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IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-78540)

ON A

LOAN

IN THE AMOUNT OF USD 9.0

TO THE

REPUBLIC OF ARMENIA

FOR A

SECOND PUBLIC SECTOR MODERNIZATION PROJECT

July 28, 2017

Governance Global Practice
Europe and Central Asia Region
South Caucasus Country Department

CURRENCY EQUIVALENTS

(Exchange Rate Effective 25 July, 2017)

Currency Unit = Armenian Dram (AMD)

AMD 1.00 = US$ 0.004

US$ 1.00 = AMD 478.83

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

EDMS	Electronic Document Management System
ARMEPS	Electronic Procurement System
BPR	Business Process Reengineering
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CS	Civil Service
CSR	Civil Service Reform
DPL	Development Policy Lending
DPO	Development Policy Operations
ECHRO	Commission on Ethics of High-ranking Officials
EKENG	e-Government Infrastructure Implementation Office of Armenia
EU	European Union
FFPMC	Foreign Finance Project Management Center
FMIS	Financial Management Information System
GCI	Global Competitiveness Indicators
GDP	Gross Domestic Product
GFMIS	Government Financial Management Information System
GoA	Government of Armenia
HR	Human Resource
HRMIS	Human Resource Management Information System
IAD	Income and Asset Declaration
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion and Results Report
ICT	Information Communication Technology

ID	Identity Document
IEG	Independent Evaluation Group
IHISA	Integrated Health Information System in Armenia
IR	Intermediate Results
ISR	Implementation Supervision and Results Reports
M&E	Monitoring and Evaluation
MGIS	Municipal Government Information System
MIS	Management Information System
MOF	Ministry of Finance of Armenia
MoH	Ministry of Health of Armenia
MTR	Mid-Term Review
OST	Operations Support Team
PAD	Project Appraisal Document
PAR	Public Administration Reform
PARS	Public Administration Reform Strategy
PDO	Project Development Objective
PFM	Public Financial Management
PMG	Project Management Group
PSMP	Public Sector Modernization Projects
PSRC	Public Sector Reform Commission
QER	Quality Enhancement Review
RA	Republic of Armenia
SDP	Sustainable Development Program
SIL	Specific Investment Loan
TTL	Task Team Leader
WBG	World Bank Group

Senior Global Practice Director:	Deborah L. Wetzel
Practice Manager:	Adrian Fozzard
Project Team Leader:	Davit Melikyan; Migara De Silva
ICR Team Leader:	David Bernstein
ICR Primary Author:	Zhanybek Ybraiym Uulu

REPUBLIC OF ARMENIA

Second Public Sector Modernization Project (PSMP II)

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A. Basic Information			
Country:	Armenia	Project Name:	Public Sector Modernization Project II
Project ID:	P117384	L/C/TF Number(s):	IBRD-78540
ICR Date:	04/30/2017	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	REPUBLIC OF ARMENIA
Original Total Commitment:	USD 9.00M	Disbursed Amount:	USD 9.00M
Revised Amount:	USD 9.00M		
Environmental Category: C			
Implementing Agencies: Foreign Financing Projects Management Center (FFPMC)			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	**Date**	**Process**	**Original Date**	**Revised / Actual Date(s)**
Concept Review:	10/07/2009	Effectiveness:	09/24/2010	07/26/2010
Appraisal:	01/26/2010	Restructuring(s):		08/11/2012 09/19/2013 10/08/2014

Approval:	03/16/2010	Mid-term Review:	06/30/2013	05/30/2013
		Closing:	07/31/2015	01/31/2017

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Moderately Satisfactory
Risk to Development Outcome:	Low to Negligible
Bank Performance:	Moderately Satisfactory
Borrower Performance:	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance:	Moderately Satisfactory	**Overall Borrower Performance:**	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Major Sector/Sector		
Public Administration		
Central Government (Central Agencies)	57	57
Information and Communications Technologies		
Public Administration - Information and Communications Technologies	43	43

Major Theme/Theme/Sub Theme		
Private Sector Development		
Enterprise Development	7	7
MSME Development	7	7
Public Sector Management		
Public Administration	67	67
Administrative and Civil Service Reform	67	67
Transparency, Accountability and Good Governance	25	25
Public Finance Management	2	2
Public Expenditure Management	2	2

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Cyril E Muller	Philippe Le Houerou
Country Director:	Mercy Tembon	Asad Alam
Practice Manager/Manager:	Adrian Fozzard	Ronald E. Myers

Project Team Leader:	Davit Melikyan Migara De Silva	Kathy Lazarian Davit Melikyan
ICR Team Leader:	David Bernstein	
ICR Primary Author:	Zhanybek Ybraiym uulu	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document**)**

To enhance the performance of public sector management for better service delivery by: (i) strengthening institutional capacity in policy formulation; (ii) maximizing the efficiency of human resources; and (iii) developing information systems for internal work flow and external communication.

Revised Project Development Objectives (as approved by original approving authority)

The project development objectives (PDOs) were not revised.

(a) PDO Indicator(s)

All three PDO indicators were changed and a new one was introduced at Mid-Term Review (MTR). These changes were approved by the Bank Management in September 2013 as part of the second restructuring of the project. PDO indicators were revised or replaced to remove reliance on CPIA indicators and methodology. Alternative and new indicators were agreed with the Borrower which used data from the project and outside assessments to measure progress towards the PDO outcomes.

Indicator[1]	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator I: Number of pilot ministries adopting policy formulation guidelines and procedures				
Value (quantitative or qualitative)	Decision making is generally not transparent, and public dissemination of government policies and outcomes is a low priority.	NA	New internal directives and regulations for policy formulation and monitoring developed in four pilot ministries and implemented by the Government. Mechanisms for policy coordination generally function effectively.	Generic BPR led to regulations for policy formulation, work planning and performance management rolled out across the civil service. Proposed new strategic planning framework is being piloted in 6 ministries and Government Office.
Date achieved	2009			2017
Comments (incl. % achievement)	**Partially achieved.** As pilot of the new strategic planning framework was launched only in December 2016, it was not feasible to assess the effectiveness of the new policy formulation framework and consequent outcomes.			
Indicator II: Favoritism in decisions of government policymaking				
Value (quantitative or qualitative)	2.9	NA	At least 10% increase	3.2
Date achieved	2009			2016
Comments	**Achieved.** According to the GCI the rating on the "Favoritism in decisions			

[1] For ease of comparison, the table uses indicators as refined during implementation.

Indicator[1]	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
(incl. % achievement)	of government policymaking" has improved and reached 3.2.			
Indicator III: Deploying the civil servant performance appraisal system to improve human resource management and staff motivation				
Value (quantitative or qualitative)	No robust performance appraisal system is in place	NA	HRM decisions on training and career planning are based on the results of performance appraisals	TA on civil servant training and job evaluations enable better linking the performance appraisals with HRM decisions on training and career planning. Consistency of Performance/ HRM decisions was reinforced by recent DPF-4 prior action.
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** Performance appraisal system is built into EDMS, where civil servants can develop their work plans. Performance is evaluated against the plans and quality of performed activities, which are assessed in EDMS on a project-by-project basis.			
Indicator IV: Increase in electronic communication with citizens (%)				
Value (quantitative or qualitative)	20	NA	At least 15% increase	43.25
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** According to the EDMS data the electronic communication with citizens has reached 43.25% in 2016.			

(b) Intermediate Outcome Indicator(s)

Out of ten original Intermediate Outcome indicators in the PAD, four were revised and six remained the same, while three new intermediate indicators were added and one additional indicator that was left out in the original PAD was also added. These changes were introduced through a formal restructuring approved by the Bank Management in September 2013 following the Mid-Term Review.

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1: New internal directives and regulations for policy formulation and monitoring developed and applied by the Government.				
Value (quantitative or qualitative)	Government lacks formats and processes for policy formulation and instruments for compliance.	High level Policy and Performance unit is established and operational. The regulations outlining new policy formulation requirements are-implemented		PSMP-II and World Bank TA envisage more specialized Unit/s after adoption of new framework and regulations. The Center of Strategic Initiatives, created in January 2017 through PPP, is in charge of key high level strategies and reforms.
Date achieved	2009			2017
Comments (incl. % achievement)	**Partially Achieved.** As pilot of the new strategic planning framework was launched in December 2016, it was not feasible to assess the effectiveness of the new policy formulation and monitoring mechanisms and consequent outcomes.			
Indicator 2: Improved practice for delivery of selected pilot services demonstrates that: (i) clear requirements for receiving the service (traffic police, passports, e-health, etc.) are publicly accessible; and				
Value (quantitative or qualitative)	No clear requirements are publicly accessible.	Pilot services demonstrate clear requirements for receiving the service are publicly accessible	Clear requirements for receiving the service are publicly accessible.	Description of services is available on selected ministerial/ government websites (except for e-Health which until rollout is only described on EKENG website).
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** Documentary films on improved functionality of e-Health and e-Visa were developed. The films are YouTube video hosting: https://www.youtube.com/watch?v=bejoLjisWxA https://www.youtube.com/watch?v=PfaGeqLo8_o			
Indicator 3: Improved practice for delivery of selected pilot services demonstrates that: (ii) average time required to register a vehicle is reduced.				

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Value (quantitative or qualitative)	Over 24 hours	NA	At least 50% reduction in time required to register a vehicle.	The registration time of vehicles is decreased to below 30 minutes including obtaining number plates and physical ID of the vehicle.
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** A documentary film on the functionality of E-Police was developed. The film is YouTube video hosting: https://www.youtube.com/watch?v=q3VQDkyRkiI			
Indicator 4: Improved planning and performance monitoring and evaluation processes in pilot ministries				
Value (quantitative or qualitative)	No systems in place to monitor and evaluate performance, except for the EDMS system to check individual performance. Ministries / agencies produce annual budgets but more for budget line item planning. Weak connections between budgets and planning of outputs/outcome.	At least 25% reduction of ad-hoc tasks over the baseline	Capacity building interventions on application of new mechanisms and tools on planning, M&E in pilot ministries completed. Annual Government activity plan is developed in transparent manner and the planned output/outcomes are aligned with the budget. M&E systems have been tested and applied.	Following earlier introduction of M&E/performance management framework, the recent PSMP-II and World Bank TA on strategic planning is expected to add more coherence to the process and tools for planning and monitoring programs.
Date achieved	2009			2017
Comments (incl. % achievement)	**Partially achieved.** Pilot of the new strategic planning framework was launched in December 2016. Government planning process was enhanced with additional tools to permit citizen engagement and to more closely tie HRM and planning processes.			
Indicator 5: Functional rules established for staff benefit transfer between public service positions.				
Value (quantitative or	The benefits are not transferred	NA	Harmonized public service	Following the adoption of the Civil Service Reform Strategy

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
qualitative)	between segments of public service		enabling staff mobility without losing the benefits.	in 2015 the principles of mobility of public servants are introduced through changes in the Law on Civil Service.
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** The principles of mobility will be further enhanced through broader package of legislative changes, inter alia, enlarging the scope of civil service, Government intends to submit to National Assembly in 2017.			
Indicator 6: Consistent use of work plans and performance appraisals in the public service. Information from performance appraisal used for performance planning.				
Value (quantitative or qualitative)	Acceptable approaches and systems exist but they are not used government wide.	Work plans and performance appraisals are used in pilot institutions in terms of civil servants annual performance planning.	**NA**	Work planning and performance appraisals have been rolled-out and used for annual planning of civil servants. DPF-4 prior action further enhanced the robustness of performance information.
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** The performance appraisals results are becoming more useful for performance planning after recent completion of the TA on job evaluation and DPF-4 prior action further enhanced the robustness of performance information.			
Indicator 7: Capacity of ethics commission staff to provide advice and training to public servants and enforcing ethics rules				
Value (quantitative or qualitative)	There were attempts to establish ethics commissions at the level of ministries, but the commissions lack credibility. A centralized commission has not been	**NA**	All civil servants have access to manuals or educational materials. All mid-level and senior managers trained.	The capacity of ECHRO was enhanced. An on-line training module is developed on ethics and integrity of civil servants. The module is available for all civil servants. The core staff of the ministerial commissions received initial training.

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
	established.			
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** The ongoing legislative changes equip the ECHRO with staff, more resources and responsibilities for coordinating the work of ministerial commissions.			
Indicator 8: A new policy adopted for Civil Service (CS) training allowing the pilot of on-line modules.				
Value (quantitative or qualitative)	The CS training is disconnected from actual needs and does not contribute to improved performance.	**NA**	Capacity for CS training is improved through improved planning and pilot online modules (if endorsed by the Law)	On-line training modules are developed on key themes in-line with the project objectives. Special methodology is developed for assessing the civil servant training needs. The concept of the needs-based training is reflected in draft legislative amendment.
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** On-line training modules are developed on service delivery, policy analysis, performance management, project management, HRM, regional development, ethics and integrity.			
Indicator 9: Enhanced functionality and interoperability of the electronic document management system.				
Value (quantitative or qualitative)	EDMS is running in ten government bodies.	EDMS is operational in all government bodies and demonstrate interoperability of the electronic document management system including the archiving of e-documents, enhanced performance appraisal system, as well as project management tools.	**NA**	The EDMS is operational in all government bodies with integrated performance appraisal module. EDMS archive is introduced and operational (since 2014).
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** The plan for equipping EDMS with extra project management tools was dropped through project restructuring in 2012.			

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 10: An effective system is established for income, assets and conflict of interest disclosure by high level public officials				
Value (quantitative or qualitative)	The declarations are collected and published on Ethics Commission's website (www.ethics.am). The e-Disclosures system is under preparation	Train the ethics body to use the launched system.	**NA**	Electronic IAD system is implemented, functional and used by trained ECHRO team. The ECHRO has been working on development of risk analyses and data verification mechanisms.
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** A Government decree enabling data exchange between ECHRO and number of critical sources of third party information important for risk analyses was adopted in 2015.			
Indicator 10i: Share of required declarations (i) collected electronically (%)				
Value (quantitative or qualitative)	0.00	**NA**	50.00	98
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** A documentary film, referenced on ECHRO website, confirms the achievements and publicizes the functionality and the coverage of the system. The film is YouTube video hosting: https://www.youtube.com/watch?v=7Djx8oZaI3A&feature=youtu.be			
Indicator 10ii: Share of required declarations (ii) published online (%)				
Value (quantitative or qualitative)	0.00	**NA**	100	100
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.** The declarations are published online on the ECHRO website: http://www.ethics.am/en			
Indicator 11: The civil servants and IT staff are trained to use the developed systems.				

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Value (quantitative or qualitative)	Separate systems in operation, such as EDMS, HRMIS, MGIS and other systems.	80% of civil servants in government agencies covered by the developed program, trained to use the upgraded systems. 100% of IT staff trained to maintain the upgraded systems.	NA	Ministries and other public entities ensure training of incoming staff following the full-fledged training of users at the launch of the systems.
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.**			
Indicator 12: Public access to services available through internet.				
Value (quantitative or qualitative)	Some e-kiosks exist, introduced under the JRP2, which also give access to the EDMS. Preliminary work is done to start use of government web portals.	NA	Harmonization of existing ICT systems offering electronic services through e-Gov website.	All available electronic services are currently accessible via internet (listed on e-Gov.am website).
Date achieved	2009			2017
Comments (incl. % achievement)	**Achieved.**			

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	03/27/2011	Moderately Satisfactory	Satisfactory	0.20

2	11/30/2011	Satisfactory	Satisfactory	1.03
3	06/26/2012	Satisfactory	Satisfactory	2.36
4	01/27/2013	Satisfactory	Satisfactory	3.38
5	11/27/2013	Satisfactory	Satisfactory	5.44
6	06/28/2014	Satisfactory	Satisfactory	5.64
7	01/14/2015	Satisfactory	Moderately Satisfactory	6.50
8	06/24/2015	Moderately Satisfactory	Moderately Satisfactory	6.50
9	12/22/2015	Moderately Satisfactory	Moderately Satisfactory	8.00
10	06/04/2016	Moderately Satisfactory	Moderately Satisfactory	8.85
11	11/17/2016	Moderately Satisfactory	Moderately Satisfactory	8.98
12	01/27/2017	Moderately Satisfactory	Moderately Satisfactory	9.00

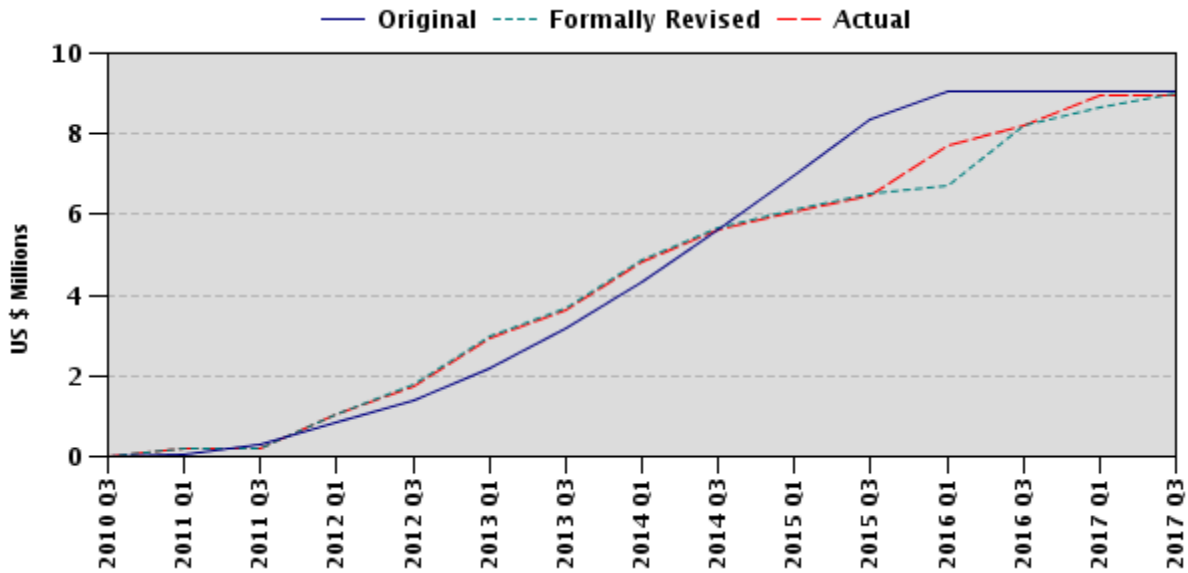
H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring[2] & Key Changes Made
		DO	IP		
08/11/2012		S	S	2.50	Inclusion of additional activities on development of a nationwide electronic healthcare service delivery system (e-Health). Some non-critical activities, performed by the GoA itself, were cancelled.
09/19/2013		S	S	4.82	The results framework (RF) was improved to make the RF more robust, and align it with the changes introduced

[2] Detailed reasons are given in section 1.7

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring[2] & Key Changes Made
		DO	IP		
					in 2012.
10/08/2014		S	S	6.10	The extension was required to complete activities related to civil service reform and e-Health services.

I. Disbursement Profile



EXECUTIVE SUMMARY

Armenia's Second Public Sector Management Project (PSMP II) was approved on March 16, 2010, as a USD 9 million Specific Investment Loan. PSMP II was the middle operation of the Bank's programmatic support to public administration reform consisting of a prior loan of about equal size (PSMP I) and an ongoing, larger operation, the Third Public Sector Management Project (PSMP III) approved during the last year of PSMP II implementation.

PSMP II's development objective was to improve public service delivery through better public sector management by: strengthening institutional capacity for policy formulation; maximizing the efficiency of human resources; and developing information systems for internal work flow and external communications. PDO outcomes were measured by four PDO indicators and 14 intermediate indicators. PDO and intermediate indicators were revised during implementation.

PSMP II consisted of five components: first, strengthening capacity for public policymaking through business process reengineering, improved strategic planning managed by the Government Office and more effective workplan development and performance evaluation; second, improving human resource management by preparing a basis for performance-based pay, strengthening public service ethics and providing training; third, development of interoperable information and ICT systems to improve access and service delivery; fourth, just-in-time technical assistance (reallocated among the substantive components through a restructuring); and fifth, project management. These components built on and expanded the foundation of policy, structural and organization reforms supported under PSMP I and laid the groundwork for the e-governance approach underway in PSMP III.

The project was restructured three times during implementation. In response to new Government priorities, new activities were added to components one and three to develop an integrated electronic health system (e-Health) in the first restructuring in August 2012. This restructuring took advantage of the built-in design flexibility of the just-in-time component along with the cancellation of several planned activities some of which the Government implemented itself. The second restructuring approved in September 2013, following the Mid-Term Review, revised the PDO indicators and the project's results framework. The Borrower decided not to implement the surveys planned to generate data for PDO indicators due to the cost considerations. A new PDO indicator was added and changes made to the intermediate outcome indicators. A third and final restructuring approved in October 2014 extended the project closing date by eighteen months to allow time to complete the e-Health and civil service activities.

The ICR concludes that the overall project outcome rating is moderately satisfactory. PSMP II achieved three out of four PDO indicator targets and 12 out of 14 intermediate outcome indicators. One PDO indicator and two intermediate outcome indicators related to the implementation of a new strategic planning framework were partially achieved because the framework was only piloted at the time of project closure on January 31, 2017.

PSMP II was able to improve Armenia's policy planning and performance evaluation systems through the development of an IT module linking work planning directly to civil service performance appraisal. Service delivery was strengthened through business process reengineering and the development of such e-government solutions as e-police and the development of e-Health system. Efforts to develop a strategic planning methodology that could

be managed by a central unit in the Office of the Government were not fully realized at project closing but have subsequently been implemented.

PSMP II improved human resource management and staff motivation in the public sector by establishing an automated performance evaluation system tied to annual workplans with real-time assessments. PSMP II financed the development of a series of online training modules for civil servants focused on key PSMP II themes including: service delivery, performance management, policy analysis, HRM, and ethics. The modules were posted in the fall of 2016, and over 1,000 civil servants had accessed them by April 2017.

PSMP II supported training for leadership and staff of the Ethics Commission for High-Ranking Officials (ECHRO) that enabled the Commission to develop a verification system for income and asset declarations. The electronic asset declaration system for high-level public officials has helped reduce conflicts of interest in government decisions by proactively flagging possible conflicts of interest in government decision-making.

Lastly, PSMP II financed the purchase, development and installation of a number of IT management and service delivery systems. These included upgrades to the EDMS and HRMIS developed under PSMP I and the creation of the electronic asset declaration, e-police, e-visa and e-Health services. Development of the e-Health system was included in PSMP II two years after approval. This is a centralized platform that ensures comprehensive and real-time exchange of medical, administrative and financial/insurance information. The system provides patients, healthcare providers, the Government and insurance companies real-time access to medical information. At project closure, the system had been piloted in 480 medical institutions that receive state insurance funding registered in the system.

Bank and Borrower performance were both moderately satisfactory. PSMP II supervision and the implementing agency benefited from team continuity from the previous project and were rated satisfactory. The Bank's quality at entry was moderately satisfactory owing to the poor design of the result framework which had to be adjusted during implementation. The Government was committed to PSMP II's original objectives and was supportive during project implementation, however, project implementation was hindered by the identification of new priorities mid-stream, multiple changes in the project's primary counterpart and disagreements between project stakeholders on the design of key reforms.

PSMP II highlights a number of lessons for projects supporting public administration reform. First, overlap with follow up projects ensures continuity in a series of operations, particularly where this allows continuity in project teams. Second, public administration reforms are more likely to succeed when supported by IPFs and DPOs: policy actions create demand for technical assistance and capacity building while technical assistance can ensure that policy reforms are implemented. Third, teams should avoid using composite indicators that are not designed and managed for project-level M&E purposes: PSMP II's efforts to use CPIA-based indicators proved to be unworkable because the data could not capture project-level impacts and they were subject to unanticipated adjustments to methodology. Indicators based on project-generated data proved to be better suited for M&E purposes. Fourth, ICT investments should be subject to an e-readiness assessment: the feasibility study for the e-Health initiative helped stakeholders identify the scope of work and enabled them to develop a detailed plan to design and implement the system. Firth, built-in flexibility allows projects to respond to opportunities for public sector reforms. Inclusion of a Just-in-Time component allows project management easy access to un-

programmed resources so that they can respond to emerging priorities by financing feasibility assessments and revised implementation plans.

1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

Country Background

1. Armenia is a small, landlocked country with a relatively limited economy based on small-scale agriculture and mining. Ethnically, religiously and linguistically distinct from its neighbors, Armenia has a history of tensions with bordering countries, which restricts its access to markets and opportunities to benefit from regional trade. After the economic recession that followed independence from the Soviet Union, Armenia's strong commitment to market reforms enabled six percent average annual growth in the second half of the 1990s. Despite rapid growth, jobs creation lingered and expansion of export sectors and increase foreign direct investment has been slow. Armenia's economy remains heavily dependent on remittances provided by a worldwide diaspora of eight million people, nearly three times the three million resident nationals.

2. GDP contracted 14 percent during the global financial crisis. Poverty rates increased by 4.5 percent in rural areas and 5 percent in urban areas between 2008 and 2012, leaving more than one third of Armenians living in poverty. The Government responded to this crisis with public administration reforms to improve public sector efficiency and performance while safeguarding social programs, increasing public investment, short-term job creation and credit and guarantee facilities for private enterprises. This has helped Armenia restore slow but steady growth since 2010.

Sector Background

3. The Government Program and the Sustainable Development Program (SDP), both adopted in 2008, identified public administration reforms among the top priority reforms, including measures to support anti-corruption efforts, decentralization and capacity building at the regional and local levels. The most urgent public administration reforms were reconfirmed through the approval of the Public Administration Reform Strategy (PARS) by Government Decree on September 10, 2009, one month before the Bank began to prepare the Second Public Sector Modernization Program (PSMP II). The SDP focused on the development of a culture of strategic programming, clearer accountability, management of public officials' conflicts of interest and expansion of e-government services. The PARS synthesized external partners' advice and diagnostics with the Government's own priorities for reform. The strategy focused on two strategic directions: improvement of decision making processes across policy areas at the center of government and across ministries; and improvements in operational efficiency and service delivery to support implementation of those decisions.

4. The first Public Sector Modernization Program (PSMP I, effective in 2004 and closed in 2011) supported the Government's early efforts in public administration and civil service reform, setting the stage for PARS and PSMP II. Technical assistance under PSMP I strengthened human resource management practices, introduced internal and external audit in public financial management, supported decentralization efforts and began to strengthen the Government's policymaking capacity. PSMP I introduced e-Government systems through the development of management information systems for documents (EDMS), a human resource management information system (HRMIS) and the introduction of select e-services, including e-licenses, e-signature and e-procurement. PSMP II was designed using the diagnostics and assistance

provided by PSMP I and was targeted at those elements of the Government's strategy considered most important for progress following the financial crisis.

5. In addition to the series of investment projects, the Bank supported implementation of PARS through a series of two Development Policy Operations (DPO). The 2009 DPO supported the introduction of the Law on Public Service which included provisions on conflicts of interest setting the stage for PSMP II's support for the income and asset disclosure system. The 2010 DPL included benchmarks on building consensus on conflicts of interest provisions and promoting performance-based pay based on the civil service performance evaluation system introduced under PSMP I. Both benchmarks supported policy reforms that were further implemented under PSMP II. A second series of DPO in 2014 and 2016 supported additional policy reforms important for PSMP II's implementation.

Rationale for Bank's assistance

6. The World Bank has been an important partner in public sector governance reform through the PSMP and the DPL series of operations. The Government requested PSMP II to build the necessary public administration capacity to sustain and expand PSMP I's achievements and to meet the challenges laid out in the SDP and PARS.

7. The FY09-12 Country Partnership Strategy (CPS) was aligned with Armenia's SDP priorities to address development challenges through reforms in public administration. PSMP II contributed to the CPS's strategic objective to "strengthen governance with resulting rise in public sector efficiency" by supporting improvements in cross-cutting systems for strategic policy making, human resource management and management information systems. Complementing this horizontal approach, PSMP II supported selected sector specific interventions. The parallel DPL/DPO series supported actions and benchmarks related to improvements in Government performance and accountability.

1.2 Original Project Development Objectives (PDO) and Key Indicators

8. The PDO was to enhance the performance of public sector management for better service delivery by: strengthening institutional capacity in policy formulation; maximizing the efficiency of human resources; and developing information systems for internal work flow and external communication. Attainment of these objectives was to be measured by the following indicators: improved policy coordination and responsiveness functions; improved service delivery and operational efficiency; and improved access to public information.

1.3 Revised PDO and Key Indicators, and reasons/justification

9. The PDO was not revised. However, the original three PDO indicators were changed and an additional indicator was introduced following the Mid-Term Review (MTR). These changes were approved by the Bank Management in September 2013 as part of PMSP II's second restructuring. Table 1 summarizes changes in PDO indicators. A more detailed analysis is presented in Annex 2A. The original PDO indicators used the Bank's CPIA methodology to assess progress in public administration reform and civil society and business surveys to assess progress in the development of e-Government services. The Mid-Term Review concluded that two out of three original PDO indicators had been met based on the information presented in the 2011 CPIA assessments. However, the authorities and the Bank team realized that changes in the CPIA methodology and the cost and technical limitations in the surveys meant that the original PDO indicators would not capture further progress towards the project's outcomes. As

alternatives, the Bank and Borrower agreed to use a mixture of internal project data (use of new policy guidelines, increased use of Electronic Document Management System and deployment of civil service performance appraisal system) and external assessment (an indicator from the World Economic Forum's Global Competitiveness Index) to measure the PDO.

Table 1: Changes in PDO Indicators

Original PDO Indicator as per PAD	**Revised/New PDO Indicator**	**Original Project Outcome**	**Revised Project Outcome**
1.Improved policy coordination and responsiveness (CPIA 15a)	Number of pilot ministries adopting policy formulation guidelines and procedures	at least 15% increase in CPIA score	New internal directives and regulations for policy formulation and monitoring developed in four pilot ministries and implemented by the Government. Mechanisms for policy coordination generally function effectively.
2. Improved service delivery and operational efficiency (CPIA 15b)	Favoritism in decisions of government policymaking *(World Economic Forum's Global Competitiveness Index indicator)*	at least 10% increase in CPIA score	At least 10% increase in GCI score.
3. Improved access of civil society to information on public affairs (CPIA 16b)	Increase in electronic communication with citizens measured by the share of electronic correspondence out of total citizen correspondence.	at least 15% increase over the baseline	At least 15% increase.
	4. Deploying the civil servant performance appraisal system to improve human resource management and staff motivation		HRM decisions on training and career planning are based on the results of performance appraisals

10. The original PAD did not include an indicator for capturing improvements in the efficiency of human resource management. The original project design assumed that human resource management improvements would lead to improved service delivery which would be measured by the second original PDO indicator. However, the score for CPIA 15(b) on "service delivery and operational efficiency" failed to capture the project impact on the efficiency of human resource management and showed no improvement by the time of the MTR. A new qualitative indicator measuring progress in "Deploying the civil servant performance appraisal system to improve human resource management and staff motivation" was introduced to capture the project's impact on human resource management more directly.

11. The second restructuring also changed four of the original ten intermediate outcome indicators and their end of project targets, three new intermediate indicators were added and one additional indicator that was left out in the original PAD was also added. These changes are reviewed in Annex 2B.

1.4 Main Beneficiaries

12. The PSMP II PAD does not explicitly identify project beneficiaries. Government officials and civil servants have benefitted from training, improved business and HR processes and ICT equipment. Armenian citizens have benefitted from the information systems developed and improved by PSMP II including e-police (vehicle registration) and e-Health (integrated health information management system). The following agencies have received technical assistance support and/or equipment from PSMP II: Office of Government, National Assembly, Ministry of Finance, Ministry of Health, Civil Service Council, Ministry of Territorial Administration, Visa and Passport Directorate, Chamber of Control and Ethics Commission for High Ranking Officials.

1.5 Original Components

13. The project consisted of five components designed to support policy making, enhance HR management, improve information systems and strengthen capacity building in specific agencies:

- ***Component 1: Strengthening Institutional Capacity in Policy Making and Service Delivery*** **(**US$2.675 million). The purpose of this component was to strengthen policy development and performance management and review and re-engineer organizational and business processes.
- ***Component 2: Maximizing the Efficiency of Human Resources in the Public Sector*** **(**US$1.145 million). The purpose of this component was to support reforms to enhance human resources management in the public service including strengthening public service ethics and accountability.
- ***Component 3: Development of Information Systems for Managing Internal Workflow and External Communication*** **(**US$ 3.895 million). The purpose of the component was to improve transparency and efficiency of government operations through enhanced, interoperable information systems and increased public access to government information.
- ***Component 4: Just-in-Time Technical Assistance*** **(**US$ 0.400 million). The purpose of this component was to address unforeseen needs of the government and take advantage of opportunities for intervention when they arose.
- ***Component 5: Project Management and Implementation*** **(**US$ 0.885 million). The purpose of the component was to support the administration and coordination of the project as well as the implementation and follow-up of the project's monitoring and evaluation framework.

1.6 Revised Components

14. PSMP II activities were revised to reallocate project funds between components through the first project restructuring in August 2012 in order to support the Government`s revised priority to develop a nationwide electronic healthcare service delivery system. These activities were in line with the PDO outcome of enhancing performance of public sector management for better service delivery.

15. New activities were financed through the savings generated from cancellation of less critical activities included in the original project design some of which were implemented by the Government without PSMP II support. The cancelled activities included: procurement of IT

equipment for the central public administration; upgrading the Electronic Document Management System (EDMS); development of an electronic government portal (developed and launched by the Government as www.e-gov.am) and information management system for public relations departments; analyses and feasibility studies for public pay and e-government reforms (undertaken using the Government's resources); and establishment of Ethics Commission for High Ranking Public Officials (created without project funding). Details on the revised activities and components are in Table 2.

Table 2: Original and Revised Components with Budgets/Expenditures

Original Components and Budgets	Revised Components and Final Expenditures	Difference in Expenditure /Reason for Change
Component 1: Strengthening Institutional Capacity in Policy Making and Service Delivery (US$2.675 million) ***1.1.*** *– Review and Re-Engineering Institutions and Business Processes* **(**US$1.250 million) ***1.2.*** – Policy Analysis, Formulation, and Monitoring **(**US$ 0.940 million) ***1.3.*** – Strengthening Organizational Capacity for the Policy Driven Performance Planning and Management processes (US$ 0.485 million)	**Component 1: Strengthening Institutional Capacity in Policy Making and Service Delivery (**US$2.104 million) ***1.1. – Review and Re-Engineering Institutions and Business Processes* (**US$1.010 million) ***1.2.*** – Policy Analysis, Formulation, and Monitoring **(**US$ 0.108 million) ***1.3.*** – Strengthening Organizational Capacity for the Policy Driven Performance Planning and Management processes (US$ 0.987 million)	**-$0.571 million** The change was related to savings in procurement and the Government's decision to reduce the planned business process reengineering and functional reviews.
Component 2: Maximizing the Efficiency of Human Resources in the Public Sector (US$1.145 million) **2.1.** – Harmonization of Public Service and Introducing Performance Pay **(**US$ 0.290 million) **2.2.** - Public Service Ethics and Code of Conduct **(**US$ 0.215 million) **2.3.** - Capacity Building/ Training **(**US$0.640 million)	**Component 2: Maximizing the Efficiency of Human Resources in the Public Sector (**US$0.708 million) **2.1.** – Harmonization of Public Service and Introducing Performance Pay **(**US$ 0.036 million) **2.2.** - Public Service Ethics and Code of Conduct **(**US$ 0.348 million) **2.3.** - Capacity Building/ Training **(**US$0.323 million)	**-$0.437 million** The following technical assistance was cancelled: feasibility studies on public pay (Government conducted itself); development of Code of Conduct for public servants; creation of the Ethics Commission for High Ranking Officials (created without PSMP II support); and IT equipment distance learning.
Component 3: Development of Information Systems for Managing Internal Workflow and External Communication (US$ 3.895 million) **3.1.** - Improved Management Information Systems (MISs)	**Component 3: Development of Information Systems for Managing Internal Workflow and External Communication (**US$ 5.201 million) **3.1.** - Improved Management Information Systems (MISs)	**+$1.306 million** The increase was associated with the Government's decision to develop a nationwide electronic healthcare service delivery system (e-Health) within the project. The following less critical

Original Components and Budgets	Revised Components and Final Expenditures	Difference in Expenditure /Reason for Change
(US$ 3.025 million) **3.2.** - Information systems development to enhance public access and information **(**US$ 0.620 million) **3.3.** - Management of a Government ICT System **(**US$ 0.250 million)	**(**US$ 4.215 million) **3.2.** - Information systems development to enhance public access and information **(**US$ 0.570 million) **3.3.** - Management of a Government ICT System **(**US$ 0.416 million)	equipment and goods were not purchased: disaster recovery for IT systems; equipment for the central public administration; and management portal for e-services/e-government portal (Government created).
Component 4: Just-in-Time Technical Assistance (US$ 0.400 million)	**Component 4: Just-in-Time Technical Assistance (**US$ 0.025 million)	**-$0.375 million** Funds were reallocated to the component 3.
Component 5: Project Management and Implementation (US$ 0.885 million) **5.1.** - Project Management and Administration **(**US$ 0.815 million) **5.2**. - Project Monitoring and Evaluation **(**US$ 0.070 million)	**Component 5: Project Management and Implementation (**US$ 0.939 million) **5.1.** - Project Management and Administration **(**US$ 0.908 million) **5.2**. - Project Monitoring and Evaluation **(**US$ 0.031 million)	**+$0.054 million** Extension of the project closing date for eighteen months led to increase in project administration cost.

1.7 Other significant changes

16. The project was restructured three times during implementation:

17. ***First restructuring***. A Level 1 restructuring was approved in August 2012, primarily to reallocate the project funds for the creation of an integrated health information system (e-Health). In addition to reallocating funds from Component 4 "Just-in-Time", new activities were financed through procurement savings and cancellation of less critical activities included in the original project design.

18. ***Second restructuring.*** In September 2013, a Level 2 restructuring revised the project result framework. Due to changes in the CPIA methodology after the project became effective and the cost and inaccuracies in the initial surveys, the original PDO indicators were not likely to capture progress towards the project's outcomes. The restructuring replaced the PDO indicators with external assessments and data captured directly from project activities. Intermediate results indicators were also revised to reflect changes made during the first restructuring as well as to better capture the outputs from project activities. (See Table 1 and Annexes 2A and 2B.)

19. ***Third restructuring***. In October 2014, a Level 2 restructuring extended the project closing date by eighteen months from July 31, 2015 to January 31, 2017. The extension was required to complete implementation of civil service reform activities (Component 2) and development of e-Health services (Component 3). Preparation of training modules, e-testing for recruitment and the training needs assessment were delayed because of the difficulty in reaching a final agreement between the Civil Service Council and the Government Office on key policy considerations, including decentralization of HR management, the cancelation of attestation and

the scope of proposed training modules. Agreement on these matters was reached with the support of the first and second Development Policy Operations in a new DPO series which included a some of the civil service reforms as prior actions and benchmarks (DPO1-September 25, 2013 and DPO 2-October 14, 2014).

20. Implementation of the e-Health system faced procurement and policy delays related to the completion of a feasibility study and its translation into procurement activities. The Bank team added a health sector colleague with expertise in e-health solutions who worked with consultants, the Ministry of Health and EKENG (Armenia's e-government agency) to resolve the issues and advance the procurement process. By the time of project closing Ministry of Health had begun pilot testing the system with health providers and agreements had been reached on system developments and their rollout.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

21. **Project preparation.** Preparation of PSMP II from Concept Note (October 2009) to Board approval (March 2010) took a little over six months, significantly less time than regional and Bank-wide norms. Prior to the Decision Meeting (January 2010) the project received a Quality Enhancement Review (QER) and a risk assessment review by the ECA Operations Support Team (OST).

22. As a follow-on project PSMP II preparation benefited greatly from the outputs and results of PSMP I, not least because of continuity of TTL and team members. Issues relating to civil service reform, e-government development and implementation and policy-making at the Government Office identified during PSMP I implementation were the basis for the activities developed as part of PSMP II. Project preparation also benefitted from the Government's continued focus on public administration reform in the SDP, PARS and Government Program which in turn based their analysis on PSMP I's results, and the policy actions and benchmarks on civil service reform and e-government implementation in the first DPL series.

23. The PAD identified key lessons from PSMP I and the evaluations of other Bank and donor projects focused on public sector management reform. These included: use of stakeholder participation to build strong ownership among counterparts at federal, provincial, and lower levels of government; building political commitment to and ownership of reforms by linking the project to the Government's strategic priorities; linking technical assistance and investments in capacity building to policy reforms through the ongoing Development Policy Lending and Operation series; addressing changes in behavior and organizational culture alongside the development of new technology; and ensuring project flexibility and being opportunistic in preparing technical foundations for what might become feasible in the future are important ingredients for success. The IEG ICRR for PSMP I endorsed these lessons, stressing the importance of enhanced preparation for ICT projects, where an e-readiness assessment should be critical, along with consideration of business process changes that can take full advantage of new ICT opportunities. The Bank team and Borrower took this into account by conducting a feasibility study as a first step in the development of the e-Health system. (The relationships among PSMP I, II and the new PSMP III are described in Annex 2C.)

24. **Design features.** Additional funding, a repeater of the PSMP I, Specific Investment Loan and Adaptable Program Loan were all considered during the preparation stage. The project

design was kept straight forward, realistic and well structured, adopting the basic design envisioned by PSMP I. QER peer reviewers raised attribution problems in relation to the use of CPIA indicators/methodology to measure progress against PDO outcomes. However, the PDO indicators were not revised until the MTR and the second restructuring in September 2013.

25. **Assessment of risks.** The PAD notes that there were substantial risks associated with systematic corruption and Armenia's macroeconomic situation following the financial crises and the. The Bank team assessed five other risk factors as low and five as moderate in the Risk Identification Worksheet. The overall risk was rated moderate. Policy actions supported by the first DPL series and continuous Bank engagement on macro issues were identified as mitigating factors for the macroeconomic risk. However, the PAD notes that the corruption risk would remain substantial even after mitigation measures were considered.

2.2 Implementation

26. Supervision and technical missions were conducted on a regular basis and there was consistent coordination and follow-up with the Government. Regular Aide Memoires and ISRs were filed. From effectiveness until January 2015, implementation progress was rated Satisfactory. A Mid-Term Review in May 2013 – slightly earlier than envisioned in the PAD – advised adjustment to PDO indicators and many of the intermediate result indicators to more accurately assess implementation progress. From January 2015 to project closing, implementation progress was rated to Moderately Satisfactory due to delays in civil service reforms and e-Health activities. The third restructuring extended the closing date by eighteen months to allow completion of these activities (see subsection 1.7).

27. The Bank team was able to attract outside resources to help address implementation issues with the policy and strategic planning activities. The Bank's regulatory governance team assisted the Government with developing and beginning to implement a regulatory impact assessment process with the project then providing funding for a "regulatory guillotine unit" to help implement this process. The Bank team also attracted additional trust funds to complement the project activities on strategic planning. These trust funds helped to push forward the development of a strategic planning methodology which was then piloted under Component 1 in select ministries and agencies near the end of the project. Support for the pilots was provided by a joint team consisting of one PSMP II consultant and one consultant from the strategic planning technical assistance project.

28. Activities supporting civil service reforms were delayed due to the Civil Service Commission's late approval of the new civil service reform strategy. The Bank team supported the strategy process through the use of policy actions and benchmarks in the second series of DPOs (starting in late 2013). The DPOs' focus on the decentralization of HR management and the cancellation of periodic attestation (testing) supported PSMP II activities on civil service management and training.

29. While the Government created the Commission on Ethics of High-Ranking Officials (ECHRO) outside of PSMP II, implementation of Component 2 supported the development of the income and asset declaration system and capacity building for the Commission. The Bank team also drew on its country engagement budget to support capacity building for ministerial ethics bodies. This additional assistance generated reform proposals for the ethics bodies which were promoted through PSMP II's support for revision of Armenia's Public Service Law.

30. The development of Information Systems focused on purchasing IT goods and services – 77 percent of PSMP II expenditures were for goods, 11 percent for consulting services, 3 percent for training and 19 percent for operating expenses – to support the development and implementation of systems and automation. While many of the e-services implemented with PSMP II support fall under Components 1 and 2 the backbone for those systems was procured under Component 3. In response to the Government's new priorities, the second restructuring expanded Component 3 to develop the e-Health system. Following delays in completion of the e-Health feasibility study the Bank team engaged a World Bank colleague with e-health expertise to advise on mediation between the vendor and the beneficiary agencies. Implementation of e-government applications and ICT systems under PSMP II built on achievements made under earlier World Bank operations, including PSMP I, the Second Judicial Reform Project and e-Society projects. Activities under this component also were supported by prior actions and benchmarks for an e-government strategy and interoperability requirements in the second series of DPOs. High-level Government commitment and experienced PMG and FFMPC management and procurement staff worked effectively to ensure successful implementation of multiple information management and e-service systems.

31. **Project Management.** The Project Management Group (PMG) and the Ministry of Finance's Foreign Finance Project Management Center (FFPMC) ensured smooth implementation of the project. The Project Manager, who served in the same position for PSMP I, had strong relationships inside the Government Office and other ministries and maintained a good working relationship with the FFPMC. The Project Manager supervised all project activities and coordinated a diverse group of beneficiaries, interceding in the implementation of project activities to resolve issues quickly. The combined technical experience of FFPMC with World Bank procedures and management skills of the PMG facilitated effective decision making, decisive action and contributed to the smooth implementation of project activities.

32. **Government Leadership**. While the Government of Armenia generally supported PSMP II, there were numerous changes in key government officials. Presidential and parliamentary elections, a Constitutional referendum and three changes in Prime Minister and Chief of Staff occurred during implementation. The elections and referendum adversely affected implementation, particularly those activities that required senior government attention such as strategic planning and policy reform (Component 1) and civil service reforms (Component 2). With each new Chief of Staff – the most senior official overseeing PSMP II implementation – the Bank team and PMG had to review and revise PSMP II activities to align with the Government priorities. This had a significant impact on the activities involved in rationalizing and improving the Government's strategic planning capacity (Component 1) which were delayed and ultimately only partially achieved.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

33. The M&E design in the PAD provided for PDO and intermediate outcome and results indicators for each component to assess progress in meeting the project implementation targets and objectives. As noted above in sections 1.6 and 1.7, these indicators proved unsuitable for measuring the PDO. Adjustments in the CPIA methodology meant that it no longer served as a valid basis for comparison. Besides, as QER peer reviewers pointed out, the CPIA ratings were simply not granular enough to capture institutional changes effected by the project. While the project originally envisioned the use of periodic user surveys to measure project progress and

build stakeholder support, the Mid-Term Review advised to drop the use of citizen and business surveys to measure improvement in policy formulation and service delivery, given the high cost and inaccuracies in the initial surveys. These were replaced with indicators based on mixture of internal project data (use of new policy guidelines, increased use of Electronic Document Management System and deployment of civil service performance appraisal system) and external assessment (an indicator from the World Economic Forum's Global Competitiveness Index). Despite extensive restructuring the results framework did not capture the scope of project activities and outputs. While the project spent significant funds to develop the e-Health system, PSMP II did not have a specific intermediate outcome indicator on e-Health with which to track the progress of these activities. The only intermediate indicator which referenced the system was a combined indicator on improved service delivery.

34. During implementation, the PMG ensured that data on project implementation was collected and that information was reviewed, consolidated and reported in timely manner. Annual progress reports were submitted to the Public Sector Reform Commission (PSRC) for approval and sent to the World Bank by March 1 of the following calendar year. Progress reports were organized around PSMP II's Results Framework. PMG followed the same approach in its Mid-Term Report provided in June 2013 and in its Implementation Completion Report provided in March 2017. M&E was rated Moderately Satisfactory or Satisfactory throughout the life of the project.

2.4 Safeguard and Fiduciary Compliance

35. PSMP II was assessed as a category C project and therefore no environmental assessment was required. PSMP II benefited from FFPMC's expertise and experience with the World Bank's fiduciary policies and procedures. Financial management was rated Highly Satisfactory or Satisfactory throughout the life of the project. Procurement was rated Satisfactory from project inception until mid-2016 when the rating was decreased to Moderately Satisfactory. There were no fiduciary compliance issues during the implementation of PSMP II.

2.5 Post-completion Operation/Next Phase

36. At the time of the ICR mission all the IT systems supported by PSMP II were operational and in use as planned under the project. The project supported improvements in core government management information systems including EDMS (archive and work planning) and HRMIS (performance evaluation and distance learning modules) as well as the income and asset declaration system. E-service systems such as e-police and e-Health were operational, though the e-Health system is being rolled out in phases by the EKENG (e-Government Infrastructure Implementation Office). The e-Health system is operated and maintained by EKENG while a private firm is selected to serve as e-Health operator under a concession awarded in July 2017. As of early 2017, the MoH revised its regulations so that applications for state insurance funding can only come through the e-Health platform. 480 health providers were connected to the e-Health platform in June 2017 and all health providers, public and private, will be connected to the system before the end of 2017. The system is expected to become the sole platform for health insurance and health services across Armenia. EKENG continues to play the lead role in setting e-government and e-service standards and, with support from PSMP II, resolving interoperability issues across Armenia's information systems. ECHRO is expanding the number of external databases and registries that it can access to verify declarations (with support from DPO policy actions).

37. The Third Public Sector Modernization Project became effective on May 6, 2016, and will support and advance many of the outcomes achieved under PSMP II. (See Annex 2C). PSMP III supports upgrades and expansion of PSMP II systems such as EDMS, HRMIS and the income and asset declaration system. PSMP III will also promote policy-making reforms. The e-Health system, which is not included in PSMP III, will receive additional financial support for its rollout from the EU. The PSMP II PMG will remain intact and should facilitate smooth implementation of the new operation and provide institutional memory for any follow up actions.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Relevance of objectives. Rating: High

38. The objectives of the project remain highly relevant. The objectives supported by PSMP II have been endorsed by three successive Governments, including the most recent Government appointed in September 2016. PSMP II's original objective to improve public sector management performance through better service delivery are reflected in the long-term, Armenia Development Strategy 2025 (ADS). One of the ADS's four pillars is modernizing the public administration through increased state efficiency and improved quality and access to public services. This goal is also reflected in the Bank's most recent Country Partnership Strategy FY2014-FY2017 which includes "improving governance and anti-corruption measures in public services" as a cross-cutting theme. This theme is directly supported by the follow-on PSMP III operation. The continued relevance of PSMP II's objectives is evidenced by the Government's request for the follow-up PSMP III and its focus on improved service delivery for citizens through enhanced e-government operations and enforcement of conflict of interest rules among public officials.

Relevance of design. Rating: Modest

39. PSMP II was designed to build on the policy and process reforms supported by PSMP I and the first DPL series, with flexibility to respond to changing Government priorities. The relevance of PSMP II's design can be seen in the progression from PSMP I (focused on policy and process reforms and initial e-government systems) to PSMP II (strengthening the strategic policy process and expanding e-government and e-services, including income and asset declarations) to PSMP III (supporting multiple e-services, including PFM, and promoting enforcement of conflicts of interest rules). PSMP II was sufficiently flexible to incorporate the e-Health activities after over a year and a half of implementation. In the first restructuring the Bank team was able to use funding from the just-in-time-component and cancellation of activities that the Government had implemented on its own to revise the design in response to the Borrower's changed priorities for improving service delivery for citizens.

3.2 Achievement of Project Development Objectives

Rating: Substantial.

40. PSMP II was generally successful in achieving its overall objective and efficacy is rated as Substantial. PMSP II's overall Project Development Objective "to enhance performance of public sector management for better service delivery" included three outcomes: strengthening institutional capacity in policy formulation; maximizing the efficiency of human resources; and developing information systems for internal work flow and external communications. The PAD

is silent on the relative weighting of each outcome and so the ICR considers them to be equal in importance towards achieving the overall objective. Three out of four revised PDO indicator targets and twelve of fourteen revised/new intermediate outcome indicators were either achieved or exceeded. One PDO indicator and two intermediate outcome indicators were partially achieved. The partially achieved indicators are related to the development and implementation of a new strategic planning framework (PDO outcome 1), piloting of which was launched at the close of the project in December 2016.

Table 3. Summary of PDO Efficacy Ratings

PDO Outcomes	PDO Indicators	Rating	Overall PDO rating
PDO 1. Strengthen institutional capacity in policy formulation	Partially Achieved *(one achieved, one partially achieved)*	Modest	**Substantial**
PDO 2. Maximizing the efficiency of human resources	Achieved	Substantial	
PDO 3. Developing information systems for internal work flow and external communication	Achieved	High	

41. **PDO 1. Strengthening institutional capacity in policy formulation (*Modest*).** PSMP II focused on improving the development and implementation of strategies, policies and workplans. Through the successful implementation of business process reengineering and functional reviews at the ministerial level, the project was able to reform management procedures and, as a result, improve service delivery. Through the electronic vehicle registration system, the e-police system, for example, PSMP II was able to reengineer and automate a service provided by Armenia's police so that it provided additional services (registration, numbered plates and registration document) in significantly less time (delivery time was cut from over 24 hours to under 30 minutes).

42. PSMP II sought to tackle conflicts of interest in Government decision-making through the development of an e-government solution to enable on-line filing and publication of income and asset declarations of high-level public officials. The Ethics Commission for High-Ranking Officials (ECHRO), established in January 2012, managed the system and used a risk-based verification system to identify possible public officials' conflicts of interest. From 2012-2015, the Commission received and analyzed 5230 income and asset declarations of high-ranking officials and their related persons, with 98 percent submitted through the online system. Training and professionalization of the Commission personnel supported by PSMP II has helped ECHRO proactively flag possible conflicts of interest in government decision-making processes. The Commission also serves a coordinating role for agency level ethics commissions. The Bank team leveraged Bank budget-supported technical assistance to provide training for these lower level commissions and to identify options for reform leading to legislative proposals PSMP II.

43. PSMP II's efforts to improve strategic planning in ministries and in the center of government were not fully achieved by the time of project closing. The Government established National Centre for Legislative Regulation to implement a regulatory guillotine process and to pilot regulatory impact assessments across the administration. Trust fund-supported technical

assistance helped to develop the strategic planning methodology that PSMP II was piloting in six ministries/agencies based on instructions issued by the Government Chief of Staff in December 2016 and January 2017. The central strategy unit in the Government Office responsible for strategic planning was created in July 2017. However, rollout of the strategic planning methodology, including implementing links between ministry strategies and budget planning, will require additional time to implement.

44. **PDO2. Maximizing the efficiency of human resources (*Substantial*).** PSMP II improved human resource management and staff motivation in the public sector by establishing an automated performance evaluation system tied to annual workplans with real-time assessments. Use of the system has facilitated preparation of bottom-up annual work plans coupled with top-down oversight of execution of those work plans. The system also allows for real-time assessment of deliverables and created the basis for the introduction of a performance-based pay feature for the award of bonuses. Establishment of the system enabled public sector managers to align civil servants' work plans with the Government's Program, which will lead to a more effective HR management. The workplan-performance appraisal system was developed as an upgrade module to the EDMS originally developed under PSMP I which allows for full automation of work planning and performance appraisal. PSMP II also supported the adoption of the Civil Service Reform Strategy in 2015 and harmonization of the public service in Armenia, enabling staff and benefits mobility.

45. PSMP II supported the development of online training modules for civil servants based on a needs assessment conducted by the Civil Service Commission. The modules covered key PSMP II themes including: service delivery, performance management, policy analysis, HRM, and ethics. The modules were posted in the fall of 2016 (on an IT platform developed under the Bank-supported Second Judicial Reform Project, thus saving PSMP II funds) and by April 2017 the CSC reported that approximately 1,100 civil and public servants had accessed the courses. Civil service training funds have been severely limited, so development of the online courses has allowed the CSC to achieve significant cost savings related to reduce travel and use of materials.

46. **PDO 3. Developing information systems for internal work flow and external communications (*High*).** PSMP II supported the purchase, development and installation of IT information and service delivery systems. These include upgrades to the EDMS and HRMIS developed under PSMP I and the development of the electronic asset declaration, e-police, e-visa and e-Health services. Government established its own web portal www.e-gov.am, the EDMS upgrade provided an electronic communication system between the Government and citizens organized through the portal. EDMS allows citizens to send a query to the Government or file a complaint, track the query status and see the name of the official to whom the query has been assigned. Additional PSMP II-supported upgrades helped to transform EDMS into a management tool that has improved record management; can electronically archive documents; and manage how staff handle their tasks in terms of timeliness. EDMS also allows for the bottom-up development of annual work plans coupled with top-down oversight of execution of those work plans which strengthens internal workflow and allows for closer alignment of operational and strategic planning, another PDO outcome. The web-based upgrade of HRMIS provided additional functionality including the automatic importing and recording of performance appraisal results. PSMP II supported an upgrade of the e-visa system to improve functionality and establish a consular registration module designed to improve internal work flow in awarding visas (and which will be a focus of further improvements under PSMP III). As

part of the broader e-Government agenda, PSMP II supported a cybersecurity workshop and conducted an assessment which identified a need for increased attention to security.

47. PSMP II supported the development of the e-Health system as a centralized platform which ensures comprehensive and real-time exchange of information in three main areas: medical, administrative and financial/insurance. The system will provide access to patients, healthcare providers, the Government and insurance companies in order to provide high-quality, safe, accessible and cost-effective medical services to the population. By project closure, the system was developed and piloted with 480 medical institutions that receive state insurance funding registered in the system. These institutions uploaded information about their available resources, services and personnel. As of May 2017, the database includes information on more than 32,000 personnel, including 22,000 doctors and nurses. The project also supported training on the new system for over 600 operators from these institutions as well as a train the trainers course for Ministry of Health staff. The e-Health system will greatly reduce paperwork freeing up doctors to spend more time with patients and provide more reliable healthcare statistics to guide future reforms. It will also improve policymaking in the health sector by limiting opportunities for corruption in state healthcare funding and strengthening control of the importation and distribution of pharmaceuticals.

3.3 Efficiency

Rating: Modest.

48. The PAD did not provide a cost-benefit analysis of the investments that were going to be made under PSMP II because the benefits were difficult to quantify. The nature of PSMP II activities do not lend themselves to standard economic or financial analyses to determine value for money. As a result, the efficiency assessment of PSMP II is based on a combination of least cost comparisons and estimates, qualitative assessments and a description of the project's implementation efficiency. Based on this analysis and the limited availability of data, PSMP II's efficiency is rated **Modest**.

49. Resources were used in a cost-effective manner and expenditures under PSMP II were reasonable in relation to the outcomes and results produced. PSMP II was able to deliver the e-Health system, the largest ICT system developed under the project, at a lower cost than similar systems developed and delivered in Moldova and Kosovo. Based on data provided by the World Bank e-health expert working on PSMP II, the Armenian e-Health software system was procured at a cost of USD 925,000 which is less than half the cost of a similar system developed for Kosovo (over USD 2M) and only two-thirds the cost of the similar system in Moldova (USD 1.4M). This translates into a unit cost per facility using the system of USD 1,927 for Armenia versus USD 200,000 for Kosovo. (See Annex 3 for comparative details.) In addition to drastically reducing the time needed to register a vehicle, the e-police system developed by the project cost USD 56,055 to develop and registered over 54,600 vehicles the past year at a cost of a little over USD 1.00 per registration.

50. The project contributed in a cost effective way to improved operation of a number of public administration functions including the internal document management, income and asset disclosure, human resource management and the delivery of vehicle registrations. Under Component 1, PSMP II delivered functional reviews/business process reengineering for four ministries, one agency and one municipality for the cost of USD 276,659. These reviews assessed over 160 administrative functions across these organizations and produced 58

recommendations and 35 proposals for reforms that were adopted. A World Bank team conducted a similar set of institutional assessments of five ministries for the Turkish Cypriot Community at the cost of USD 300,000.[3] The development of EDMS modules for an archive and the work planning and performance system, cost USD 132, 036 and are being used by almost 13,600 employees across 46 government organizations. The income and asset disclosure software developed under the project was designed following best design practice to include multiple functionalities (online submission, database, publication and electronic verification) within a single development contract. In addition, for a consultancy contract of USD 174,750, PSMP II was able to catalyze the development of an interoperability regulation issued by the Government and impacting the development all Armenia's e-government solutions.[4]

51. Project implementation was generally conducted in an efficient manner. Activities under Component 2 were impacted by the Civil Service Commission's delay in adopting a new civil service reform. E-Health activities under Component 3 were delayed due to disagreements between the vendor and beneficiary agencies. While these delays led to an 18-month extension of the project closing date, the activities under each component were completed (and the e-Health system was rolled-out following the pilot). Overall implementation progress never fell below a moderately satisfactory rating during the life of the project. The procurement process, managed by PMG and FFPMC, generated cost savings of more than USD 1.08 million from effective tendering and contract supervision and avoidance of cost overruns in implementation. These savings were used to fund additional activities (Box 1), primarily the purchase of additional IT equipment, which were used to advance the project's objectives.

Box 1. Project Activities Funded Through Cost Savings

1. Procurement of the equipment for GoA Staff internal communication
2. Supply of additional IT equipment for the operation of MIS in the GoA, ministries and regions & IT equipment for police *(activity originally cancelled under the first restructuring)*
3. Procurement of air condition system for the RA National Assembly session hall
4. Procurement of equipment for electronic management system for registration of acts of civil status
5. Procurement of computer equipment for RA National Security Council
6. Procurement of the IT and communication equipment for MoF
7. Procurement of IT equipment for the full-scale operation of ARMEPS procurement system *(originally implemented under PSMP I)*
8. Procurement of additional equipment for territorial departments of Civil Acts Registration Office
9. Procurement of Computer equipment for RA Government Staff
10. Procurement of Notebooks for Center of Strategic Initiatives of Government Staff

52. Project resources were used in a cost-effective manner and expenditures under PSMP II were reasonable in relation to the outcomes and results produced. The procurement process,

3 Improving Public Administration in the Turkish Cypriot Community, P155890. E-mail exchange with TTL, Raymond Muhula.

4 Principles of Interoperability, Government Decree #1093, August 31, 2015

managed by PMG and FFPMC, generated cost savings of more than USD 1.08 million from effective tendering, contract supervision and avoidance of cost overruns in implementation. These savings were used to fund additional activities (Box 1), primarily the purchase of additional IT equipment, which were used to advance the project's objectives.

3.4 Justification of Overall Outcome Rating

Rating: Modestly Satisfactory

Table 3. Calculation of the Overall Project Outcome Rating

Relevance of		**Efficacy: PDO Outcomes**			**Efficiency**	**Overall Outcome**
Objectives	Design	1	2	3		**Moderately Satisfactory**
High	Modest	Modest	Substantial	High	Modest	
Averaged to Substantial		Averaged to Substantial			Modest	

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

53. PSMP II did not explicitly target poverty reduction. However, it can be expected that the project outcomes will contribute indirectly to poverty reduction by improving the performance, delivery and access to key functions of the Government, notably through improvements in the delivery of healthcare. The e-Health system has the potential to transform Armenia's health sector, improving service delivery by minimizing therapeutic errors, improving diagnostic processes, saving users time and costs, improving communication between patients and health providers, improving access in rural and remote areas by making telemedicine services available.

(b) Institutional Change/Strengthening

54. PSMP II contributed to institutional change in three ways. First, through business process reengineering and functional reviews conducted in half of the Government's ministries and through establishment or expansion of government management information systems. Reengineering and functional reviews contributed to restructuring of ministerial processes and procedures to improve the delivery of public services. Second, the successful implementation of management information systems such as EDMS and HRMIS, and the establishment of interoperability standards for these and existing IT systems creates the enabling environment for broader implementation of e-government solutions for better service delivery and strengthens the service delivery orientation of institutions (a key focus of PSMP III). Third, PSMP II supported the development of core management systems that sought to change organizational culture and the basis for decision making. The human resource management systems supported a shift towards results orientation in the public sector by establishing an automated performance evaluation system tied to annual workplans with real-time assessments. PSMP II's support for the National Centre for Legislative Regulation, a regulatory guillotine process and the use of regulatory impact assessments sought to strengthen evidence-based decision making across the administration. Similarly, development of the strategic planning methodology will support more evidence-informed, results-oriented policy process which aligns resources with policy objectives.

Finally, PSMP II's support for the Ethics Commission for High-Ranking Officials (ECHRO), the development of income and asset system and risk-based verification contributed to a culture in which public service, in the public interest is seen as the norm for public servants.

(c) Other Unintended Outcomes and Impacts (positive or negative)

55. The Project achieved several positive outcomes which were not intended at the time of project design, notably development of the e-health systems, the e-police vehicle registration system with is associated positive cost and time savings and the e-visa activities which improved consular service delivery, were not originally envisioned in PSMP II's design.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

56. Not applicable

4. Assessment of Risk to Development Outcome

Rating: ***Negligible to Low***

57. The risk to development outcomes is Negligible to Low. The Government has demonstrated its strong commitment to sustain the achievements of PSMP II, notably by requesting and approving the follow-on Third Public Sector Modernization Project. E-governance reforms are identified as a priority in the *Armenia Development Strategy for 2014 – 2025*. In line with this Strategy, some of the e-governance reforms delivered under PSMP II will be supported and expanded under PSMP III. PSMP II's investments in ICT and resulting improvements in EDMS, HRMIS, e-visa, e-police and e-Health serve as building blocks for Armenia's ongoing e-governance reforms. PSMP II's improvements in policymaking and strategic planning when paired with civil service performance appraisal reforms and new online training for civil servants are the foundation of a more efficient and effective public administration. Risks to these PSMP II outcomes could arise if budget limitations make it difficult for the Government to maintain and/or upgrade the information and IT systems developed under PSMP I and II.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: ***Moderately Satisfactory***

58. The Bank team took into consideration the successes and lessons learned from PSMP I in designing the components and implementation arrangements for PSMP II. During preparation and appraisal, the Bank team worked with experienced counterparts in the PMG and FFPMC to considered the adequacy of project design and address all major relevant technical and institutional issues including procurement and financial management arrangements. However, the Bank team's efforts to identify or develop innovative PDO indicators and the use of many intermediate indicators left PSMP II with a results framework that was difficult to implement and required significant revision mid-stream.

59. Project preparation was carried out with an adequate number of specialists who provided the technical skill mix necessary to address sector and fiduciary concerns. The Bank provided adequate human and financial resources to ensure quality preparation and appraisal work (details

in Annex 4). The project was consistent with the CPS at the time of approval and with Government priorities in the sector at the time as expressed in the SDP and PARS. The Bank had a close working relationship with the Borrower during preparation and appraisal. Due to shortcomings in the project results framework, Bank performance at entry is rated Moderately Satisfactory.

(b) Quality of Supervision

Rating: ***Satisfactory***

60. The Bank's quality of supervision was satisfactory. Sufficient budget and staff resources were allocated (details in Annex 4), and the project was supervised and closely monitored. The task team prepared and delivered aide-memoires and ISRs on a regular schedule in line with Bank procedures. The ISRs rated the performance of the project realistically in terms of achievement of development objectives and project implementation. The MTR was conducted as planned and was used to discuss and agree on project restructuring. The Bank benefitted from the experience and expertise of a series of co-TTLs who had either led or worked on PSMP I or similar projects in other regions. It also benefitted greatly from having a locally-based co-TTL who could respond in real time to requests from the Borrower or to address implementation issues. The co-TTL arrangement functioned well. There was no disruption in supervision when one TTL took leave for a year. The co-TTLs also drew on appropriate Bank expertise (an electronic health expert) to supplement their team when it was necessary to address technical and communication issues that arose between the vendor of the e-Health system and the Borrower.

61. The Bank team responded to Borrower requests and measurement issues faced by the project by restructuring the project. The Bank the Government's request for the development the e-Health system using funds from the just-in-time component and cost savings to take on a large e-government activity. The Bank worked with the PMG to identify problems with the PSMP II's results framework and redesigned the indicators so that the project's implementation progress could be accurately measured. The Bank team made positive use of the restructuring procedure to keep PSMP II's implementation on track.

62. The Bank mobilized additional funds to complement PSMP II activities. The co-TTLs leveraged bank budget to bring the Bank's regulatory governance team to Armenia to supplement work on regulatory impact assessments for Component 1. This Component was also supported by trust funds that the co-TTLs mobilized to develop a strategic planning methodology. In addition, under Component 2, the team leveraged Bank budget to bring the Bank's recent experiences from work in Italy to build capacity in the agency level ethics commissions, and develop proposals to strengthen ECHRO's role in managing ethics rules across the administration. The Bank team was opportunistic in supporting PSMP II implementation throughout the life of the project.

(c) Justification of Rating for Overall Bank Performance

Rating: Moderately Satisfactory

63. With a Moderately Satisfactory rating for quality at entry and Satisfactory rating for the quality of supervision, overall Bank performance is rated as Moderately Satisfactory in accordance with Impact Evaluation Group harmonized rating criteria.

5.2 Borrower Performance

(a) Government Performance

Rating: ***Moderately Satisfactory***

64. While the Government was committed to PSMP II's original objectives and was supportive during project implementation, project implementation was hindered by the identification of new priorities mid-stream, multiple changes in the project's primary counterpart and disagreements between project stakeholders. Each new counterpart renewed the Government's commitment to PSMP II's objectives. Implementing ministries and agencies, notably the ECHRO and EKENG, worked with the Bank to address implementation issues as they arose. However, the e-Health activities were introduced into the PSMP II in August 2012, 23 months after effectiveness, too late to be completed within the original project timeframe. EKENG and MoH, the main stakeholders for the e-Health system, had coordination and communication difficulties with the e-health vendor which further contributed to delays. Civil service reforms on preparation of training modules, e-testing for recruitment and training needs assessment were delayed due to disagreement between the CSC and Government on civil service policy reforms, which also contributed to the need to extend the project's closing date. Multiple changes in Chief of Staff of Government position led to multiple adjustments to the institutional and organizational arrangements for the new strategic planning framework. The adoption of Constitutional Amendments in 2015, which initiated a reorganization of the management of Armenia's public sector also impacted the implementation of the policy formulation and monitoring activities. The result of these impacts is a Government performance rating of Moderately Satisfactory.

(b) Implementing Agency or Agencies Performance

Rating: ***Satisfactory***

65. PSMP II benefitted from the experience of two implementing agencies, PMG and FFPMC, both of whom implemented PSMP I and actively contributed to PSMP II's implementation and the full attainment of nearly all its PDO outcomes. The PMG managed the day-to-day operation of PSMP II activities. Located in the Government Office and reporting to the Government's Chief of Staff, the Program Manager was able to leverage the authority of the Government Office and his own political skills to coordinate and effectively mediate among project beneficiaries to resolve conflicts such as those with the Civil Service Commission or EKENG. PMG staff worked closely with the Bank co-TTLs to identify and resolve implementation issues and provide timely advice to project stakeholders. The fact that the Program Manager remained in place through three changes in Chiefs of Staff is testament to his value to the Government and his ability to maintain consistent top Government ownership and commitment to PSMP II's objectives and motivate project beneficiaries to implement PSMP II activities fully. Monitoring and evaluation arrangements were adequate, though there were delays in providing some reports to the Bank. PMG staff also maintained an excellent working relationship with FFPMC on all procurement and fiduciary issues. Project management was correctly rated highly satisfactory or satisfactory from the start of PSMP II through to its closing.

66. FFPMC served as the primary fiduciary body for PSMP II. FFPMC's staff has extensive expertise in World Bank procurement, financial management and safeguards policies and procedures from its experience implementing numerous World Bank-funded operations. FFPMC's staff managed all PSMP II tenders and selection committees. FFPMC, PMG and staff from project stakeholders reported no issues with procurement activities and all agreed that

PSMP II's procurement process proceeded smoothly. PSMP II ISRs rated FFPMC's financial management process as highly satisfactory or satisfactory throughout project implementation, while project procurement was rated satisfactory until the last year of implementation when the rating was downgraded to moderately satisfactory due to observed deviations in the implementation schedule.

(c) Justification of Rating for Overall Borrower Performance

Rating: ***Moderately Satisfactory***

67. In view of the performance ratings of Moderately Satisfactory for the Government and Satisfactory for the implementing agencies the overall Borrower Performance is rated as Moderately Satisfactory in accordance with Impact Evaluation Group harmonized rating criteria.

6. Lessons Learned

68. **Overlap with follow up projects ensures continuity in a programmatic series of operations.** PSMP II was prepared and became effective during implementation of PSMP I, overlapping implementation for seven months. PSMP III became effective and overlapped with the implementation of PSMP II for nine months. Each of the three projects were developed and implemented by the same Bank and Government teams, leveraging their design and implementation experience to ensure that the projects are focused on key constraints in Armenia's public administration and service delivery. This approach ensured that projects learned from and benefited from the progress made by its predecessor. It also allowed the client to maintain reform momentum and retain the core PMG and FFPMC staff with institutional memory and experience.

69. **Public administration reforms are more likely to be successful where they are supported by both IPF-financed activities and DPO-supported policy reforms.** Explicit linkage between SIL activities and DPO policy actions can be mutually beneficial: policy actions support technical assistance and capacity building while technical assistance can ensure that policy reforms are implemented. PSMP II was linked directly to two DPL/DPO series, which promoted policy reforms in e-government interoperability, government ethics and civil service reforms, which were key achieving PSMP II's PDO outcomes.

70. **Teams should avoid using composite indicators that are not designed and managed for project-level M&E purposes.** Clients are generally reluctant to utilize loan proceeds for the gathering of data or the monitoring of indicators. PSMP II's efforts to use innovative, CPIA-based indicators in order to reduce M&E costs proved to be unworkable in practice because the data was not sufficiently granular to capture project-level impacts and were subject to unanticipated adjustments to methodology. Indicators based on project-generated data and produced on a regular basis may be best suited for public sector reform projects. The results framework intermediate indicators should be streamlined to reduce the administrative burden, and facilitate the client's efforts to monitor and report on their progress.

71. **ICT investments should be subject to an e-readiness assessment.** PSMP I's IEG report, stressed importance of e-readiness assessment, along with consideration of business process changes that could take full advantage of new ICT opportunities. The feasibility study for the e-Health initiative helped stakeholders identify the scope of work and enabled them to develop a detailed plan to design and implement the system.

72. **Built-in flexibility allows projects to respond to opportunities for public sector reforms**. Opportunism and flexibility helped PSMP II support emerging government priorities, notably the e-Health system. Inclusion of a Just-in-Time component allows project management easy access to un-programmed resources so that they can respond to emerging priorities by financing feasibility assessments and revised implementation plans.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

73. The **Borrower** submitted its Implementation Completion Report on March 27, 2017, a summary of which can be found in Annex 7. The Borrower's ICR does not raise issues that require a response here.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Strengthening Institutional Capacity in Policy Making and Service Delivery	2.675	2.104	78.7
Maximizing the Efficiency of Human Resources in the Public Sector	1.145	0.708	61.8
Development of Information Systems for Managing Internal Workflow and External Communication	3.895	5.201	133.5
Just-in-Time Technical Assistance	0.4	0.025	6.3
Project Management and Implementation	0.885	0.939	106.1
Total Baseline Cost	9.00	8.977	99.7
Physical Contingencies	0.00	0.00	0.00
Price Contingencies	0.00	0.00	0.00
Total Project Costs	9.00	9.000	100.0
Front-end fee PPF	0.00	0.00	0.0
Front-end fee IBRD	0.0225	0.0225	100.0
Total Financing Required	9.00	9.000	100.0

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		**2.54**	**2.19**	**86**
IBRD		**9.0**	**9.0**	**100**
Total		**11.54**	**11.19**	**97**

Annex 2A. Changes in PDO Indicators During Restructuring and Outputs

The table below lists changes in the PDO indicators in the PSMP2 Results Framework as approved by the Country Director in September 2013 and final outputs associated with each revised/new PDO Indicator:

Project Development Objectives	PDO Indicators	D=Dropped C=Continue N= New R=Revised	Baseline	End of Project Targets		End of Project Output
				Original End of Project Target (Per PAD, 2009)	Revised End of Project Target (Per Restructuring 2013)	
Strengthening institutional capacity in policy formulation	***PDO Indicator 1*:** Improved policy coordination and responsiveness (CPIA 15a)	**D**	CPIA 2009 results were not available yet.	**at least 15% increase**	-	
	PDO Indicator 1: Number of pilot ministries adopting policy formulation guidelines and procedures	**N**	Decision making is generally not transparent, and public dissemination of government policies and outcomes is a low priority.	**-**	New internal directives and regulations for policy formulation and monitoring developed in four pilot ministries and implemented by the Government. Mechanisms for policy coordination generally function effectively.	**Partially achieved.** Generic BPR led to regulations for policy formulation, work planning and performance management rolled out across the civil service. Proposed new strategic planning framework is being piloted in 6 ministries and Government Office.

Project	PDO Indicators	D=Dropped	Baseline	End of Project Targets		End of Project Output
	PDO Indicator 2: Improved service delivery and operational efficiency (CPIA 15b)	**D**	CPIA 2011 results are not available yet.	**at least 10% increase**	-	
	PDO Indicator 2: Favoritism in decisions of government policymaking (measured by Global Competitiveness Index indicator)	**N**	2.9 Conflict of interest in public sector limits the efficiency of government decision-making.	-	At least 10% increase	**Achieved.** According to the GCI the rating on the "Favoritism in decisions of government policymaking" has improved and reached **3.2**.
Maximizing the efficiency of human resources	***PDO Indicator 3:*** Deploying the civil servant performance appraisal system to improve human resource management and staff motivation	**N**	No robust performance appraisal system is in place	-	HRM decisions on training and career planning are based on the results of performance appraisals	**Achieved.** TA on civil servant training and job evaluations (completed in Oct 2015) enable better linking the performance appraisals with HRM decisions on training and career planning. Consistency of Performance/ HRM decisions was reinforced by recent DPF-4 prior action.
Developing information systems for internal work	PDO Indicator 4 Improved access of civil society to information on public affairs (CPIA)	D	CPIA 2011 results are not available yet.	at least 15% increase over the baseline		

Project	PDO Indicators	D=Dropped	Baseline	End of Project Targets		End of Project Output
flow and external communication	***PDO Indicator 4:*** Increase in electronic communication with citizens measured by share of electronic correspondence out of total citizen correspondence.	**R**	20%	-	At least 15% increase.	**Achieved**. According to the EDMS data the electronic communication with citizens has reached 43.25% in 2016.

Annex 2B: Project Outputs

The table below provides a description of the outputs from the project as measured by the Intermediate Results Indicators. The Table tracks changes in the IR Indicators that occurred as a result of the second formal restructuring of the Project. The final column provides a description of the outputs achieved as measured against the revised IR Indicators.

Results Indicators*	**D=Dropped** **C=Continue** **N= New** **R=Revised**	**Baseline**	**End of Targets**		**End of Project Output**
			Original End of Project Target (Per PAD, 2009)	**Revised End of Project Target (Per Restructuring 2013)**	
Component 1. Strengthening Institutional Capacity in Policy Making and Service Delivery					
IR Indicator #1: New internal directives and regulations for policy formulation and monitoring developed and applied by the Government.	**C**	Government lacks formats and processes for policy formulation and instruments for compliance.	High level Policy and Performance unit is established and operational. The regulations outlining new policy formulation requirements are-implemented.	At least 10% increase	**Partially achieved.** Policy function has been divided between sector departments of the Government Office. PSMP-2 and World Bank TA on strategic planning envisage more specialized Unit/s after adoption and roll-out of new framework and regulations. The project recommended informal arrangement for few responsible staff from sector departments of Government Office to work as a temporary team/unit during piloting phase. The Center of Strategic Initiatives, created in January 2017 through public private partnership, is in charge of key high level strategies and reforms.

Results Indicators*	D=Dropped	Baseline	End of Targets		End of Project Output
IR Indicator #2: Improved practice for delivery of selected pilot services demonstrates that: (i) clear requirements for receiving the service (traffic police, passports, e-health, etc.) are publicly accessible; and (ii) citizen/firm complaints are reduced	**R**	The baseline will be established based on the results of the institutional reviews conducted in Y1 under sub-component 1.1	Pilot services demonstrate (i) clear requirements for receiving the service are publicly accessible; and (ii) at least 20% reduction in number of complaints.	-	
IR Indicator #2: Improved practice for delivery of selected pilot services demonstrates that: (i) clear requirements for receiving the service (traffic police, passports, e-health, etc.) are publicly accessible; and	**R**	No clear requirements are publicly accessible.		Clear requirements for receiving the service are publicly accessible.	**Achieved.** Description of services is available on selected ministerial/ government websites (except for e-Health which until rollout is only described on EKENG website). Documentary films on improved functionality of e-Health and e-Visa were developed. The films are YouTube video hosting: https://www.youtube.com/watch?v=bejoLjisWxA https://www.youtube.com/watch?v=PfaGeqLo8_o

Results Indicators*	D=Dropped	Baseline	End of Targets		End of Project Output
IR Indicator #3. Improved practice for delivery of selected pilot services demonstrates that: citizen/firm complaints are reduced	**D**		at least 20% reduction in number of complaints.		
IR Indicator #3. Improved practice for delivery of selected pilot services demonstrates that: (ii) average time required to register a vehicle is reduced.	**N**	Over 24 hours	-	At least 50% reduction in time required to register a vehicle.	Achieved. The registration time of vehicles is decreased to below 30 minutes level including the provision of obtaining number plates and physical ID of the vehicle. A documentary film on the functionality of E-Police was developed. The film is YouTube video hosting: https://www.youtube.com/watch?v=q3VQDkyRkiI
IR Indicator #4. Improved planning and performance monitoring and evaluation processes in pilot ministries, measured as a reduced number of ad-hoc tasks assigned to the staff through EDMS	R	Quantitative baseline on ad-hoc tasks to be obtained from EDMS.	At least 25% reduction of ad-hoc tasks over the baseline		

Results Indicators*	D=Dropped	Baseline	End of Targets		End of Project Output
IR Indicator #4. Improved planning and performance monitoring and evaluation processes in pilot ministries	**R**	No systems in place to monitor and evaluate performance, except for the EDMS system to check individual performance. Ministries/agencies produce annual budgets but more for budget line item planning. Weak connections between budgets and planning of outputs/outcome.	-	Capacity building interventions on application of new mechanisms and tools on planning, M&E in pilot ministries completed. Annual government activity plan is developed in transparent manner and the planned output/outcomes are aligned with the budget. M&E systems have been tested and applied.	**Partially achieved.** Following earlier introduction of M&E/performance management framework, the recent PSMP-II and World Bank TA on strategic planning is expected to add more coherence to the process and tools for planning and monitoring programs.

Results Indicators*	D=Dropped C=Continue N= New R=Revised	Baseline	End of Targets		End of project output
			Original End of Project Target (Per PAD, 2009)	Revised End of Project Target (Per Restructuring 2013)	
Component 2. Maximizing the Efficiency of Human Resources in the Public Sector					

Results Indicators*	D=Dropped	Baseline	End of Targets		End of project output
IR Indicator #5. Functional rules established for staff benefit transfer between public service positions.	N	The benefits are not transferred between segments of public service	-	Harmonized public service enabling staff mobility without losing the benefits.	**Achieved.** Following the adoption of the Civil Service Reform Strategy in 2015 the principles of mobility of public servants are introduced through changes in the Law on Civil Service and will be further enhanced through broader package of legislative changes, inter alia, enlarging the scope of civil service, Government intends to submit to National Assembly in 2017.
IR Indicator #6. Consistent use of work plans and performance appraisals in the public service according to specifications. Information generated from performance appraisal is used for performance planning.	C	Acceptable approaches and systems exist but they are not used government wide.	Work plans and performance appraisals are used in pilot institutions in terms of civil servants annual performance planning.	-	**Achieved.** Work planning and performance appraisals have been effectively rolled-out within the government. The performance appraisals results are becoming more useful for performance planning after recent completion of the TA on job evaluation and DPF-4 prior action further enhancing the robustness of performance information.
IR Indicator #7. Capacity of high level ethics commission staff to provide advice and training to public servants and enforcing ethics rules.	**C**	There were attempts of the GoA to establish high level ethics commissions at the level of ministries, but the commissions lack credibility. A centralized commission has not been established.	Training of trainers for ethics body staff is developed and launched. Ethics body is established and operational. The staff of the ethics body demonstrates capacity to	All civil servants have access to manuals or educational materials. All mid-level and senior managers trained.	**Achieved.** The capacity of ECHRO (Ethics Commission) was enhanced through online IAD system. The ongoing legislative changes equip the ECHRO with staff, more resources and responsibilities for coordinating the work of ministerial commissions. An on-line training module is developed on ethics and integrity of civil servants. The core staff of the ministerial commissions received initial training by World Bank and Italian anticorruption experts. World Bank TA also

Results Indicators*	D=Dropped	Baseline	End of Targets		End of project output
			provide advice and enforce ethics rules. All civil servants receive copy and educational materials. All mid-level and senior managers trained.		proposed further improvements in regulation to make the ministerial commissions more effective.
IR Indicator #8. At least 5 online training modules prepared and made available for public service training	R	Such programs do not exist	70% of civil servants take one of the modules developed relevant to their job responsibilities.		
IR Indicator #8. A new policy adopted for Civil Service training allowing the pilot of on-line modules.	**R**	The CS training is disconnected from actual needs and does not contribute to improved performance.	-	Capacity for CS training is improved through improved planning and pilot online modules (if endorsed by the Law)	**Achieved.** On-line training modules are developed on key themes in-line with the project objectives (including service delivery, policy analysis, performance management, project management, HRM, regional development, ethics and integrity). Special methodology is developed for assessing the civil servant training needs. The concept of the needs based training is reflected in draft legislative amendment.

Results	D=Dropped	Baseline	End of Targets	End of project output

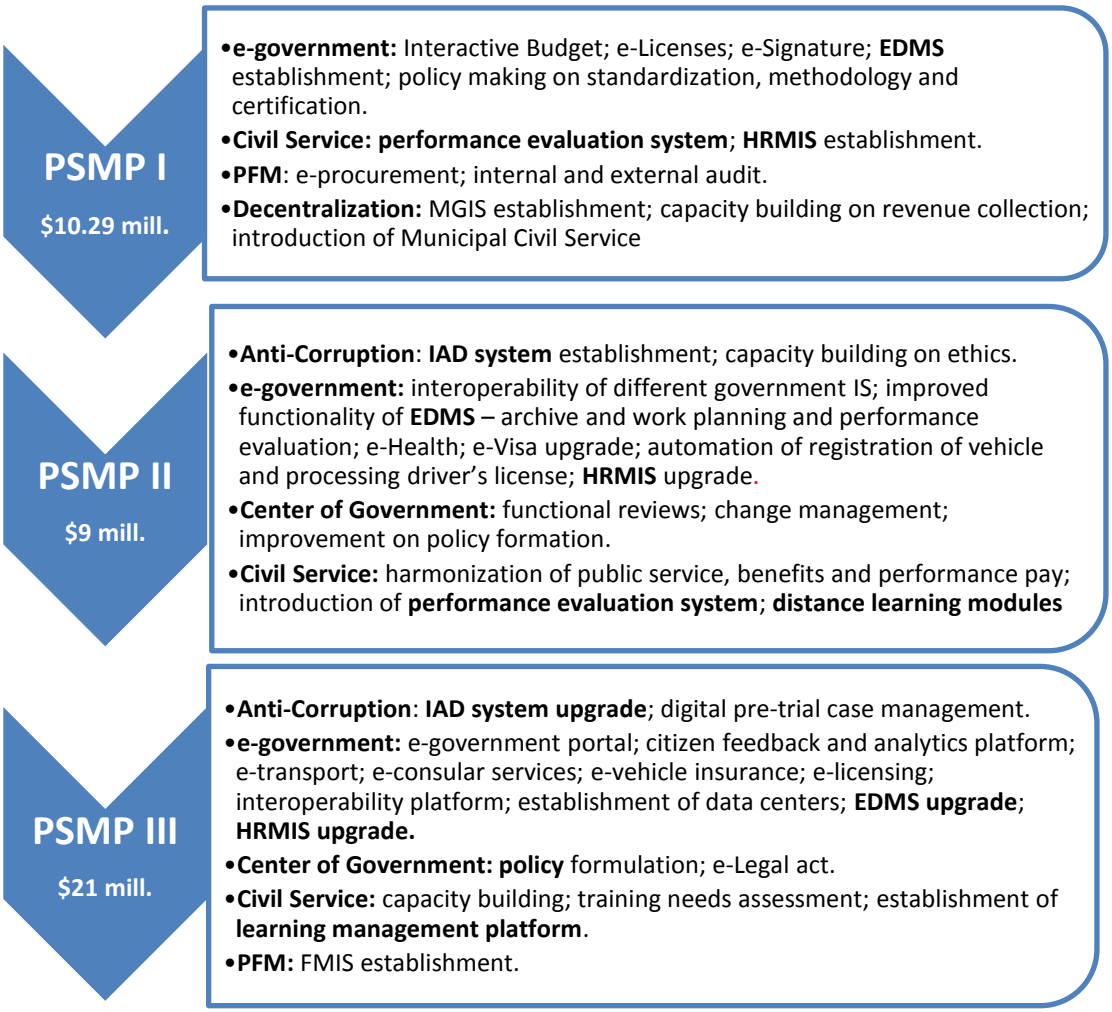
Indicators*	C=Continue N= New R=Revised		Original End of Project Target (Per PAD, 2009)	Revised End of Project Target (Per Restructuring 2013)	
Component 3. Development of Information Systems for Managing Internal Workflow and External Communication					
IR Indicator #9. Enhanced functionality and interoperability of the electronic document management system	**C**	EDMS is running in ten government bodies.	EDMS is operational in all government bodies and demonstrate interoperability of the electronic document management system including the archiving of e-documents, enhanced performance appraisal system, as well as project management tools.	-	**Achieved.** The EDMS is operational in all government bodies with integrated performance appraisal module. EDMS archive is introduced and operational (since 2014). The plans for equipping EDMS with extra project management tools was dropped through project restructuring in 2012.

IR Indicator #10. An effective high level declaration of interest system is established for senior public officials.	R	Does not exist.	Train the ethics body to use the system.	-	
IR Indicator #10. An effective system is established for income, assets and conflict of interest disclosure by high level public officials	**R**	The system does not exist.	-	Train the ethics body to use the launched system.	**Achieved.** Electronic IAD system is implemented and functional (used by trained ECHRO team). The ECHRO has been working on development of risk analyses and data verification mechanisms. A Government decree enabling data exchange between ECHRO and number of critical sources of third party information important for risk analyses was adopted in 2015.
IR Indicator #10 (i). Share of required declarations (i) collected electronically (%)	**N**	0	-	50	**Achieved.** 98% A documentary film, referenced on ECHRO website, confirms the achievements and publicizes the functionality and the coverage of the system. The film is YouTube video hosting: https://www.youtube.com/watch?v=7Djx8oZaI3A&feature=youtu.be

IR Indicator #10 (ii). Share of required declarations (ii) published online (%)	**N**	0	-	100	**Achieved.** 100% The declarations are published online on the ECHRO website: http://www.ethics.am/en
IR Indicator #11. The civil servants and IT staff are trained to use the developed systems.	**C**	Separate systems in operation, such as EDMS, HRMIS, MGIS and other systems. The interoperability is lacking.	80% of staff in government agencies covered by the development program, trained to use the upgraded systems. 100% of IT staff trained to maintain the upgraded systems.		**Achieved.** Ministries and other public entities ensure training of incoming staff following the full-fledged training of users at the launch of the systems.
IR Indicator #12. Public access to services available through internet and public information kiosks.	R	Some e-kiosks exist, introduced under the JRP2, which also give access to the EDMS. Preliminary work is done to start use of	At least 50% increase over the baseline.		

		government web portals.			
IR Indicator #12. Public access to services available through internet.	**R**	Some e-kiosks exist, introduced under the JRP2, which also give access to the EDMS. Preliminary work is done to start use of government web portals.	-	Harmonization of existing ICT systems offering electronic services through e-Gov website.	**Achieved.** All available electronic services are currently accessible via internet (listed on e-Gov.am website).

Annex 2C. Relationship Among PSMP I, II and III



Annex 3: Economic and Financial Analysis

Comparative Analyses of E-Health Systems

System Functionality	IHISA Armenia	PHC Moldova	HIS Kosovo
Admission, Discharge, Transfer	Y	Y/N (no transfer)	Y
Scheduling	Y/N	Y	Y/N
Patient Relationship	Y	Y/N	Y
Outpatient Care	Y	Y	Y
Inpatient Care	Y	N	Y
Emergency Care	N	N	Y/N**
Order Management (insurance)	Y	Y	Y
Laboratory Referrals	Y	Y	Y
LIS - Laboratory IS	N	N	N
RIS - Radiology IS	N	N	N
PACS - Picture Archiving and Comm. System	N	N	N
Central EHR	Y	Y	Y
EMR	Y	Y	Y
Patient Registry	Y	Y/N	Y
Advanced Reporting	Y	Y	Y
BI Reporting	Y	N	Y/N
Licensing	Unlimited	Unlimited	750
No. of facilities covered	480	…	10
Identity and Access Management	Y	N	Y
Human resources management	Y/N	N	Y
Contract price	**$925,000 ***	**$1,400,000**	**> $2,000,000**

* *Price without taxes*

** *Has support, but is not real EHC system*

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit
Anita Correa	Analyst	GCPPF
Hannah M. Koilpillai	Senior Finance Officer	CTRFC-His
Kathy Lalazarian	Senior Public Sector Specialist	GGOGI
Anarkan Lilly	Counsel	LEGDF
Davit Melikyan	Senior Public Sector Specialist	GGO15
Richard E. Messick	Consultant	GGO23
Michael G. Nelson	Operations Officer	OPSPQ
Clelia Kalliopi Helena Rontoyanni	Senior Public Sector Specialist	GGO18
Arman Vatyan	Sr Financial Management Specialist	GGO21
Migara De Silva	Senior Economist	GGO15
Zlatan Sabic	Senior Operations Officer	GHN03
Gayane Davtyan	Program Assistant	BPSEM
Maya Gusarova	Senior Public Sector Specialist	GGO15
Seda Pahlavooni	e-Government Specialist	GTI09
Garik Sergeyan	Sr Financial Management Specialist	GGO21
Arsen Karapetyan	IT Consultant	CITCS
Lusine Grigoryan	Financial Management Specialist	GGO21
Alexander Astvatsatryan	Senior Procurement Specialist	GGO03
Armine Aydinyan	Procurement Specialist	GGO03
Benedicta T. Oliveros	Procurement Officer	GGO03
Hunt La Cascia	Senior Procurement Specialist	GGO03

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY10	37.37	242,597.98
Total:	**37.37**	**242,597.98**
Supervision/ICR		
FY11	22.54	111,293.94
FY12	34.51	97,538.05
FY13	24.68	93,980.96
FY14	18.87	90,584.00
FY15	25.86	94,640.02
FY16	21.60	83,376.80
FY17 **(as of June 21, 2017)**	22.34	77,892.67
Total:	**170.4**	**649,306.44**

Annex 5. Beneficiary Survey Results

Not Applicable

Annex 6. Stakeholder Workshop Report and Results

Not Applicable

Annex 7. Summary of Borrower's ICR

The Project Management Group provided the ICR team with the Borrower's ICR entitled, *Brief Monitoring and Evaluation Report – Public Sector Modernization Project II*. This Report was shared with the ICR team on March 27, 2017, prior to the ICR mission. A summary of the Report follows:

Project Design

PSMP II was one of the main initiatives to support the government reform agenda in public administration sector. The project was consistent with Armenia's 2014-2015 Development Strategy and 2014-2017 RA Government Program which emphasized the importance of civil service reforms, fight against corruption, exclusion of conflict of interest in the state sector, simplification of regulations, improvement of the effectiveness through the application of IT systems, and enhancement of human resources management.

During project planning, the PSMP I[5] management structure was considered as well as lessons learned during its implementation. The structure was already tested and proved its sustainability and effectiveness during implementation of PSMP I; therefore, a decision was made to apply a similar approach to the PSMP II project. The inter-ministerial Public Sector Reform Commission (PSRC) acted as the project's Steering Committee. Together with other selected pilot ministries and agencies, it was the agency responsible for implementation of project activities, while the Office of Government was the Bank's main counterpart on the PSMP II.

Project results and indicators

During project planning, indicators for measuring accomplishments of the Project Development Objectives were established, which were reconsidered during project implementation by the PMG, as well as by the Bank. The indicators were revised during the project restructuring. The revised indicators were clear, based on objective data, realistic, measurable and manageable, which allowed the Government to effectively monitor the project progress and in necessary cases apply corrective measures.

Overall, the client's report stated that the project accomplished and in some cases over fulfilled some of the project targets. According to the report all PDO and intermediate indicators of the project were achieved.

Project Implementation

According to the selected implementation arrangements the PSRC acted as the coordinating council for the Project, and the regular management of the project activities were implemented by a Project Manager. Cooperation between the Council and the Project Manager was effective, and the Bank has provided timely and effective implementation support to the project stakeholders in the course of project preparation and implementation. Fiduciary aspects of the Project were implemented by Foreign

[5] A predecessor of the PSMP II

Financing Project Management Center of RA. Cooperation between the stakeholders during the project implementation and their effective efforts has contributed to the accomplishment of the indicators. Procurements made were implemented in line with the Bank procedures and qualification of selected consultants were most relevant to project assignments, which in its turn contributed to accomplishment of the targets.

Assignments designed and implemented within the framework of PSMP II were fully in line with the objectives and directions of the Government Program, as well as in line with strategic agenda on public sector modernization reforms. RA highlighted high relevance of the project activities to the Government priorities.

The process of implementation of assignments was overall very effective, the assignments were implemented within timeframes set by respective Terms of References, as well as within the scope of planned resources. Some contracts were extended, and objective justifications for extension were provided. Government of RA noted that implementation of project assignments was at highly satisfactory level.

Impact of Results

PSMP II was designed to improve quality of public services first for citizens - the final beneficiaries of the project outcomes, and secondly the public administration bodies. The project activities had direct impact on the stakeholders, whose behavior was changing due to introduction of software, which enabled automation of some public services. The project activities had direct impact on public servants since their working conditions were improved. The project results had an indirect impact on the economy, since business environment was improved as project activities boosted IT sector. For example, expenses of citizens and business entities on communication with state bodies became more cost-efficient because new e-governance systems were introduced via the project support. It has also positive impact on productivity of state bodies.

Introduction of technological innovations was greatly emphasized in the project, which contributed into improvement of effectiveness, timeliness, transparency and accountability of the public sector. Introduction of new information technologies in the public administration system also encouraged development and application of IT solutions in the private sector, by ensuring creation of additional value in the mentioned sectors and improving the effectiveness.

Establishment of a unified information electronic healthcare system (e-Health), developed within the scope of the project, ensured overall modernization of the healthcare system by introduction of new ICT solutions and improvement of public service delivery in the healthcare system. It is expected that the new system will bring improvements in state management of the health care system.

Development of software for the RA Traffic Police, supported by the project, helped to optimize process of vehicle registration. It resulted in cutting a lengthy process of vehicle registration from one day to 24 minutes. It is also important to note that the improvements will allow to minimize the corruption risks associated with the vehicle registration.

Certain electronic governance systems, developed within the project, directly promote transparency and accountability in the public administration. Particularly, introduction

of online income and asset declaration system for senior officials, which improves accountability of senior officials.

Sustainability of results

PSMP II established preconditions to ensure the long-term sustainability of the project results. Strategic documents on public administration reforms, developed within the project, also emphasized the importance of reforms in the sector, which could be also considered as one of the preconditions of sustainability.

According to the Government's assessment, to ensure the long-term sustainability of the results, the following provisions should get relevant attention:

- Ensure that all necessary human and financial resources are continuously provided to use, maintain and retain the project results;
- Ensure that newcomers to the system get relevant training for using the systems and applying the methodologies;
- Make sure that the methodologies, guidelines, regulations and other similar documents developed by the support of the project are approved by corresponding legal acts;
- Through regular meetings with the project stakeholders, reveal the needs for possible support, corrections of results and ensure the provision of those corrections;
- While developing new projects for public sector reform support, consider the results of PSMP II and build the new projects on those results, which will impact the long-term sustainability of results, as well as will ensure synergy of reforms.

Evaluation of Project Implementing Bodies

The Borrower and Bank were actively involved in preparation and implementation of the project. The Borrower was represented in the PSMP II management body and very actively participated in all project activities, including timely strategic decision making, approval of procurement results and project reports etc. Moreover, the Borrower has actively participated in the project development phase and has had close cooperation with the Bank and other state administrative bodies. The Borrower had been actively involved in the project content amendments, had participated in thematic discussions and decision making processes. Representatives of the Borrower have been involved in the Coordinating Council of the project, i.e. have been directly involved in the project management processes. Such mechanisms ensured close engagement of the Borrower in the project activities, and the issues, emerged in the course of project implementation, were addressed in a timely manner. The World Bank has provided implementation support during all the stages of the project life. In close cooperation with the Borrower, the Bank has led the project planning and preparation of all necessary documentation. The Borrower and other relevant bodies have supported the Bank during development of those documents. Moreover, the Bank had always been actively sharing knowledge, experience of other countries. Moreover, the Bank was able to attract grant funds to compliment the project activities.

The logic of PSMP II envisaged reforms in public administration system, which eventually have its impact on improvement of public administration system in Armenia. The improvements will have positive impact on behavior of citizens and organizations, which are currently using public services. Hence almost every task implemented within the framework of PSMP II and particularly advisory services, had a great impact on the whole system of public administration.

It is noteworthy that the sustainability of the results achieved by the project was quite high, and the necessary conditions for ensuring the high level of sustainability have been created.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

Not Applicable

Annex 9. List of Supporting Documents

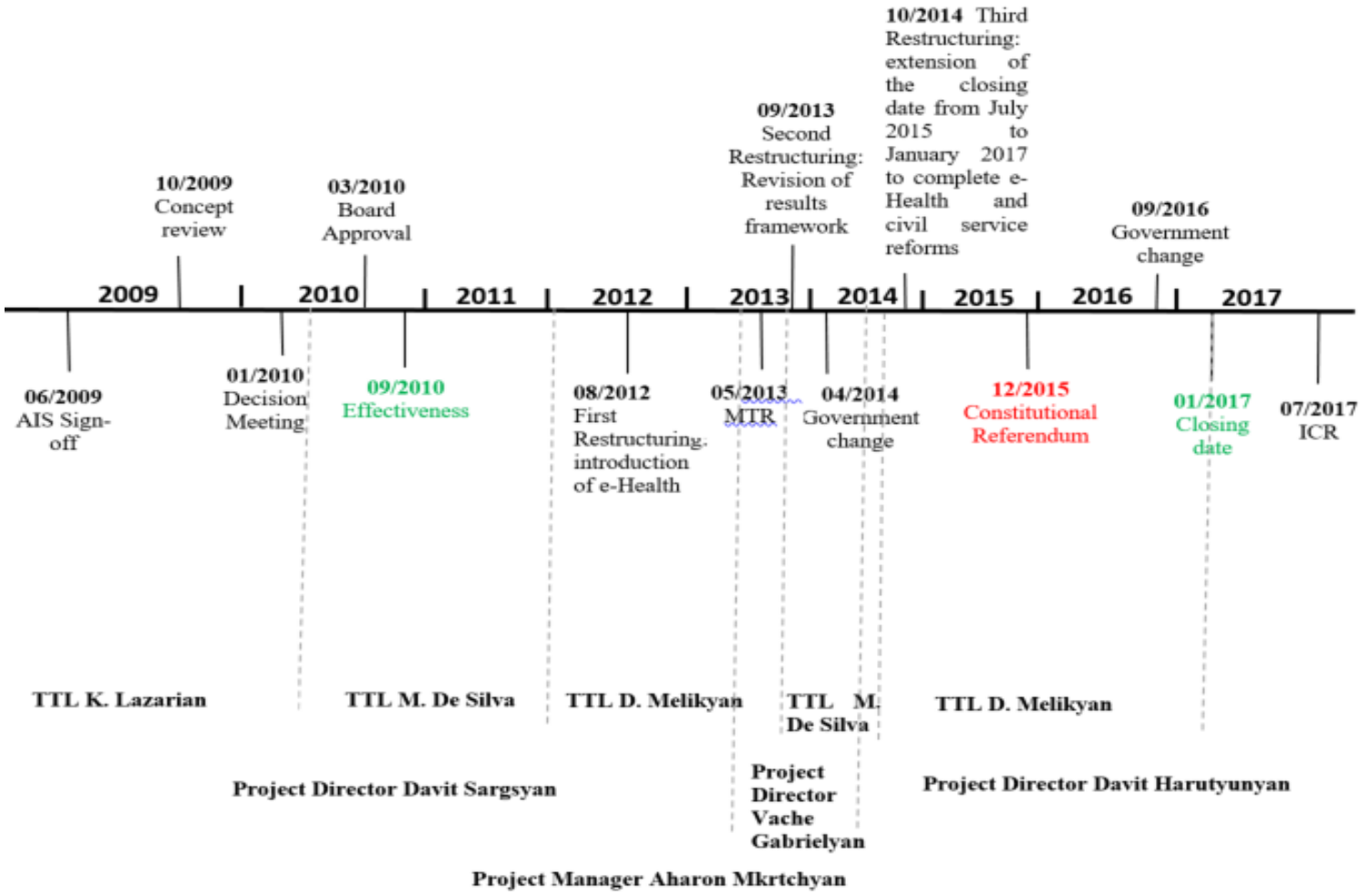
World Bank Documents

1. Project Appraisal Report—Second Public Sector Modernization Project, February 18, 2010
2. Loan Agreement— Second Public Sector Modernization Project
3. Implementation Supervision and Results Reports 2010-2017
4. Aide Memoires, and technical reports 2010-2017
5. Restructuring Papers 2012-2015
6. Country Partnership Strategy, May 12, 2009, Report Number: 48222-AM
7. Country Partnership Strategy, October 9, 2013, Report Number: 81647-AM
8. Implementation Completion and Results Report - Public Sector Modernization Project, October 26, 2011
9. ICR Review- Public Sector Modernization Project, December 3, 2012
10. Davit Melikyan, Performance Appraisal Beyond the Point of No Return, How E-Government Innovations Anchor Civil Service Reform in Armenia, unpublished note.

Government Documents

1. Armenia Development Strategy for 2014- 2025, March 27, 2014
2. Civil Service Reform Strategy, December 29, 2015
3. Principles of Interoperability, Government Decree #1093, August 31, 2015
4. State Data Base Requirements, Government Decree #192, February 16, 2017
5. Second Public Sector Modernization Project, Borrower ICR (Brief Report), April, 2017
6. Directives of Chief of Staff to pilot the SP methodology, December 29, 2016 and January 25, 2017
7. E-health roll out plan, May 2017, EKENG – e-Governance Infrastructure Implementation Office
8. Armenia: Strategic Planning and Budgeting, June 30, 2017
9. Armenia: Strengthening the Strategic Focus within Government Office, June 30, 2017
10. Methodology and Guidelines: Strategic Planning and Budgetary Programs in Armenia, June 30, 2017

Annex 10. Project timeline: Key events in the implementation



Annex11. Map of Armenia