

USAID/Armenia
Operational Plan

FY 2006

June 13, 2006

Please Note:

The attached RESULTS INFORMATION is from the FY 2006 Operational Plan and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Operational Plan is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

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Program Performance Summary FY 2005: I Democratic Reform Assistance

A. Country Situation:

During the past year, democratic reform in Armenia has continued to progress at an uneven pace. Overall, the political environment remains restrictive, particularly in light of last year's government crackdown against demonstrators and the recent, questionable passage of a referendum on new Constitutional amendments. Still, noticeable gains have been made on several fronts. Advances include a reinvigorated role for civil society in the political process; institutional changes within the National Assembly that foster greater transparency and greater capacity for engaging the public; and the judiciary's adoption of a mandatory code of conduct for judges. In addition, USAID assistance has been effective in strengthening the capacity of local government to track performance, manage assets and to become more responsive to citizens' demands, as well as in enhancing the professionalism and financial viability of Armenia's independent media outlets.

On the surface, the Government of Armenia has demonstrated tangible commitment to long-term institutional reform. However, the reality on the ground suggests that there still remains much progress to be made on the road to democracy. Political relationships between opposition parties and the ruling government can be characterized as less than cordial and, at times, hostile.

B. U.S. assistance Priorities:

Given the relatively stagnant political situation, USAID, in-line with USG priorities, remains focused on implementing both top-down and bottom-up programs aimed at supporting Armenia's transition towards a more transparent, accountable and democratic government. To that end, USAID has carried out a comprehensive program over the past year designed to expand civic participation on the one hand and strengthen governance on the other. Together with the Political Section of the Embassy, USAID/Armenia will lead the USG's comprehensive program to ensure free, fair, and competitive parliamentary and presidential elections in 2007 and 2008.

C. Program Performance:

The dual approach to democratic reform has been particularly effective in overcoming challenges imposed by a strong executive branch and relatively unresponsive and inefficient governing institutions. For example, USAID's Civic Advocacy Support Program established two Armenian intermediate service organizations to provide technical services and grants to local NGOs. The program played an instrumental role in coordinating the civil sector's response to a problematic draft Law on Lobbying. Additionally, a new community and youth activism project proved successful in implementing several small local advocacy and community projects. These projects were particularly effective in lobbying local government to improve access to potable water and institute regular trash collection.

Support for local government and decentralization included building the administrative capacity of twelve pilot municipalities. These cities were provided with new computer systems designed to better manage budgets and track performance on service provision. Selected municipalities also received training on developing mechanisms for increasing communication between community councils, local officials and citizens. Notice boards posted information on council meetings, public auctions, fee schedules and available employment while 'comment boxes' were made available for anonymous comments and complaints about local government. USAID's new local government follow-on project is now being rolled out to more than 20 additional cities around Armenia.

In conjunction with efforts to improve government and strengthen civil society, USAID has also committed to bolstering independent, self-sustaining media outlets. In FY 2005, an innovative program was launched to assist media outlets to utilize professional business practices, thus reducing their dependence on political and oligarch sponsorship. The program provides loans as well as technical assistance to develop the business management capacity of media. The program established a ratings system that will allow media outlets to develop audience-based programming. Results include the establishment of a new national television network that includes seven stations across the country with two additional stations expected to join the network sometime during 2006.

USAID assistance also targeted judicial and legal reform by strengthening the lawyers' and judges' associations in Armenia, helping them become more responsive to member needs, and enhancing the ability of the bar and judiciary to act as an independent and impartial participant in, and commentator on, the legal reform process. One of the program's significant accomplishments was the development and adoption of a mandatory code of ethics for judges.

II. Economic Reform Assistance

A. Country Situation:

Armenia's economy continues to perform strongly. Real GDP grew by approximately 10% in 2004 and in first half of 2005 (on an annualized basis). While the flexible exchange rate regime has served the country well, there is some concern that continued dram appreciation may undercut export performance. The construction industry registered strong performance, as did the mining sector. The agricultural sector also recorded good results in the summer of 2005. Strong and growing inflows, mostly in the form of remittances, was the main engine for growth, making it increasingly difficult for the country to attain sustainable levels of economic growth, since the GDP growth was not based on capital investment inflows or on export growth. The country continues to be import dependent, with the value of imports being almost double that of exports (\$715 million vs. \$1,351 million, in 2004.) In addition, precious stones and metals comprise approximately 46% of exports, employing about 12,000 people and paying no taxes. It should be noted that despite continued closing of the Turkish and Azerbaijani borders, economic performance was impressive, with the above mentioned double-digit growth, low inflation, declining poverty and growth in private sector credit. Armenia's current account deficit narrowed to 3.9 percent of GDP in 2005 compared to 4.6 percent in 2004.

B. U.S. assistance Priorities:

In the economic reform area, USAID technical assistance can be viewed as spurring reforms in using both top-down and bottom-up means and is focused on the banking sector, the SME sector, fiscal policy and administration, agribusiness, commercial law, strengthening the institutional capacity of select regulatory agencies, the securities market, the development of enterprise competitiveness, and the energy and water sectors.

C. Program Performance:

USAID support led to numerous economic successes this year. Among other things, USAID assistance contributed to more than \$17 million in increased sales of USAID-supported enterprises, and greatly improved the financial situation of SMEs. This was achieved despite the challenges posed by the dram's appreciation and the continuing negative effects of closed international borders with Turkey and Azerbaijan, such as significantly increase transportation costs. Progress was realized at the State Committee for Protection of Economic Competition, where a number of cases were brought and successfully resolved. On the energy side, USAID played a role in the development of Armenia's first long-term (2005-2025), comprehensive energy strategy, bringing all energy-related authorities to understand and commit to future joint actions. This strategy includes decommissioning of the nuclear power plant by 2016 and the commissioning of a new one by 2017-2025. USAID also completed heating rehabilitation of 20 elementary schools and trained 16 energy service companies in the installation of energy efficient and sustainable heating solutions at orphanages, welfare centers and hospitals.

III. Social Reform and Humanitarian Assistance

A. Country Situation:

Social reform activities have evolved considerably for the better since the 1990s. In the health sector, the GOAM Ministry of Health has pursued an ambitious primary healthcare (PHC) reform agenda designed to transform the country's vertical, overly specialized care system into integrated service delivery centers that rely on family medicine practitioners to diagnose and treat up to 80% of healthcare conditions. Reforms cover Open Enrollment (clients choose their provider), automated financial accounting systems, quality of care, training, anti-corruption, and patient education. Host country commitment to improved PHC is reflected in the increased proportion of state funds allocated to healthcare each year. Healthcare spending from the national budget was 8.2% in 2005 and is expected to increase by 21% in 2006. The proportion of the health budget allocated to PHC was 35% in 2005, with a planned increase to 37.5% in 2006. The GOAM Ministry of Labor and Social Issues has worked to reform outdated and nearly bankrupt social insurance programs refining, through better targeting and means testing, the Poverty Family Benefits and other social welfare programs. Pension reform efforts were accelerated as evidenced by the formation of a Presidential Working Group on Pension Reform and the elaboration of a pension reform concept paper that proposed the adoption of a multi-pillar pension system for Armenia. Actuarial estimations were conducted for different reform scenarios and the GOAM will begin discussing possible reform options in a public forum before the end of the year. A Labor Inspectorate was created to deal,

among other things, with occupational safety (a major problem in Armenia) and compliance and enforcement of payroll taxes. Several social reform related laws were drafted, including a law to facilitate greater involvement of NGOs in the provision of vital social services and a law protecting the rights of children and disabled persons living in state institutions. In general, given Armenia's very homogenous population (95% ethnic Armenian), the country is at low risk for social conflict or crisis. This assumes that the country's economic situation remains stable or improves. Armenia's public education system is struggling to reverse the trend of more than a decade of deterioration following the collapse of the Soviet Union. Assistance by the World Bank and other donors has resulted in policy reform, upgrades of some infrastructure and resources, and other targeted improvements. But the education sector still presents very significant challenges. Deterioration of physical infrastructure, inadequate teacher training and materials, low teacher salaries, and corruption are some of the issues that act as barriers to the quality and relevance of education at all levels, and to social and economic development in general.

B. U.S. assistance Priorities:

USAID's assistance employed a two-pronged strategy that addressed, on the one hand, longer-term systemic reforms in social programs and, on the other, urgent present-day humanitarian needs. Systemic reforms entailed substantial capacity building efforts (technical assistance, training and material support) and covered PHC, social insurance, social assistance, and employment services. Direct humanitarian assistance included the rehabilitation of select social infrastructure (schools, community centers), temporary job generation for the unemployed, soup kitchens for the indigent elderly, and support for orphans or abandoned children living in institutions. USAID is currently conducting a feasibility study to inform any future education sector programming in Armenia. The findings of the feasibility study are expected to be available by the beginning of the second quarter of 2006, and may result in a proposal to create a new strategic objective in education.

C. Program Performance:

USAID social sector activities exceeded all program targets for health and other social reform activities. The number of clients at PHC project sites increased, as did the number of participants completing PHC training and the number of clients benefiting from outreach services. The number of families receiving welfare benefits decreased, while the number of NGO-sponsored social assistance program beneficiaries increased. The percent of the total population that applied for a social security card also exceeded expectations with 100% of the population participating. Several social reform laws and decrees were drafted and were approved or are in the process of being approved by the proper authorities: National Healthcare Law, laws and decrees covering the Labor Inspectorate, volunteerism, pension reform, state benefits, social assistance, and social security.

Other programs of significance - Anti-corruption

A. Country situation:

Corruption is widespread in Armenia. However, the number of prosecuted corruption crimes remains low. In July 2004, a presidential decree formally established the Anti-Corruption Council and the Anti-Corruption Strategy Monitoring Commission. Neither the Council nor the Commission is active, and little progress has been made in reducing corruption.

B. U.S. Assistance Priorities:

USAID's anti-corruption strategy has focused on incorporating anti-corruption elements into all scopes of work for new activities in order to develop more transparent, accountable, and responsive government and private sector governance in Armenia. In addition to this cross-cutting approach, USAID/Armenia is now considering a new stand-alone anti-corruption activity designed to complement current and future sector-specific anti-corruption activities.

C. Program Performance:

Any improvements in Armenia's performance in fighting corruption contribute to general democratic reform indicators as captured in the section in Democratic Reform Assistance, above. USAID's cross-cutting anti-corruption activities are directly contributing to the reduction of opportunities for corruption in the commercial sector, public utilities, healthcare and government services at both the state and local

levels. A few of this year's many achievements in this area are the new Armenian Water Code and the Water-Use Permitting Guidance that establish open and transparent frameworks for managing the country's water resources; the adoption of a Code of Ethics, compliant with international standards, which USAID helped the Association of Judges of the Republic of Armenia to develop; and the implementation of a social security number system that is already contributing to a significant reduction in the number of illicit claims for social and health benefits.

FY 2006 Program

SO: 111-0130 Increased Employment in a Competitive Private Sector

Improve Economic Policy and the Business Environment

Improve Economic Policy and the Business Environment (\$4,640,620 FSA, \$2,666,785 FSA carryover). USAID is seeking to improve economic policy and make Armenia's business environment more business-friendly. For example, poor tax administration is hampering private business development as well as the Government's ability to raise revenue. USAID's Tax Improvement Project will assist Armenia's State Tax Service to improve its tax policies and administration. USAID will also improve the business environment by implementing improved bankruptcy laws, providing training to judges, and improving the transparency of courts. USAID will promote competition in the marketplace by building the capacity of the State Committee for the Protection of Economic Competition to properly interpret and enforce laws promoting competition. USAID will assist the Public Services Regulatory Commission (PSRC) as it establishes a telecommunications department and develops its telecommunications regulatory capacity. Funds will also be used to perform a diagnostic analysis of the customs service. Prime contractors: Booz Allen Hamilton and BearingPoint.

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness (\$1,962,741 FSA, \$289,100 FSA carryover). The only route to sustainable development in Armenia is through the development of its small but growing private sector. USAID will support the development and expansion of business by initially targeting two industry clusters (tourism and information technology) through a new competitiveness project. This assistance is expected to result in 2000 new jobs in the first year of the program. Several new Global Development Alliance (GDA) projects will be launched this year, mostly likely with information technology firms, where USAID will partner with private firms on workforce development. USAID's existing agribusiness development project will address barriers to trade, finance and productivity. USAID-supported projects will also provide business service support to micro and small-scale enterprises. Prime contractors: Development Alternatives, Inc., Nathan Associates Inc., SRA, Chemonics International, and to be determined (TBD).

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen the Financial Services Sector and Increase Access to Capital (\$4,896,639 FSA, \$98,900 FSA carryover, \$77,700 FSA prior year recoveries). A robust financial sector that is willing to lend is needed in Armenia to support business investment. The financial sector is not currently founded on risk-based lending, severely hampering business development. USAID aims to reverse this situation through a new financial sector deepening project as well as other financing initiatives. These projects will improve financial intermediation and access to capital by enhancing the banking and insurance sectors' capacity to serve private enterprises, fostering mortgage market development, and enhancing supervision of the financial sector. Transparent and sound financial reporting, accounting and auditing practices are core prerequisites for effectively functioning financial markets. As a result, USAID will launch a new program to improve accounting and auditing practices. In the area of capital markets, USAID will assist Armenian enterprises in issuing the country's first commercial paper and corporate bonds. USAID support to the Armenian Stock Exchange will help it to trade foreign currencies, thus helping it to become financially sustainable. USAID is targeting microenterprises through a joint effort with the European Bank for Reconstruction and Development (EBRD) that will assist banks in improving micro-lending practices. USAID will also support microfinance institutions as they provide financing to smaller businesses that do not qualify for conventional bank loans. The microfinance project will target the economically active poor and provide them with access to a wide range of products and services. USAID plans to use Development Credit Authority to provide additional liquidity into the financial system for business lending. Prime contractors: BankWorld and to be determined (TBD).

FY 2007 Program

SO: 111-0130 Increased Employment in a Competitive Private Sector

Improve Economic Policy and the Business Environment

Improve Economic Policy and the Business Environment (\$4,700,000 FSA). USAID's commercial and legal reform programs will shift their focus from concentrating on policy-level work with government counterparts to work with business associations, entrepreneurs, and other private sector representatives on the implementation of laws and regulations where businesses face the most serious problems. This shift in emphasis should help target assistance to address the most critical barriers faced by businesses. Last, USAID will continue to focus on improved tax administration. Prime contractor: BearingPoint and TBD.

Improve Private Sector Competitiveness

Improve Private Sector Competitiveness (\$3,200,000 FSA). USAID's competitiveness project will be expanded to include two to three additional industry clusters. Prime contractors: Development Alternatives, Inc., Chemonics, SRA, and Nathan Associates Inc.

Strengthen The Financial Services Sector & Increase Access to Capital

Strengthen the Financial Services Sector and Increase Access to Capital (\$483,000 FSA). USAID plans to continue support for financial sector deepening, accounting reform, and microfinance development in order to support enterprise development. USAID also may expand its focus to promote the development of municipal bonds, which will help Armenia to fund its infrastructure needs. Prime contractors: TBD.

FY 2006 Program

SO: 111-0150 Secure and Sustained Access to Energy and Water Resources

Expand & Improve Access To Economic & Social Infrastructure

Expand and Improve Access to Economic and Social Infrastructure (\$1,177,838 FSA, \$319,819 FSA carryover). USAID will support the energy service company industry to implement energy efficiency projects through direct technical assistance as well as through training and technical assistance for its member association. USAID will also finance the installation of 12 new energy efficiency systems at selected institutions. USAID will help private condominium associations to heat their buildings, in part by providing technical assistance to the association and also through promotion of private-sector financing of boilers and other energy solutions. USAID will rehabilitate heating systems in approximately 20 additional Armenian schools throughout the country. Prime contractor: Advanced Engineering Associates, Construction Engineering Services Company, LTD (CESCO), Energy and Industry Infrastructure Construction Group (EIICG), Haygyoughshinnakhagits, a local construction firm.

Improve Access To Clean Water & Sanitation

Improve Access to Clean Water and Sanitation (\$2,077,838 FSA, \$517,500 FSA carryover). USAID will launch a water supply and wastewater treatment project to increase the number of Armenians with 24 hour access to potable water and to improve wastewater treatment. This will be achieved by financing selected water infrastructure in three mid-sized municipalities (25,000-55,000 in population). The project will partner with other donors such as the World Bank. Meanwhile, training and technical assistance will concentrate on improving the transparency and accountability of water service providers and help bring tariff rates into line with service costs. Prime contractor: PA Consulting and to be determined (TBD).

Improve Economic Policy and the Business Environment

Improve Economic Policy and the Business Environment (\$1,527,838 FSA, \$1,817,500 FSA carryover). In order to improve the management and regulatory environment in energy and water, USAID will provide more than 20 training sessions and technical assistance to key water and energy regulatory institutions. USAID will support the Public Services Regulatory Commission (PSRC) to regulate the water and energy sectors through technical assistance. USAID will help the Government of Armenia (GOAM) to prepare for the 2016 closing of the outdated Metzamor nuclear plant by supporting the development of a least cost alternatives plan. Technical assistance will also be provided to the government on energy policies and standards. Prime contractor: PA Consulting Group.

Improve Sustainable Management Of Natural Resources & Biodiversity

Improve Sustainable Management of Natural Resources and Biodiversity (\$2,216,486 FSA, \$1,018,852 FSA carryover). USAID will improve the stewardship of water resources through the provision of training, technical assistance, and limited commodity support to water management institutions, public outreach advocacy groups, non-governmental organizations (NGOs), and other civic actors. This assistance will enable these groups to provide constructive input to policy makers. To support decentralization in water management and development of participatory basin planning, USAID will provide technical assistance and training to Basin Management Organizations and Basin Councils. Assistance will also be provided to develop water resources governance by improving water use permitting and fees. USAID's regional project with Georgia and Azerbaijan will raise scientific and analytical capacity to support proper monitoring of water resources, exchange information on water use, and assist with basin planning and permitting processes. Prime contractor: PA Consulting

FY 2007 Program

SO: 111-0150 Secure and Sustained Access to Energy and Water Resources

Expand & Improve Access To Economic & Social Infrastructure

Expand and Improve Access to Economic and Social Infrastructure (\$1,000,000 FSA). USAID plans to continue its new residential heating program, with the objective of rapidly increasing the installation of gas heating systems on a commercial basis. We anticipate large scale implementation of heating systems in 2007. The school heating program will finance the rehabilitation of the heating systems of 20 additional schools. Prime contractors: PA Consulting and Chemonics International Inc.

Improve Access To Clean Water & Sanitation

Improve Access to Clean Water and Sanitation (\$1,390,000 FSA). USAID plans to expand its effort to improve and extend water services by rehabilitating water supply systems, with the objective of providing 50,000 people with access to clean water. Contractor: TBD.

Improve Economic Policy and the Business Environment

Improve Economic Policy and the Business Environment (\$1,153,000 FSA). USAID plans to continue assistance to the Public Service Regulatory Commission to improve its ability to regulate the water, energy, and telecom sectors. Prime contractor: PA Consulting Group, and TBD.

Improve Sustainable Management Of Natural Resources & Biodiversity

Improve Sustainable Management of Natural Resources and Biodiversity (\$1,560,000 FSA). USAID's water resources management program will focus on implementation of the action plan for Armenia's National Water Program. The transboundary water management program will be continued. Contractor:

PA Consulting, and TBD.

FY 2006 Program

SO: 111-0210 Improved Democratic Governance

Establish & Ensure Media Freedom & Freedom Of Information

Establish and Ensure Media Freedom and Freedom of Information (\$1,615,000 FSA, \$201,258 FSA carryover). USAID will implement a television and radio ratings system and a media loan program with corresponding business management technical assistance for target media outlets. USAID will support curriculum reform in the journalism departments of Armenian universities. The prime partners are the International Research and Exchanges Board (IREX) and the International Center for Journalism (ICFJ).

Promote And Support Anti-Corruption Reforms

Promote and Support Anti-Corruption Reforms (\$4,500,000 FSA, \$432,300 FSA prior year recoveries). USAID will provide technical assistance and grants for anti-corruption activities initiated by civil society to mobilize popular will into action against corruption. USAID will also selectively support anti-corruption initiatives of government entities. Principal contractor: to be determined (TBD).

Promote and Support Credible Elections Processes

Promote and Support Credible Elections Processes (\$2,300,000 FSA, \$2,200,000 FSA carryover). To promote more free and fair national-level elections USAID will provide technical assistance and training in the following areas: voter registration, voter information, election administration, polling, political party building, strengthening political culture, and election monitoring. The principal partner is the Consortium for Elections and Political Process Support (CEPPS).

Strengthen Civil Society

Strengthen Civil Society (\$1,830,000 FSA, \$1,096,137 FSA carryover, \$200,000 FSA prior year recoveries). USAID will promote civic activism in Armenia by providing tailored technical assistance and core funding for a select group of advanced advocacy NGOs, along with unsolicited advocacy grants. USAID will assist in the development of intermediary service organizations that offer expertise, counseling, and training to NGOs. An increased focus on youth will be an integral part of USAID's democracy program. USAID will promote effective access to public information to support people's participation in addressing public issues. Principal partners include: Counterpart International, the Academy for Educational Development (AED), Civil Society Institute (CSI), Freedom of Information Center of Armenia (FOICA), and the Armenian Forests NGO.

Strengthen the Justice Sector

Strengthen the Justice Sector (\$450,000 FSA, \$1,600,000 FSA carryover). USAID will continue to provide technical assistance and training to the judiciary as it develops reforms to increase judicial independence and implements a Code of Ethics. USAID will continue to strengthen the organizational capacity of the new single Chamber of Advocates and assist the Chamber in drafting a new unified code of ethics for advocates. USAID also continues to develop legal clinics associated with universities. The principal partner is the American Bar Association Central and East European Law Initiative (ABA/CEELI).

Strengthen the Legislative Function/Legal Framework

Strengthen the Legislative Function/Legal Framework (\$679,000 FSA carryover, \$200,000 FSA prior year recoveries). USAID will continue strengthening the National Assembly (NA). Assistance will focus on increasing the representational and oversight roles of the NA and institutionalizing citizen input in the legislative process. The principal contractor is Development Associates, Inc. (prime)/ Development Alternatives, Inc. (sub).

Support Democratic Local Government & Decentralization

Strengthen Democratic Local Government and Decentralization (\$805,000 FSA, \$752,606 FSA carryover). Support for strengthening local governments will continue with an emphasis on a) policy reform, b) strengthening financial management systems, c) improving service delivery, d) improving local government public relations functions, and e) strengthening local councils. USAID will implement the program nationally. Principal contractor: Research Triangle Institute (RTI).

FY 2007 Program

SO: 111-0210 Improved Democratic Governance

Establish & Ensure Media Freedom & Freedom Of Information

Establish and Ensure Media Freedom and Freedom of Information (\$1,382,000 FSA). USAID will continue its media loan program and direct technical assistance to targeted independent media. USAID will also provide election-related training for journalists, editors, and media outlet managers. Same implementers as above.

Promote And Support Anti-Corruption Reforms

Promote and Support Anti-Corruption Reforms (\$1,824,000 FSA). USAID will continue to provide technical assistance and grants for anti-corruption activities initiated by civil society to mobilize popular will into action against corruption. USAID will also continue to selectively support anti-corruption initiatives of government entities. Principal contractor: TBD.

Promote and Support Credible Elections Processes

Promote and Support Credible Elections Processes (\$382,000 FSA). USAID will continue to provide election-related assistance as described above through the Presidential election in 2008. Same implementer as above.

Strengthen Civil Society

Strengthen Civil Society (\$2,038,321 FSA). USAID will continue a broad program of assistance to advocacy NGOs and support for youth activism and community involvement in public affairs as described above. USAID will continue to support public awareness campaigns, involving NGOs, media, and the private sector, that cover both the costs of corruption and the shared responsibility in combating it. Same implementers as above.

Strengthen the Justice Sector

Strengthen the Justice Sector (\$390,000 FSA). USAID will assist the judiciary to implement reforms achieved in 2006, and provide training in electoral adjudication for both judges and advocates. Additionally, USAID will continue to provide assistance to the Chamber of Advocates to strengthen its sustainability and its function as a disciplinary body for advocates. Same implementer as above.

Strengthen the Legislative Function/Legal Framework

Strengthen the Legislative Function/Legal Framework (\$1,082,000 FSA). USAID plans to continue legislative strengthening, particularly in the conduct of formal open hearings and improving committee staff skills to review, analyze, and offer commentary on Government legislative initiatives. Same implementers as above.

Support Democratic Local Government & Decentralization

Strengthen Democratic Local Government and Decentralization (\$1,284,679 FSA). USAID will continue human and institutional capacity building with local governments throughout the country. The implementing partner is the Research Triangle Institute.

FY 2006 Program

SO: 111-0310 Strengthened Humanitarian Responses to Crises

Expand & Improve Access To Economic & Social Infrastructure

(\$1,980,000 FSA, \$150,000 FSA Carryover, \$507,809 FSA prior year recoveries). USAID will address humanitarian needs by supporting housing and school repairs, primary health care, potable water/sanitation, and subsistence agriculture. With regard to shelter, work will focus on repairs to damaged houses identified through assessments.

In health, earlier NK programs focused on meeting the most urgent child survival and safe motherhood needs and priorities by repairing district maternity wards and village level health posts. The current program will provide needed additional repairs to central and regional hospital departments (e.g. emergency care and infectious diseases) and polyclinics, and provide training, basic equipment, and essential pharmaceuticals, with a continued focus on the most critical health needs, including child survival, primary health care, and post-war trauma. Training will continue to stress fundamental medical principles including hygiene and pre- and post-natal care. De-mining work, micro-finance lending, and business training will also continue. Implementers: Fund for Armenian Relief, Halo Trust, United Methodist Community on Relief (UMCOR).

FY 2007 Program

SO: 111-0310 Strengthened Humanitarian Responses to Crises

Expand & Improve Access To Economic & Social Infrastructure

(\$1,800,000 FSA). Renovation or strengthening of housing, upgrade of potable water and irrigation systems, and school repairs will remain the focus of the humanitarian assistance program in NK in 2007. Activities in support of the primary health care will focus on child survival, pre-natal and post-natal care, and emergency care, prevention of infectious diseases and provision of essential pharmaceuticals. In addition to rural health posts and polyclinics, central and regional hospital departments will be repaired and refurbished through the programs.

De-mining work will continue with a focus on the remaining 6-7 million sq. meters in need of clearance, as well as training.

FY 2006 Program

SO: 111-0320 Increased Utilization of Sustainable, High Quality Primary Health Care Services

Improve Maternal Health & Nutrition

Improve Maternal Health and Nutrition (\$2,670,000 FSA, \$702,717 FSA carryover, \$260,000 FSA prior year recoveries). USAID will continue to improve and expand nationwide prenatal and reproductive health

(RH) services at the rural level through health facility infrastructure improvements and community mobilization activities. USAID will scale up and expand family medicine (FM) clinical care models and trainings and conduct PHC GIS mapping as a basis of new site selection and facility renovation activities. Revolving health funds will replace revolving drug funds to cover health service costs, and new food security activities will replace nutrition subsidies. The Global Development Alliance (GDA) program with Armenian American Cultural Association (AACA) will continue to integrate PHC services with cancer screening/prevention (breast/cervical). Through mobile medical teams, key PHC services will continue to expand to hard-to-reach rural populations thus increasing access to basic medical services and pharmaceuticals. The GDA with Armenian EyeCare Center will expand outreach for screening of eye diseases and surgery for vision impairments. Principal contractors/grantees: Emerging Markets Group (EMG), AACA, World Vision (WV), and the Armenian Eyecare Project (AECP).

Strengthen Public Sector Executive Function

Strengthen Public Sector Executive Function (\$5,340,000 FSA, \$521,680 FSA prior year recoveries). USAID will publicize the final results of the 2005 Demographic and Health Survey through a series of roundtables and a national dissemination conference. Results will measure the health impact of reforms and guide the development of an evidence-based strategic platform for ongoing USAID and MOH activities. Through the new Primary Health Care Reform (PHCR) project, USAID will scale-up and extend national PHC policy reforms, build clinical service capabilities, increase equitable distribution of health resources, and foster health-seeking behaviors. The program will implement competency-based pre-service and in-service training programs, develop a unified family nursing curriculum, conduct professional development training for 170 nurses and 40 physicians, and create standards and treatment guidelines for PHC facilities, provider licensing, and accreditation. USAID, the World Bank, and the World Health Organization will continue providing technical assistance to a multisectoral National Health Accounts (NHA) working group to implement NHA and enhance healthcare financing. Ongoing technical assistance will broaden the national coverage of FM doctors and refine their scope of practice in providing RH and maternal/child health (MCH) services. Continued implementation of facility level quality improvement systems remain a priority for improved management and corruption abatement. A new 2-year USAID program will also focus on strengthening pharmaceutical management in PHC delivery. Principal contractors/grantees: EMG, Management Sciences for Health (MSH), and Macro.

FY 2007 Program

SO: 111-0320 Increased Utilization of Sustainable, High Quality Primary Health Care Services

Improve Maternal Health & Nutrition

Improve Maternal Health and Nutrition (\$2,860,000 FSA). Programs to expand high-quality RH/MCH and PHC services, including health facility infrastructure improvements in rural areas will continue. Expansion of women's cancer screening and integrated family-based PHC services will continue. Key PHC and ophthalmologic services will be maintained for vulnerable rural populations, including screening, diagnosis, and treatment through mobile medical outreach teams. Principal partners include EMG, WV, AECP, and AACA.

Strengthen Public Sector Executive Function

Strengthen Public Sector Executive Function (\$2,979,000 FSA). The nationwide expansion of rural RH/MCH and PHC reform projects will continue thus improving health system managerial, financial, and planning capacity to deliver high-quality accessible services. Activities to restructure PHC pharmaceutical management and implement data-driven policy will continue thus enhancing services. Implementation of NHAs will also continue, resulting in a strengthened policy and regulatory environment. Principal contractors/grantees: EMG, and MSH.

FY 2006 Program

SO: 111-0340 Improved Social Protection

Expand & Improve Access To Economic & Social Infrastructure

Expand and Improve Access to Social and Economic Infrastructure (\$800,000 FSA, \$3,325,370 FSA carryover). The popular and successful Community Self Help Grant program will continue in FY 2006. This program improves the socio-economic conditions of Armenian communities through infrastructure rehabilitation projects designed, proposed, co-financed, and co-implemented by beneficiary communities. The Support Program for the Elderly will continue to provide hot meals and social services to over 8,000 beneficiaries (one-third of Armenia's indigent elderly) and will pursue social partnerships with local and national authorities to address the needs of the elderly beyond the life of project. The Children in Especially Difficult Circumstances Global Development Alliance (GDA) will continue to improve the treatment of children in state institutions, assist schools to mainstream children with disabilities, and help communities and families to effectively deal with at-risk children through community center programs, roving social workers, and novel initiatives such as foster parenting. The Building and Rehabilitating Infrastructure for Development and Growth in Employment (BRIDGE) program will continue work with targeted local communities nationwide to identify priority rehabilitation work and train vulnerable unemployed community members in the skills needed to effectively complete this work under the guidance of BRIDGE experts.

The Targeted Humanitarian Assistance Program will end in FY 2006. The program improves the safety and living conditions of targeted vulnerable populations in specialized institutions such as orphanages and nursing homes. The Integrated Community Development GDA will be complete by the end of FY 2006. The program assists the Karakert community to improve standards of living by rehabilitating the town's social infrastructure including schools, health facilities, and irrigation works. USAID will evaluate the Karakert experience in FY 2006, setting the stage for possible replication of this small town development model, using the GDA mechanism, in other sites. Implementers: Save the Children, Mission Armenia, World Vision (GDA), Community Habitat and Finance (CHF), Fund for Armenian Relief, UNDP/Children of Armenia Fund (COAF) GDA.

Strengthen Public Sector Executive Function

Strengthen Public Sector Executive Function (\$5,200,000 FSA). The Social Protection Systems Strengthening (SPSS) Project will finance technical assistance, training, and equipment to support Government of Armenia (GOAM) efforts to refine and strengthen social insurance benefits targeting and means testing, while developing sustainable mechanisms, such as social contracting between public and private sector entities, for addressing the needs of vulnerable populations. To assist those who are able and willing to participate actively in Armenia's new market economy and to facilitate their transition to self-reliance and sustainability, SPSS will contribute to improved employment services and labor practices, and a streamlined and solvent pension program. Furthermore, by focusing on effecting systemic changes in these key GOAM social protection programs, SPSS will also advance USAID's anti-corruption goal by helping to develop more transparent, accountable, and responsive public institutions. SPSS will build on the accomplishments of the Armenia Social Transition Project (ASTP) that ended in October 2005. Implementer to be determined (TBD).

FY 2007 Program

SO: 111-0340 Improved Social Protection

Expand & Improve Access To Economic & Social Infrastructure

Expand and Improve Access to Social and Economic Infrastructure (\$2,174,000 FSA). The BRIDGE program and the Community Self-Help Program will continue to provide vocational training for community-led infrastructure rehabilitation projects. Mission Armenia will continue to provide hot meals and other basic social services to the elderly in Armenia, but will begin to move towards sustainability through social partnering with the state and local governments of Armenia. World Vision's Children in Especially Difficult

Circumstances program will continue to work to prevent child abandonment and institutionalization through such initiatives as foster parents, and to promote and facilitate mainstreaming of school-age children with disabilities through teacher training in special education and child psychology. Principal contractors/grantees: Save the Children, Community Habitat and Finance, Mission Armenia, UNDP, World Vision.

Strengthen Public Sector Executive Function

Strengthen Public Sector Executive Function (\$2,200,000 FSA). USAID's social portfolio will continue to support an optimum mix of macro-level social systems strengthening activities and direct micro-level community development assistance, with the majority of funding (at least 60%) allocated for systems strengthening interventions. The SPSS Project will be fully underway and significant technical assistance, training, and material support (including information technology) will be provided to the Ministry of Social and Labor Issues, its agencies, and other GOAM entities (e.g., State Social Insurance Fund [SSIF], Nork Center for Information and Technology) to reform and/or design and implement sustainable social insurance and social services programs; to support capacity building activities to improve labor practices and occupational safety within key Armenian industries; to improve the managerial, accounting, and administrative systems within the SSIF; and move the State Employment Services Agency to be more market-driven and aligned with private sector needs. Implementer TBD.

FY 2006 Program

SO: 111-0420 Cross-Cutting Programs

Program Support

Program Support (\$7,650,000 FSA, \$1,137,852 FSA carryover, \$200,000 FSA prior year recoveries).

Human and Institutional Capacity Development (HICD): USAID will continue its institutional and human capacity building efforts in support of USAID's strategic objectives. A full range of HICD services targeted at performance improvement will be designed and provided in cooperation with USAID partner institutions, which will include the implementation of training and non-training interventions throughout the USAID portfolio. Principal contractor: Academy for Educational Development (AED).

Community Connections Program: In addition to its HICD program, USAID will implement a Community Connections program. The broad public diplomacy goal of the Community Connections program is to contribute to economic and democratic reform and to promote mutual understanding through Armenians' exposure to U.S. society and personal connections with Americans. Through local community host organizations in the U.S., 70 men and women entrepreneurs, local government officials, legal professionals, non-governmental organizational leaders, and other Armenian professionals will be provided with a three-to-five week training program in the U.S. tailored to their professional or business interests. Contractor/grantee: World Learning (Prime) and Project Harmony.

Eurasia Foundation Grant Program: USAID will continue to support Eurasia Foundation's civil society program aimed at fostering civil dialogue among community based structures. Funding will be provided for the creation and further strengthening of a countrywide network of community resource centers. To support public administration and policy reform, inter-municipal networking and cooperation will be enhanced, which will promote the effective use of resources. Strengthening local media capacity will lead to better access to information in remote areas of Armenia. USAID will also be providing support to cross-border activities to enhance economic growth and stability by promoting open trade and transportation exchange in the region. Principal grantee: Eurasia Foundation.

Programmatic, logistical and administrative support, and other cross-cutting activities: Logistical and administrative support for the Mission's portfolio will be funded under this cross-cutting objective. This objective may also be used to fund activities to compliment, support, or review existing objectives such as cross-cutting studies, forums, assessments and evaluations.

FY 2007 Program
SO: 111-0420 Cross-Cutting Programs

Program Support

Program Support (\$5,576,000 FSA).

Human and Institutional Capacity Development (HICD) Program: USAID will continue to support this program with emphasis on human and institutional strengthening in support of its strategic objectives. A total of 30 institutions and 1200 men and women are expected to benefit from this program. Principal contractor: Academy for Educational Development (AED).

Community Connections Program: The Community Connections program will be continued to promote US Government broad public diplomacy goals through Armenians' exposure to U.S. society and personal connections with Americans. Through local community host organizations in the U.S., 100 men and women entrepreneurs, local government officials, legal professionals, non-governmental organizational leaders, and other professionals from Armenia will be provided with a three-to-five week training program in the U.S. tailored to their professional or business interests. Contractor: World Learning (Prime) and Project Harmony.

Eurasia Foundation Grant Program: USAID plans to continue assistance to Eurasia Foundation to support development of private sector and democracy and governance in Armenia. Principal grantee: Eurasia Foundation.

Programmatic, logistical and administrative support, and other cross-cutting activities. Logistical and administrative support for the Mission's portfolio will be funded under this cross-cutting objective. This objective may also be used to fund activities to complement, support, or review existing objectives, such as cross-cutting studies, forums, assessments and evaluations.

Results Framework

111-0130 Increased Employment in a Competitive Private Sector

Program Title: Increased Employment

- 1.3.1: Improved Business Environment
- 1.3.2: Growth of Micro, Small and Medium Sized Enterprises

111-0150 Secure and Sustained Access to Energy and Water Resources

Program Title: Energy and Water Sectors Reform

- 1.5.1: Improved Performance of Key Institutions for Sustainable Energy and Water Management
- 1.5.2: Improved Delivery of Heat and Water Supply
- 1.5.3: Increased Energy Security

111-0210 Improved Democratic Governance

Program Title: Democracy and Governance

- 2.1.1: Civic participation expanded
- 2.1.2: Targeted governance institutions strengthened

111-0310 Strengthened Humanitarian Responses to Crises

Program Title:

111-0320 Increased Utilization of Sustainable, High Quality Primary Health Care Services

Program Title: Primary Health Care

- 3.2.1: Strengthened Institutional Capacity to Implement Government of Armenia/Ministry of Health Primary Healthcare Reform
- 3.2.2: Improved Service Delivery in Priority Primary Healthcare Disciplines

111-0340 Improved Social Protection

Program Title: Social Protection

- 3.4.1: Improved Social Assistance Program for Targeted Populations
- 3.4.2: Reduced Need for Poverty Subsidies
- 3.4.3: Operationally Viable Social Insurance Programs

111-0420 Cross-Cutting Programs

Program Title: Cross-Cutting Programs