to various stakeholders throughout the reform process. Project results will be communicated to the stakeholders, donors and the general public. The Communication Coordinator within the e-GC will work closely with the project manager and M&E specialist to ensure that results are communicated in a timely fashion through different channels to the target groups.

C. Sustainability

The outcomes and outputs generated by the project (more efficient provision of government administrative services, improved citizen satisfaction with the quality of services, improved access to services through electronic platforms and physical locations) are permanent system improvements. The project will build on strong government ownership of the GET project and will rely on the same experienced and high capacity institution, eGC, for its implementation.

In order to assure sustainability of the reform after the end of the project, the Government agreed to undertake co-financing of the eGC core staff at the same level as in GET project (60 percent). The Government will continue financing the maintenance and operation of governmental digital platforms as core elements for modernization of government services and may consider increasing the share of co-financing of eGC core-staff in Years 4 and 5 of the project implementation

The change management strategy supported by the project, including communications, consultations and stakeholder workshops, will deepen ownership of the reforms within and across institutions. Reforms will be complemented by broad-based training in technical and soft skills, which will increase buy-in from civil servants and will further reduce sustainability risks. Reforms are also expected to generate tangible benefits in terms of improvements in the efficiency of the public administration and the quality of services it provides. This will help build a broader constituency in support of reforms. The engagement of other development partners such as EU, USAID, UN agencies and others will help strengthen the push for reforms and promote sustainability of project results.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

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