

Quarterly Report: October 1, 2006 – April 30, 2007
Armenia Social Protection Systems Strengthening Project
USAID SO 3.4
USAID Armenia 111-C-00-06-00067-00

AECOM International Development
December 16, 2008



USAID
FROM THE AMERICAN PEOPLE



USAID ARMENIA SOCIAL PROTECTION SYSTEMS
STRENGTHENING PROJECT
ԱՄՆ ՄԶԳ Հայաստան Սոցիալական պաշտպանության
համակարգերի հզորացման ծրագիր

Quarterly Report

October 1, 2006—April 30, 2007

Implemented by: The Services Group, Inc. (TSG)
Contract Number: 111-C-00-06-00067-00

10 May 2007

Submitted to: USAID/Armenia

Submitted by: The Services Group, Inc. (TSG)

This report was made possible with the support of the American People through the U.S. Agency for International Development. The contents of this report are the sole responsibility of TSG and do not necessarily reflect the views of USAID or the US Government.

TABLE OF CONTENTS

LIST OF APPENDIXES	4
ABBREVIATIONS	5
INTRODUCTION	6
QUARTERLY HIGHLIGHTS	7
1. COMPONENT ONE: SOCIAL INSURANCE	7
1.A Advise on the establishment of a multi-pillar pension system.....	8
1.B Provide ongoing modeling support and training in modeling to provide actuarial calculations to inform the reform.....	9
1.C Draft and facilitate discussion on pensions law regulations and other legal documents	9
1.D Advise on parametric reforms including incremental improvements in administration procedures and IT upgrades of reformed pension system	9
1.E Design business processes and IT specifications of reformed pension system.....	9
1.F Evaluate and improve PARNAS and SSC’s administration, and rollout PARNAS across the country	10
1.G Manage tender for IT system integrated with PARNAS and Tax Administration systems.....	10
1.H Harmonize social sector databases to meet international standards and improve security.....	10
1.I Improve actuarial education through training professors, curriculum enhancement, direct teaching, and integration of actuarial programs with public policy and finance programs.....	10
1.J Improve NSS household survey, focusing on content, survey design, interviewing procedures, quality control, data management, and analysis and reporting	10
1.K Advise on policy and institutional reforms for other social insurance programs	10
2. COMPONENT TWO: EMPLOYMENT SERVICES	10
2.A Develop Strategic National Employment Service Plan with key elements: outsourcing to NGOs training promising workers; rationalization of staffing; improved self-service; improved tracking of vacancies; locally based strategies	11
2.B Develop service triage method for prioritizing and sourcing ESA services according to the National Employment Service Strategic Plan	11
2.C Create institutional framework for strategic sourcing of ESA priority services.....	11
2.D Support continued restructure of ESA offices: move analytical work to central office, strengthen 11 Marze offices, strengthen others as basic-services offices	11
2.E Improve job-matching.....	11
2.F Upgrade ESA IT system, linking field offices to center and installing database software	12
2.G Improve employment training	12

2.H	Improve capacity to analyze labor market	12
3.	COMPONENT THREE: OCCUPATIONAL SAFETY AND LABOR CODE	12
3.A	Adopt needed amendments to Labor Code, and rules and regulations for labor rights	12
3.B	Adopt needed amendments to Labor Code, and rules and regulations for health and safety	12
3.C	Continue modernization of Labor Inspectorate	13
3.D	Amend Codes of Behavior of civil servants to increase sanctions for corrupt behavior and other safeguards	13
3.E	Introduce risk-based enforcement.....	13
3.F	Rationalize responsibilities for enforcing social contribution payment between Labor Inspectorate and Tax Administration, and support enforcement processes	13
4.	COMPONENT FOUR: SOCIAL ASSISTANCE	13
4.A	Strengthen social safety net programs	14
4.B	Assist in social contracting with non-state stakeholders.....	14
4.C	Promotion and support of social work as an academic discipline and career path.....	15
4.D	Assist in clarifying new regulations and legal rules underlying social safety net.....	15
4.E	Assist with operationalizing social safety net laws.....	15
5.	CROSSCUTTING ACTIVITIES	15
5.A	Information, Education, Communication (IEC) and Public Relations	15
5.B	Policy, regulatory, and legislative review, drafting and promotion.....	16
5.C	IT and administrative system design.....	16
5.D	IT and other commodity procurement	16
5.E	Anti-corruption initiatives.....	16
5.F	Gender.....	16
5.G	Monitoring and Evaluation	16
5.H	Sustainability Strategies.....	17
5.I	Grants Management	17

LIST OF APPENDIXES

No.	Name	Languages
1	Financial Information	English
2	Legislative Aspects of Pension Reform	English
3	Recent Lessons of World Pension Reform for Armenia	English and Armenian
4	List of Educational Documents Translated	English
5	List of Seminars	English
	<i>Seminar Materials prepared by SPSS staff and consultants</i>	
a	“Overview of Pension Reform Issues” David Snelbecker	English and Armenian
b	“Basic Demography and Labor Markets and Pension Modeling” Landis MacKellar	English and Armenian
c	“Types of Pension Systems” Table, Lena Zezulin	English and Armenian
d	“Poverty in Armenia” Karine Bouvry Boyakhchyan	English and Armenian
e	“Situational Analysis of Armenia’s Pension System” Gyulnara Hovhannesyan	English and Armenian
f	“Social Pensions” Lena Zezulin	English and Russian
6	Social Insurance Funds in International Perspective	English
7	International Experience in Promoting Employment and Social Partnership	English and Armenian
8	Training and Communication Activities	English
9	Overview of the US OSHA	English and Armenian
10	Analysis of Current Social Assistance Provision in Armenia	English
11	Legislative Framework of Social Contracting	English and Armenian
12	Concept of Social Contracting	English and Armenian
13	Mission Armenia NGO Presentation	English and Armenian
14	Current Practice and Challenges in Social Contracting	English
15	Budget Process – An Example of NGO-Media Collaboration	English

Note: the SPSS branding strategy and marking plan was approved April 16, 2007; materials prepared and presented before that date may therefore not fully adhere to the approved plan.

ABBREVIATIONS

AED	Academy for Educational Development
AUA	American University of Armenia
CASP	Civic Advocacy Support Program
CBA	Central Bank of Armenia
ESA	Employment Services Agency
GOAM	Government of Armenia
ICHD	International Center for Human Development
IEC	Information, Education, Communication and Public Relations
IT	IT and Administrative System Design
LI	Labor Inspectorate
MLSI	Ministry of Labor and Social Issues
MOF	Ministry of Finance
NGO	Non Governmental Organization
NLSRI	National Labor and Social Research Institute
PAYG	Pay-As-You-Go
PWG	Pension Working Group
SSIF	State Social Insurance Fund
TBD	To be determined

INTRODUCTION

The goals of the Social Protection Systems Strengthening Project (SPSS) are to improve the social protection systems in Armenia and, at the same time, increase opportunities for self-reliance and reduce citizens' dependence on public support to meet basic needs. To achieve this, SPSS is providing technical assistance and support for capacity-building, training, commodities, and public education to select public and private sector entities. SPSS activities fall under four components:

1. Social Insurance
2. Employment Services
3. Occupational Safety and Labor Code
4. Social Assistance

These components are supported by the following crosscutting activities: information, education, communication and public relations; policy, regulatory, and legislative drafting and promotion; IT and administrative design; IT and other commodity procurement; anti-corruption initiatives; gender; monitoring and evaluation (M&E); sustainability strategies; and grants management.

This report covers the first quarter of the project's activities, February, March and April 2007. (The period of October 2006 – January 2007, during which the Project had little activity due to a Stop Work Order, also is covered.) It is expected that the next quarterly report will cover only two months, May and June, so as to be in sync with the Project Fiscal Year, which ends in September.

Rapid start-up (twice). The contract start date was October 1, 2006. The TSG Start-Up Team arrived October 9, and the CoP, Amy Ramm, arrived October 18. A Stop Work Order was issued October 23, 2006 due to a protest launched by another firm, by which time TSG had registered in Armenia and had recruited and identified local staff for remaining professional and administrative positions not filled at the proposal stage. The Stop Work Order was canceled January 26, 2007, and Project activities immediately resumed, with our CoP and Start-Up team arriving back in-country on February 2. All six expatriate long-term advisors are being fielded during February-May. (Three of six long-term advisors originally proposed were replaced, for varying reasons including family emergencies and lack of availability due to start-up delays.)

The Start-Up quarter has been a busy time, in parallel procuring start-up items, moving into a permanent office (on 1 April), agreeing on a detailed work plan with counterparts, and launching project activities in all components and cross-cutting areas.

Counterpart relationship and initial activities. The Ministry of Labor and Social Issues (MLSI) is the counterpart for all four components for this project. The project has established a close working relationship with the MLSI. A framework agreement, incorporating the MLSI's work plan for this project, was adopted by the project and the MLSI after many collaborative iterations to develop it. A weekly working group, chaired by Deputy Minister Petrossian, is convened at the MLSI to provide ongoing review and support of the project. The project has also established relationships with all other affected agencies and working groups, including the CBA, the SSIF, the Pension Working Group, the National Labor and Social Research Institute, the Employment Services Administration and the Labor Inspectorate.

Financial Update. The Project will use fewer resources during Year 1 than originally anticipated, mostly due to the Stop Work Order for several months (the Project Year still will end in September, and was not changed to reflect the late start). To some extent, actual expenditures will begin to catch up to budget plans by compressing short-term assistance originally planned evenly across Year 1 into the latter months of Year 1. A budget modification request has been made, proposing to re-allocate some funds from Year 1 to Years 2 and 3, and suggesting other changes, including accommodating

USAID's request to increase the levels of local long-term staffing. Appendix 1 reports expenditures to date against the budget. The modification request gives further details on these financial issues.

Structure of the Quarterly Report. The following sections of this report discuss activities undertaken for the four project components in detail. **Each section follows the Year 1 Work Plan**, providing the status of each activity and sub-activity. Deliverables produced in the quarter are included in Appendices. The section immediately following presents highlights from the quarter in each component area.

QUARTERLY HIGHLIGHTS

General:

- Re-launching of Project February 1, 2007.
- Opening of permanent Project office on April 2, 2007.

Component One: Social Insurance

- Participation in the establishment of a Pension Working Group at Central Bank retreat.
- Launching of seminar series on pension reform on April 4, 2007 at the National Labor and Social Research Institute.
- Ongoing assistance to the activities of the Pension Working Group including development of materials for the concept paper on pension reform, modeling on pension reform options, translations, development of a website and other administrative support.

Component Two: Employment Services

- Presentation of International Experience in Promoting Employment and Social Partnership delivered during the "Social Partnership in Armenia" conference dedicated to ESA 15th anniversary, organized by AED.
- Creation of a validation panel to identify best practices previously piloted and to define system into which practices will be adopted.

Component Three: Occupational Safety and Labor Code

- Participation in the Conference of the International Association of Labor Inspection (IALI) in Toronto, April 18-20.
- Brief overview of the US Occupational Safety and Health Administration delivered to LI.
- Agreement secured on pursuing risk-based management with the Legal and Control Department, creation of norms for the Occupational Safety and Health Department, and improvement of statistical analysis in LI.

Component Four: Social Assistance

- Roundtable on social contracting conducted with MLSI and NGOs on April 11, 2007.
- A publication about the Social Contracting roundtable drafted.
- A report on "Current Social assistance Programs and Challenges in Armenia: 2007" delivered.

1. COMPONENT ONE: SOCIAL INSURANCE

Component one has taken significant speedy steps to assist the counterparts in adopting a pension reform program. The assistance has taken the form both of policy analysis and administrative support. The principal activities of this first quarter consisted of assistance to the newly established Pension Working Group (PWG) convened by the Government of Armenia (GOAM) in February 2007. The experts of this project were present at the initial meetings of the PWG in late February and have

provided ongoing support since that time. The PWG includes representatives of the MLSI, the State Social Insurance Fund (SSIF) and the CBA. The project has provided materials drafted for the PWG concept paper, initiated modeling demographic and economic parameters of pension reform, provided translations of research materials, supported the launching of a website and internal platform, and other administrative support.

1.A ADVISE ON THE ESTABLISHMENT OF A MULTI-PILLAR PENSION SYSTEM

1.A.1. Finalize design structure and parameters of pension reform.

- Two presentations (*Appendix 2 and 3*) were delivered to the PWG meeting in Tsakhkadzor on February 28 and March 1. These presentations proposed an approach to pension reform and identified the issues that need to be addressed in detail while drafting a pension reform concept paper and pension legislation.
- Parameters of pension reform were discussed with experts of the CBA, the MLSI, the NLSRI and the SIF through individual meetings. PWG was provided with official minutes of proceedings.
- Through translations of many international examples (*see Appendix 4 for the list of translated documents*), the PWG was provided with comparative materials on pension systems. This included papers on specific country reforms (Sweden, Estonia, and developing country social pensions) and the working materials of the PWG.

1.A.2. Write draft report with analysis and recommendations, including a concept paper.

An outline of the concept paper delivered to the Ministry of Finance for reviewing.

- As recommended by SPSS, three thematic sub-groups were appointed by the PWG to begin drafting portions of the concept paper: 1) the Distributive Component of the Pension System (Solidarity system), led by Artem Asatryan of NLSRI; 2) the Accumulative Components of the Pension System, led by Hayk Voskanyan (CBA); and 3) Management of the Multi-pillar Pension System, led by Karen Tamazyan (MOF). The second and third group leaders held a joint meeting with several experts on April 20 and in response to their request SPSS prepared draft materials on pension investment and custody for possible inclusion in a concept paper. The first thematic group has not yet met, as of the end of April.
- The materials provided offer critique of international experience, proposed concept organization and proposed institutional arrangements.

1.A.3. Organize a Study tour in cooperation with AED.

- SPSS provided technical assistance and oriented representatives of SIF and MLSI to issues related to pillar 0, at the International Social Security Association conference in Warsaw, Poland March 4-7.
- Technical assistance provided to AED in organizing a study tour to the International Federation of Pension Fund Administrators (FIAP) conference in Bulgaria, scheduled for May 31-June 1.
- A proposal developed for an additional study tour to four countries, which is still being further refined to meet the needs of the PWG.

1.A.6. Organize round tables, seminars and focus group discussions with participation of the PWG, relevant state bodies, NGOs, employers and media representatives.

- At the request of the PWG, the SPSS project organized a comprehensive series of weekly seminars on pension reform. Three seminars were conducted in April. The seminars begin with general political and economic overview, followed by discussions of zero, first, second and third pillars, with international experience described and with some discussion of Armenian data, and concluding with specific issues such as disability. The seminars have been attended by the PWG as well as by additional staff of the SSIF, the MLSI, the CBA and NLSRI interns. (*See Appendix 5 for the list of seminars and materials delivered*).

- Ms. Zezulin is leading the seminars. The head of the NLSRI lead one of the discussions. Short-term advisors such as Dr. Snelbecker and Dr. MacKellar have participated in the seminars, as have experts from other components of the project (Karine Bouvry Boyakhchyan on old age poverty) and experts working with other donors (Guillermo Larain on supervision of private pensions) and experts working for USAID Armenia (Volodymyr Yatsenko). Seminar discussions have been very active and have addressed options being considered by the PWG.

1.B PROVIDE ONGOING MODELING SUPPORT AND TRAINING IN MODELING TO PROVIDE ACTUARIAL CALCULATIONS TO INFORM THE REFORM

1.B.1. Develop model with the following capabilities: revenue and expenditure projections of PAYG, growth of capital and funded accounts, average pensions and replacement rates, outstanding pensions liability, generational accounting.

- Data sources, needs and technical requirements discussed with CBA and SSIF. Based on information gained at the meetings and data availability, a modelling approach was developed that would provide needed information on the pension system while (i) taking account of structural factors (urbanisation, the shift from agriculture and industry to services, and likely, changes in pension system participation/compliance), (ii) highlighting links between the pension system and other areas of interest to the project, such as disability, occupational health and safety, and active labour market policies.
- A rough, but functional demographic and labor market module was produced aimed at assessing pension reform parameters. Contributing to that, a modeling approach was developed, discussed with and commented upon by PWG at CBA and USAID debriefings.

1.B.3. Refine model and produce preliminary fiscal and actuarial calculations.

- Basic actuarial calculations were roughed out based on the preliminary model.

1.C DRAFT AND FACILITATE DISCUSSION ON PENSIONS LAW REGULATIONS AND OTHER LEGAL DOCUMENTS

1.C.1. Support legislative activities within the Government's PWG

- Permanent working contacts officially established with the existing PWG assuring SPSS experts' ongoing participation in PWG activities in the pension reform design process.
- All relevant laws, with translation, have been assembled, including the laws on State Pensions, on Mandatory Social Insurance Contributions, on Social Security Cards, and on Personal Data. The Government's May 2006 pension Reform Program has been reviewed. Draft laws on the SSIF and the new pension system have been reviewed, but detailed comments have not been deemed useful at this time. Rather, the SPSS effort is has been directed to creating materials for the PWG.
- Stakeholder discussion of underlying policy issues was stimulated through seminars, meetings and the development of a website.

1.D ADVISE ON PARAMETRIC REFORMS INCLUDING INCREMENTAL IMPROVEMENTS IN ADMINISTRATION PROCEDURES AND IT UPGRADES OF REFORMED PENSION SYSTEM

1.D.1. Assess current administration and business processes.

- Basic structure of business processes acquired and roles of different departments clarified.
- A note on pension administrations around the world, delivered: "Social Insurance Funds in International Perspective" (*Appendix 6*).

1.E DESIGN BUSINESS PROCESSES AND IT SPECIFICATIONS OF REFORMED PENSION SYSTEM

Scheduled Y2 M1.

1.F EVALUATE AND IMPROVE PARNAS AND SSC'S ADMINISTRATION, AND ROLLOUT PARNAS ACROSS THE COUNTRY

Scheduled Y1 M4.

1.G MANAGE TENDER FOR IT SYSTEM INTEGRATED WITH PARNAS AND TAX ADMINISTRATION SYSTEMS

Scheduled Y1 M6.

1.H HARMONIZE SOCIAL SECTOR DATABASES TO MEET INTERNATIONAL STANDARDS AND IMPROVE SECURITY

Scheduled Y1 M6.

1.I IMPROVE ACTUARIAL EDUCATION THROUGH TRAINING PROFESSORS, CURRICULUM ENHANCEMENT, DIRECT TEACHING, AND INTEGRATION OF ACTUARIAL PROGRAMS WITH PUBLIC POLICY AND FINANCE PROGRAMS

1.I.1. Review current actuarial education

- Research was begun to obtain information concerning the existing actuarial training program at Yerevan State University, as well as to review the feasibility of an actuarial finance course as part of the Business School curriculum at the American University of Armenia. Actuarial science is usually offered either as part of an Applied Mathematics Department (as at Yerevan State) or as part of a business school curriculum (for example, Wharton).
- The state of actuarial profession in Armenia was researched: utilization qualifications, demand/supply projections.

1.J IMPROVE NSS HOUSEHOLD SURVEY, FOCUSING ON CONTENT, SURVEY DESIGN, INTERVIEWING PROCEDURES, QUALITY CONTROL, DATA MANAGEMENT, AND ANALYSIS AND REPORTING

Scheduled Y2 M1.

1.K ADVISE ON POLICY AND INSTITUTIONAL REFORMS FOR OTHER SOCIAL INSURANCE PROGRAMS

Scheduled Y1 M6.

2. COMPONENT TWO: EMPLOYMENT SERVICES

The component two team is working to strengthen employment programs, including supporting the development of a National Employment Service Strategic Plan that is consistent with EU standards and the Armenia-International Labor Organization (ILO) 2007-2011 Strategy and incorporates ESA's best practices. The Strategic Plan will guide the targeting of services to vulnerable populations, assuring quality services for all job seekers, and innovative job creation in vulnerable communities. This will be done through strategies to develop capacities in all state employment centers, and build the management and program resource capacity of Marze centers. Opportunities to diversify service delivery mechanisms will be cultivated. Adjustments will be made to the body of laws and regulations affecting employment as needed. Labor market participation will expand through public outreach campaigns that inform Armenia of new and improved employment services. Labor market research capacity will be improved and improved labor market information made more widely available. IT capacity will be improved to support new service and labor market research demands.

These activities are in initial stages in the first Project quarter. The originally proposed component two team leader was mobilized to Armenia in February. However, because of family medical issues, he was compelled to return home soon after his arrival and subsequently resigned from the project. A replacement team leader was identified shortly afterwards and has been approved by USAID and will arrive in Armenia in mid-May. The component is currently managed by two local staff members.

2.A DEVELOP STRATEGIC NATIONAL EMPLOYMENT SERVICE PLAN WITH KEY ELEMENTS: OUTSOURCING TO NGOS TRAINING PROMISING WORKERS; RATIONALIZATION OF STAFFING; IMPROVED SELF-SERVICE; IMPROVED TRACKING OF VACANCIES; LOCALLY BASED STRATEGIES

Scheduled Y1 M4.

2.B DEVELOP SERVICE TRIAGE METHOD FOR PRIORITIZING AND SOURCING ESA SERVICES ACCORDING TO THE NATIONAL EMPLOYMENT SERVICE STRATEGIC PLAN

2.B.1. Create a validation panel to identify best practices previously piloted and define system into which practices will be adopted.

- Candidates short-listed to form a validation panel group.
- Initial list of respective international projects, as sources of best practices, drafted and shared with MLSI and ESA for revision and additions if needed.
- A presentation on International Experience in Promoting Employment and Social Partnership (*Appendix 7*) delivered to the round table dedicated to ESA 15th anniversary, organized by AED (*see Appendix 8 paragraph 4 for details*).

2.B.2. Define instruments and protocols required to implement a process of sorting and service delivery through involvement of stakeholder groups.

- Initial list of potential stakeholders drafted.
- Examples, based on EU practice, assembled.

2.C CREATE INSTITUTIONAL FRAMEWORK FOR STRATEGIC SOURCING OF ESA PRIORITY SERVICES

In preparatory stage

2.D SUPPORT CONTINUED RESTRUCTURE OF ESA OFFICES: MOVE ANALYTICAL WORK TO CENTRAL OFFICE, STRENGTHEN 11 MARZE OFFICES, STRENGTHEN OTHERS AS BASIC-SERVICES OFFICES

Scheduled Y1 M6

2.E IMPROVE JOB-MATCHING

2.E.1. Assessment of job-matching system: Evaluate how employers submit job vacancies and how job seekers find them.

- Research tools prepared.
- SPSS staff for survey trained.

2.E.2. Assess how stakeholders group would be received. Form stakeholders group or change approach based on reception.

- Initial list of potential public and private-sector stakeholders drafted.

2.F UPGRADE ESA IT SYSTEM, LINKING FIELD OFFICES TO CENTER AND INSTALLING DATABASE SOFTWARE

Scheduled Y1 M5

2.G IMPROVE EMPLOYMENT TRAINING

In preparatory stage

2.H IMPROVE CAPACITY TO ANALYZE LABOR MARKET

2.H.2. Analyze rural labor market.

- A rural labor market study initiated, and agreement with ESA achieved on cooperation.

3. COMPONENT THREE: OCCUPATIONAL SAFETY AND LABOR CODE

The component three team aims to coordinate at the Ministry level to reinforce and harmonize Armenia's achievement of its ILO Strategy for 2007-2011. The team is starting to work together with LI to expand the LI's impact and more effectively to carry out its implementation mission. This will include refining the necessary laws, regulations, management structures, and providing the staff training required in an expanding inspectorate. Approaches that maximize the use of scarce government resources will be examined. Other program cooperation will occur according to the needs of MLSI and LI to upgrade its information management and technology capacity and to generate increasingly favorable public opinion.

The component three team leader included in the proposal committed to another position while the stop work order was in effect. A replacement candidate, Chris Hartwell, was identified and completed a short-term assignment in March. Upon the successful completion of his assignment, we requested and received approval for him to assume the component three team leader position, and he will take up residence in Armenia in mid-May. The component is currently managed day-to-day by the local Labor Expert.

The project was represented at the Conference of the International Association of Labor Inspection (IALI) in Toronto, Canada, from April 18-20, 2007 by consultant Elana Hopping. In addition to attending conference sessions, Ms. Hopping met with various labor inspection experts and government officials to discuss SPSS project activities and areas for collaboration.

3.A ADOPT NEEDED AMENDMENTS TO LABOR CODE, AND RULES AND REGULATIONS FOR LABOR RIGHTS

Scheduled Y1 M6

3.B ADOPT NEEDED AMENDMENTS TO LABOR CODE, AND RULES AND REGULATIONS FOR HEALTH AND SAFETY

3.B.4. Stimulate tripartite public discussion of Workplace Safety Issues.

- Current issues and concerns, related to promoting open discussion and constructive dialogue between LI and other parties, discussed and reviewed through meetings held with LI and Confederation of Trade Unions.
- Seminars taught by project attorney Arsen Manukyan at the NLSRI on the Labor Code (March 27 and 28, April 19 and 26, 2007). These seminars provide information to regional government employees in the area of employment services, child and maternity protection issues, and others, on all aspects of the Labor Code.

- Cooperation established with AED for organization of a round-table on Workplace Safety Issues. The roundtable is planned to take place June-July 2007 (*see Appendix 8 paragraph 7 for details*).

3.C CONTINUE MODERNIZATION OF LABOR INSPECTORATE

3.C.1. Undertake needs assessment of Labor Inspectorate.

- Four working meetings held with LI staff, contributing to clarifying SPSS/LI collaboration framework and work plan outline, as well as the LI needs assessment
- A brief overview of the US Occupational Safety and Health Administration delivered to LI (*Appendix 9*).
- An initial report outlining LI improvement needs, potential risks and recommendations drafted.

3.C.9. Analysis of Armenia's status with regard to international conventions for labor classification including recommendations for next steps.

- Discussion held with the MLSI about employment classification/minimum wage scheme included in Ministry work plan.

3.D AMEND CODES OF BEHAVIOR OF CIVIL SERVANTS TO INCREASE SANCTIONS FOR CORRUPT BEHAVIOR AND OTHER SAFEGUARDS

Scheduled Y2 M3

3.E INTRODUCE RISK-BASED ENFORCEMENT

3.B.1. Adopt and implement action plan, informed by the assessment, that: rationalizes staffing and adopts principles of "risk-based enforcement", introduces transparent and accountable management systems, links incentives to performance, provides checks and balances, strengthens supervision.

- Agreement secured on pursuing risk-based management with the Legal and Control Department, creation of norms for the Occupational Safety and Health Department, and improvement of statistical analysis.

3.B.2. Collect and analyze data on firms and industries, and create data bank. Improve capacity to collect and analyze data as well as maintain data bank.

- Agreement reached with Legal and Control Department on the desirability of risk-based enforcement aimed at setting up framework for local staff to initiate data collection on firms and industries for implementing risk-based enforcement in the LI.

3.F RATIONALIZE RESPONSIBILITIES FOR ENFORCING SOCIAL CONTRIBUTION PAYMENT BETWEEN LABOR INSPECTORATE AND TAX ADMINISTRATION, AND SUPPORT ENFORCEMENT PROCESSES

3.F.1. Conduct assessment of current system.

- Current roles, responsibilities and mandates of the LI and Tax Administration for enforcing social contribution payments, reviewed and roles clarified: Tax Administration has sole responsibility for enforcing social contributions; LI has responsibility for wages and minimum wage enforcement.

4. COMPONENT FOUR: SOCIAL ASSISTANCE

Component Four has made significant progress in the first quarter. The team leader, Karine Boyakhchyan, arrived in Armenia in early February and immediately began implementing project

activities. The first step was analysis and discussion of general strategy with the three relevant MLSI departments: Social assistance, Disability and Elderly Issues, and Family, Women and Children’s Issues. The principal achievement of this quarter is starting a dialogue between the GOAM and NGOs on social contracting. The project has provided materials defining social contracting and tendering procedures and analyzed current legal issues related to social contracting. Project experts met with the Ministry of Justice and other relevant officials to clarify legislative issues and to explore approaches for addressing legislative inconsistencies. The project also made preliminary recommendations on improving targeting efficiency.

4.A STRENGTHEN SOCIAL SAFETY NET PROGRAMS

4.A.1. Advise on social safety net policy. Elaborate strategy on social assistance. Clarify state responsibility in provision of social assistance.

- SPSS Work Plan for component 4 finalized with counterparts as a part of the MOU with MLSI.
 - Suggestions of counterparts acquired and discussed, and scope of main activities outlined.
 - Deliverables and results by sub-components revised with key counterparts.
- A study on current needs of MLSI in Social assistance policy development done through several meetings in particular with MLSI Heads of Departments of Social assistance, Family, Women and Children issues, Disability and Elderly Issues.
- A report on situational analysis of current social assistance provision in Armenia with recommendations on increasing its efficiency, delivered (*Appendix 10*).

4.B ASSIST IN SOCIAL CONTRACTING WITH NON-STATE STAKEHOLDERS

4.B.1. Provide a legal foundation to increase participation by NGOs and other service providers in social service provision.

- A study was done on current social contracting practice in Social services provision through meetings with interested parties: NGOs (Mission Armenia, NGO-center, “FAR”, “Astghik”, “Warm Hearths”, “Professionals for Civil Society”, “Public Dialog and Development “), GOAM, Donor International organizations (DFID “Public sector reforms program”, Ombudsman, UNDP, UNICEF, UNFPA, Counterpart, French-Armenian Foundation, etc). – 4.B.1/WP
 - In the course of meetings and discussions the following problems of the field were revealed:
 - Imperfection and possible ambiguity of existing legislation
 - Absence of subcontracting mechanisms,
 - Absence of cooperative dialog between GOAM and NGOs
 - Weakness of NGOs participatory capacity.
- A roundtable discussion on “Current Practice and Challenges in Social Contracting between the Government and NGOs” was organized to establish dialogue between all interested parties (*see Appendix 8 paragraph 5 for details*):
 - importance of NGO Participation in social service provision based on contract with GOAM was addressed and discussed
 - definition of Social contracting and tender procedure presented
 - barriers to NGO involvement in the tendering process with GOAM was discussed
 - Presentations addressing aforementioned issues were delivered (*Appendices 11, 12, and 13*)
 - A publication about the roundtable was drafted (*Appendix 14*), covering speeches, presentations, summary of discussion and other materials (*see Appendix 8 paragraph 6 for details*). A distribution list has been discussed with MLSI.
 - Follow up meetings were held with:
 - Deputy Minister Anatoly Matevosyan of the Ministry of Justice

- Ministry of Finance procurement staff
- Legal Advisor to the MLSI
- NGO representatives

The purpose of these meetings was to obtain clarification of the ambiguities in existing legislation. A legal strategy has been developed and proposed to the MLSI for consideration.

4.C PROMOTION AND SUPPORT OF SOCIAL WORK AS AN ACADEMIC DISCIPLINE AND CAREER PATH

4.C.1. Establish the professional status of the "Social Worker."

- A study done on social work regulations and functions through meetings and discussions with counterparts.
- A study done on social work higher education curriculum through meetings with MLSI, DFID "Public sector reforms program", and Professor of Social Work at the YSU Social Work and Social technology Department, attended Conference on Social Work, organized by YSU and MLSI.
- Elaboration of professional multilevel standards for training programs discussed with counterparts.
- Training needs of social working in community level discussed with counterparts.

4.D ASSIST IN CLARIFYING NEW REGULATIONS AND LEGAL RULES UNDERLYING SOCIAL SAFETY NET

4.D.1. Improve existing legal and regulatory basis for promoting social contracting with non-state social service providers.

- A study done on main laws on Social assistance and Social Safety Nets,
- All relevant laws and regulations in current legislation framework in social subcontracting studied and areas for possible improvements outlined.

4.E ASSIST WITH OPERATIONALIZING SOCIAL SAFETY NET LAWS

4.E.1. Improve existing legal and regulatory basis for promoting social contracting with non-state social service providers.

- A study done on social assistance field legislation of RA.

5. CROSSCUTTING ACTIVITIES

The crosscutting component underwent some staffing configuration changes at the start of the project in February. It was agreed with the CTO that the position of Deputy Chief of Party would be tabled for now with the expectation that a local staff member may fill the position in a later year of the project. During the stop-work period, it became necessary to replace the expatriate IT Expert and a replacement candidate has since been approved by USAID and will take up residence in Armenia in late-May. Additionally, the local public outreach specialist became available earlier than originally expected as her previous project ended earlier than expected and she has been working with SPSS full-time since April.

5.A INFORMATION, EDUCATION, COMMUNICATION (IEC) AND PUBLIC RELATIONS

5.A.1.4. Create events such as press releases, round tables, forums, surveys, publications, etc. to disseminate information

- A Branding & Marking Plan of the SPSS set up, and key contacts and communications with counterparts and international organizations established. A press conference on official launch of the project organized (*see Appendix 8 paragraphs 1-3 for details*)

5.A.2 Component 1 – IEC: Implement ongoing stakeholder involvement and public outreach activities to promote ownership and awareness of pension reforms

5.A.2.6 Design and provide initial technical support to PWG website.

- The design of a web page for PWG initiated, which will include translations of exemplary overall policy papers of countries with best international practices.

5.B POLICY, REGULATORY, AND LEGISLATIVE REVIEW, DRAFTING AND PROMOTION

- Project experts met with officials of regulatory bodies and reviewed relevant regulations. This includes Labor Inspectorate regulations, social assistance system analysis of laws, and reports on the existing situation. Project experts gained an understanding of the strengths and weaknesses of the social assistance systems and the challenges that lie ahead.
- SPSS Legal Specialist Arsen Manukyan has analyzed various policies jointly with other SPSS experts, specifically in the area of social contracting, e.g. Law on Social Assistance, Law on Social Benefits, Law on NGOs and Civil Service Code, etc. Mr. Manukyan has worked with the Legal Department of the Ministry of Labor and Social Issues, initiating joint discussion on laws and regulations and the need to develop new legal approaches.

5.C IT AND ADMINISTRATIVE SYSTEM DESIGN

In preparatory stage

5.D IT AND OTHER COMMODITY PROCUREMENT

In preparatory stage

5.E ANTI-CORRUPTION INITIATIVES

- Anti-corruption has been an underlying concept of all discussions between the project and counterparts and in all project activities (meetings, studies, events).
- The roundtable discussion on “Current Practice and Challenges in Social Contracting between the Government and NGOs” (*see Appendix 14*) included a session on the tender process, which involved discussion of specific tender process steps to provide transparency and objectivity to the system in Armenia. In addition, MLSI counterparts took ownership and specifically highlighted the importance of introducing mechanisms to provide for transparency and objectivity in this field in the invitation letter signed by the Deputy Minister and other documents.
- In considering different models for a multi-pillar pension system, the PWG is concerned about creating a transparent process that will not allow corruption to divert pension assets to inappropriate purposes.

5.F GENDER

- The recruitment and selection steps for organizing the roundtable discussion on “Current Practice and Challenges in Social Contracting between the Government and NGOs” involved gender targets. There were 22 women and 13 men attending the roundtable.
- The PWG seminars have had 104 persons attending, of whom 57 were men and 47 were women. The seminar schedule includes eleven presenters, four of whom are women and seven of whom are men.
- The COP and three of four component team leaders are women.

5.G MONITORING AND EVALUATION

- SPSS staff was provided with basic M&E orientation and training by Leo Surla, SPSS M&E expat technical advisor.

- A detailed M&E framework was developed in participation with SPSS respective component staffs: the framework involves output indicators and millstone targets for the 1st year of the project.

5.H SUSTAINABILITY STRATEGIES

- A presentation on “Budget Process – an example of NGO-media collaboration for the public good” (*see Appendix 15*) was delivered at the USAID CASP Conference on the Role of NGOs in the Public Policy Process held at AUA in April 13-15, 2007 (*see Appendix 8 paragraph 8 for details*).

5.I GRANTS MANAGEMENT

In preparatory stage