

Armenia SPSS Final Report
Armenia Social Protection Systems Strengthening Project
USAID SO 3.4
USAID Armenia 111-C-00-06-00067-00

AECOM International Development
December 2009





USAID
FROM THE AMERICAN PEOPLE

ARMENIA

SOCIAL PROTECTION SYSTEMS STRENGTHENING (SPSS) PROJECT

FINAL REPORT

December 2009

This publication was produced for review by the United States Agency for International Development. It was prepared by AECOM International Development.

SOCIAL PROTECTION SYSTEMS STRENGTHENING (SPSS) PROJECT

FINAL REPORT

Submitted to:

USAID Armenia

Prepared by:

AECOM International Development

DISCLAIMER:

The authors' views expressed in this document do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

TABLE OF CONTENTS

List of Acronymms.....	1
Executive Summary	3
1. Introduction:	8
1.1 SPSS Project Overview	9
1.2 Background	10
1.3 Social Protection.....	12
1.4 Program Elements	13
1.4.1 Program Element 1: Policies, Regulations, and Systems	13
1.4.2 Program Element 2: Social Services	13
1.4.3 Program Element 3: Social Assistance.....	14
1.5 Structure of Final Report	14
2. Social Insurance:.....	15
2.1 Summary of the Armenian Pension System	15
2.1.1 Pension Programs	15
2.1.2 Pension Financing	20
2.2 Policy and Capacity Gaps.....	22
2.2.1 USAID Assistance to Pension Reform Prior to the SPSS Project.....	22
2.2.2 Launch of the SPSS Project to Address Gaps	22
2.3 Policy SPSS Support to the Policy Reform Process.....	23
2.3.1 USAID Capacity Building: Pension Reform Seminars and Study Tours	23
2.3.2 Pension Reform Analysis	25
2.3.3 Modeling and Pension System Finance.....	26
2.3.4 The Government of Armenia’s Adoption of Pension Policy Reform	30
2.3.5 SPSS Support to the Policy Implementation Process	33
2.3.6 Policy Analysis of Other Social Insurance Programs.....	41
2.3.7 End of Project Status of the Pension Reform	42
2.3.8 Sustainability	42
2.3.9 Next Steps	42
3. Employment Services:	45
3.1 Employment Service Reforms in Armenia.....	45
3.2 Armenia’s Policy and Capacity Gaps.....	46
3.3 SPSS Support to Employment Service Reform.....	46
3.3.1 Labor Market Analysis.....	49
3.3.2 Model Office Services.....	51
3.3.3 Active Labor Measure Capacity Building	52
3.3.4 Performance Management.....	54
3.3.5 Strategic Planning	54
3.3.6 Information System Enhancement	55
3.3.7 Outsourcing	55
3.4 End of Project Status of Employment Services.....	56

3.4.1	Sustainability	57
3.4.2	Next Steps	58
4.	Occupational Safety and Labor Protection:.....	59
4.1	Overview of Armenia’s State Labor Inspectorate	59
4.1.1	State Labor Inspectorate: Competencies	60
4.1.2	State Labor Inspectorate: Structure and Capabilities	60
4.2	Policy and Capacity Gaps.....	62
4.2.1	Labor Code	62
4.3	SPSS Support to Occupational Safety and Labor Protection	63
4.3.1	Norms and Legislation	63
4.3.2	Strategic Planning	64
4.3.3	Exposure to International Standards.....	65
4.3.4	IT Support	65
4.3.5	Introduction of Risk-Based Enforcement.....	65
4.3.6	Strengthening Tripartite Dialogue.....	66
4.4	End of Project Status of Occupational Safety and Labor Protection.....	66
4.4.1	Sustainability	67
4.4.2	Next Steps	67
5.	Social Assistance for Vulnerable Populations:.....	70
5.1	Social Safety Net in Armenia	70
5.2	Policy and Capacity Gaps.....	71
5.3	SPSS Support to Social Safety Net Strengthening	72
5.3.1	Policy Analysis and Planning Capacity Building.....	72
5.3.2	Social Contracting with Non-State Stakeholders	75
5.3.3	Professionalization of Social Work	79
5.3.4	Improved Services for Vulnerable Populations.....	80
5.4	End of Project Status of Social Assistance to Vulnerable Groups	81
5.4.1	Sustainability	81
5.4.2	Next Steps	82
6.	Information Management:.....	83
6.1	Social Sector Information Management.....	83
6.2	Information Policy and Capacity Gaps.....	84
6.3	SPSS Support to Information Systems Enhancement	84
6.3.1	Document Flow System for the MLSI	85
6.3.2	Information System for Registration of People with Disabilities.....	85
6.3.3	Upgrade of SESA IT system	85
6.3.4	Design of Management Information System for State Labor Inspectorate	85
6.3.5	Other Activities	86
6.3.6	Exposure to International Best Practices.....	87
6.4	End of Project Status of Information Systems	88
6.4.1	Sustainability	88
6.4.2	Next Steps	89

Annex 1. USAID Social Protection System Strengthening (SPSS) Project Key Accomplishments	90
Annex 2. Pension Concepts.....	95
Annex 3. Host Country and International Donor Contact Information	99
Annex 4. Work Plan and Performance Monitoring Plan.....	109

LIST OF ACRONYMS

AmCham	American Chamber of Commerce
ArmCham	Armenian Chamber of Commerce
AMD	Armenian Dram
AUA	American University of Armenia
CBA	Central Bank of Armenia
CFTA	Confederated Trade Unions of Armenia
EOP	End of Project
EU	European Union
FB	Family Benefits
FY	Fiscal Year
GDP	Gross Domestic Product
GOAM	Government of Armenia
IALI	International Association of Labor Inspectorates
ILO	International Labor Organization
ISBP	International Standards and Best Practices
IT	Information Technology
ME	Ministry of Economy, formerly Trade and Economic Development
MF	Ministry of Finance
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MLSI	Ministry of Labor and Social Issues
MTA	Ministry of Territorial Administration
NA	National Assembly
NILSR	National Institute of Labor and Social Research
NGO	Non-Governmental Organization
NSS	National Statistical Service
OSH	Occupational Safety and Health
PARNAS	Data Management System for Solidarity Pensions
PAYG	Pay As You Go Pension System
PRIWG	Pension Reform Implementation Working Group
PRSP	Poverty Reduction Strategy Paper of GOAM
PWG	Pension Working Group
RA	Republic of Armenia
RASSU	Russian-Armenian Slavonic State University
RFP	Request for Proposal
RUEA	Republican Union of Employers in Armenia
SESA	State Employment Service Agency
SDP	Sustainable Development Program of GOAM
SMEC	Socio-Medical Examination Commission
SSIF	State Social Insurance Fund
SLI	State Labor Inspectorate
SPA	Social Protection Administration project of the World Bank
SPSS	Social Protection System Strengthening project of USAID Armenia
SRC	State Revenue Committee
SSC	Social Security Card
SSSS	State Social Security Service
STA	State Tax Administration
UMBA	Union of Employers and Business in Armenia

Social Protection Systems Strengthening (SPSS) Project
Final Report

UK	United Kingdom
UN	United Nations
US	United States
USAID	United States Agency for International Development
YSU	Yerevan State University
WB	World Bank

EXECUTIVE SUMMARY

The Social Protection System Strengthening Project (SPSS) was designed 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. SPSS was a three-year, \$9.3 million USAID-funded program implemented from October 2006 to September 2009. SPSS built on the success of more than a decade of USAID social and humanitarian assistance programs in Armenia.

At the time of SPSS' design, Armenia faced historic challenges including a pension system that failed to provide adequate pensions and was not sustainable over the long-run; employment services that were out of touch with market conditions; a newly established State Labor Inspectorate that did not effectively protect labor or occupational safety/health; and state-dominated social services that imperfectly targeted the vulnerable. To overcome these challenges, SPSS provided technical assistance and support for capacity-building training, commodities, and public education to select public and private sector entities in the following four key social protection areas:

Component 1: Social Insurance. SPSS aimed to strengthen the Government of Armenia (GOAM)'s ability to design, refine and/or reform, based on international standards and best practices, Armenia's public social insurance system.

Component 2: Employment Services. SPSS sought to increase the GOAM's competency in mapping labor demand and supply, developing mechanisms and processes for linking demand and supply, and improving job placement services.

Component 3: Occupational Safety and Labor Code. SPSS worked to assist the newly created State Labor Inspectorate (SLI) to develop the framework for and implement workplace safety programs based on international occupational safety standards and norms, and establish transparent procedures and protocols for ensuring compliance and enforcement of the Labor Code.

Component 4: Social Assistance for Vulnerable Populations. SPSS sought to enhance the overall capacity of the Ministry of Labor and Social Issues (MLSI) to address the needs of vulnerable populations through the development and implementation of innovative mechanisms including social contracting with the indigenous NGOs.

Each component was 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.

SPSS' primary counterpart was the Ministry of Labor of Social Issues (MLSI). SPSS worked extensively with its agencies and departments including the Pension Working Group (PWG) and later the Pension Reform Implementation Working Group (PRIWG), the State Employment Services Agency (SESA), the State Labor Inspectorate (SLI), and the Social Assistance, Elderly and Disability, and Children and Family Departments. SPSS' work also expanded beyond the MLSI. Its secondary counterparts included the Central Bank of Armenia, the State Revenue Committee, National Institute for Labor and Social Research, and various local NGOs. SPSS' assistance focused on institutionalizing the many international best practices introduced through expatriate advisors and study tours in the earlier years and towards the end of the project focused on on-the-job training and coaching.

PROGRAM MANAGEMENT

AECOM International Development, doing business in Armenia as The Services Group (TSG) led a consortium of firms in implementing the SPSS project. Pal-Tech (formerly Development Associates, DA) provided public outreach experts as well as experts in labor inspectorate and social assistance legal reform. The Armenian Relief Society (ARS) assisted with press corps education and public relations in 2007, and moved in 2008 to focus on assisting MLSI to develop outreach campaigns for underserved populations. Critical short-term consultants were provided by: Emerging Markets Group (EMG) in pension policy and administration, and occupational safety and health; MetaMetrics (MM) assisted in 2007 to set up a M&E plan and in 2007 assisted MLSI to develop indicators for its Social assistance Programs; the International Center for Human Development (ICHD) provided support in labor and employment policy; the American University of Armenia (AUA) helped SPSS to explore legal clinic options in 2007 and in 2008 provided legislative drafting training, English Language lessons and baseline survey design. A significant proportion of short-term and long-term technical assistance drew upon the skills of Armenian nationals.

RESULTS

SPSS' results contributed to the foreign assistance objective of investing in people, as further set forth in the following three program elements.

Program Element 1: Policies, Regulations, and Systems

The three main areas of policy and regulation are:

1. **Social Insurance:** SPSS strengthened the GOAM's ability to design and/or reform Armenia's social protection system. This included the development of sustainable and adequate basic pensions that are robustly supervised and invested appropriately, and creation of adequate disability systems.
2. **Employment Services:** SPSS increased GOAM competency in mapping labor skills demand and supply, and develop mechanisms to link demand and supply in order to improve job placement services;
3. **Occupational Safety:** SPSS assisted the SLI to develop a framework for workplace safety programs as well as establish transparent procedures for ensuring compliance and enforcement of the Labor Code. Additionally, SPSS helped to create the regulatory structure for occupational health and safety, targeting high-risk industries, and working with the private sector in establishing appropriate norms.
4. **Social Safety Nets:** SPSS provided assistance with organizing and preparing the GOAM's responses to Council of Europe inquiries regarding progress in implementing selected aspects of the European Social Charter; preparation of policy guidance papers reflecting ISBPs in disability rights, elderly, children's and women's issues; and improvements to the research and policy analysis capacity of MLSI and NILSR.

To advance this element, the SPSS project also worked with agencies of the MLSI to increase their capacity to comment on proposed legislation and policies.

Program Element 2: Social Services

SPSS worked to enhance GOAM's capacity to improve social service quality through the development and implementation of innovative and sustainable mechanisms for service delivery; through improved administration of labor and employment services (including at the local and regional level); through widespread public information programs to increase public awareness of key social sector services and

reforms; and through promotion of community volunteerism and formal collaboration between public and private sector entities. Specific results include:

1. Increased capacity in the administration of pensions and other social payments.
2. Improvement in SESA's capacity to provide services to job seekers and increase its ability to match job seekers with available positions.
3. Improvement of the SLI to protect worker safety as well as lessen its perception as a corrupt and inefficient institution. Also to help increase the interaction between the public and the Inspectorate through concerted public outreach programs.
4. Social contracting with NGOs and the private sector in provision of social services.
5. Increased involvement of local government in social service provision.

Program Element 3: Social Assistance

SPSS worked to improve social assistance in Armenia by increasing opportunities for self-reliance and reducing citizens' dependence on public support to meet basic needs, while also helping the GOAM to meet its basic PRSP and MDG commitments. Specific activities under this element include:

1. Assisted GOAM to better target its scarce cash benefit resources to the poorest members, or neediest households, in the population, through development of a sustainable targeting methodology.
2. Developed more transparent mechanisms that target vulnerable populations consistent with EU standards.

The long-term goals of SPSS in this element were to help the GOAM define its own policies and legislation on social assistance programs and promote them among the population and lawmakers. The Project worked to improve the MLSI's internal mechanisms and policies, while also assisting in improving administration and increasing the number of beneficiaries for existing programs.

Results achieved under each of SPSS's components are summarized below.

Component 1: Social Insurance. Social Protection System Strengthening SPSS assisted the GOAM to finalize a pension reform strategy by drawing on international standards and best practices and the region's recent pension reform implementation experiences. As a result of SPSS technical assistance, the GOAM decided to replace the unfunded PAYG pension system with a multi-pillar system providing a social safety net for the vulnerable regardless of past contributions (Zero Pillar), a basic PAYG pension for those who contribute with some differentiation based on years of service (First Pillar), and a mandatory funded individual savings account for current workers that will be invested (Second Pillar). Through SPSS assistance, this proposal was transformed into a legislative package sent by GOAM to Parliament in 2009. SPSS also provided assistance the management of pension reform implementation, in particular tracking of the different pieces of the project to assure timely and coordinated completion of tasks. The SPSS team also provided recommendations on designing and implementing administrative and IT systems (integrated with PARNAS, SSCs, and Tax Administration systems); designing a strategy for government and civil society consensus building and public outreach; and reforms of other social insurance issues.

Component 2: Employment Services. SPSS helped SESA to refocus on modern active labor market measures by: providing strategic planning and program performance management assistance; renovating and developing three model service offices; improving capacity to identify employment demand trends and forecast labor market changes; building SESA staffs' capacity to design and deliver active labor

market measure programs such as employer relations, job searches, job clubs, job fairs, and providing connectivity to the local and regional offices; and piloting competitive, transparent, results-oriented outsourcing of employment services for people with disabilities.

Component 3: Occupational Safety and Health and Labor Protection. SPSS produced an action plan for SLI to implement risk-based enforcement using accident and injury data to focus consultations and inspections on firms with the greatest likelihood of costly injuries. SPSS provided model normative rules for hazardous work environments in mining, use of explosives, petroleum and pressurized gas handling and storage; encouraged SLI to engage in meaningful tripartite dialogue and to monitor its public image in the business community; and fostered SLI's participation in the International Association of Labor Inspectorates (IALI). A main goal was to improve occupational safety and health (OSH) while not needlessly burdening the private sector, especially low-risk firms.

Component 4: Social Assistance for Vulnerable Populations. SPSS increased the capacity of the MLSI's NILSR. SPSS facilitated social contracts with NGOs to provide needed services, and promoted social work professionalization including information and referral capacity among state system social workers to utilize NGO services. SPSS' key accomplishments in social contracting include: (1) the establishment of transparent and effective mechanisms that enable the GOAM to provide budgetary support to NGOs that provide such critical social services throughout the country, and (2) analysis of the legal framework for social contracting and recommendations for legislative amendments. Components 2 and 4 were catalyzed by a matching grants program for service-providing NGOs with transparent goals and robust procurement processes.

In addition to these four components, SPSS renovated the NILSR's training facilities with a focus on promoting NILSR as a center for training on social and labor issues. As a result of the SPSS project, counterparts for all components are better poised to upgrade their policies and operations to achieve greater harmony with the European Social Charter commitments Armenia has adopted. Through SPSS efforts, they better understand the functional meaning of the commitments. SPSS supported these aspirations with a series of complementary interventions, and facilitated exposure to the experience and lessons learned in other countries farther along the development path via technical assistance, relevant document translations, study tours, and discrete analyses.

NEXT STEPS

While the project achieved significant goals, there are steps that Armenia must take to continue on the reform path which depend heavily on political will for change. Reorganization of the tax and customs functions was undertaken by GOAM in 2009. The resulting changes also resulted in the delayed implementation of the new pension system to the extent collections and data personifications were dependent on the new structure. SPSS' counterparts have demonstrated low levels of skill at managing organizational tasks. The pension and other reforms initiated by SPSS require greater institutional capacity than the reformers envision. Their timelines will suffer as they take on implementation tasks. Further support is needed to keep the pension and other reforms moving forward.

In its final year, SPSS focused on implementing the programs MLSI and GOAM have adopted based on earlier exposure to international best practices. Because implementation was a priority SPSS strongly urged MLSI to assign staff to the functions. Distinction of responsibilities is important; however MLSI did not put the required human resources in place to support implementation of international best practices. The usual reasons given for not putting manpower behind priority statements are combinations of "money to hire and present staff are busy with other duties". Capacity building will suffer unless MLSI can assign from the existing pool people who can be trained. Without appropriate human resources reforms will not be sustainable.

At the onset of the SPSS project there was a three-way agreement between MLSI, World Bank and USAID to work together to strengthen the Social Protection system's capacity. GOAM, under a World Bank loan, acquired hardware and software, as well as some facility upgrades for its several systems. Remaining uncompleted is a corporate network designed to provide connectivity among MLSI offices, agencies, and local units of government. Armenia's telecoms industry is burdened with a history of monopoly control that both raises prices and prevents completion. The corporate network is a way to protect the government from the market distortion while it gets on with its modernization. Without this network the barrier of lack of connectivity will prevent SPSS-generated information management and data integration work from having practical use. At the end of SPSS this core problem, had yet to be addressed by the MLSI.

The project left behind recommendations, written materials, rebuilt facilities, and trained individuals to ensure that with enough commitment the achievements will be sustainable and will serve as a good basis for the future of reformed social systems in Armenia.

1. INTRODUCTION:

Situated on the southern Caucasus with extensive closed borders with Turkey and Azerbaijan, and shorter open borders with Georgia and Iran, Armenia is at a perpetual crossroads of international interest. The U.S. Foreign Assistance objective in Armenia supports mutual vital interests of both countries. As an emerging economy and a struggling transparent democracy, Armenia's stability is critical for its integration into the community of nations. Like most transitioning states, Armenia's market driven, democratically run profile is slow to emerge, and many challenges remain, especially poverty and unemployment. In this context, U.S. Foreign Assistance objectives seek to strengthen Armenia's social protection system in order to move Armenia and its citizens away from dependence on humanitarian assistance. The Country-Level Foreign Assistance Framework "encourages the adoption of conducive social policies and deepening of the capabilities of key social institutions, which includes establishing the relative roles of public and private sector in service delivery."

The SPSS project was conceived and initiated as part of the United States Agency for International Development's (USAID) 2004-2008 Strategic Plan for Armenia. In 2004, Armenia was emerging from more than a decade of economic, political, and natural disasters that seriously complicated its transition from communism. During 2004-2008, Armenia experienced economic growth, developed some aspects of a market economy, and showed significant progress.

SPSS was a results-oriented project that capped a series of humanitarian assistance projects and a predecessor social transition project. The project was built upon expectations of relative political and economic stability and was intended to strengthen Armenia's internal capacity to provide for the needs of its most vulnerable citizens. SPSS was originally designed as a five-year, \$16,873,454 project with a period of performance of October 2006 – September 2009 and two option years. Startup commenced in October 2006 but was delayed until January 2007 by a Stop Work Order. The project scope of work and budget were reduced in May 2008 to a three-year \$9,334,415 budget. The focus of SPSS was to improve Armenian government and non-government capacity to provide effective social systems, while increasing opportunities for economic self-reliance and reducing citizens' dependence on public support to meet basic needs. To achieve its goals, SPSS provided technical assistance and support for capacity-building, training, and public education to select public and private sector entities in four key social protection areas:

Component 1: Social Insurance, SPSS strengthened the Government of Armenia (GOAM)'s ability to design, refine and/or reform, based on international standards and best practices, Armenia's public social insurance system.

Component 2: Employment Services, SPSS increased the GOAM's competency in mapping labor demand and supply, develop mechanisms and processes for linking demand and supply, and improve job placement services.

Component 3: Occupational Safety and Labor Code, SPSS assisted the newly created State Labor Inspectorate (SLI) to develop the framework for and implement workplace safety programs based on international occupational safety standards and norms, and establish transparent procedures and protocols for ensuring compliance and enforcement of the Labor Code.

Component 4: Social Assistance for Vulnerable Populations, SPSS enhanced the overall capacity of the MLSI to address the needs of vulnerable populations through the development and implementation of innovative mechanisms including social contracting with the indigenous NGOs.

Several crosscutting activities supported the components including: 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.

AECOM International Development, doing business in Armenia as The Services Group (TSG) led a consortium of firms in implementing the SPSS project. Pal-Tech (formerly Development Associates) provided public outreach experts as well as experts in labor inspectorate and social assistance legal reform. The Armenian Relief Society (ARS) assisted with press corps education and public relations in 2007, and moved in 2008 to focus on assisting MLSI to develop outreach campaigns for underserved populations. Catholic Relief Services provided technical expertise in poverty statistics and grants management. MetaMetrics (MM) (a small, veteran-owned business in monitoring and evaluation (M&E)) assisted in 2007 to set up a M&E plan and helped MLSI develop indicators for its Social assistance Programs. The International Center for Human Development (ICHD) provided support in labor and employment policy. American University of Armenia (AUA) helped SPSS to explore legal clinic options in 2007 and in 2008 provided legislative drafting training, English Language lessons and baseline survey design. Local firm VGM provided technical support for surveys on public outlook. CHS Vericel completed an information system automating document flows for the Ministry of Labor and Social Issues. BMS completed a construction subcontract focused on the reconstruction of NILSR and SESA offices. A significant proportion of short-term and long-term technical assistance drew upon the skills of Armenian nationals.

1.1 SPSS PROJECT OVERVIEW

The purpose of SPSS was to improve social protection systems in Armenia and, as noted above, increase opportunities for self-reliance and reduce citizens' dependence on public support to meet their basic needs. The expected results for each component were as follows:

Component 1: Social Insurance

- The GOAM will have completed design of its overall pension reform strategy, complete with action plan and timetable for multi-pillar reforms.
- The GOAM will have drafted and promoted legislation relevant to the adopted reform strategy.
- MLSI will have analyzed, refined and documented the eligibility requirements and value of the existing social pension and incorporated revisions into the reform package submitted to the GOAM.
- MLSI will have developed professional public outreach and education capabilities, with mechanisms to inform and to solicit public opinion about the GOAM social insurance programs as well as mechanisms enabling the GOAM to respond effectively to public concerns.
- PARNAS will be evaluated, and the worker and employer contributions records transitioned appropriately to the data management system of the reformed multi-pillar pension system.

Component 2: Employment Services

- SESA will have a strong private sector orientation, with enhanced capacity to identify and analyze labor market and employment trends, forecast labor needs, exchange information rapidly among different regions on job opportunities, and understand the impact of labor policies and regulations on unemployment.
- SESA branch offices and headquarters will be networked with operational automated data exchange, permitting the effective sharing of information on labor needs and supply. Network established and included in SESA budget to assure sustainability.

- Increased numbers of employers will recruit successfully through SESA branch offices (by 25% by Year 3).
- Three of SESA’s regional employment centers renovated.

Component 3: Occupational Safety and Health and Labor Protection

- Mechanisms to identify, sanction and eliminate unsafe and unfair labor practices, and ensure that working conditions meet acceptable standards are proposed and implemented at SLI.
- The GOAM has drafted norms and standards related to occupational safety (Norms for 3 hazardous work environments proposed by end of Year 3).
- SLI has improved systems for receiving, investigating and adjudicating complaints.
- SLI issues regular reports labor and occupational safety.
- Efficiency, effectiveness and management of SLI improved and gaps between mandated and actual performance as identified in the institutional needs assessment addressed.
- Organizational structure and operations of the MLSI and SLI strengthened.

Component 4: Social Assistance for Vulnerable Populations

- A minimum of 10 social grants-under-contract distributed to local NGOs or private sector, with MLSI involvement to address the needs of vulnerable populations by the end of Year 3.
- MLSI and other government bodies’ capacity to identify and address policy and legislative gaps relevant to social safety net programs improved.

The GOAM’s Ministry of Labor and Social Issues (MLSI) was the primary counterpart for the four components of this project. The project established a close working relationship with the MLSI and its departments and agencies: State Social Security Service (SSSS), National Institute on Labor and Social Research (NILSR), SESA and State Labor Inspectorate (SLI). The Project also established relationships with other affected agencies and working bodies including the Government’s Pension Working Group (PWG) and its subsequent Pension Reform Implementation Working Group (PRIWG).

The private sector was officially represented by the Republican Union of Employers in Armenia (RUEA), and later the Union of Manufacturers and Business in Armenia (UMBA) in “tripartite” sessions with GOAM, especially in discussions of the Labor Code. The Ministry of Economy and the Armenian and American Chambers of Commerce (ArmCham and AmCham), representative of forward-thinking business, were involved with several project activities.

1.2 BACKGROUND

Armenia has struggled with severe and widespread poverty during the years of the Soviet Union collapse. Although the economy has improved, with Armenia now considered a middle-income country, extremes of wealth and poverty have sharpened. The political situation seemed to have stabilized in recent years, but presidential elections in March of 2008 were marked by allegations of electoral violations, subsequent protests and violence. The pace of progress remains slow, and although the Government speaks of poverty reduction, the extreme gaps are not closing. The global economic crisis presents additional challenges for Armenia. Layoffs, including mass redundancies, were registered relating to global economic crisis. Armenia’s official unemployment rate was 6.3 % in 2008, and rose dramatically in 2009 due to the economic crisis. In particular, the economic crisis has impacted money transfers, mortgage

market and mining industry. Migration from Armenia has been a response of many workers to the economic decline, but is less an option in light of the current international economic crisis.

The GOAM adopted a Poverty Reduction Strategy Paper (PRSP)¹ in 2003 based on broad, and internationally accepted, Millennium Development Goals (MDG) after a deliberative process involving government, civil society and the donor community. A second version was completed in 2008, the Sustainable Development Program (SDP) in recognition of the economic advances Armenia has made. The PRSP/SDP defines analyzes of poverty and its current economic context in Armenia, sets goals, and defines a development policy aimed at reducing it.

Development alone will not bring the benefits of economic growth to those in extreme poverty. A dynamic social protection system is also needed to protect the most vulnerable and to maximize their opportunities for social and economic inclusion. By the end of 2008, MLSI was working to prepare a comprehensive Social Protection Strategy. Sorting out the priorities is still in process. Armenia has built portions of a social protection system which bring it closer to the Council of Europe standards that it has subscribed to by endorsing the European Social Charter in 2004.²

In 2006 the GOAM adopted a concept paper on pension reform.³ This document addressed only the pension policy objectives for a fully funded system, and gave little attention to the existing pay-as-you-go (PAYG) system, or to the safety net social pension. Both types of pensions have been very low, and prior to the 2008 presidential elections, a 60% increase was granted, followed in 2009 by a second increase of 15%. Resultant inflation has reduced the buying power of the increase. Reforms aim to introduce a multi-pillar pension system “stemming from the principle of solidarity among generations: amounts of pensions related to pensioners’ remuneration at the time of employment, and related to the amount of social contributions paid during their lifetime.”⁴ The 2006 concept paper also outlines needed administrative improvements. The concept is now elaborated through a White Paper on Pension Reform that went before the Government in the fall of 2008. Through SPSS assistance, this proposal was transformed into a legislative package sent by the GOAM to Parliament in 2009. The legislative package includes a legal framework for tracking individual investments.

Challenges remaining include: a pension system that fails to provide adequate pensions and is not sustainable in the long run; employment services just beginning to be in touch with market conditions; a recently established labor inspectorate that does not effectively protect labor or occupational safety/health; and state-dominated social services that waste the largest portion of the social protection budget on imperfectly targeted cash transfers in the form of Family Benefits (FB).

Broader factors exacerbate pension system development challenges. Armenia’s small size and shallow financial markets make introducing funded pensions, which would increase self-reliance, difficult. Regional border tensions and internal economic policy shortcomings limit job creation. Many factors continue to support a large non-formal economy. The global economic crisis is strongly felt in Armenia, exacerbating the effects of these chronic conditions. During three years of SPSS activity these barriers have not been reduced.

¹ Republic of Armenia, *Poverty Reduction Strategy Paper*, Yerevan 2003.

² European Social Charter (revised), Strasbourg, 3.V.1996.

³ GOAM decree # 796, on approving Pension Reforms Concept Paper, 26 May 2006.

⁴ Ibid.

1.3 SOCIAL PROTECTION

The pension and other poverty reduction reforms are on track after some delays during the elections. The new Government's plan for the social sphere is consistent with the objectives an earlier Government set for SPSS with USAID. In the social sphere, there is continued commitment to poverty reduction, improved targeting and installing a multi-pillar pension system with involvement of the private sector. There is also interest in coordination of social protection under an overall strategy for labor and social protection to be set forth in a Social Code.

Aiming to establish public solidarity, create a social country and introduce social justice, the Government policy⁵ focuses on:

- Implementation of a social policy to reduce poverty and mitigate societal polarization taking the subsistence minimum as poverty threshold.
- Reducing the difference in living standards of working population and pensioners (including people with disabilities).
- Improvement of social protection management system providing complex (full-scale) state services to socially vulnerable populations, increasing the scopes of services consistently improving their targeting, availability, efficiency and quality, and involving the private sector in these processes.
- Implementation of a multi-pillar pension system, including the funded pension system.
- Coordination of social protection projects, design and implementation of a sustainable development strategy for the labor and social protection system aiming at adoption of the Social Code.
- Implementation of state projects to ensure equal rights and opportunities for people with disabilities.
- Implementation of a state policy to establish grounds for sustainable family.
- Gender equality guaranteeing equal rights and opportunities for men and women in public, political, and economic areas.

Improved social protection is critical to strengthening democracy in Armenia. Article 1 of the Constitution of Armenia provides that “The Republic of Armenia is a sovereign, democratic, social state government by rule of law.” In this declaration Armenia joins the nations that have committed themselves to being democratic welfare states providing social services to citizens.⁶ In addition, as noted above, Armenia has adopted the European Social Charter. A democratic state provides social protection to citizens, and well functioning social services enhance the link between government and the governed. It is

A Balanced Approach to Social Protection

Social protection systems must meet two sometimes complementary and sometimes competing goals:

Provide efficient, well-targeted social programs.

- Benefits must reach intended recipients efficiently, with modest administrative costs and limited spillage of benefits to unintended persons.
- Employment services should provide quality links between supply and demand while protect vulnerable populations.
- Labor, safety and health norms, and payment of social contributions and taxes must be enforced.

Provide such programs in a manner conducive to sustainable growth and job creation.

- Systems for contribution collection must be efficient and rates must be low, to avoid placing an onerous administrative burden on employers.
- Employment services must meet the needs of employers and job seekers.
- Inspection processes must be capable of finding violators, but avoid placing an excessive compliance burden on law-abiding firms and not requiring bribes from law-abiding firms.

⁵ RA Government Activity Plan for 2008-2012, Yerevan, 29 April, 2008.

⁶ For a discussion of expanding social protection as an element of democratic nation state-building in Europe, see Ferrera, Maurizio “The Boundaries of Welfare: European Integration and the New Spatial Politics of Social Protection”, Oxford University Press 2005, especially Chapters 1 and 2.

notable that after the Presidential election of 2008, the GOAM has devoted increased attention to social protection and to fighting corruption.

With its Operational Plan for Armenia for the year 2008, USAID committed itself to supporting Armenia's Social Sector Reforms.⁷ SPSS activities serve the foreign assistance objective of investing in people, as further set forth in three program elements: 1) Policies, Regulations, and Systems; 2) Social Services; and 3) Social Assistance.

1.4 PROGRAM ELEMENTS

1.4.1 Program Element 1: Policies, Regulations, and Systems

The four areas of policy and regulation receiving assistance through SPSS were:

1. **Social Insurance:** SPSS worked to strengthen the GOAM's ability to design and/or reform Armenia's social protection system. This includes development of sustainable and adequate basic pensions that are robustly supervised and invested appropriately, creation of adequate disability systems, and providing recommendations for other types of social insurance.
2. **Employment Services:** SPSS sought to increase the GOAM's competency in mapping labor skills demand and supply, and to develop mechanisms to link demand and supply in order to improve job placement services.
3. **Occupational Safety:** SPSS assisted the Labor Inspectorate to develop a framework for workplace safety programs as well as establish transparent procedures for ensuring compliance and enforcement of the Labor Code. Additionally, SPSS helped to create the regulatory structure for occupational health and safety, targeting high-risk industries, and working with the private sector in establishing appropriate norms.
4. **Social Safety Nets:** SPSS provided assistance with organizing and preparing the GOAM's responses to Council of Europe inquiries regarding progress in implementing selected aspects of the European Social Charter; preparation of policy guidance papers reflecting ISBPs in disability rights, elderly, children's and women's issues; and improvements to the research and policy analysis capacity of MLSI and NILSR.

To advance this element, SPSS also worked with agencies of the MLSI to increase their capacity to comment on proposed legislation and policies. In particular, MLSI's SESA benefited from such assistance.

1.4.2 Program Element 2: Social Services

Social services and their delivery in Armenia suffer from a lack of capacity in the main implementing partner, the MLSI and some of its constituent agencies. SPSS Project activities in the social services area were aimed to enhance the GOAM's capacity to improve social service quality through: the development and implementation of innovative and sustainable mechanisms for service delivery; improved administration of labor and employment services (including at the local and regional level); widespread public information programs to increase public awareness of key social sector services and reforms; and promotion of community volunteerism and formal collaboration between public and private sector entities. SPSS focused on building capacity in the following areas:

1. Increased capacity in the administration of pensions and other social payments.

⁷ USAID Armenia, Operational Plan: Fiscal year 2008, Yerevan 2008.

2. Improvement of the SESA to provide services to job seekers and employers and increase its ability to match job seekers with available vacancies.
3. Improvement of SLI to protect worker safety as well as improve its image as an institution. Also help increase the interaction between the public and the inspectorate through concerted public outreach programs.
4. Support for transparent and competitive social contracting by government bodies with NGOs and the private sector in provision of social and employment services.
5. Improvement of local government involvement in social service provision.

1.4.3 Program Element 3: Social Assistance

The current social assistance situation in Armenia is hampered by poor administration and a lack of knowledge among the populace of the government's programs and their rights to participate in these programs. The SPSS Project worked under this program element to improve social assistance in Armenia by increasing opportunities for self-reliance and reducing citizens' dependence on public support to meet basic needs, while also helping the GOAM to meet its basic PRSP and MDG commitments. Specific activities under this element included:

1. Assisting the GOAM to better target its scarce cash benefit resources to the poorest members, or neediest households in the population through development of a sustainable and up-to date targeting methodology.
2. Developing more transparent mechanisms that target vulnerable populations consistent with EU standards.

The long-term goals of the SPSS Project in this element were to help the GOAM define its own policies and legislation on social assistance programs and promote them among the population and lawmakers. The Project worked on improving the MLSI's internal mechanisms and policies, while also assisting with improving administration and increasing the number of beneficiaries for existing programs.

1.5 STRUCTURE OF FINAL REPORT

For each of the SPSS project components, this report presents the following:

1. An overview of the situation in Armenia as related to the component.
2. Policy and capacity gaps.
3. SPSS support provided.
4. End of project status addressing the sustainability of SPSS's assistance and a prescription for next steps.

2. SOCIAL INSURANCE:

In its approach to pension reform, the GOAM pursued three goals:

1. Improvement of an unsustainable pension system that costs too much, provides pensions that are too low, and does not cover the entire population.
2. Development of domestic capital markets.
3. Introduction of personified recordkeeping of pension contributions as part of a comprehensive income tax reform, leading to personified recordkeeping of income taxes and pension contributions.

The primary activity of SPSS' Component 1: Social Insurance was to support the GOAM in two phases of pension reform: policy analysis and implementation.

Initially, the SPSS activities focused primarily on policy analysis. While the USAID Financial Sector Deepening Project (FSDP) provided support on the issue of capital markets, and participated in the policy phase of the work, SPSS assistance included training and study tours on pension reform issues and experiences; support in preparing the policy analysis for the White Paper; demographic and economic modeling; legislative drafting; analysis and planning of administrative processes; assessment of IT needs; and project management support. In fiscal year 2009, as the focus of the GOAM shifted to implementation, the SPSS project was also actively involved in the third goal, the development of a transparent, personified, efficient income tax and pension system. In addition to pension reform, the social insurance component of SPSS addressed other forms of social insurance through an analytic policy paper.

2.1 SUMMARY OF THE ARMENIAN PENSION SYSTEM

The pension system of Armenia is plagued by many problems including low pension levels, poor incentives, high evasion, high payroll taxes, lack of fiscal sustainability, and costly, inefficient administration. At the inception SPSS in 2006, Armenia, compared to other countries, had particularly low replacement rates and spent a very small amount of GDP on pensions.

The Armenian pension system provides old-age, privileged, disability and survivor benefits, on a pay as you go (PAYG) basis. Both employers and workers contribute. The pension age for men is 63. The pension age for women was 62 as of January 2009, increasing by 6 months each year until reaching 63 in 2011. The pension formula is based on length of service, without reflecting salary levels. Coverage decreased in the 1990s with formal sector employment declining precipitously. Cost of living increases were not mandated by law and inflation was reflected irregularly, with pensions falling behind inflation.

In this section, we provide a summary snapshot of the system, look at average pensions and recent increases, and review the issue of low contributions to finance the system. The Armenian pension system consists of the following programs, administered as described below by the State Social Security Service (SSSS) of the Ministry of Labor and Social Issues (MLSI):

2.1.1 Pension Programs

Pension benefits in Armenia include:

- Old-age pensions (sometimes called insurance pensions), for which the eligibility age is 63 and the minimum contributory period is five years.
- Survivor's pensions, for survivors of those paying social contributions.

- Labor disability pensions, received by persons with work-related disabilities regardless of contributory history and with non-work related disability if they contributed to the social insurance system for more than five years.

In addition, there are a number of privileged pensions:

- Privileged pensions: paid to persons aged 55-63 in selected professions (List N1 and List N2).⁸
- Partial privileged pensions: paid to persons whose profession was removed from the list of qualifying professions.
- Long-term service pensions: special pensions for persons retired from the aviation industry under complicated eligibility rules.

These special schemes are paid only up to age 63, after which a normal old-age pension is paid. Social contributors are also entitled to unemployment, maternity, and funeral benefits. State military pensions including military service, survivors, disability, pensions for special groups such as veterans of World War II, are also administered by the SSSS, but were previously financed separately by the state budget. After 2008, all SSSS pensions were financed by the budget.

Social pensions form a separate category, also historically financed by the state budget but administered by SSSS. These include:

- Old-age social pensions, for persons 65 and over with no old-age insurance pension of any type.
- Social disability pensions, for disabled persons not qualifying for a labor disability pension.
- Social Survivor's pension for survivors of those who have not paid social contributions and were not eligible for survivor's insurance pension.

Given the important role of pensions, the very low level of pensions in Armenia is a source of concern (see Table 1). At the end of 2006, as SPSS was starting, the average old-age insurance pension available to persons with over five years of contributory history was only 82.3% of the food poverty line and 53.8% of the poverty line. For someone with the minimum five years' contributory history, the pension failed to reach even one-third of the food poverty line, worse even than the average non-contributory social pension.

⁸ List 1 includes occupations with particularly hazardous and particularly hard conditions. List 2 includes hazardous and hard occupations.

Table 1: Average salary, pension and family benefit as compared to the food poverty line (AMD 13,266 per month) and poverty line (AMD 20,289 per month), 2006⁹

	AMD /Month	% of food poverty line	% of poverty line
Average salary	64,001	482.4%	315.4%
Basic old-age insurance pension	4,250	32.0%	20.9%
Average old-age insurance pension, including credit for contributory history	10,912	82.3%	53.8%
Average social (non-contributory) pension; includes social old age, social disability, and social survivor's	6,050	45.6%	29.8%
Average family benefit	15,331	115.6%	75.6%
Base family benefit	7,000	52.8%	34.5%

Source: National Statistical Service, Poverty and Food Security in RA in 2006 (www.sif.am/am/index.asp)

One way to evaluate the low level of pensions in 2006 is to compare them to the minimum costs of running a household, as estimated in the ILCS 2005 Housing Module. This amount is 60% of the average social pension and 40% of the average pension.

Recognizing the low level of pensions, the GOAM increased all pensions by 60% as of January 2008. Annual increases are scheduled to reach the level of the minimum consumption basket by 2012. The IMF estimates that this could add up to 1.4% of GDP to total annual spending.¹⁰ The current pension system cost is 2.6% of the GDP. With the announced increases, costs were projected to rise to 3.8% of the GDP in 2008, reaching 4.3% of the GDP in 2012. According to the GOAM program, all combined pension expenditures should be 5.4% of the GDP in 2021 and insurance pensions should be 4.5% of the GDP. Nonetheless, pension increases have not kept pace with wage increase or inflation. As can be seen in Table 2, pensions went up very significantly in two years. The average pension more than doubled, and now exceeds the food poverty line.

⁹ Note that poverty lines are for 2005.

¹⁰ IMF Republic of Armenia, Staff Report for the 2008 Article IV Consultation, page 14.

Table 2: Average salary, pension, and family benefit as compared to the food poverty line (AMD 20,728 per month), poverty line (AMD 32,127 per month) and minimum consumer basket (AMD 36,262), 2008¹¹

	AMD / Month	% of food poverty line	% of poverty line	% of minimum consumer basket
Average salary	92,759	447.5%	288.7%	255.8%
Basic old-age insurance pension	8,000	38.6%	24.9%	22.1%
Average old-age insurance pension, including credit for contributory history	24,289	119.8%	75.6%	66.9%
Average social (non-contributory) pension; includes social old age, social disability, and social survivor's	8,655.6	41.8%	26.9%	23.9%
Average family benefit	21,100	101.8%	65.7%	58.2%
Base family benefit	8,000	38.6%	24.9%	22.1%

Source: National Statistical Service, Poverty and Food Security in RA in 2008, Social and Economic Situation in RA January – March 2009 (www.sif.am/am/index.asp)

It should also be noted for the sake of comparison that the minimum monthly wage in Armenia was increased to AMD 30,000 in 2009. Pensions are still very low when compared to the minimum costs of running a household, as estimated in the ILCS 2007 Housing Module. Estimated costs were in total AMD 5,000 for telephone, water, electricity and heating, and healthcare services – 57.7% of average social pension and 21% of average pension size.

Data in Table 3 show the number of pension recipients and average pension, by pension type, estimated as of 31 December 2008 by SSSS.

¹¹ Note that poverty lines are for 2007 estimated in 2008 prices.

Table 3: Pensioners and average pension (31.12.2008 data)

Pension	Number of recipients		Average monthly pension (AMD)	
	Male	Female	Male	Female
Old age	114,985	211,382	27,737	22,412
Privileged	2,096	5,216	24,544	19,185
Partial privileged	3,852	3,950	11,844	11,605
Long service	1,521	5,427	34,927	19,821
Labor disability	51,585	54,558	19,520	17,929
Insurance survivor's	27,393	14,055	11,180	8,416
Total	201,432	294,588		
Old age social	1,706	7,521	16,241	17,391
Social disability	4,979	8,780	15,198	15,652
Social survivor's	408	4,425	6,800	6,809
Total	7,093	20,726		
Grand total	208,525	315,314		

Source: Response of SSSS to SPSS official request.

Among the observations suggested by the table are the following:

- Almost twice as many women than men qualify for an old-age pension. There are more old women than old men (239,700 women aged 63+ in 2008 as opposed to 147,100 men)¹²; and women are also more likely than men to have been employed in sectors where social insurance coverage is practically universal, such as the social services (education, health care, etc.).
- Another factor is migration, with men much more likely to migrate abroad for work.
- Women are disproportionately represented among recipients of privileged and partial privileged pensions. Privileged pensions are paid to those working at hard and hazardous and particularly hard and hazardous work sites (List 1 and List 2 of hard and hazardous and particularly hard and hazardous work sites defined by an MLSI Ministerial Order). Employees in the chemical industry are primarily women. Partial privileged pensioners include school teachers and nurses, also overwhelmingly women, whose privileged status was abolished.
- Very few persons receive social old-age pensions.
- The minimum contributory period for an insurance pension, at five years, is so low that very few people fail to qualify.
- Social pensions are paid to 22.6% of male pension beneficiaries and 6.6% of female beneficiaries. Few men receive social disability pensions. Social pension payments amount to 3.6% of total pension payments.
- 25.6% of male insurance pensioners receive a labor disability pension, as opposed to 18.5% of female pensioners. The difference is more pronounced for social disability pensions, with 70.2% of men and 42.4% of women.

¹² Source: The Demographic Handbook of Armenia, NSS RA 2008.

As noted above, the promised pension increase in 2008 was 60% and an increase of 13% was made in January 2009, but the GOAM was not able to make the promised increase for July 2009 due to the difficult fiscal status as a result of the global economic crisis. Also, the inadequacy of pensions has a gender dimension. Women are the majority of pensioners. In every age group the pensions of men exceed those of women, due primarily to longer work history.

2.1.2 Pension Financing

State pensions are financed by wage-based contributions of employers and workers employed in the formal sector. Until 2008 contributions were paid to a separate State Social Insurance Fund (SSIF). Since 2008, contributions are paid directly to the state budget and benefits are administered by a State Social Security Service (SSSS) that is part of MLSI.¹³ While the current PAYG pension system was in financial balance in 2007, it had problems common to many countries including low and inadequate benefits, demographic problems, low pension ages, high tax evasion, lack of a strong relationship between contributions and benefits, too many privileged pensions, lack of reliable individual records, etc. Despite low pensions, under current demographic trends, the SSSS is projected to go into deficit by 2025.

A major pension issue is insufficient coverage. When the SPSS project was initiated, Armenia had less than one worker paying contributions for each pensioner receiving payments. Recent data indicate that the number of covered workers has increased close to a one to one ratio. There has been a growth in coverage. The most recent information from SSSS (September 2009) shows that the overall number of beneficiaries/pensioners of the PAYG pension system is 516,000. This includes 466,000 insurance pensioners and 50,000 social pensioners. There are 48,000 registered employers making contributions for 513,000 registered employees.

The contribution rate to finance pensions varies by income, and is regressive. The contribution by income tranche is as follows:

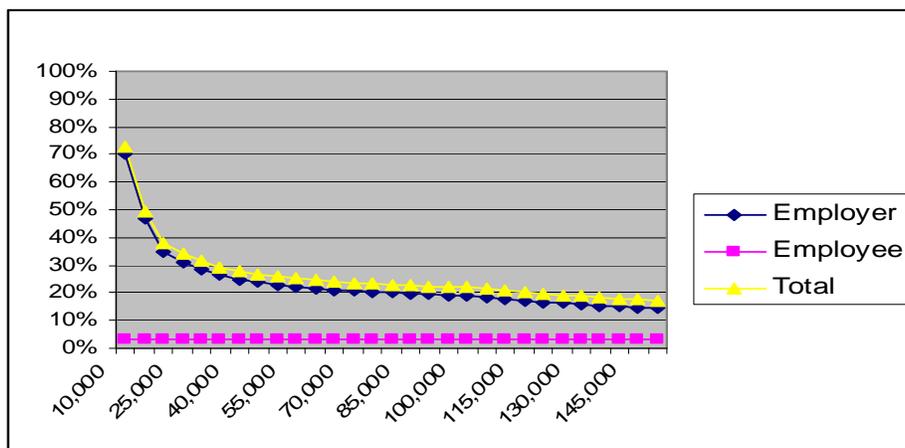
Table 4: Wage-based social contributions, by income tranche (2007)

Income tranche (AMD / Month)	Employer contribution	Employee contribution
< 20,000	AMD 7,000	0.03 x gross wages
20,000-100000	AMD 7,000 + [0.15 x (gross wages – 20,000)]	0.03 x gross wages
100,000+	AMD 19000 + [0.05 x (gross wages – 100,000)]	0.03 x gross wages

This contribution structure leads to the following regressive result:

¹³ The transformation of SSIF into SSSS was a difficult political issue for GOAM, and took quite some time. SSIF was a somewhat independent agency and was made a subordinate agency to MLSI. This affected the SPSS, as there were times when MLSI and SSSS could not cooperate with each other, provided conflicting information, etc.

Figure 1: Implicit Wage-based Social Contribution Rates (% of gross monthly wage), by Income Tranche



Source: SPSS calculations

The rationale for the regressive social contribution rate is explained in part by the progressive income tax rate and in part by the assumption that all employers understate the actual wage rate of their employees, and that therefore the lowest wage should be taxed most.

The pension increase announced in 2008 has led to a great increase in the expenditures for pensions, as shown in Table 5:

Table 5: Changes in the funds allocated for insurance pensions, beneficiaries and average insurance pension

Years	The size of average insurance pension (AMD)	The number of pensioners:	Funds used for payment of insurance pensions (AMD mln.)
2005	10,200	479,791	56,124
2006	11,400	473,612	65,603
2007	13,380	469,107	77,692
2008	21,275	469,747	133,738

Source: Official data submitted by SSSS upon SPSS request.

Collecting from the informal economy is difficult. Collections were moved from the SSSS to the State Tax Service, now State Revenue Committee (SRC) in 2004, and while the amounts collected increased, reflecting wage growth, the coverage rate has not grown. Not everyone in the formal sector contributes.

The agricultural sector, formally half of the economically active population, is by law no longer required to contribute to SSSS, is no longer accruing service, and will increasingly receive only social pensions. According to the agreement reached by Armenia with the WTO, the agricultural population was to start paying VAT in 2009, but this will not affect pension coverage.¹⁴

¹⁴ Official data consider all persons who own land and are not otherwise employed to be agricultural workers.

2.2 POLICY AND CAPACITY GAPS

2.2.1 USAID Assistance to Pension Reform Prior to the SPSS Project

Prior USAID support led to the adoption of social security cards and personified information systems (PARNAS), a necessary foundation for substantive pension reform if it is to be based on individualized accounts. USAID also supported policy discussion of different pension reform models and an actuarial study.

PARNAS was established in Armenia's State Social Insurance Fund (SSIF), and the social cards were provided by the NORK Center, a wholly owned government corporation. The two innovations should have been combined for two purposes: 1) to establish a personified database that could be used for pension reform linking contributions and benefits, and 2) to provide better customer service to workers applying for pensions, since their data would be stored on a database.

The social card has overcome initial resistance and is widely used in establishing identity for financial transactions such as bank accounts, although the public still has little evidence of value added. However, in the pension area, the value of these tools has not been realized. Several problems should be noted with respect to PARNAS and the social card as applied to pensions. PARNAS was designed for paper-based collection of records on an annual basis. However, all of the pension reforms contemplated by the GOAM required monthly data collection. PARNAS was planned as a database that would provide annual reports to citizens of contributions made on their behalf. No such reports have ever been produced because the system is not sufficiently robust. Finally, in making pension awards, SSSS still relies on the traditional paper based workbook and other documents that must be collected from employers, and not on the PARNAS database. In addition, SSSS still files pension cases under its own numbering system and does not use social cards.

Previous USAID support also established two integrated centers for provision of social services. The integrated service centers have not continued beyond the period of donor support due to a host of issues related to responsibility and the low importance of a customer-service orientation.¹⁵

For SPSS, the "lessons learned" from these previous experiences was that it is difficult to get buy-in for tools, and that it is not productive to impose a product, a document, or a solution in the absence of commitment to use them.

2.2.2 Launch of the SPSS Project to Address Gaps

Pension Reform Working Group (PWG)

The GOAM appointed a Pension Reform Working Group (PWG), which had been in operation for several months when SPSS started in February 2007. Formal appointment and organization within the PWG coincided with the SPSS project launch. Armenian policymakers had already been engaged in pension reform discussions for nearly a decade, with various international models considered. However, there was insufficient understanding among PWG members of many international best pension practices and of the difficulties entailed in pension reform implementation. The policy and capacity gaps included:

- Lack of information on available pension models.
- Policy conflicts between members of the PWG that were based purely on ideology and not factually grounded or addressed (see text box on political issues).

¹⁵ SPSS visited the integrated centers several times and observed that the office equipment provided by USAID was standing unused due to the inability of counterparts to reach agreement as to joint use of space and joint payment of costs.

- No statistical modeling capacity at MLSI or SSSS and no data for determining the costs of proposed pension reform options.
- Lack of familiarity with available data in Armenia.
- Lack of a functioning personified database recording individual contributions and taxes (PARNAS had not been entirely successful).
- Underestimation of the tasks entailed in implementing a pension reform, in particular the tasks required to establish a database.
- Absence of the SRC, the tax agency, as it refused to be involved in the PWG and publicly opposed pension reform.
- Expectation on the part of MLSI that SPSS would fund its requests for renovation or hire experts identified by MLSI.
- Limited public understanding of capital markets.

Political Conflict in the Pension Working Group

The intense political conflict between the MLSI and the CBA when SPSS was launched was a challenge to SPSS. During much of the early period of the SPSS, the MLSI was led by a Dashnak Minister who was part of a coalition government. The Dashnak party, true to its socialist roots, opposed privatization of funded pensions. Instead, the Dashnaks argued for pension increases and a notional defined contribution system that would credit individuals with contributions received. These discussions and disagreements proceeded without reference to data as to the costs of the various proposals.

The MLSI representatives on the Pension Working Group, representing the Dashnak party, often delayed reform activities and actively opposed GOAM pension reform decisions. Withdrawal of the Dashnaks from the coalition in spring of 2009 resulted in a change in the PRIWG. While individuals continued to oppose pension reform, there was recognition that the GOAM has resolved to implement the reform strategy. The Prime Minister appointed MLSI – an opponent of reform – as the implementer of the reform.

Another important factor in the consolidation of pension reform activity was the appointment of the former head of the CBA as Prime Minister.

The launch of SPSS coincided with renewed activity on the part of MLSI and the Prime Minister's Pension Reform Working Group (PWG). SPSS supported the PWG by modeling pension reform and drafting reform policy papers. In addition, SPSS presented seminars on a variety of pension reform issues and the multi-pillar model. SPSS staff provided draft documents and a White Paper to the PWG in response to specific requests, and brought in experts from Lithuania and Estonia at the PWG's request to critique the White Paper. SPSS also commented on several drafts of the White Paper, including the final version delivered to the GOAM. Its comments identified weaknesses and risk in the design. SPSS continued to assist its successor, the Pension Reform Implementation Working Group (PRIWG).

2.3 POLICY SPSS SUPPORT TO THE POLICY REFORM PROCESS

2.3.1 USAID Capacity Building: Pension Reform Seminars and Study Tours

Seminars

In February 2007, a few weeks after SPSS was launched, SPSS experts participated in a PWG session at a Central Bank retreat. Among other issues raised was the need for capacity building and rapid increase of knowledge of pension reform options. SPSS was asked to facilitate the gathering of information by the

PWG and to provide training.¹⁶ The PWG included representatives of the MLSI, the SSIF, MOF and the CBA. (As noted elsewhere, a weakness was the lack of participation by the SRC.) This resulted in the launching of a comprehensive seminar series on pension reform on April 4, 2007 at the National Labor and Social Research Institute. The seminars began with a general political and economic overview, and covered all aspects of pension reform, including the zero, first, second and third pillars, and international experience in pension reform. Additionally, Armenian data were discussed. The concluding seminars addressed 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 NILSR interns. The PWG Seminar Series was completed on May 29, 2007, and relevant materials were distributed in a compact disk format in English and Armenian.

Study Tours

SPSS organized a number of targeted study tour opportunities for all of the project's counterparts. In light of the GOAM decision to develop a centralized funded Second Pillar for the pension system, study of countries with such reforms was critical.

Russia was an important reference point due to problems in its Second Pillar funded pension reform. Accordingly, SPSS organized attendance of seven participants at a conference in Russia discussing problems in that system. In September 2007, representatives of NILSR, SSSS, MLSI and PWG participated in Moscow International Conference on Voluntary Pension Systems, during which the challenges of this system and the issues arisen to the private pension funds were discussed. As a result, the Armenian group became aware of the possible problems to arise after introduction of voluntary pension system in Armenia.

Additionally, SPSS organized a study tour to the best-regarded pension reform with a centralized funded second pillar, Sweden, as well as to Estonia, which also has a second pillar with centralized collection of contributions and data. Estonia is viewed as a model by Armenian reformers and a number of study tours were funded there by various donors. The study tours to Sweden and Estonia were organized to learn about the structure of multi-pillar pension system, pension reform history, implementing bodies, and international experience in pension reform including advantages, risks, influence of the reform on the social sphere and the countries' economies in general. The study tour helped PWG to coordinate policy advice and to understand implementation needs regarding the second (funded) pillar. Participants included members of the PWG, MLSI, SSSS, and NORK.¹⁷ A "lessons learned" comparative memorandum on Sweden and Estonia was prepared for the PWG as part of a study tour report.

As the discussion moved to implementation, SPSS organized a study tour to review Second Pillar reform implementation in two lower income countries, Kosovo and Macedonia. The May 3-9, 2008 pension implementation study tour to Macedonia (with presentations on Kosovo) made it possible for Armenian policymakers to examine the advantages and disadvantages of how both systems were implemented. The group was able to visit all the relevant pension agencies in Macedonia as well the tax authorities and the two private sector funds. The Kosovo presentations were made by the Manager of the Kosovo Pension Savings Trust and the head of IT, as well as an official of the Kosovo tax agency. A "lessons learned"

¹⁶ SPSS also provided translations of research materials regarding international pension reform experiences, and supported the launching of a website and an internal platform for the PWG.

¹⁷ SPSS organized the logistics and substantive part of the Sweden study tour and provided substantive policy support to AED on Estonia. SPSS provided materials on Sweden and Estonia to the tour participants, including documents previously translated and delivered as part of the seminars in May 2007. New materials were also prepared about Sweden, and materials from Swedish state agencies also made available.

comparative memorandum on Kosovo and Macedonia was prepared for the PWG as part of a study tour report.

Some of the MLSI staff attended another study tour to Estonia on e-governance issues, which helped them to better design and implement information strategy and e-government solutions for the social sphere in Armenia. Finally, as SPSS was ending, a study tour focused solely on implementation issues in Estonia took place through September 16-24, 2009.

Roundtables

In June 2008, SPSS held a roundtable to provide an opportunity to pension reformers to compare information obtained from international experience in pension reform, and to draw appropriate inferences for the decisions being reached in Armenia. The roundtable was organized by pension system component (or pillar) and all country experiences relevant to that pillar were addressed at the same time. The experiences of the following countries were discussed to varying degrees: Canada, Chile, Croatia, Estonia, Kosovo, Macedonia, Russia, Sweden, and Ukraine. The group discussed international experience generally with respect to zero, first and second pillars and provided summaries of conclusions reached by the PWG as well as outstanding questions still remaining to be decided.

2.3.2 Pension Reform Analysis

SPSS initially focused on informing counterparts of the background issues involved in adopting a pension reform and provided extensive assistance on pension policy. This included completion of an analytic report on the current status of the pension system: “Towards Zero and First Pillar Reform in Armenia: Current Situation, Trends and International Experience.”¹⁸ The report was based in part of the SPSS Pension Model, described further in the next section.

SPSS supported three thematic sub-groups of the PWG in drafting the pension concept paper: 1) the Distributive Component of the Pension System (Solidarity or PAYG system), led by the Deputy Minister of NILSR; 2) the Accumulative Components of the Pension System, led by the Central Bank of Armenia (CBA) and 3) Management of the Multi-pillar Pension System, lead by the MOF. The MLSI sub-group met only once and did not actively develop any materials for the PWG. A legislative drafting group was assembled and held an initial meeting to identify legal issues for discussion.

SPSS provided extensive input for the White Paper on pension reform for the PWG, addressing specific chapters as requested on first pillar (solidarity) pensions, voluntary pensions, and the management of the state pension system. Even though, as noted above, the MLSI sub-group did not produce materials, the CBA drafted materials on the PAYG system. As a result of SPSS technical assistance, the PWG proposed a pension reform on 8 August 2007 that reflects the Team’s advice (flat first pillar and funded second pillar). SPSS developed a proposal for disability insurance in the reformed pension system and presented recommendations to the PWG in June 2007.

In August 2008, the PWG delivered the Armenian and English texts of the Pension Reforms White Paper and asked for comments. The PWG delivered its final White Paper to the GOAM and was formally disbanded. SPSS provided extensive comments on the White Paper. The MLSI was appointed as the agency managing the pension reform implementation process. A new working group, the PRIWG was established in August 2008. It is important to note that the tax agency was included.

¹⁸ The paper was originally delivered in Armenian to MLSI on July 23, 2007; comments were received in September, it was revised in October and completed in November. Formal delivery to MLSI took place on December 5, 2007.

In the course of the SPSS project, SPSS experts joined USAID staff to meet frequently with donor organizations, including the IMF, the ADB, and the World Bank. SPSS provided updates on the reform process and on the calculations of fiscal costs of the reform.

2.3.3 Modeling and Pension System Finance

One of the key elements in any pension reform process is estimating the economic feasibility and impacts of the reform. In the SPSS project this took the form of a three year process of modeling the Armenian pension system both in its present form and under the proposed reforms. Two groups did such work, one using a model developed by SPSS, and the other using the World Bank's pension reform options simulation toolkit (PROST) model. The groups coordinated their work closely, shared results and insights, and worked in an atmosphere of synergies rather than duplication. The extent to which the groups' findings roughly coincided can be attributed to the close coordination and the robust nature of the modeling approaches employed.

The SPSS Project prepared an economic and demographic model to simulate the Armenian pension system under varying assumptions. The initial model only reflected the first pillar PAYG pension and the zero pillar social pensions. A policy analysis based on this stage of the model was delivered at the end of 2007, as noted above.

The model underwent significant change to accommodate the decisions of the GOAM and changing economic conditions. For example, one major change was the decision to shift from the financing of pensions through a segregated fund collecting social contributions to general budget financing. In addition, the SPSS Project worked with the PRWG to validate assumptions, and this required changes as well. When the model was initially built, there was a separate social insurance fund, the SSIF. However, in 2007, social contributions were transferred to the budget instead of a separate fund, and the model reflected this. In the future, the GOAM plans to combine the income tax and social contributions into a unified income tax. In June 2007, the Government announced a significant 60% increase in all pensions, in general terms. This was incorporated into the model and SPSS provided a quantitative analysis of the impact.

SPSS created a manual for modeling the pension system, and MLSI employees and actuarial students were trained to use the model. SPSS held two interactive training series on the model covering the general structure and main indicators used in the model. Actuarial students also participated in the training.¹⁹

The model was used throughout the project to review pension reform options. Additional scenario calculations using the SPSS Pension System Model were made upon MLSI requests throughout the reform discussion process. SPSS provided analysis of economic impact of the introduction of the second pillar. Parameters of pension reform were discussed through ongoing individual meetings with the CBA, the MLSI, the NLSRI and the SSIF, as well as with the WB and the IMF.

The same model, augmented with a hypothetical second pillar, was also used to simulate pension reforms that included the introduction of a fully funded component to the pension system. The model was fully described in a separate user guide, and is illustrated in a schematic diagram in Figure 2. The model consists of a set of the following linked Excel workbooks or modules:

¹⁹ SPSS conducted a preliminary assessment on actuarial education in Armenia including researching demand, qualifications, and programs at AUA and Yerevan State University. At the end of the second quarter of SPSS, USAID determined that promotion of the actuarial profession will be more appropriately handled under its FSDP, which was addressing insurance. Accordingly, no further activities were undertaken by SPSS.

- A population projection module that projects urban and rural population by age and sex as a function of assumptions regarding fertility, mortality, rural-urban migration, and international migration. The module employs a standard cohort-component approach.
- A labor force module that, based on the population projection and assumed age-specific urban/rural and male/female labor force participation rates, calculates the labor force. Age-specific urban/rural and male/female unemployment rates are used to estimate unemployment, and the employed labor force is allocated among sectors of the economy using assumed shares. Employed workers in each sector are, in turn, distributed into the formal and informal sector, again using assumed shares.
- A wages module that calculates labor income in the formal and informal sectors. The average nominal wage rate in each sector is assumed to grow at the same rate as the average nominal wage rate, which is in turn based on assumed rates of growth of real GDP and inflation.
- A first-pillar module that applies a compliance rate to formal sector workers to estimate the number of employees on whose behalf social contributions are paid by employers, and calculates contributions based on an assumed contribution rate and wages from the wages module. The assumed contribution rate is adjusted downward by a multiplicative “evasion factor” that controls for the fact that many contributors understate their wages.
- A years-of-service module that calculates years of contributory service for each single-year age cohort as it moves through its working life. The relevant variables are the labor force participation rate, the unemployment rate, the informality rate, and the formal-sector compliance rate.
- A SSSS benefit module that consists of sub-modules for old-age insurance pensions, survivor’s and disability insurance pensions, special pensions (privileged, partial privileged, and long-service), and social old age, survivor’s, and disability pensions (which are financed by the state budget, not contributions). The old-age insurance pension sub-module is the most developed of these. At age 63, a proportion of the population is assumed to qualify for an old-age insurance pension. These new retirees are then moved forward using age- and sex-specific mortality rates from the population module. Other pension modules are simpler; pensioners are calculated as an assumed share of population in the eligible age group and the average pension is adjusted up each year at the same rate as the old-age insurance pension. An exception is the old-age social pension, where changes in the share of the population aged 65+ benefiting is calculated as last year’s share minus change in the proportion of the 63+ population receiving the old-age insurance pension. In this estimated fashion, declines in the population receiving the old-age insurance pension are translated into increases in the population receiving the old-age social pension.
- Pensions are calculated using the current SSSS benefit calculation formula. As average years of contributory service in the SSSS system declines with the retirement of workers who spent a substantial period of their active life in the “lost decade” of the 1990s without formal employment, the old-age insurance pension on retirement is reduced correspondingly.
- A second pillar pension module that reflects the GOAM proposal to introduce funded pensions on a mandatory basis for persons 40 years and less, on 1 January 2011. It is assumed that the contributions of workers augmented by transfers from the state budget will amount to 10% of formal wages and will be invested on behalf of individual workers. An initial rate of return of 7% is assumed, followed by 6%.

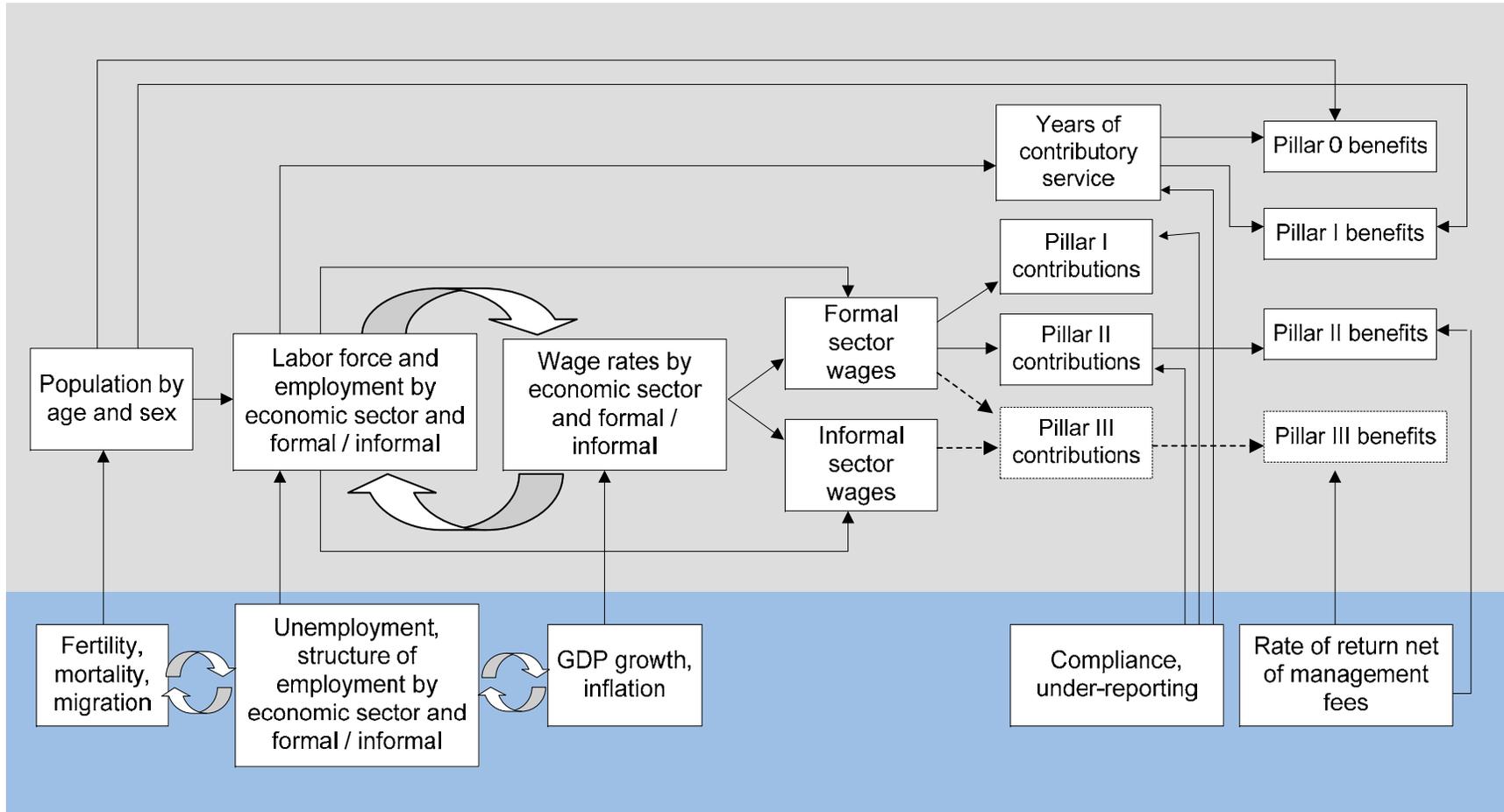
In the schematic diagram (Figure 2), the darker shaded portion at the bottom represents exogenous assumptions, factors outside the pension system. Shaded curved arrows link areas that we know to be related via economic behavior, but as this is an accounting model, we make no attempt to model such interactions. All boxes and arrows involving the voluntary funded third pillar are dashed because this pillar is not modeled.

In a concluding paper, the SPSS model was used to estimate some of the major impacts of the proposed pension reform policy, as described in brief below. In the concluding document, SPSS reviewed four issues:

- What is the likely fiscal cost of the reform, and what annuities and total pensions are likely to result? To estimate this, a comparison is made between baseline scenarios reflecting the institution of the Second Pillar, with an alternative scenario in which no Second Pillar is instituted.
- How much has the economic crisis changed the fiscal cost of reform and the ultimate pensions that retirees will receive? To estimate this, a comparison of the baseline scenario is made with an alternative in which economic growth is higher, inflation faster, and unemployment lower in the medium-term than is currently expected by the GOAM.
- What would be the impact of switching from a scheme according to which both the Basic Pension and accrual factor are indexed to the CPI to one in which the Basic Pension is indexed to CPI and the accrual factor is indexed to wages? There are both equity and efficiency arguments in favor of the latter.
- What would be the impact of instituting a less ambitious Second Pillar financed by 2.5% of the unified income tax and a 2.5% contribution by government? Under such a scheme, instead of paying a total of 31% of wage income in taxes, workers would pay only 28.5%.

In all cases, the focus is on two of the central issues, namely the fiscal impact of the change being analyzed and the impact on First and Second Pillar Pensions ultimately received.

Figure 2: The SPSS Armenian Pension System Model at a Glance



2.3.4 The Government of Armenia's Adoption of Pension Policy Reform

With technical assistance from SPSS, the GOAM decided that the unfunded PAYG pension system needed to be replaced by a multi-pillar system providing a social safety net for the vulnerable regardless of past contributions (Zero Pillar), a basic PAYG pension for those who contribute with some differentiation based on years of service (First Pillar), and a mandatory funded individual savings account for current workers that will be invested (Second Pillar). This reform program reflected the proposal of the CBA and in particular the vision of one of its experts who now heads the Ministry of Economy (MoE). The proposed system's four pillars work together to ensure adequate incomes for the elderly Armenia:

"0" Pillar: Social Pension

The "0" pillar serves to pay a social pension, which aims to provide a minimum income to those individuals who are not eligible for pensions but who are elderly, disabled or the survivor of an individual without a pension. The social pension is paid as a flat amount to those who are left out of the other pillars of the system, persons who:

- Have never worked and/or have never accumulated contributions.
- Have worked in the informal sector of the economy or have failed to make mandatory contributions.
- Have made contributions to the funded component for less than 10 years. Currently, this requirement is 5 years. It will be raised from 5 to 10 years gradually between 2010 and 2015.

The size of the social pension will amount to 80% of the basic pension. This is intended to encourage people to join the formal employment sector.

"1" Pillar: Employment Pension

The "1" pillar is the foundation for the multi-pillar system since it ensures social protection for pensioners and standards of living guaranteed by the State. It will be paid from the State budget. It is made of two parts: the basic pension and, in some cases, an insurance component related to length of service. Individuals are eligible who:

- Have 10 years of creditable service. Currently, this requirement is 5 years. It will be raised from 5 to 10 years gradually between 2010 and 2015.
- Have reached the age of 63.
- Have become eligible for pension by legislation or in accordance with provisions defined by inter-state agreements.

The basic pension is a universal flat rate amount payable to everyone eligible for the "1" pillar. The size of the basic pension is defined by legislation and is indexed to the growth of the average salary in the country.

The insurance component is differentiated by length of service so it will be assigned to people who have reached the age of 63 with length of service equal to or above 10 years. This pension is intended to provide an incentive for participation in the formal economy.

“2” Pillar: Mandatory Funded Pension

The “2” pillar, a completely new part of the pension system, is a mandatory funded pension which is intended to compensate individuals based on their contributions. Participation in this pillar will be mandatory for persons born on or after January 1, 1970 and/or those who are under 40 on their first entry into the labor market. Participation will be voluntary for others who do not meet this age restriction.

At retirement, the person is entitled to use his/her pension in one of the following ways:

- Programmed withdrawal: Receiving a monthly pension according to a specific scheme.
- Annuity: Accumulated amounts are transferred to an insurance company, which commits to pay a certain amount monthly for the person’s lifetime.
- Lump-sum Payment: In specific cases, the person has a right to withdraw all of the accumulated fund in a single payment.

“3” Pillar: Contributions

The “3” Pillar will allow any Armenian resident to make voluntary contributions to generate revenues available upon retirement. These contributions will be tax deductible for an amount up to 5% of declared income. Revenues from the contributions will not be taxed as they are earned, but pensions paid will be tax exempt.

“3” Pillar contributions may be implemented in two ways:

- Through the mechanisms established for Pillar “2” using the services of the CDA.
- By a private sector company which provides voluntary funded pension insurance. This company would be supervised by the Financial Markets Supervision Service.

The PWG finalized a pension reform White Paper. Participants included the CBA, the Prime Minister’s Office, the MLSI, the SSSS, the MoE and the MoF. Once the PWG delivered a White Paper to the GOAM, it was formally disbanded. While there were two different perspectives in the PWG, with the MLSI opposing a funded pension system, once the final decision was made, the Prime Minister designated the MLSI as the agency responsible for implementation.

Reform Proposal

The final Government Pension Program, adopted in November 2008, provided as follows:

- Between 2008 and 2021, the GOAM plan calls for substantial increases in pensions, the key aspect of which is that, by 2021, the Basic Pension will exceed the Minimum Consumer Basket. These increases follow the 60% increase in pensions instituted in 2008 and an additional increase of 13% in 2009.
- For those with at least 10 years of social tax payment, some of which are prior to the effective date of the reform (1 January 2011), an Insurance Pension (First Pillar) financed by a unified income tax of 26% of wages will be provided. The First Pillar consists of two parts: 1) a flat Basic Pension indexed to CPI, which also serves as the basis for Social Pensions; and 2) an amount reflecting years of contributions prior to the reform. Accrual of First Pillar rights (apart from eligibility for the Basic Pension) will cease after entry into the reformed system.
- Entry into the reformed system will be mandatory for those aged up to 40 in 2011. Older persons will be allowed to move into the reformed system on a voluntary basis.

- For those whose years of social tax payment are entirely after the effective date of reform, only the Basic Pension is to be paid to those with 10 years of social tax payment.
- A social pension (Zero Pillar), set to be 80% of the Basic Pension, will be provided for those without 10 years of social tax payment.
- Both the Basic Pension and accrual factor used to calculate the value of years of contributory service prior to the reform will be indexed by the CPI.
- Individual funded pension accounts (Second Pillar) financed by contributions of 10% of wage, 5% paid by workers (as part of the 26% unified income tax, leaving 21% to finance the First Pillar) and 5% by the state, up to a ceiling; when the ceiling is reached high income workers will pay more than 5% in order to reach the full 10%; the employer share is part of the 26% unified income tax, meaning the labor burden now will be $26\% + 5\% = 31\%$ -- a five %age point increase on current obligations.
- Upon reaching 63, participants in the reformed system will be eligible to receive an annuity reflecting the value of their accumulation.

The broad concepts of the reform are sound and follow a number of recent international reform examples. The reform will provide a social safety net for the vulnerable and incentives for higher income individuals to remain in the formal sector by establishing a Second (funded) Pillar. Automatic indexation will protect the vulnerable. Armenian pension amounts have not kept pace with GDP and wage growth. Increases were done sporadically on the election cycle. A summary of the reform was prepared by the PRIWG and approved by the GOAM (which was still being translated at the time that SPSS ended). Nevertheless, this proposal has risks. Capital markets in Armenia are extremely shallow and cannot readily absorb a funded pillar; investment would have to be on global markets through a limited number of asset managers. Management through domestic asset managers will be costly.

The final White Paper proposed an effective date of 2010, not 2009, but this was still ambitious. No country has implemented pension reform as scheduled. At the time this report was written, laws had been drafted, a business process design was initiated, and IT planning was in process. Public information efforts were underway. NASDAQ OMX initiated its own study to identify what will be necessary for its role in Second Pillar implementation. There was however, still no budget for implementation and no detailed implementation plan had been approved. The absence of a budget is the main shortcoming. While a plan for the reformed system exists, there was no transition plan on how the government agencies will be transformed to achieve the change.

The timetable reflected in the GOAM Decree on pension reform called for completion of technical specifications by March 31, 2009 and completion of the full personified record keeping system by July 31, 2009. This was not a realistic timeframe, and indeed was implicitly modified. Though the SPSS expert completed technical specifications in time, many other steps must be taken before the system will be completed. The effective date of the reform is now scheduled to be January 2011.

Under the proposed reform, the Government is directly responsible for managing Pillars “0” and “1”. For Pillar “2” the government is to be responsible for collecting contributions and delivering them to the Central Depository of Armenia. After deposit, Pillar “2” is managed by private entities. Pillar “3” is managed by private entities.

In this process, many parts of the government have important responsibilities.

- The MLSI is responsible for state pension security and for implementation and supervision of pension policy. Agencies within the MLSI have specific responsibilities.

- The SSSS is responsible for administration of the “1” pillar.
- The Labor Inspectorate will perform authenticity checks of documents submitted for assignment and payment of pensions.
- The State Revenue Committee (SRC, previously the State Tax Service) is responsible for collection of taxes and of personified information on the unified tax and mandatory/voluntary funded contributions.
- The Ministry of Finance and Ministry of Economy will ensure development of financial, economic and fiscal policies and funding of state pensions.
- The Central Depository of Armenia will be responsible for centralized administration of the funded component of the reform. This includes maintaining information about individual accounts and acting as the intermediary between individuals and asset managers.
- The Financial Markets Supervision Service (located at the CBA) will regulate, license, monitor and supervise the activities of financial systems of the pension system, such as asset managers, private pension insurance companies and the CDA.

2.3.5 SPSS Support to the Policy Implementation Process

GOAM appointed the MLSI as the agency managing the pension reform implementation process. The PRIWG, appointed after the PWG was disbanded by the Prime Minister, is unlike the previous working group, which focused on policy design and was within the Central Bank. The PRIWG had a mission of implementing a new reform program, and was based in the MLSI.

SPSS provided support to the PRIWG in many respects, including drafting legislation, analysis of the business process and information technology of the current system, and project management. SPSS devoted considerable efforts to commenting on issues raised by the PRIWG, and produced 21 memoranda on various issues. For example, Memo 4 on the Unified Tax, Memo 6 on treatment of Residents and Citizens, Memo 7 on the Unified Tax Article 26, Memo 15 Comments on Laws, Memo 16 IT Model Clarification, Memo 18 IT Specifications Pending Issues, and Memo 20 on the Personal Coefficient. SPSS also kept minutes for the PRIWG.

A major difference between the PWG and the PRIWG was the involvement and active participation of the SRC. Initiation of the PRIWG coincided with appointment of Aharon Chilingaryan as Deputy Chairman of the SRC, with a broad mandate to introduce electronic submissions and modernize tax collection. Under his leadership the Strategic Planning Department of the SRC planned for introduction of personified recordkeeping.

Legislation

SPSS assisted with the drafting of the four laws called for in the pension implementation plan: 1) on the unified tax (MoF drafting team); 2) on personified recordkeeping (MLSI drafting team); 3) on the PAYG pension system (MLSI drafting team); and 4) on the funded pension system (MoF drafting team). SPSS staff drafted a complete text of the PAYG and funded pension laws for the PRIWG teams, commented on the law on the unified tax, and proposed a replacement text for the law on personified recordkeeping. SPSS experts prepared written comments on all four draft laws and also provided comments during PRIWG meetings. At the request of the MoF, SPSS experts worked on identifying provisions in eight additional laws to amend and make them consistent with the draft Funded Pension Law. The necessary articles were edited or written accordingly. SPSS also translated draft laws as they were in process.

Project Management

SPSS provided assistance to the PRIWG on the management of pension reform implementation, in particular tracking of the different pieces of the project to assure timely and coordinated completion of tasks. SPSS assisted the MLSI with a detailed project management plan, including a master file that listed all the necessary steps to implement reform, and regularly helped them update it. SPSS provided project management training and project management tools that were used to assist the head of the PRIWG to organize and supervise pension reform implementation.

SPSS developed a detailed Gantt chart of the pension reform implementation process, which was updated on a weekly basis and used by the Deputy Ministers of MLSI, MOF and SRC. The Gantt chart was regularly maintained in Armenian and English on the project website.

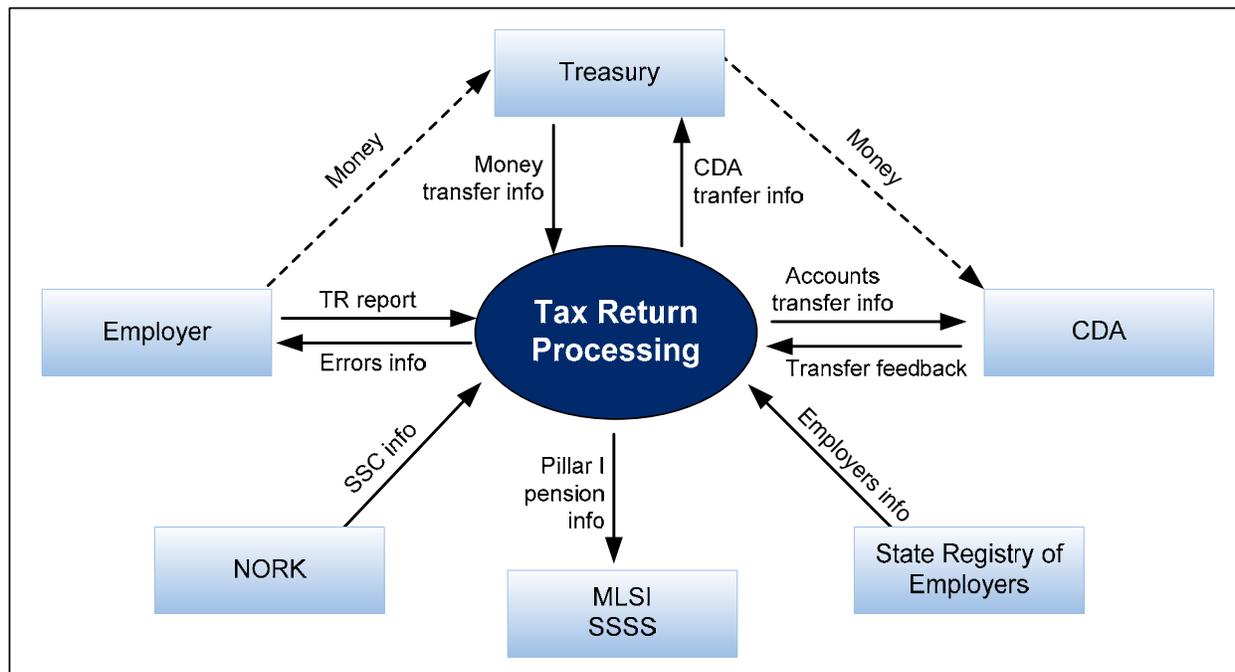
The timetable approved by the GOAM included overall pension reform implementation activities. The Gantt chart was designed based on a timetable detailing the steps that should be undertaken to ensure performance of each activity. According to the Activities Timetable approved by the GOAM, agencies will be accountable to the GOAM, whereas the Gantt chart was an internal working document by which persons responsible for pension reform implementation tasks could be accountable to the Head of the Working Group. It also served a progress report and a very good monitoring tool providing an opportunity for the PRIWG members to work on the chart through a forum regime. At the time of SPSS completion, PRIWG had yet to formally adopt the chart as a monitoring and scheduling tool.

As part of project management SPSS experts also worked with the PRIWG on needs assessment for the different stakeholders. The next management step was resource assessment, and in this regard, support in implementation needs assessment and financial review was provided to agencies involved in the pension reform implementation process. However, the stakeholders did not provide complete responses, and at the time this report was written, the process had not been completed. Risk assessment and management is important for successful project implementation. SPSS supported the launch of a pension reform implementation risk assessment process, which, at the time of writing this report, was still underway.

Business Process for Personified Recordkeeping

The PRIWG created a sub-group to develop an IT terms of reference (IT TOR) for the system design of the reformed pension system database. SPSS was asked for comments on the draft IT TOR. The principal concern of SPSS was that the IT TOR was drafted prematurely before a business process design was complete and that it did not include budgets. PRWIG asked SPSS to map the business processes. With this request, SPSS shifted its attention from the PRIWG as a whole and the MLSI to the SRC. This was an essential change, as the SRC is at the center of the pension reform program. At the heart of the new pension reform is an information system, since the pension system requires personified recordkeeping concerning unified income tax contributions and pension contributions. The SRC agreed to store the information and make it available to all stakeholders who require it. Figure 3 is a schematic representation of the information system that is needed.

Figure 3: Schematic representation of the pension system information system



In October 2008, SPSS established a working relationship with the SRC and began mapping the proposed business process of the reformed pension system as expressed in the draft IT TOR, the White Paper, and the draft laws. SPSS met with SRC specialists, MLSI counterparts and other members of the PRWIG. In October, SPSS started the preparation of business process maps using Microsoft Visio 2007 software. The following maps were prepared, and revised with counterparts:

1. Process of employee enrollment.
2. Unified income tax calculation for wage earners.
3. Unified income tax calculation for non-wage earners.
4. Tax return submission and processing maps both paper and electronic submission.
5. Money flow.
6. Information flow.
7. Old age pension assignment and payment process.
8. Disability pension.
9. Survivors' pension.
10. Inheritance rights.
11. Asset manager choice.
12. Asset manager and custodian licensing.

At the request of MLSI, in addition to preparing maps for the processes, each process map was transformed into a descriptive document.

In November 2008, the SPSS pension team met with OMX – Central Depository experts to discuss the role of the depository in the pension reform and its capacity to maintain and process the required

information. During that discussion several important points were revealed related to business process in Estonia, which was being used as a model in Armenia. This was taken into account in the business process maps and ongoing consultations with OMX proceeded throughout the last three quarters of the project. The twelve business process maps were not updated after the final drafts of the laws were adopted by the GOAM. Microsoft Visio 2007, the program used for the mapping, was transferred to SRC.

Information Management for Personified Recordkeeping

After intense review and discussion, the PWG decided to abandon the personified recordkeeping system PARNAS developed within the SSSS for the current pension system, because it did not have state of the art technology and had not fulfilled its mission. SSSS was required to personify data since 2004 in order to have data for pension awards, and was also required to report on a regular basis to employees. PARNAS had never been used for pension awards, and no reports had been produced from that system.

The proposed collection infrastructure will require significant changes to the business process of the SRC and a new information management system. It is the basis for system design and will need additional resources. In a funded system with individual accounts, poor collection of contributions and information could be catastrophic. Introduction of a funded pension program without adequate governance and infrastructure is a risk.

In November 2008, at USAID's request, SPSS hosted meetings with other USAID projects to discuss database development issues common to all. Several USAID Projects, including Primary Health Care Reform Project, SPSS, and International Foundation for Election Systems were in the process of helping the GOAM develop or improve databases with personified information for various purposes (health enrollment, individual pension accounts, voting registration, civil registry, etc.). In addition, the Local Government Project worked with municipalities providing the information for those databases through registration of birth, deaths, and marriages. These projects worked with government institutions that had overlapping individual registration needs. Database development activities were in some instances proceeding in isolation from each other, and there was a danger of wasted resources and limited results. In addition, individuals and employers were sometimes required to report the same information to the state repeatedly by different databases. It is a principle of good governance that an individual should be required to report information to the state only once, and that state agencies should be able to process and share the information for all necessary purposes. The projects agreed that the following issues are critical:

- There needs to be a single authoritative source that can confirm a person's existence in Armenia.
- It is imperative for a unique identifier system to be used by different state systems.
- Connectivity among the databases and between local and central government is a major issue, but waiting for connectivity should not obstruct proper attention to overall data management requirements. Regardless, the data organization and standardization is needed even within present infrastructure, and can precede broader connectivity.
- Address identification is necessary.
- A coherent management information approach is needed to assure security and privacy while also integrating information.
- A high level GOAM group should impose coordination on the database development process to prevent uncoordinated decisions.

The GOAM intends to implement a project to issue identification cards and biometric passports beginning in 2010, although this date seems unrealistic. The identification number will be social card number for citizens who already have social cards. For others, identification numbers will be generated using the

same algorithm. In light of the foregoing, it appears that it is appropriate to use social cards in the pension system and that a unified database is likely to be available. While the SRC initially wanted to issue new taxpayer identification numbers, by the end of SPSS it was more or less in agreement that it is most efficient to use the social card numbers.

Once business process maps were largely agreed upon, SPSS experts worked on technical specifications for the IT system for the funded component of the pension system. There were ongoing discussions with the NORK center on the information required for the technical specifications for the new IT System. A draft outline of an IT TOR was provided in November 2008, which was to serve as a description of the detailed specifications to be produced in the next two quarters on the basis of the business process maps.

From February through March 2009, the SPSS team met very intensively with SRC and the other counterparts to validate the business process maps that had been prepared, and to make a number of decisions. The SPSS team involved in this process on an almost daily basis included at least six staff. Discussions were detailed and often difficult. The objective of the exercise was to provide the IT expert business process decisions to be incorporated into the technical specifications.

Structure of the Technical Specifications

Technical specifications that correspond to the Unified Tax model were provided on schedule by the end of March, and were translated and somewhat revised by May, 2009. It should be noted that the SPSS project met the deadlines of a schedule adopted by the GOAM, while other items on the schedule, such as introduction of the laws to the National Assembly, have yet to be accomplished. The specifications consist of several modules.

- 01-Registration
- 02-Expected Revenue
- 03-Payment
- 04-Tax Payer software tool for generating electronic unified tax form
- 05-Submission and CORE validation
- 06-Distribution
- 07-Calculation of Late payment Interests
- 09-Tax Card

For each module there is a separate software specification document. Each of the software specification documents that correspond to a module is structured in the identical manner. For each module, there can be one or more processes, and for each process, there can be one or more software components or applications. Figure 4 is a schematic representation of the system.

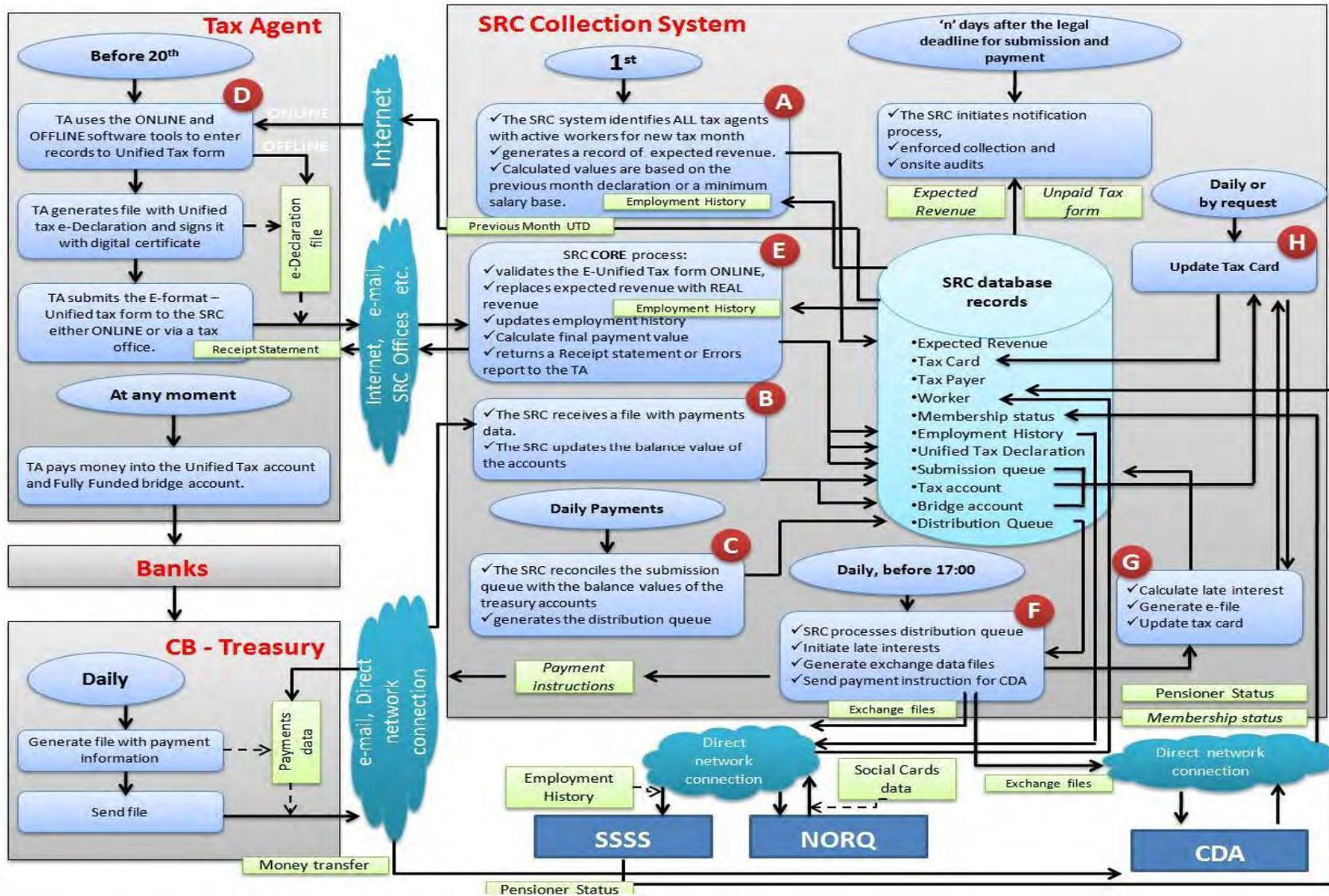
SPSS also provided analysis on issues raised by PARNAS and SRC concerning data exchange. There was an ongoing discussion and dispute process between MLSI and SRC related to the need, parameters and timeframe for PARNAS data migration.

After the delivery of the IT System Specifications, SPSS experts were prepared to provide additional explanations, answer questions, and make changes. However, the SRC team and others had a great deal of difficulty in thoroughly reviewing the system specifications. No questions were raised by SRC about the document and SRC failed to attend scheduled events in June 2009 to further discuss the specifications. In the final month of the project, September 2009, SPSS brought back the IT expert who drafted the system

specifications and made him available to the SRC and others for additional discussions. In the intervening time, there had been a change of leadership at the SRC and the person in charge of pension reform implementation was removed. The SPSS team worked on the System Specifications with the head of the IT department.

In September 2009, the SRC appointed representatives to attend a five day workshop to discuss the System Specifications, module by module. SRC did not appoint employees, but instead appointed the staff of its contractor currently providing IT development services. SPSS respected SRC's appointment of its representatives; however, there was a risk in conducting this information exchange with a contractor and not with SRC employees who are actually engaged in the business process. The SPSS team expressed its concerns to the SRC Deputy Chairman of the SRC concerning the three major risks currently observed: 1) low level of familiarity with the specifications; 2) absence of SRC business process staff; and 3) absence of a project manager for the implementation of the new system. As the project ended, the SPSS project provided a report and an updated system specification document to SRC and the PRIWG. Figure 4 below presents schematic representation of the unified tax model including the roles of the tax agent, SRC collection system, banks and CB treasury.

Figure 4: Schematic representation of the unified tax model.



As the project was ending, the PRIWG requested a policy and implementation study tour to Estonia. SPSS organized the tour in August and September. Officials from four agencies, each with different interests, participated: State Revenue Committee (SRC), Central Bank (CBA), Ministry of Finance (MoF) and the Ministry of Labor and Social Issues (MLSI). SRC was primarily interested in the collection of contributions and electronic filing of reports. SPSS thought it particularly important to support this initiative, since SRC had not participated in tours organized previously. CBA and MoF were interested in collection of contributions, and also in asset management choice, and appropriate regulation of investments. MLSI was interested in the operation of the system as a whole but also in pension administration, the business process of regional offices, and customer service. SPSS developed a program that meets the needs of all three groups. Each group had a separate facilitator. The September 16-24, 2009 Tallinn, Estonia pension study tour included appointments with many reformers.

SSSS: Administration of Zero and First Pillars

SPSS provided extensive information on pension administrations around the world which included a paper: "Social Insurance Funds in International Perspective." SPSS worked with AED and SSIF to organize and hold a Pension Administration retreat to discuss governance, management, business process and IT in August 2007 in Aghveran. The event brought together key decision makers at SSIF with SPSS experts to discuss the status quo, consider recommendations and outline future steps. Presentations were delivered by a number of SPSS experts, and the event generated media coverage. SPSS brought in an administration and management expert with experience in U.S. Social Security, several IT experts, administrative process experts, and legal experts.

In the initial stages of the project, SPSS provided a business process analysis of SSIF's operations, assessed its information system (PARNAS), and made trainings and seminars available to SSIF staff. A work plan was prepared to provide additional business process assessment. At SSIF's request, an agreement between SPSS and SSIF was signed in December 2007 setting forth this joint work plan. SSIF indicated this was necessary in order for the project to have access to its offices for further work and assessments. A reorganization of SSIF was undertaken by GOAM in late December 2007. The legal status of SSIF changed and it was renamed as the State Service of Social Security (SSSS). SPSS analyzed the new decree changing SSIF to SSSS, compared the status of the new entity with other agencies, and provided this analysis to other donors.

SPSS worked with SSSS to provide a business process analysis of current operations including regional offices. A detailed analysis of business process of 10 SSSS offices was delivered. In the course of detailed interviews conducted among 10 SSSS offices, detailed process maps were developed using Microsoft Visio application (13 process maps) both in Armenian and English. A meeting to validate observations and process maps and to discuss results was held with the Deputy Heads of the regional centers in May 2008, where the main observations and outlines of improvements were presented. The purpose of the meeting was to assure that the process maps developed were correct and reflect the processes as they are currently. The second aim of the meeting was to verify with the deputy directors if the understanding of needs and problems at the regional centers was accurate and whether the possible changes suggested are reasonable. The representatives of all regional centers interviewed were provided with copies of 13 process maps with request to present their feedback in the second half of the May. SPSS was informed by SSSS that the regional centers agreed in general that the process maps presented the current situation correctly.

SPSS presented the 10 SSSS office reports and met with the SSSS Chairman to plan further activities in September 2008. SSSS proposed organizing three working groups: 1) an internal SSSS group to review proposed suggestions; 2) a joint group with SPSS to work on public information materials for applicants and beneficiaries, including both handouts in offices and website materials; and 3) a joint group with

SPSS to work on a model office. SPSS assistance to SSSS therefore focused on two areas: 1) developing written materials for the public and 2) preparing for a model office. SPSS also provided assistance on dealing with difficult clients. However, SSSS did not follow through on its intention to form a working group, in spite of many reminders.

Previous USAID support had introduced a hotline to SSSS. SPSS staff had assessed it, made recommendations, and planned for its use as a tool to improve efficient administration and communications with customers. However, SSSS discontinued the hotline, indicating that it was not affordable.

Public Outreach

Public outreach can serve at least two different purposes in pension reform:

1. Understanding the public's concern and obtaining input into the reform design.
2. Disseminating information once a reform has been designed.

SPSS and its partner, the American University of Armenia (AUA), urged the PWG to use public outreach for both purposes. However, the PWG did not want public input into the pension reform design. As we noted at the outset of this section, this approach was a weakness of the PWG. SPSS was unable to cause a shift in outlook on this issue, as the GOAM generally was not very interested in public input or civil society participation. Even MLSI and SSSS, which are more closely in touch with the public, were not interested in public input.

The second category of public outreach, public awareness campaigns about the reform, were planned but not undertaken due to the delay in the pension reform process and the hesitancy of the PRIWG to proceed with this step before the reform is introduced to the National Assembly by the GOAM.

AUA undertook a survey and led a focus group to determine attitudes towards the pension system and pension reform in Armenia. This was done to inform the PRIWG as to the public's attitudes so that an appropriate message could be crafted. The results were published on the SPSS website.

SPSS undertook the preparation of public outreach documents, and initiated scheduling of events with journalists in conjunction with the USAID Core Media Support Program (CMSPA), implemented by IREX, to provide initial training on pension reform terminology. At the request of PRIWG, this effort was discontinued.

The MLSI Minister asked for SPSS assistance in upgrading the MLSI website, as the Implementation Unit staff and MLSI public relations department had no website experience. SPSS did an inventory of existing materials (draft laws, GOAM decisions, international experience, analytical materials etc.), as well as work on the layout of www.mss.am.

2.3.6 Policy Analysis of Other Social Insurance Programs

SPSS experts proposed to MLSI and the National Institute for Labor and Social Research (NILSR) a comprehensive review of social insurance other than pensions, to be conducted in the form of a workshop with a report submitted in advance. These issues appear to some extent in the draft law on State Pensions, but were not generally addressed. From time to time, MLSI staff requested examples of international good practices on several forms of social insurance (i.e. policies on maternity in Estonia and Sweden), which was provided by SPSS.

SPSS proposed a comprehensive review of five forms of social insurance: unemployment, maternity, temporary incapacity, occupational injury, and disability. For each form of social insurance SPSS presented international good practices, the current status of this form of social insurance in Armenia, the regulatory framework, institutional arrangements, and GAP analysis and SPSS recommendations. This review was drafted by a team of SPSS experts over many months, translated and circulated for discussion to MLSI, NILSR and USAID. It was accompanied by extensive annexes containing examples of good practices from the ILO, as well as Austria, Estonia, France, Germany, Portugal, Poland, Sweden, UK, and US.

MLSI notified SPSS that it would not make any substantive comments on the document and would use it as background for research and policy development; in light of that decision, a concluding workshop was unnecessary. USAID provided extensive comments and guidance to the SPSS team. The document was translated and printed, delivered to counterparts, and posted on the SPSS website.

2.3.7 End of Project Status of the Pension Reform

As the project ended, pension reform was in the final stages of policy design and in the early stages of reform implementation.

2.3.8 Sustainability

Sustainability in the area of pension reform is both critical and difficult. The difficulties encountered by previous USAID support are mentioned above. The social card was not used to maximum effect for social benefits, and the PARNAS system was not used to either make pension awards or to keep track of pension contributions. However, the PWG has in fact decided that a new system has to be established within SRC.

There is similar concern that the tools provided by SPSS will be difficult to sustain. SPSS has provided the SPSS Pension Model, a detailed System Specification for an IT System for the SRC, business process maps, and a Gantt chart, as well as numerous memoranda, papers and analyses. These tools need to be used and maintained. In some cases, PRIWG can continue the work, but in general technical assistance will be required to support the PRIWG and the MLSI. SPSS attempted to train MLSI staff on the SPSS Pension Model, but the personnel were not made sufficiently available for this. Similarly, SPSS made the Gantt chart widely available but no one within MLSI used it.

2.3.9 Next Steps

Technical assistance must continue shifting from policy analysis to implementation activities. A shift in counterpart emphasis is indicated, and further work on project management and on development of an information management system for the SRC is anticipated. The SRC will have implementation functions in the new system far beyond those of the MLSI. This is likely to be the most time intensive aspect of pension reform implementation work in the next three years. Nonetheless, some policy activities remain.

Modeling: SPSS's final modeling activity included a report to the PRIWG on different reform scenarios. On September 10, 2009, MoF staff informed SPSS staff that the Prime Minister has instructed the GOAM to complete changes to the package of pension reform laws and to submit them to the National Assembly within two weeks, to see what the reaction will be. Upon receipt of the legislators' reaction, additional changes might need to be made by the GOAM, including those of a parametric nature. These changes may require modeling to confirm what their costs might be. MLSI has some capacity to use the SPSS model but lacks confidence.

Finalizing Business Processes: It will be possible to finalize the business process design for SRC and other affected entities only when the laws are finalized. The PRIWG has recognized the vital importance of this mapping tool. A Microsoft Visio 2007 software program was purchased by SPSS and delivered to SRC for this purpose, but the head of the IT Department at SRC indicated that he was not sure that anyone could use it. SRC capacity to use this tool for itself needs to be built.

Legislative Drafting: As noted above, the GOAM plans that it will soon deliver four draft laws to the National Assembly. Once these are finalized over 40 regulations need to be drafted. SPSS has prepared a list of them. Some will require assistance in addition to the capacity of MLSI and MoF. In addition, the draft laws have been translated and are on the SPSS website. Those translations need to be maintained and updated.

Project Management: As noted above, the SPSS project maintained a Gantt chart for tracking progress. It is important that someone pick up this task after SPSS ends. There is no one at MLSI who has the capacity to do this. There is staff at MoF who can do this, but they would need to have the appropriate software and be tasked with the assignment. In addition, the PRIWG must adopt the Gantt chart as its official monitoring and scheduling tool. The needs assessment and risk assessment needs to be continued. Training must be planned. Since the implementation is just beginning, the project management process is really intense and incomplete as the project ends.

SRC System Design: As requested by GOAM and PRIWG, SPSS committed itself to assisting the PRIWG in developing personified recordkeeping information system technical specifications, in coordination with SRC and considering its current system requirements and practices, by the end of March 2009, for a tender in April 2009. However, by the time the system was developed, it was clear that there could be no RFP in April. SPSS provided updated system specifications to the SRC and PRIWG. There is a strong likelihood that SRC will not be able to prepare an RFP for system specifications without additional assistance.

Budgeting: The absence of a source of funding for the new SRC system has been an ongoing difficulty for implementation. The PRIWG has a somewhat unrealistic expectation that this will be provided through one or another donor. SPSS was recently advised that the GOAM has decided not to ask the World Bank for this support. At this time it is unclear if this is to be budget financing or donor financing.

SRC System Tender and Procurement: The tender should be launched only after the adoption of the legislative package by the National Assembly. The laws and regulations will determine what requirements the system must meet. The earliest possible date for delivery of a system would be at least 12-15 months after adoption of the laws. To meet that deadline, financing should be identified before the laws are submitted to the National Assembly. An RFP can be published once the laws are passed. Two to three months would be required for contracting. Software development activities will probably take at least 6 months after the contract is awarded. Some time would be required for testing and acceptance. Only after the system is designed, tested and accepted, can training be designed and delivered. GOAM experts estimate that the National Assembly may not pass the laws until December. This will likely delay implementation beyond January 2011.

Public Administration Reorganization: SRC will have a need for additional staff to review and process personified records. It will be possible to redeploy SSSS employees to SRC. This will require planning and reorganization. Other SSSS functions will require modernization and reorganization. This is most likely to take place in 2010 and SPSS has initiated some work; more will be needed.

Public Information: The system is planned to start in 2011. The greatest need for public information activities will be as the first cohort of individuals starts to contribute to the second pillar and needs to select private asset managers. MLSI has taken steps to plan activities using existing social sector television programs and websites. Training of spokespersons and development of materials is likely to take place in 2010 and will most likely be ready, with the MLSI team able to implement this with relatively little if any technical assistance beyond 2010.

3. EMPLOYMENT SERVICES:

The SPSS program was designed to implement eight programs interspersed within four components all aimed to enhance social protection mechanisms in Armenia. Social protections primarily include the policies, regulations and institutions that promote decent work and labor market flexibility essential to a sound economy. Secondly, social protections include the social insurance programs needed to support the labor force, such as active public employment centers and sustainable pensions. Finally, social protections include social assistance to vulnerable populations incapable of participating in the labor force. Good social protection systems strengthen employment and employability; conversely, good social protection systems combat unemployment.

The main objective of Component 2: Employment Services was to implement a complex set of economic, employment, and social safety net programs. The Employment Services approach sought best practices for mitigating the negative impact of Armenia's economic transition by providing solutions to rising unemployment. The Employment Services component integrated more business friendly labor regulations. This required upgrading social assistance with SESA's capacity to identify labor demand trends, linking data to program design, and implementing proactive labor market measures embedded with key elements of an overall strategy to reduce unemployment.

The Employment Services component design included social and economic interventions for the long-term unemployed, redundant workers and youth heavily affected by unemployment, and enterprise mass layoffs. SPSS provided technical assistance and use of active measures within the SESA to introduce state-of-the-art services to respond to larger numbers of unemployed. Initially workforce development was a minor aspect of SPSS. However, workforce development activities were expanded over the duration of the project.

This section of the SPSS Final Report provides: 1) a summary of employment services in Armenia 2) the policy and capacity gaps that SPSS helped address; 3) a summary of SPSS's support to employment and service reform; and 4) an end of project status report on the component.

3.1 EMPLOYMENT SERVICE REFORMS IN ARMENIA

Armenia's State Employment Services Agency (SESA) has for many years received multi-donor capacity building assistance addressing the troubling issues caused by a combination of poor economic policies and passive employment measures. Studies show that high foreign trade and economic growth indicators do not show corresponding job growth. This means that Armenia has benefited from little job creation due to trade integration. Most of the nonurban labor force has access only to low-paying jobs such as subsistence agriculture. Consequently, in remote rural areas much of the population is seeking wage jobs rather than self-employment in agriculture. Employers complain that the system for qualifying workers is providing irrelevant training. Job seekers and employers have weak institutional support for finding each other. There is an important gender dimension to the Armenian labor market as many Armenian men migrate for work outside the country and send remittances home. In addition, demographics show an aging population. For these and other reasons, 70% of Armenia's registered unemployed is female.

Although SESA had taken steps towards modernization, it needed much more support. The SPSS approach focused on improved employment services emphasizing stronger links with employers and targeting services to better serve vulnerable groups in Armenia's labor market.

3.2 ARMENIA’S POLICY AND CAPACITY GAPS

The Government of Armenia through the Ministry of Labor and Social Issues (MLSI) established SESA in 1992 with the mandate to provide passive labor measures including unemployment benefit payments and official registration of the unemployed, and to provide limited services for vulnerable populations such as people with disabilities. SESA is also an official document control agency for social services and stores all the certification records in its archives. Only in recent times has SESA begun to implement active labor programs targeted toward putting people to work. Evolving from a document control and payment system to providing a full range of employment services requires a huge change structurally, organizationally, and behaviorally as well as considerable time, capacity building and resource support.

Over 450 SESA employees work according to outdated benefits administration practices in 51 branch offices. The staff remains a mix of dynamic, caring, older, unmotivated individuals, whose monthly average wage is around 45-50,000 AMD (the nominal base salary for civil servants is 40,000 AMD). SESA’s services are free to the public.

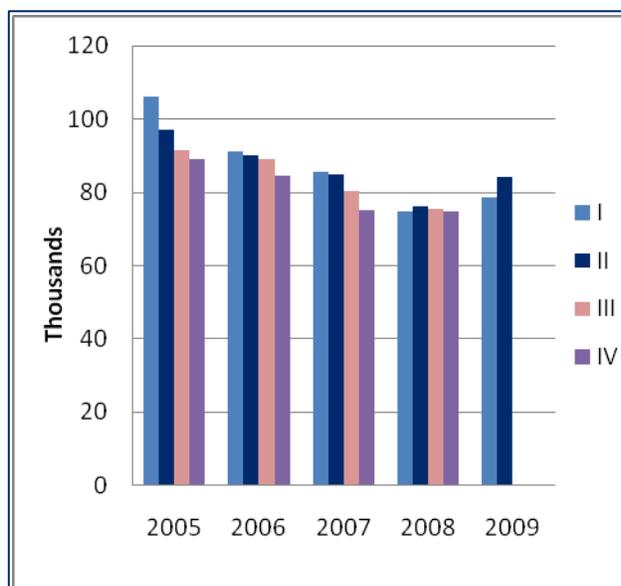
Armenia’s Employment System has been neglected and poorly funded. Armenian public expenditure at 5.64% as a percentage of gross domestic product (GDP) is one of the lowest tabulated by the World Bank. The standard percentage of total state budget allocations directed to social issues and labor ranges from 5.05% (2008) to 5.64% (2009) of GDP. Armenian expenditures on labor market programs are limited in both absolute and relative terms. Allocations amounted from 0.4 to 0.5% of current expenditures from the consolidated budget, and their share of GDP was less than 0.1%. By comparison, the average expenditures on labor market programs in EU-27 countries in 2006 was 1.9% of GDP.

As of September 2009, the labor force is estimated at 1.18 million economically active persons, with more than 100 thousand people registered as job seekers, an increase of 10% over the previous year (as of 1 August, 2009). In 2008, 145,000 citizens turned to local employment centers to seek advice, register for benefits, read job announcements, learn about public works opportunities and participate in limited re-training programs. The public and employers have few expectations of real help to become employed or to find qualified workers. SESA staff feels they are not sufficiently equipped, paid, or able to accomplish their jobs.

3.3 SPSS SUPPORT TO EMPLOYMENT SERVICE REFORM

SPSS coordinated with other donors to leverage capacity building and build on some of their already introduced programs, but that in most cases was not institutionalized or had been discontinued. During 2007 – 2009, the project’s emphasis was on establishing state-of-the art model offices, and providing detailed manuals and training in active measures. SPSS prepared operating guidelines for all employment services and trained cadres of SESA specialists to better sustain the introduction of new programs. Also this component targeted improving usage of Labor Market Information. To support the changes within

Figure 5: The number of registered unemployed by quarters.



program staff requirements, SPSS also worked to strengthen the SESA organizational structure by conducting organizational development and performance measurement training.

To create the basis for sustainable development of Armenia's labor market and its infrastructures, SPSS assisted the Armenian government to design both an overall social protection strategy and an employment strategy to direct the creation of favorable conditions for a better quality of life for citizens of Armenia. Such conditions for individuals capable of work could be ensured through income gained from employment, and for those who are not capable of work or are temporarily jobless, a developed and well functioning social protection system, flexibly adapted to the dynamic challenges and ever changing needs, could be implemented.

The main goal of the employment strategy was the creation of conditions for the sustainable development of the economy, and to increase of the population's labor market participation, securing full and efficient employment. This was aimed at:

- Reduction of poverty.
- Promotion of decent work.
- Effective integration of socially vulnerable groups in the labor market.
- Increase of the living conditions of the population through incorporating mechanisms of labor income upsurge and fair distribution, elimination of poverty, mitigation of social inequality.
- Increase of economic efficiency and competitiveness.
- Mitigation of disproportional regional development.

The SPSS team contributed to MLSI Employment Strategy working group meetings, provided comments on the draft version of the employment strategy, developed the chapter on the baseline analysis incorporated into the employment strategy, and provided necessary technical support as well as many translations for the better of understanding of best practices in universal employment strategies. The following services were providing by SPSS:

- Participated in the Employment Strategy working group, providing comments and suggestions on the draft version of the Employment Strategy.
- Wrote and incorporated a baseline analysis chapter into the employment strategy, and included data and information on Armenia's macroeconomic, demographic and labor market trends.
- Presented a document highlighting 10 EU and OECD countries' policies, regulations and practices on rural labor markets and employment strategy to MLSI.
- Provided a document analyzing and summarizing the strengths and weaknesses of six labor market surveys results to MLSI. The five surveys were: RA Labor Market Survey and Gyumri LM survey conducted by America; the WB report on Armenia Labor Market Dynamics in two volumes; the Armenia Rural Labor Markets survey report; the research titled Armenia: the Caucasian Tiger by WB team; the report on Youth Employment Issues by Center of Independent Analysis, Productivity and Competitiveness; and the survey of Labor Market in Rural Communities, done by BAKER-TILLY-Armenia.
- Implemented a unique partnership conference whose topic, Armenia's Labor Market Trends and Challenges, was a first for Armenia. The SPSS team provided leadership, resources, speakers and organization in collaboration with Caucasus Research and Resource Centers-Armenia (CRRC), and SESA. The conference's goal was to bring together multi ministerial and other private and public representatives to discuss Armenia's labor market trends and challenges. The conference for 129 participants was unique in its partnerships and in the diversity of the high-level governmental

presenters, and included a discussion on the labor market policies and regulations that are driving trends such as migration, educational impacts, labor supply and gaps. During the conference, high level representatives of the Armenian Government, and international and Armenian experts, sought to provide points for turning around adverse trends and strengthen positive trends. The outcomes of the conference results were summarized.

- Designed a study tour conducted by AED to Bulgaria for six people (five MLSI and one SESA). The Study Tour focused on the strategic planning process, program objectives and how Bulgaria addressed common issues such as high youth unemployment.
- Prepared and delivered comments and opinions to the MLSI on Terms of Reference for the Employment Strategy being prepared by MLSI. The translations of different countries' employment strategies were provided to MLSI (the Bulgarian Employment strategy for 2004-2010, Bulgaria's Employment Promotion Act, Kazakhstan Employment Strategy). Employment laws were reviewed and recommendations on how to integrate international best practice concepts into current law were presented to MLSI and SESA staff.

Active Labor Market Programs

SPSS developed Active Labor Market programs (ALMP) as a comprehensive system using labor market information to design and promote SESA employment programs including job fairs, job clubs, group job search, employer relations and performance measures. ALMPs are a worldwide best practice used to reduce the risk of unemployment and to increase the earnings capacity of workers. Although SESA had received information about active labor measures from other donors, such programs had not been comprehensively implemented in Armenia until SPSS introduced ALMPs.

Each ALMP had important social and economic objectives and was implemented to enhance labor supply, increase labor demand (e.g., public works, subsidies), or improve the functioning of the labor market with core principles of efficiently provided customer service, continuous improvement, and accountability. All programs were designed with the goal of assisting SESA staff shift from a paper intensive registration focus to a client services and results focus. All reforms in the public employment service were designed, piloted and evaluated to assure they were effective in Armenia and cost realistic, and many were coupled with training. SPSS viewed ALMPs as the most effective type of intervention to bring change in SESA's activities and to build its capacity for improving future employment and earnings prospects in a cost effective manner.

The ALMPs provided the ability to measure program performance to assure change and continuous improvement throughout all 51 employment centers and SESA headquarters. The technical capacity building included training and jointly developing performance measure indicators, as well as development of a manual on how to use these indicators for sustaining this new technology. These training sessions were carried out by SPSS experts from October 2007 through August 2008, allowing the employment centers to measure their programs' successes with current and professional labor market data, to study why some programs work better than others, and assess the tools that improve past performance. This component also built capacity within SESA's Forecast and Analysis Department to use survey sampling, professionally implement employer surveys, analysis the data and publicize the results.

Partnership with SESA

The SPSS team created a strong and supportive partnership with SESA with the mutual goal of improving employment services, implementing new proactive services, building strong links with employers, and outsourcing and targeting to better serve vulnerable groups. SPSS coordinated with other donors to leverage resources and to avoid duplicative programs and staff trainings. USAID BRIDGE Public Works

Project partnered with SPSS to remodel five employment centers using unemployed workers for on the job construction skills training and building of the centers. A sustaining emphasis included establishing three state-of-the art model offices.

IT capacity supported automated sharing of management and labor market information. A more active and efficient profile enhanced the public image for SESA, which led to higher use of its services by both job seekers and employers at all locations. SPSS’s technical assistance included development of detailed manuals for every new program, and providing capacity building in performance measures and monitoring methodologies. Staff skills training in Active Labor Measure Programs consistent with European Union (EU) and US standards were continuous, and built SESA staff knowledge, skills, and abilities in a step-by-step manner.

The charts below present the targets and results by year for SPSS for employers and unemployed persons served by SESA.

Figure 6: Numbers of employed and unemployed individuals served by SESA.



3.3.1 Labor Market Analysis

Labor market information (LMI) is the key source for decision making while developing and implementing employment programs. LMI is made up of a variety of information on careers, occupations and all the different aspects within Armenia’s labor market. Good LMI is the foundation to make informed decisions about program design to reflect the country’s workforce and the transitions that affect people’s lives. LMI includes information concerning conditions in, or the operation of, the labor market such as employment descriptions, industry growth/decline, required skill sets for the job market, job openings, labor market programs and the supply and demand side by municipality, marz, and country.

The SPSS team focused on reviewing the existing employer survey procedures, starting from questionnaires and ending by the reporting of the survey data. During 2007-2009, SPSS team provided training on interviewing techniques, sampling methods and data analysis for staff engaged in surveys. More detailed, SPSS assistance included:

- Interviewing techniques training for 62 people.
- Training on sampling methods for employer survey.
- Training on data analysis (using MS Excel) for 25 people.
- Provision of software for employer survey data input.

- Preparation of survey reports (2 reports).
- Series of on- the- job trainings.
- Intensive training on Job Classification.

As a result of the interventions, by the end of project, SESA has a strengthened capacity to implement bi annual employer surveys (among 3500-4000 employers) and prepare survey reports. SPSS team assistance built the foundation of statistical publication activity through the Labor Market Bulletin, covering Armenia’s employment and unemployment data for 2002-2008, the first in Armenia’s employment system history.

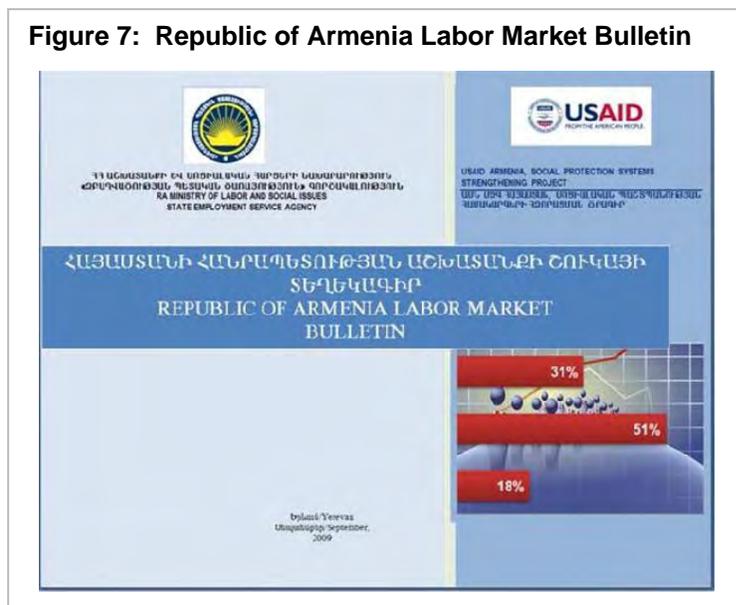
“We are grateful to USAID SPSS experts for their technical support and investment in provision of Employer survey program continuation.”

*Sona Harutyunyan, Head of SESA
Employer Sample Survey Report
Yerevan, 2009*

The use of improved forecasting and analysis tools allowed SESA to:

- Identify opportunities in the job market.
- Understand labor market conditions and trends.
- Forecast demands for various occupational groups.
- Provide information to support informed employment and career decisions.

Figure 7: Republic of Armenia Labor Market Bulletin



Job classification

SPSS provided job classification to assist SESA to provide higher quality services to job seekers and employers through improved job matching services linked to employers as well as job seekers’ needs and uses of labor market data. SPSS’s goal was to enhance the job classification knowledge and skills of SESA of MLSI staff to use job matching methods. A 14-day intensive training was conducted for selected staff from the MLSI, SESA, NILSR, NORC Information-Analytical Center, Youth Vocational

Guidance Center, National Statistical Service, Ministry of Science and Education, Ministry of Economy and, Chamber of Commerce and Industries of RA.

The training provided a detailed baseline description of the status of implementation of ISCO-88, and facilitated capacity building activities in job matching knowledge and methods for NORK and NILSR. SPSS also created necessary materials to support sustaining job matching programs which included providing hand outs and a working manual for users of the job classification system, and providing recommendations linked with a detailed needs assessment of NILSR and NORK on next steps for improving job classification methods.

SPSS provided examples of internationally standardized job classification material translations at the request of MLSI and NILSR staff as they began to see the benefits of using previously developed occupational information as opposed to creating their own provincial replication.

The MLSI designated the NILSR with the job classification function. However, NILSR and the MLSI were not interested in further trainings nor did they wish to amend their method of copying and pasting Russian job descriptions. As a result, Armenia will not be considered within EU or US standards and their personally designed job classification methodologies cannot be harmonized with or used by Western Countries.

3.3.2 Model Office Services

The growing scope of demand for employment job placements and services coupled with the economic adjustment to labor supply and demands called for an improvement in the operations of the SESA. During 2007 – 2009, eight SESA offices were renovated under USAID funding. Three of these, Gavar, Hrazdan and Charentsavan, will house model service offices that demonstrate how modern employment services serve job seekers and employers. Staff within the eight All eight of the remodeled offices include meeting rooms for group work to increase staff efficiencies and provide decent working environments. The three “model offices” have job seeker self service.

The model office technology provides the platform for increased working capacity and productivity of the personnel by using newly designed services, modern forms, and information sharing via computerization. The technology increased the capacity to assist clients to be more self-service oriented, as well as access information at self service stations.

In order to improve SESA’s efficiency while providing services to its clients, the unemployed and the employers, SPSS introduced the model office concept to SESA decision-makers, thus building SESA’s consensus on new staffing functions. The backbone of model office technology is a set of standard material and formalized labor processes for employment center staff as well as standardization and unification of the document forms and program guidelines, through a rational division of the activity into coordinated and mandatory procedures. SESA decision-makers attended training, reviewed the SPSS-developed model office process map and new job descriptions, and agreed to reorganized staff within the model offices. Staff within the eight newly renovated offices will become specialists in active measures which will result in greater efficiency and stronger job seeker and employer programs.

Self Service Kiosks

In order to extend the job seekers support services and improve employment service delivery, SPSS installed job search (self-service) kiosks in three model offices. The Kiosks will enable the job seekers to explore career opportunities, take self assessment tests, and obtain information on SESA’s employment programs and current activities.

3.3.3 Active Labor Measure Capacity Building

Job Fairs

The SPSS team assisted SESA in organizing Armenia's largest job fair with 108 employers across 17 sectors. SPSS, SESA and 14 Armenian partners are creating the first event of this type. The team provided training on how to organize a job fair and developed a manual for job fair implementation, effectively building the capacity of SESA to replicate the event. As a result of SPSS' work, SESA recognized the benefits of pro-active employment services, creating the opportunity for further reform in the following years.

"The job fair is an event that facilitates a meeting of job seekers and employers. For fast job placement, job fairs should be organized in all marzes. Planned organized job fairs: 2009, 5 marzes and in Yerevan; 2010, 10 marzes and in Yerevan; and 2011, 10 marzes and in Yerevan (twice in each)."

RA 2009-2011
Mid-term expenditure framework
July 2008

Figure 8: Gyumri Job Fair



Source: SPSS held a job fair in Gyumri job fair in October 2008.

Job Clubs

Job clubs serve as a meeting place for groups of individuals who get together to help each other to find employment through networking and support. Building a network of individuals helps the job seekers create a larger sphere of individuals that they can turn to when needing support. It also helps them share job leads and information, and allows them to practice job seeking techniques with each other.

SPSS led a series of training sessions aimed at building the capacity of SESA and Youth Vocational Occupation Center staff to organize and conduct job clubs. The SPSS team developed and introduced job club manuals for facilitators (leaders) and job club participants (members). The SPSS team also coached and mentored SESA staff from the eight renovated model offices to organize and implement the job clubs and to monitor the outcomes through specially developed reporting forms. To ensure sustainability of the program, SPSS provided meeting room tables and chairs, and whiteboards to all renovated offices. Monitoring activities indicated that on average two jobs per job club were secured by participants, corresponding to a

SESA Job Fairs

SPSS and SESA jointly sponsored a Yerevan Job Fair in October 2007, resulting in 5000 job seekers learning about SESA, and 100 new employers using SESA services. SESA measured over a 20% increase of employers using employment centers and a 12% increase in job placements.

SESA successfully created a job fair culture by conducting 3 more job fairs in May-June 2008 in Yerevan, Goris and Abovyan, and the largest regional job fair in Gyumri in October 2008, which has the highest unemployment rate in the country. The Gyumri job fair advertised 150 current vacancies for over 1000 job seekers.

Due to the success of these fairs, MLSI supported SESA in organizing six more job fairs throughout Armenia.

25% success rate. SESA credited this success to the skills and techniques provided by SPSS trained SESA staff for job seekers during the job club sessions.

Job Search

The ability of an employment office to support job seekers is linked to the depth of job search skills of SESA staff. Therefore, the SPSS team introduced and presented job search techniques to SESA and Youth Center's staff (including training-of-trainers for SESA). The training provided the staff with skills and abilities on job search techniques such as: "how to reduce the stress of job seekers", "methods for CV preparations", "how to conduct interviews", and "how to approach a company for a job search." Two manuals were created to provide standardization and on-going support for SESA staff.

"It is especially important for local employment centers of SESA to continue the successful work style, to found state - private partnership in order to develop and implement local employment policies of job placements"

*Sustainable Development Program of
RA
October 2008*

Employer Relations

In order to shift SESA's focus from "job seeker oriented" to "employer-oriented" activities SESA with assistance from SPSS, organized a series of training sessions presenting different aspects of employer relations. The purpose of the training was to balance the capacity of SESA to develop Employer Relations Action plans, introduce employers' services and develop tools to encourage new employers to work with SESA, and to use employer focus group mechanisms as a critical tool for employer feedback. Toward the end of the project, SPSS organized training and materials on how to mobilize the community around unemployment issues.

The establishment of Community Employer Councils (or Employer Advisory Councils) and providing oversight and support was a new function within SESA. The goal of the Employer Councils is to establish, develop and maintain a mutually beneficial and close working partnership between employment centers and the employer community, while dealing with local employment challenges.

The Employer Councils are generally recognized as the premier information resources for the employer perspective on employment and other workforce development issues, and as a credible and effective voice for employers to affect change in workforce development at the local level. The Employer Councils identify workforce problems affecting local employers, shape the way community employment needs are met, recommend changes to employment laws, regulations, policies, and procedures, and assist SESA in marketing its services.

SPSS provided training to Employer Councils that introduced, presented, and discussed ideas, concepts, benefits and methodologies in order to improve SESA's efficiency while providing services to its clients, employers and job seekers. Seventeen regional and local employment offices were selected by SESA to implement Employer Councils and receive training from SPSS experts. Gyumri and Dilijan Employment Centers were the first to be selected. These two councils can be considered pilot sites, demonstrating employer needs in a larger regional office and a small local employment center.

Additionally, SPSS organized a study tour to the United States for key MLSI and SESA staff, and employer representatives, in order to familiarize them with international best practices. During this study tour, US methods of development and sustaining strong employer relations were introduced.

Public – Private Partnerships

A unique public-private partnership organized to alleviate the effects of the ongoing economic crisis and rising unemployment was formed in Vanadzor. Two community roundtable sessions were implemented with Lori stakeholders comprised of public and private representatives. USAID-funded BRIDGE and SPSS projects partnered to organize the events, facilitate the outcomes, and provide follow-up to participants and design action steps. The roundtables resulted in five potential job creation projects through a prioritization and evaluation process conducted by the stakeholders. The projects with the highest potential for success were turned over to stakeholders for continued development and marketing to funders.

In order to strengthen the capacity of journalists for labor market data analysis, two training sessions were organized jointly with IREX and CRRC. Thirteen journalists attended the two-day seminar on labor market skills development. SPSS prepared and presented the labor market information portions of a joint IREX/SPSS six-week journalist certification class on informed reporting of social and employment issues for 16 Armenian journalists.

A presentation on the World Economic Crisis' impact on Armenia's labor migration and the labor market was made at a journalist training organized by IREX and CRRC. As referenced in the report, the team coordinated with CRRC for research and joint sponsorship of the Armenia Labor Market and Trends conference. The USAID BRIDGE Project coordinated the remodeling of five employment centers through SPSS staff.

3.3.4. Performance Management

To facilitate the mission, vision and strategy of SESA, SPSS developed intensive strategic working sessions that resulted in SESA's five-year Strategic Action Plan. Once the strategy was developed, issues of how to provide proper oversight implement proper controls, and the ability to assess the overall organizational performance emerged. The performance measure capacity building was implemented. A program matrix of performance indicators for SESA was developed during series of workshops for the Performance Measures Committee, comprised of SESA Department Heads, Regional Employment Office staff, and representatives from MLSI, NORC Informational Analytical Center, and NILSR. This cross-sector of MLSI representatives participated in several workshops. The SPSS team coached and helped the Committee to develop a performance matrix for SESA by providing training, and developing a manual, guidelines, and reporting forms for SESA use.

SESA's Vision:

5-year action plan for SESA

SESA is an organization in demand by the public, delivers quality services, masters labor market information, and rapidly responds to changes and trends to ensure opportunities for full and effective employment for all.

The SPSS team developed a matrix of performance measures, definitions and data sources for each customer, and incorporated outcome measures, efficiency measures, and customer satisfaction measures for both the job seeker and employers. SPSS and SESA introduced and piloted program performance measures in the Vanadzor and Shengavit employment offices, creating the foundation for their further extension to the other employment offices.

3.3.5. Strategic Planning

A series of enhancements, and new programs caused MLSI and SESA to make significant strategic planning progress. SESA strategic planning sessions created for the first time in the agency's history a vision with program priorities, and a strategic action plan for a national strategy implementation. MLSI and SESA worked closely with SPSS in strategic planning at their respective levels to promote a more

active, market-driven labor market. The working groups provided a plan assessing the current situation, developing approaches to increase funding, and reducing employee resistance to change.

The strategy developed a situational analysis on SESA staff skill gaps and tactics to implement new job search and employer relations programs within existing resources. The data generated during the sessions was used to create an action plan for SESA to improve staff training, financing, communication, employer services, stakeholder partnerships, and services to job seekers. These key action items were then connected as supporting elements to EU/ILO strategic employment themes.

The SESA working sessions included:

- Building priorities and action steps,
- Harmonizing SESA strategic work with the National Employment Strategy,
- Creating a SESA Vision and Mission, and
- Focusing on SESA Program Priorities linked to National Strategies.

3.3.6. Information System Enhancement

In order to automate and improve the customer service quality, the GORTS Internet-based system was developed by NORK Informational Analytical Center for SESA use. The “GORTS” system targeted the efficient administration of the procedures taking place in Armenia’s labor market by automating the functions aimed at the regulation of these procedures.

The SPSS team connected 49 SESA offices to the integrated network under the supervision of the NORK Center and SPSS IT specialists, and supported interim connectivity throughout the FY 2008-2009. In addition, SPSS introduced performance payment concepts to contractors with on-going monitoring of IT connectivity contract and results.

3.3.7. Outsourcing

SPSS supported SESA in the development of an outsourcing capacity, which was done through outsourcing of grants to encourage public-private partnerships. The SPSS project started its capacity building activities with SESA by developing an Outsourcing Manual and establishing a transparent and competitive mechanism for the outsourcing. The manual created includes step by step guidelines for the SESA on outsourcing of the employment services development projects. SESA staff reviewed the process of the outsourcing described in the Outsourcing Manual, participated in selection committee meetings, and practiced the competitive and fair mechanism of outsourcing and contracting. The outsourcing capacity building was the most important effort to assist SESA in increasing the number of services and programs targeted towards vulnerable populations.

As a case study: the Social Enterprise Development project was implemented jointly with SPSS and SESA. The Social Enterprise Development project was intended to extend and enrich the existing employment assistance projects for disabled people. The project’s grant provided educational and job placement support to disabled individuals through development of the social enterprise concepts. Through participation in the tender process, SESA staff gained new skills and better business practices, and supported NGOs in the delivery of essential employment and training services in the future. The main objectives of the Social Enterprise Development Project were to build the capacity within SESA to outsource projects through competitions, to facilitate continuity and sustainability of the partnership between the SESA and NGOs, and to support an enterprise with at least 50% of its jobs reserved for people with disabilities. “Astghatsolk” Disabled Children Parents NGO located in Gegharkunik region, and the Armenian Union of the Blind of Echmiadzin were selected for implementation of the Social

Enterprise Development project. “Astghatsolk” Public Organization implemented the Social Enterprise project in the town of Chambarak, a remote boarder town in Armenia. The SPSS Project, in collaboration with MLSI State Employment Services Agency, funded a grant for craft skills training and production of woodcrafts targeting individuals with disabilities.

The Social Enterprise created six job opportunities in Chambarak, the small border town with primary employment in agriculture and military defense, which did not previously offer employment opportunities for people with disabilities. “Astghatsolk” Disabled Children Parents NGO cooperated with the local government and businesses to improve employment for disabled individuals in the region. SESA funded woodcraft and handcraft training for 11 disabled people, and funded marketing activities for handicraft made by disabled individuals.

SPSS collaborated with the Ministry of Labor and SESA to launch the Social Enterprise Development Competition to create jobs for people with disabilities. The Armenian Union of the Blind in Echmiadzin was one of the grant recipients, employing 35 blind. SESA supported training for eight blind employees and matched the SPSS grant funds. SPSS funding supported the Armenian Union of the Blind of Echmiadzin to purchase small equipment and modernize the production of the elevators parts. This helped the Blind Union of Echmiadzin to sign a two year agreement with “Eksprompt Electro,” a Russian company which specializes in elevator production and employs at least 43 blind people.

Figure 9: Social Enterprise Project in Chambarak.



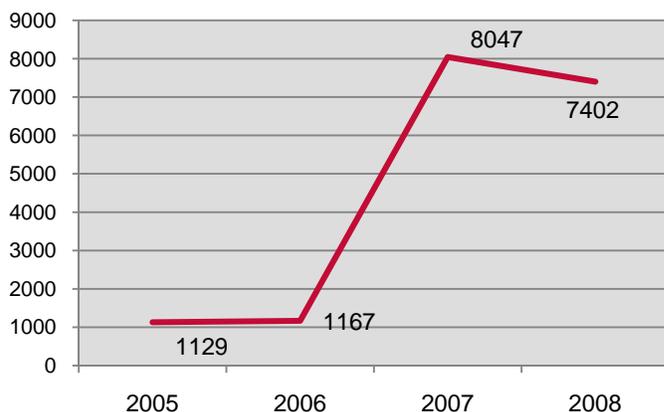
Source: SPSS supported training in crafts for disabled persons in Chambarak. The crafts were marketed and sold in tourist areas around Armenia.

3.4 END OF PROJECT STATUS OF EMPLOYMENT SERVICES

The objectives of Component Two were to: 1) strengthen ongoing modernization of the employment sector by emphasizing employer relations, targeting vulnerable populations and restructuring administrative functions for more program delivery; and 2) increase the GOAM competency in mapping labor skills demand and supply, developing mechanisms and processes for linking demand and supply, and improving job placement services in both the private and public sectors. Fundamentally, SPSS’s work focused on shifting SESA’s programs from being less registration and document intensive to more job and employer client service focused.

Since early 2007, USAID, through SPSS, worked closely with SESA staff to build their capacity to address the needs of a dynamic of a labor market economy. This assistance included establishing a management system that allows SESA to measure and improve performance, developing a long-term strategy and action plan, strengthening their ability to forecast and publish data on labor market demand and supply, creating three model regional employment service offices, and developing SESA and employers' capacity to stimulate the labor market with active measures including job-search skill training, job clubs, job fairs, and employer services. As demonstrated in figure ten, by the conclusion of SPSS, many of its interventions mentioned above already showed positive impacts on actual job placements.

Figure 10: Number of vacancies, listed by employers.



Source: SESA, Labor Market Bulletin

In 2007, it was estimated that only half of employers with job vacancies cooperated with SESA, and that many were unaware about SESA's operations at the regional level. Yet, as SESA increasingly reaches out to private entities, as well as public, the number of job vacancy listings will increase. During the first year of SPSS assistance, job-seeker and employer use of SESA services increased by 20%, highlighting the results of increased participation of private sector employers and increased awareness of what SESA has to offer through job fairs and other public information events. As shown by SESA's calculations, the number of employers cooperating with SESA increased 2.35 times from the baseline of 20%, to 47% by the end of SPSS base period.

As SESA begins to implement new employment strategies nation-wide, SPSS expects to see a reduction in unemployment rates, continued increased job placement rates, and an increase in the number of employers who recruit successfully through SESA branch offices.

3.4.1 Sustainability

SPSS was deeply committed to an overall goal of "sustainable development through increased competitiveness, higher quality social services and a more empowered society," as described in the Strategy Paper on Programmatic Directions for 2009-2013 for USAID Armenia.

SESA supported Active Labor Market Programs nationwide, which were implemented according to local needs. Within these programs, SPSS established model services capacity building and modeling, guide books, trainings, and hands-on learning techniques, assuring that SESA will be able to continue to provide new services and implement the yet to be developed National Employment Strategy.

3.4.2 Next Steps

By the end of the project, SESA had improved its program of employer and job seeker services. The introduction and implementation of active measures was successful, and SESA should now use labor market data and information from the performance measures to continuously adapt these programs. All SESA leadership must continuously push their employees to improve and change. There are huge gaps in staff motivation and abilities among the 51 SESA regional and local employment centers. SPSS targeted the offices that were the least resistant to change, and surprisingly this meant working in the regions more than in Yerevan. If active measure programs are to continue to be used and improved, SESA leadership has to be more active in monitoring and standardization of core methodologies. SPSS did not have time to build this capacity.

There is a strategy with a five year mission, but no one is leading this implementation and change within SESA. Model office reform has not been completed, and although the new services and structures are in place, the staffing patterns remain the same as before new services were introduced. Staff functions need to be adjusted and the entire SESA system needs to focus on the development of staff expertise in programs. With the introduction of connectivity and self service kiosks, SESA must improve their e-skills in order to efficiently reduce manual paper work. SESA needs to implement more job seeker group services to become more effective with current staffing rations.

Employer relations are at the elementary stage and need more resources and commitment from MLSI and SESA leadership. The focus of employer relations should be on support to small and medium businesses and development of business start-up functions within selected large employment centers.

MLSI needs to budget for continued use and development of vulnerable population services using social enterprise grant best practices. More strategic links need to be developed with vocational training institutions to assure that job seekers have access to quick skills training to reduce unemployment and better meet employer requirements. To reduce unemployment, employment services need to facilitate short-term training for the unskilled and semi-skilled jobless people to meet employer needs, and create better linkages between entities that have jobs and the unemployed who are seeking jobs. Much of this work is best done at the regional level, where the linkages can best be identified. Improved employment services will stem population flow from the regions to the capital, as well as emigration from Armenia itself, and will reduce the long-term dependency on the state subsidies.

4. OCCUPATIONAL SAFETY AND LABOR PROTECTION:

SPSS's Component 3 had two objectives: 1) to assist the newly created State Labor Inspectorate to develop the framework for and implement workplace safety programs based on international occupational safety standards and norms; and 2) to establish transparent procedures and protocols for ensuring compliance and enforcement of the Labor Code. The process of inspection should be a measured and carefully calibrated instrument that governments use to ensure compliance with an existing legal and regulatory framework. However, international government administration of inspections follows no uniform pattern, and there is a tremendous diversity (and divergence) of administrative arrangements by which governments enforce their regulations and work to better societal outcomes.

The Component 3 team coordinated actions at the Ministry level to reinforce and harmonize Armenia's achievement of its ILO Strategy for Decent Work 2007-2011, including development of safe workplaces and widespread awareness of occupational health and safety. The team worked with the State Labor Inspectorate (SLI) to expand its impact and build its capacity to more effectively carry out its mission of customer service and oversight. Key challenges that SPSS faced during implementation included a lack of occupational safety and health (OSH) knowledge, poor IT and data exchange within the GOAM, corruption, and high compartmentalization of safety inspections and diffusion of knowledge in Armenia.

Over the life of the Project, assistance was given to the MLSI, SLI, NILSR, ME and NCFTS to increase the efficiency of inspections, to develop safety rules and regulations, and to seek the opinions of trade unions and employers. The business community of Armenia was meaningfully involved in discussing issues of critical importance to their operation, including the Labor Code and labor inspections. Handbooks were distributed to employers and trade unions to emphasize the importance of OSH, while training was offered to improve the professionalism of SLI inspectors. Coordination of the activity of the 17 separate GOAM inspection functions surfaced as a desirable business-friendly direction to take, and ME gave leadership to a concept introduced in 2008 by SPSS which later was adopted by Government. This section of the SPSS Final Report provides: 1) an overview of Armenia's State Labor Inspectorate; 2) an analysis of policy and capacity gaps; 3) a summary of SPSS's support to occupational safety and labor protection; and 4) end of project status report on the component.

4.1 OVERVIEW OF ARMENIA'S STATE LABOR INSPECTORATE

The Labor Code of the Republic of Armenia exists to "contribute to the creation of favorable labor conditions" and to "protect the rights and interests of employees and employers." In order to operationalize this protection, a law was passed in 2005 to create a dedicated institution, the State Labor Inspectorate (SLI), to assume responsibility for the enforcement of labor legislation and standards. SLI is tasked with carrying out verification of labor practices and ensuring the enforcement of the Labor Code among Armenian businesses. As the authorizing framework for the Inspectorate, both the Law and the Charter provide the SLI with several tools to protect workers within the country. These tools include the use of seminars and public information dissemination to inform employers about their obligations, provision of methodological assistance, and preparation of annual reports on Inspectorate activities. SLI's mandate is to carry out the state supervision and control over the employers' application of labor legislation, the implementation of norms stipulated in collective agreements, and other labor-related legislation.

Although the SLI has a cadre of professionals trained in labor inspection, the increasing demands on the SLI over the coming years, including the development of new labor regulations and the shift towards risk-based inspections, requires the development of different procedures to manage the inspection process. For the SLI to become a world-class agency, current processes need to be redesigned, data collection improved, and information flows and reporting clarified. Finally, the shift towards customer service

orientation also requires specific guidelines for inspectors, clarifying how inspections should be carried out and how follow-up and input from the public can be arranged.

4.1.1 State Labor Inspectorate: Competencies

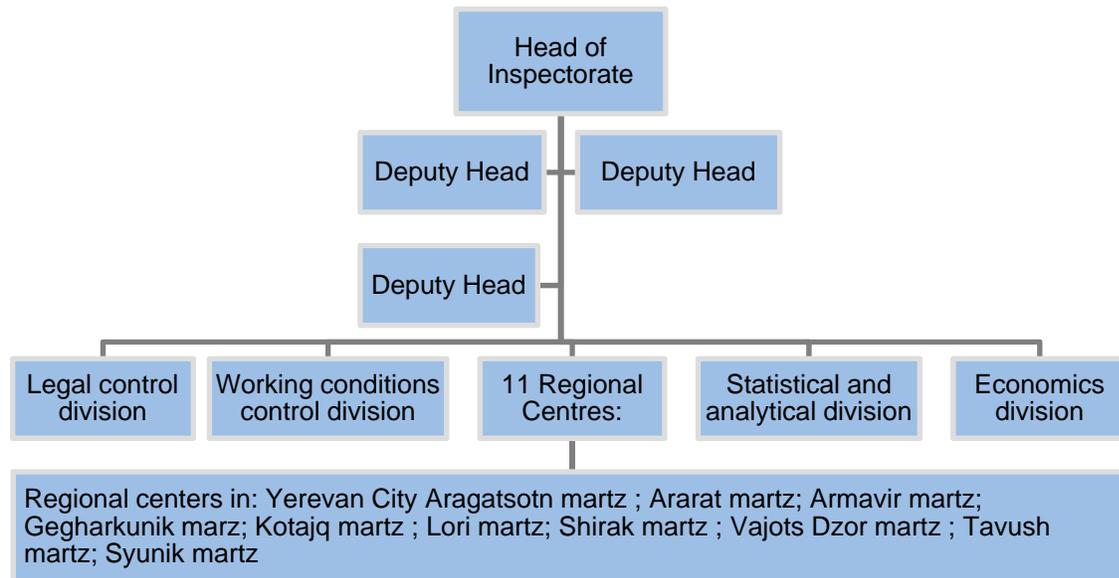
The SLI's objectives competencies include:

- To analyze the causes for the breaches of the labor legislation and provide employers with recommendations to correct the situation and eliminate irregularities,
- To study and analyze the causes of accidents and occupational illnesses and provide employers with written recommendations for prevention,
- To receive quarterly reports from employers on the number of accidents and occupational illnesses and remuneration,
- To define the period during which breaches of labor legislation should be corrected and to stop the operations of the organization or its subdivision if there is no improvement,
- To supervise and control employers' application of labor legislation,
- To supervise and control the application of standards defined by labor legislation in the field of health and safety at work,
- To supervise and control the implementation of legal labor guarantees for persons under 18 and women,
- To study gender discrimination regarding job appointment and take steps to defend and reinstate the rights of persons who suffered abuses. Since 2006 a website for SLI was created (www.apl.am), which is regularly updated.

4.1.2 State Labor Inspectorate: Structure and Capabilities

The State Labor Inspectorate has 149 jobs, from which 131 are civil service positions. As of September 30, 2009, 144 jobs (96.6%) are filled, of which 29 are filled by female employees and 115 are male. 127 of occupied jobs are civil service positions. The SLI carries out its activities through the central office and 11 regional centers.

Figure 11: Structure of state labor inspectorate



Within all SLI subdivisions, citizen receptions and phone inquiries are handled daily, with personal consulting provided to each of them on concrete cases. Every Thursday receptions are held for citizens and employer representatives. For publicizing labor legislation and other laws containing labor-related norms, the SLI organizes seminars and training for employers in different communities of Yerevan.

In 2009 as a response to the global economic crisis, the Government made a decision to stop programmatic inspections in Small and Medium-Sized Enterprises until January 1, 2011. However SLI will still be able to conduct complaint-based inspections in SMEs with the permission from the Prime Minister.

SPSS, through its subcontractor VGM Partners, conducted two surveys on the public’s perception of the Labor Inspectorate. The first survey covered 200 firms throughout Armenia and served as a baseline for gauging changes in employer attitudes as SLI changes its methods and emphasis. The report was presented in a high-profile public event attended by representatives of the Ministry of Economy, MLSI, NILSR, SLI, labor unions, employers and civic society organizations. The second survey covered 69 firms and was presented and discussed with 16 employers and other stakeholders at an SPSS-REUA joint workshop, where participants proposed recommendations and next steps for making the SLI’s strategy more conformant to public needs. These two surveys and the consequent stakeholder comments provided important feedback for SLI efforts at improving transparency and practices.²⁰

SLI 2008 Facts (from the 2008 Annual Report)

Overview of SLI 2008 results:

- Organized 246 seminars and workshops for employers.
- Provided consultation to more than 100 citizens per day across country.
- Received over 615 complaints from citizens on breached labor rights.
- Conducted 2,820 programmatic inspections and 230 complaint-based inspections. As a result 2,812 administrative acts have been issued registering 6,500 violations, amounting to 248,556,947 AMD in penalties.
- Received 44,245 annual reports from employers on working conditions.
- Registered 27 work-related accidents.

²⁰ The anticipated third survey was cancelled due to SPSS revision in the last year of the base period. As a replacement, a workshop on Labor Inspectorate performance and transparency was offered by SPSS to SLI in 2009. However it was cancelled upon the request of the newly appointed Head of the Labor Inspectorate.

SLI is committed to the continuation of its efforts to adopt and implement occupational safety standards and norms, workplace safety programs and modern labor inspection tools proposed by SPSS.

4.2 POLICY AND CAPACITY GAPS

Labor policy, as all social policies, should be based on a modern free-market society and should emphasize protection within the market-driven environment rather than protection from market-driven forces. Best international practice dictates that labor policy should make maximum use of the market-oriented mechanisms and seek to mobilize citizens' individual initiative and mechanisms of self-organization, rather than rely on government-driven and top-down solutions. In order to achieve this, the reform of labor legislation is a key element to transform labor relations, and it should become an integral part of the transition to an efficient economic system. In particular, reformation of basic labor laws can contribute to:

- Gradual formalization of all labor relations,
- Higher flexibility of labor relations and increased adaptability to changes in economic conditions,
- Raising the compliance rate of personal income and social taxes contributed to social funds,
- Reduction of industrial trauma and occupational diseases,
- Improvement of real protection of basic labor and social rights of the employee,
- Raising labor productivity,
- Reducing barriers to investment and business that inhibit economic growth, and
- General reduction of social tensions and the transfer of labor conflicts to legal channels.

4.2.1 Labor Code

The current Labor Code of the Republic of Armenia was developed taking into consideration the experience of Eastern Europe and the former Soviet Union. The previous Labor Code was passed in 1972 and became outdated after independence in 1991. No major changes had been made until FY 2002-2003, and the Code became increasingly anachronistic.

The labor law, as inherited from Armenia's communist past, had a negative impact on the labor market and the development of labor relations in three main areas:

- It granted a disproportionate volume of guarantees and allowances to the employee, laying the burden for these mandates on the employer.
- It was highly inflexible on issues of employment and dismissal.
- It was not "open act" law, and the role of normative acts were extremely high and dominated by bureaucratic processes.

The problems inherent in the Armenian Labor Code were magnified in comparison to the experience of its neighbors and similarly-situated countries. Armenia was the only state in the former Soviet Union not to pass a new Labor Code in the decade following independence. Moreover, the majority of CIS countries continued to refine their labor codes and propose amendments over the period of 2002-2004. Armenia on the other hand refrained from comprehensive reform, instead adopting a piecemeal approach that included passing several government regulations and normative legal acts on labor relations. This resulted in contradictions among the existing laws, regulations and acts, particularly in regard to wages, holidays, maternity protection and trade unions.

These factors were taken into account during the development of the latest version of the Labor Code, as were the requirements of ILO Conventions that Armenia had already ratified. The current Labor Code was adopted in 2004 and came into effect in 2005. Although it represented an improvement over the piecemeal process that preceded it, the Labor Code still exhibits some problems and shortcomings.

The process of improving Armenian labor legislation has revolved around several distinct concepts:

- Labor legislation is important for economic development, but it must not prevent the natural development of companies. Rather, it should help employers to properly organize labor relations in their companies and also encourage employers to establish new workplaces;
- Labor legislation is among the main laws which support the development of a favorable investment environment and can increase foreign investment in Armenia. Economic research and previous experience shows that provision of a liberal environment is key to expanding foreign investments; and
- Labor legislation must protect the rights of employees and must not allow exploitation from the side of employers.

4.3 SPSS SUPPORT TO OCCUPATIONAL SAFETY AND LABOR PROTECTION

4.3.1 Norms and Legislation

SPSS assisted the MLSI to analyze gaps in the existing Labor Code. The project team recommended amendments to the Labor Code, including six policy-level changes and 30 specific proposals. Based on the recommendations, the MLSI has made several changes in the draft law for amending the Code. Recommendations to the Poverty Reduction Strategy Paper for amending the labor code were also made. To assist MLSI with implementation of Labor Code, the team recommended mechanisms and processes for labor code commentary.

Occupation Safety and Health regulations for the mining industry, explosive environments, and petroleum/gas handling.

To assist MLSI and SLI to improve safety in high-risk industries, the SPSS project team drafted regulations on occupational safety and health in the mining industries (surface and underground) and delivered them to the MLSI and the Ministry of Economy. A roundtable on mining safety was held for MLSI, SLI, Ministry of Economy, National Center for Technical Safety, trade unions and several major mine owners. The underground safety regulation was later adopted by the Government.

At the request of the Minister of Economy, the project team drafted regulations on occupational safety and health in petroleum/gas handling (petroleum stations and bulk storage facilities) and delivered these to the MLSI and the Ministry of Economy. After further revision, the regulations were adopted by the GOAM for natural gas stations.

Draft regulations on occupational safety and health in explosive environments based on appropriate EU directives were also developed and delivered to the MLSI and the Ministry of Economy.

Comprehensive Occupational Safety and Health regulations for all work environments.

At the request of MLSI and SLI, the project team developed comprehensive OSH regulations applicable to all work environments. Drawing on international practices, the team recommended methods and priorities for the creation of the Occupational Safety and Health Regulations. Based on the team's

recommendations, MLSI prepared a report to the Ministry suggesting that it follow the SPSS framework on elaborating OSH regulations.

As part of this work, the project team translated Ireland's regulations on Safety, Health and Welfare at Work, including safety rules and norms for fifteen work activities and areas. This translation was presented to the MLSI as part of a paper on setting priorities for the creation of comprehensive OSH regulations. Using the Irish legislation as a model and in joint discussions with MLSI and SLI, the project team assisted to draft the Government Decree on Basic OSH Rules and Norms, which was submitted to the Ministry of Economy by the head of the Labor and Employment Department. Following the Ministry's review and approval, the Draft OSH Rules and Norms were put into official circulation, with the expectation that the document would later be submitted to the Government for adoption.

Two handbooks for employers on occupational safety and health were published and 1000 copies of each were disseminated. The first handbook summarized the general safety information; the second introduced a record-keeping and reporting system. A follow-up booklet on occupational safety and health issues in small business was prepared and submitted to the Labor Division and SLI for comments. The report was published on the SLI web site.

Additionally, SPSS prepared a report assessing the impact of the Labor Code on vulnerable groups in the Armenian labor market for a Conference entitled "Labor Code as a Contributing Mechanism to Gender Equality" organized by NILSR and UNDP.

4.3.2 Strategic Planning

Inspections in Armenia are regulated by the "Law on Organizing and Carrying out Inspections" of July 1, 2000, which outlines the basic principles of inspection, their scope, and, most importantly from an administrative standpoint, the government bodies that are authorized to carry out inspections. According to the Law, there are at least 17 different agencies and ministries empowered to inspect industries on a wide range of issues, from economic to social and health and safety. This system of inspection exhibited severe problems in ensuring safety outcomes over the past decade, and was beset by dispersion of expertise, lack of coordination, dispersion of data, increased burden on the inspected firms, widespread perception of corruption, and as a result misaligned incentives for businesses.

The vast array of agencies that carry out inspections has resulted in compartmentalization of expertise within the Armenian government, with each individual inspectorate covering a small area of safety or rights. This approach tends to work well for narrow and highly technical inspections (such as nuclear safety), but is less effective in most normal workplaces where a plethora of issues coexist and impact each other. For example, the distinction between "technical" (equipment) and "occupational" (personnel) safety, used by many post-Soviet countries, unnecessarily places constraints on inspectors from either the National Center for Technical Safety or the Labor Inspectorate. In reality, the two types of safety are complementary. Both the safety of equipment and work environment contribute to the broader goal of occupational safety and injury prevention: improving technical safety improves occupational safety, and vice versa. However, with enforcement duties divided between two agencies, it is difficult for an average inspector to see his or her job as part of this joint effort.

SPSS experts supported the Ministry of Economy to address these problems. The project team prepared a concept note on inspectorate coordination, including strategic recommendations, and worked with the Ministry of Economy to delineate all the stages of proposed inspectorate reforms. This concept note formed the foundation for the Inspectorate System Reform Program, proposed by the Ministry of Economy to the Government. The concept was adopted by the Government and, by the time SPSS concluded, was in the process of being implemented.

4.3.3 Exposure to International Standards

Through SPSS support, SLI became a full member of the International Association of Labor Inspection (IALI) in 2007, and started to adopt IALI recommendations in professionalization of the inspectorate's work force, as well as development of the OSH norms and standards. With project facilitation, the head of SLI attended the IALI congress in Geneva in June 2008 to gain exposure to international best practices in labor inspection and take advantage of professional networking opportunities. The SLI head also participated in an IALI event in Riga through SLI funding.

Additional Component 3 study tours organized with SPSS support included:

- Three day study tour to the Russian Labor Inspectorate in Moscow for the head of SLI and two staff members in February 2008. Participants studied the Russian experience of inspections in high-risk industries.
- An in-depth study tour for SLI and MLSI staff of the Lithuanian Labor Inspectorate. Participants studied Lithuania's experience in building a modern institution upon a legal and operational foundation similar to Armenia's present-day SLI.

With SPSS support, over 90 labor inspectors received training on best practices in labor inspection in a series of SPSS-NILSR joint events organized since 2007. The training module was passed to NILSR for the continuation of trainings beyond the project lifetime.

4.3.4 IT Support

SPSS worked with SLI to modernize labor inspection processes in Armenia by creating mechanisms to identify, sanction and eliminate unsafe and unfair labor practices, and to ensure that working conditions meet acceptable standards. SPSS experts conducted a needs assessment of the capacity and IT system capability of the State Labor Inspectorate. Based on this assessment, project experts brought together the NORK Information Analytical Center of the MLSI, and the SLI to de-bug and update the existing unused software. This ACCESS-based software was created in 2006 with World Bank support, but had not been used before 2008. Technical assistance was provided in troubleshooting of functional problems of the database, and in piloting the system in two SLI regional offices. After the pilot phase was completed, the SPSS team conducted two-day trainings on the database for data representatives of all structural and regional divisions of the SLI. The database was then introduced across the Inspectorate and is now operational.

SPSS experts worked with SLI and NORK specialists to develop recommendations and specifications for a new MIS/IT system at the Labor Inspectorate with provisions for risk-based enforcement system. The resultant recommendations were delivered to MLSI. Through SPSS support, SLI made further improvements to its data management to allow for risk-based inspection and enforcement models. An important positive development was an improved understanding of the risk-based approach by the SLI leadership and its increase in support for it.

4.3.5 Introduction of Risk-Based Enforcement

SPSS experts developed an SLI Risk-Based Enforcement Action Plan, which described the necessary further steps for implementing risk-based analysis. This action plan helps to identify high-risk firms (workplaces with high risk of injury) through data analysis and to prioritize inspections accordingly. The framework for this prioritization takes into account data from SSSS and SLI on employers' social contributions, short-term disability costs, total employees and number of accidents. It also establishes criteria for selecting high-risk firms: the sector, frequency and costs of injuries and diseases. The Action Plan also included recommendations for establishing linkages between databases of various key

stakeholders – the health care system, the Social-Medical Commissions, the SSSS and the SLI – to help prioritize the use of scarce inspection resources. The Action Plan was developed in collaboration with SLI, SMEC, SSSS, the NORC Center and other government agencies and bodies.

Following the development of the Risk-Based Enforcement Action Plan, SPSS held a roundtable on data issues and on the introduction of risk-based enforcement. In addition, another seminar was conducted at SLI with participation from representatives of Bulgarian General Labor Inspectorate to raise awareness of SLI leadership on the Action Plan, stimulate discussion on instituting effective risk-based analysis in Armenia, and invite an international perspective on the issue. The Bulgarian Labor Inspectorate was one of the first to provide trainings to labor inspectors from Armenia. The seminar was beneficial for further institutionalizing risk-based enforcement and capacity building at SLI by sharing international experience and emphasizing the importance of effective inspection planning and enforcement tools. The required MIS and IT systems have yet to be created, which is necessary for the Risk-Based Enforcement system to be fully applied at SLI.

4.3.6 Strengthening Tripartite Dialogue

On April 27, 2009, a Republican-level collective agreement was signed between the Government of Armenia, the Union of Employers, and the Confederation of Trade Unions of Armenia. The agreement aimed to develop and implement appropriate labor and employment policies through social partnership.

Previous assistance to MLSI from the SPSS project included presenting international experience on national-level collective bargaining systems. SPSS assisted MLSI and its social partners (Trade Unions and Union of Employers) with development of local capacities for tripartite consultations and agreements responding to specific requests from MLSI. Several analytical papers and translations on best practices of collective agreements were provided to MLSI. SPSS conducted a joint seminar with ILO on strengthening social partnership mechanisms in Armenia where representatives from MLSI, other government agencies, Trade Unions and Employer Unions discussed issues for drafting national collective agreements and avenues for better cooperation.

4.4 END OF PROJECT STATUS OF OCCUPATIONAL SAFETY AND LABOR PROTECTION

Key achievements of the Occupational Safety and Labor Protection component are summarized below:

- Drafted Occupational Safety and Health regulations for the mining industry, explosive environments and petroleum/gas handling;
- Organized study trip for three delegates to visit the Labor Inspectorate in Moscow in February 2008;
- Brought together the NORC Information Analytical Center (NORC) and the State Labor Inspectorate (SLI) to de-bug and update unused database software;
- Conducted training on best inspection practices for 90 inspectors through NILSR;
- Developed SLI Risk-Based Analysis Implementation Action Plan, which included necessary steps for implementing risk-based analysis and recommendations for linkages between the health care system, SMEC, and SSSS to identify high-risk firms through data analysis as a step toward prioritizing the use of scarce inspection resources;
- Provided assistance to SLI to become a full IALI member, and organized attendance at the IALI congress in Geneva for the head of the SLI in June 2008;
- Published two employer handbooks on OSH issues for SLI. The first gave general safety information and the second introduces a record-keeping and reporting system;

- Prepared a concept note on inspectorate coordination. The Ministry of Economy took the SPSS concept note for coordination of inspections to the Government, and it was adopted;
- Supported MLSI to design policies consistent with the new Government interest in coordination;
- In cooperation with AED organized study tours to Lithuania to observe system organization and the approach to high-risk industries; and
- Developed comprehensive OSH regulations applicable to all work environments with MLSI.

4.4.1 Sustainability

The sustainability of Component 3 activities largely depends on the commitment of the GOAM and particularly the MLSI to continue to adopt and implement the proposed occupational safety standards and norms, workplace safety programs and modern labor inspection tools. SPSS supported the Government in adopting two safety regulations and to start the Inspectorate System Coordination Reforms in Armenia. Commitment to compliance with the legislation and by-in to continue deepening the reform is necessary. The inspectorate coordination committee was established to provide the opportunity for sustainability. SPSS also assisted SLI to debug and activate Access-based data base and trained 21 employees, which SLI started to use for prioritizing inspections.

4.4.2 Next Steps

Although the new Labor Code represents a substantial step forward, and the SLI succeeded in a relatively short time to become a fully operational state body, there is a general consensus that both the Labor Code and its enforcement through the State Labor Inspectorate continue to face challenges, and that the demarcation of powers within the Government is not well-defined. While the stakeholder agencies within the Government are evolving and are aware of some of the issues noted here (especially involving the Labor Code) they are working towards their resolution. The MLSI, the SLI, and other governmental agencies can benefit from the following recommendations:

- Draft amendments to the Labor Code and related normative legal acts concerning labor relations. This recommendation is more concerned with the MLSI than the SLI, as it is responsible for proposing changes in the Labor Code. While substantial discussion on the Labor Code has taken place within the Government, the input of the private sector has been generally ignored in the process of the Code's creation and amendment. In the words of one expert, "the [Code] needs amendments, in order to not drive the employer into a corner." Specific issues noted above (such as contradictions, omissions, and ambiguities) should be discussed in public forums, and most importantly, a broader assessment of the Labor Code and its impacts should be conducted to inform policymakers where changes need to be made. Greater transparency in the production of laws will result in better laws, and given the widespread dissatisfaction in our sample with the current Labor Code, changes should involve as wide a representation as possible.
- Clearly define the functions and responsibilities of the State Labor Inspectorate. Clearly separate the functions and responsibilities of the SLI and other safety inspectorates. In addition to clarifying the functions and responsibilities of State Labor Inspectorate and other safety inspectorates, the SLI also needs to be refined over the coming years. In accordance with its design, it will continue to handle both employment cases and occupational safety and health issues, and will require new and improved documented procedures to reduce uncertainty among businesses. The international best practice is to develop and disseminate manuals for inspectors, to standardize inspection procedures, and to enhance the Inspectorate's customer service orientation. With better organization and administration within the Inspectorate, it will present a better face to the outside world.

- Develop a modern unitary data gathering system, network and database for gathering information about companies, and revise reporting forms which are being submitted by employers to SLI, STS, SSSS, SMEC and the Ministry of Health. Many of the problems experienced by businesses in Armenia today stem from the dispersal of information throughout the government and from the inability or unwillingness to share the collected data with other agencies. This often results in duplication of efforts, requiring businesses to respond to similar data requests from different agencies. The Labor Inspectorate and other agencies are currently working to resolve this problem. It is important to continue and accelerate this process to minimize inefficiencies and business costs.
- Develop new administrative and IT infrastructure at the SLI. To ensure that the procedural and IT changes are permanent, there will be also a need for providing the SLI with new administrative structures and equipment. The modernization of the Inspectorate, including new computers and ICT applications, reinforced with appropriate integration of these applications into management structures will increase efficiency. This should in turn reduce the number of hours spent on inspections, reporting and analysis, and likewise reduce burden on businesses.
- Develop training courses and training of SLI workers in regions and in Yerevan. Hand-in-hand with necessary administrative reforms, and as part of the ongoing development of the SLI and its staff into a professional organization, training of personnel needs to be provided on a coherent and comprehensive schedule (beyond the normal Civil Service training). While the professional level of inspectors has been increasing year by year, the prevailing feedback both experts and businesses is that the professional level of inspectors remains unsatisfactory. To rectify this issue, there needs to be a sustainable and recurring series of trainings for both new employees and established inspectors covering the following topics:
 - Proper inspection procedures defined in the official inspectorate manual,
 - Data collection and usage,
 - Information technology,
 - Interaction with the public and customer service, and
 - Ethics.
- Develop proper mechanisms for public interaction. The previous recommendations have focused on the internal operations of the Inspectorate and how they can be improved. However, a major conclusion to be drawn from SPSS work is that there is a severe lack of interaction between the public and all of the government bodies concerned with labor issues, both those concerned with policy (the MLSI) and with implementation (the SLI). Indeed, the only interaction between businesses and the government institutions is in most cases the act of being inspected or served with a violation. Moreover, while only a small number of firms claimed they have experienced corruption from the SLI, a much larger amount considered corruption to be a challenge of the organization.

The SPSS Project worked on increasing stakeholder participation with the Ministry and the SLI, and saw good opportunities for public outreach, aimed at two objectives: educate on coming changes in legislation and regulation and, more importantly, invite public participation in achieving safety outcomes. Concrete and specific steps can be taken by the Inspectorate to increase this interaction, including:

- Providing employers with timely information about amendments to the Labor Code and related normative legal acts concerning labor relationships through various media,
- Increased (and heightened) consultations with the public, including better use and publicity regarding the employer seminars meetings,

- Creating transparent appeal procedures, and
- Producing an annual report on international standards and ensuring its wide distribution.

In order to undertake such actions, public outreach functions need to be institutionalized within the SLI, perhaps through a specific public relations office or an ombudsman, and with the support of top management. As the SLI takes on more duties in occupational health and safety, it must dispel the perception widespread among businesses that its main function is to burden, rather than help.

5. SOCIAL ASSISTANCE FOR VULNERABLE POPULATIONS:

The objective of Component 4: Social Assistance for Vulnerable Populations was to enhance the overall capacity of the Government of Armenia to address the needs of vulnerable populations through the development and implementation of innovative mechanisms, including social contracting with local NGOs. Component 4 activities built public and private sector capacity to collaboratively design, implement and sustain social services that target the country's most vulnerable groups: orphans, the elderly, people with disabilities, and refugees. SPSS facilitated social contracts with NGOs to provide needed services, and promoted social work professionalization including information and referral capacity among state system social workers to utilize NGO services. Components 2 and 4 were catalyzed by a matching grants program for service-providing NGOs, with transparent goals and robust procurement processes. SPSS' key accomplishments in social contracting were the following:

- Establishing transparent and effective mechanisms that enable the GOAM to provide budgetary support to NGOs for delivery of critical social services throughout the country.
- Analysis of the legal framework for social contracting, followed by recommendations for legislative amendments.

SPSS assisted the Government of Armenia to improve the effectiveness of laws, regulations and management processes assuring the quality of social assistance. Over the course of the project, the largest social assistance (cash benefit) system in Armenia, the family benefit system, exhibited a trend toward improved targeting. SPSS also assisted MLSI to develop a national Social Protection Strategy in line with the Poverty Reduction Strategy Paper.

The primary counterparts for Component 4 were the Social Assistance, Elderly and Disability, and Children and Family Departments of MLSI. SPSS introduced international best practice information to the many social safety net departments of MLSI, covering policies for children, women, families, people with disabilities, and the elderly. Considerable effort went to upgrades of the facilities and capacities of the NILSR.

This section of the SPSS Final Report provides: 1) an overview of Armenia's social safety net system; 2) the policy and capacity gaps that SPSS helped to address; 3) a summary of SPSS activities implemented in support of social safety net strengthening; and 4) an end of project status report on the component

5.1 SOCIAL SAFETY NET IN ARMENIA

Social assistance (or cash benefit) programs are mainly financed from the Government budget, constituting approximately 11.5% of the budget or 2% of GDP. The social safety net includes more than 60 programs covering five areas. The main expenditures are State benefits or social transfers (48%) and the pension fund (30%). The social safety net in Armenia is currently in transition from passive to active approach.

The primary social safety net system in Armenia, known as the family benefit program, has made a substantial impact on reducing poverty since its introduction in 1999, though considerable impediments to greater effectiveness remain. To receive the benefit, poor families in need of state assistance must apply and be registered at their respective Regional Social Services Agency (RSSA). Other programs include Medical-Social Service and Rehabilitation of Persons with Disabilities which provide free prosthetic and rehabilitative devices appliances.

5.2 POLICY AND CAPACITY GAPS

Capacity gaps in delivering services to vulnerable populations include policy gaps and weak mechanisms for public-private collaboration in service delivery and social contracting. Gaps in existing legislation often inhibit efficient targeting and delivery of services, and impede public-private collaboration in service delivery, including the ability of the MLSI to outsource critical services and projects.

As the Government and its private sector partners begin to consider formal service outsourcing, improved oversight mechanisms and appropriate competition mechanisms present the greatest challenge. The outsourcing process necessitates appropriate monitoring and evaluation systems, highlighting a pressing need for qualitative and quantitative performance measurement throughout the Government. Additional challenges stem from insufficient dedication on behalf of public sector and private sector counterparts to the formalization of outsourcing mechanisms, and the inability or unwillingness of local government institutions to provide appropriate financial matches during the outsourcing start-up period.

Social assistance targeting also remains an obstacle for the government, particularly inasmuch as this necessitates moving past simple cash transfers. This move underscores the pressing need to adopt and enforce proactive poverty reduction strategies that bring vulnerable populations into mainstream work and more effective living.

Analysis of the Family Benefit System

SPSS carried out a comprehensive analysis of the impact of the family benefits system on the targeted households. The analysis discussed the system's existing shortfalls, which included the following:

- Inefficient targeting of social transfers,
- Deficiencies in formulas for assessing vulnerability,
- Deficiency in formulas for calculating the average vulnerability score of a family,
- A lack of clearly defined socio-economic and political objectives, and
- Inadequate monitoring and supervision mechanisms.

The analysis concluded that due to the existing deficiencies in the government social transfer programs, the programs have not been effective in mitigating extreme poverty and social tension in Armenia. SPSS recommended a number of simplifications to the social transfer system and proposed new mechanisms to enhance targeting, improve transparency and reduce corruption.

Analysis of Disability Programs

SPSS undertook a comprehensive review of disability programs and policies in Armenia in order to examine their underlying structure, definitions, and effectiveness. The review included: an analysis of the functioning of the current disability system; the adequacy of the definition of disability; disability adjunction; demographics and implications for the disability pension program; vocational rehabilitation; the role of the GOAM; and potential future steps. Particular attention was paid to examining the current system for its adherence to recognized best practices in determining disability, including such issues as: the examination criteria, the qualifications of examiners, the processes used to ensure equity, transparency and accountability, and the ability of the process to encourage return to work (rather than offer only long-term benefits). SPSS made both programmatic and policy recommendations for improvements in disability programs.

5.3 SPSS SUPPORT TO SOCIAL SAFETY NET STRENGTHENING

SPSS assisted to clarify new regulations and strengthen the legal framework underlying the social safety net in Armenia. The SPSS team built MLSI capacity to carry out social service contracting, in particular strengthening the capability for monitoring and evaluation and using performance indicators for use in program budgeting. The project supported the development of outsourcing mechanisms for state and local social service provision on cost-effective alternative to state-run programming. SPSS also supported the enhancement of skill and awareness of social workers within the state benefit system as a step toward early intervention and prevention of long-term dependency.

5.3.1 Policy Analysis and Planning Capacity Building

MLSI Monitoring and Evaluation System at the Project Level

SPSS assisted the MLSI to develop and introduce a project-level monitoring and evaluation (M&E) system and to develop performance indicators for use in program budgeting. SPSS undertook a comprehensive review of the M&E system of social services and issued a report with recommendations for improvements. The report introduced the concepts of monitoring and evaluation, the functions of an effective M&E system and types of monitoring, and made recommendations on the establishment of a new M&E system including the legislative framework necessary for its implementation.

SPSS assisted MLSI to develop performance indicators and monitoring methods for selected key programs. Particular emphasis was given to indicators related to quality, as well as outcomes and impact of programs in MLSI's priority areas: 1) benefits related to family; 2) social insurance benefits; 3) projects to assist graduates of orphanages; and 4) services for the elderly.

With SPSS assistance, MLSI staff was trained on critical M&E topics. A series of presentations and workshops built staff understanding of performance indicators, as well as best practices in developing indicators and M&E. Key SPSS deliverables included:

- Analysis on existing M&E indicators in social assistance and employment projects,
- Educational materials and guides to improve basic staff understanding of M&E principles at the micro level (project) and the macro level (policy),
- Methodological tools for M&E monthly analysis, and
- Log frame for selected social projects.

SPSS recommendations on appropriate M&E procedures were incorporated into the Outsourcing Manual developed for MLSI by the project (see next section). SPSS delivered additional recommendations on the establishment of a new M&E system, including the legislative framework necessary for the formation of the proposed system.

With SPSS assistance, MLSI Disabled and Elderly Department, and the Monitoring Department established the grant monitoring working group to monitor outsourced projects. Trainings were organized for the these departments to develop monitoring indicators and conduct actual monitoring of the day care services projects outsourced with the help of the SPSS project.

SPSS compiled a summary of the social insurance budget including a summary data of amounts budgeted for 2007 and of actual expenditures. The team provided program budgeting training for more than 80 members of MLSI and affiliated agency staff. SPSS assisted the MLSI to develop a procedure to respond to the MTEF quarterly and annual report development, as institutionalizing good budgeting and program

monitoring was critical to the implementation of other SPSS policy initiatives carried out in collaboration with MLSI.

Study Tour to Lithuania on Social Protection Issues

To help improve the institutional and human capacities in the field of social protection, and to assist in MLSI preparation of the Social Protection Strategy, SPSS supported a study tour to Lithuania in October 2007 for a group of eight MLSI managers and policy makers, led by Deputy Minister Artem Asatryan. The trip helped the Armenian delegation to learn from Lithuania's experience in overhauling its social protection system from its Soviet past to its present structure consistent with that of an EU member state. Participants benefitted from plenary discussions, presentations, group meetings, and interviews, with the support of Lithuania's Ministry of Social Affairs and Labor. The study tour covered the following topics:

- Methodology of the social inclusion strategy in Lithuania and European social policy approaches,
- Policy priorities for children, the disabled and the elderly,
- The Lithuanian pension system,
- The Lithuanian employment policy and social assistance,
- Government and civil society cooperation in service provision,
- IT issues in the social protection system,
- Occupational safety and health, and
- Monitoring of social protection programs and projects.

MLSI Strategy Paper

SPSS also assisted MLSI to develop a national Social Protection Strategy in line with the Poverty Reduction Strategy Paper. The Strategy sets the following priorities:

- Priority 1 – Pension reform,
- Priority 2 – Increase labor market participation,
- Priority 3 – Improve access to quality social services,
- Priority 4 – Eliminate child poverty and enhance assistance to families,
- Priority 5 – Tackle disadvantages for vulnerable populations and create equal opportunities for all,
- Priority 6 – Institutional care versus alternative care development, and
- Priority 7 – IT, monitoring and evaluation in social protection.

SPSS set priorities for the National Action Plan for the Elderly (Madrid Action Plan), as part of the Social Protection Strategy. A paper entitled "Social Portrait of the Elderly" along with Labor market statistical trends were prepared and delivered to contribute to Component 1 activities.

Improvements to the Family Benefit System

In a comprehensive analysis of the family benefit system, SPSS underlined the system's major weaknesses and recommended improvements. With SPSS assistance, the MLSI addressed a number of policy gaps identified in this analysis, making a number of changes to the family benefits program, recommended by the project team. All changes were in line with PRSP recommendations. These changes included:

- Increased the basic part of the family benefit from 7,000 AMD to 8,000 AMD,
- Improved the method of calculating benefits,
- Clarified criteria for eligibility,
- Changed the amount of one-time financial and emergency assistance,
- Recognized families with an insecurity rate of 30.01 and more as eligible for family allowance, and
- Changed the method of calculating family allowance: Families with no members under the age of 18 receive 8,000 AMD family allowance, while families with members under the age of 18 have their allowance amount calculated according to special equations.

Social Assistance Survey

SPSS carried out an extensive household survey to inform GOAM efforts in enhancing the state social assistance system, particularly the provision of social services and the family benefit program. The survey was carried out through October 2008 in Yerevan and 5 Marzes, and covered 1,015 households. The survey had the following objectives:

- Review the current social-demographic composition of Armenian households, comparing and correlating the data with other related databases (in particular the National Statistical Committee annual Integrated Household Survey).
- Assess the general level of vulnerability conditioned by social-demographical structure of households.
- Determine the impact of housing conditions and other tangible assets on the real vulnerability level of households.
- Identify the structure of households' expenditures to inform an indirect evaluation of how the level of a household's real income impacts the final vulnerability score.
- Assess the state of financial security of households.
- Assess the scope of social services provided to population; compare with the existing service demand and evaluate customer satisfaction with the quality of those services.
- Examine the public's attitude towards certain structures of the family benefit system, particularly the social assistance councils (SAC).

The project team conducted extensive interviews of households through questionnaires, followed by data analysis

Under a contract with NILSR, the SPSS team provided MLSI with an analysis of existing data and the testing of means proxies for an anticipated revision of the distribution formula for social assistance FB, completing this research in the first quarter of FY09. MLSI considered both refinement of the indicators and separation of active and passive assistance measures.

SPSS supported the MLSI to implement a public outreach campaign to support these changes as well as to educate and inform the public on their rights and to explain how they can apply and calculate the level of their eligibility for the benefits. The outreach campaign included posters, brochures, hotline numbers, countrywide workshops, and media coverage.

5.3.2 Social Contracting with Non-State Stakeholders

SPSS's key accomplishments in social contracting include supporting the Government of Armenia to establish transparent and effective mechanisms for providing budgetary support to NGOs for delivery of critical social services throughout the country. The SPSS team also conducted an analysis of the legal framework for social contracting and delivered recommendations for legislative amendments.

Social contracting allows the government to contract NGOs to provide certain services, improving service delivery to citizens and cutting the government's budget expenses. NGOs are often the best choice to carry out public tasks as they function on the basis of cost reduction and efficiency, and can match public funds with funds from private or foreign sources. NGOs are also generally closer to the communities they serve, and as a result, have a high awareness of community needs and problems. Many Armenian NGOs have begun to develop special types of services for special populations that are more effective than government-planned programs.

SPSS preformed a study on social contracting practice in social services provision through meetings with interested stakeholders, including NGOs, the GOAM, and international donor organizations. A series of field studies and meetings was also held with MLSI, NGOs, and international organizations who deal with disability issues.

In the early stages of implementation, SPSS organized a roundtable on social contracting to discuss the status and existing barriers to social contracting in Armenia. The roundtable served as a platform for igniting stakeholder dialogue on a wide range of topics, including: clarification of social contracting, ways to maximize the use of resources in the social sphere, current legal framework, necessary legislative amendments, and degree of awareness and preparation of NGOs to participate in tender processes and undertake social services. SPSS disseminated a report on the roundtable proceedings entitled "Current Practice and Challenges in Social Contracting" to the GOAM and the NGOs.

Strengthening GOAM Outsourcing Capacity

SPSS supported MLSI, SESA and local communities to develop the outsourcing capacity and strengthen the capacity of NGOs to provide social services to vulnerable populations. Key challenges faced by the GOAM as it began to consider formal service outsourcing functions included improved oversight and implementation of appropriate competition procedures. SPSS provided training to the GOAM on competition procedures, including the content of competition announcements, selection procedures, evaluation criteria, contract terms, rights and obligations of the beneficiary and the administrative authority, and implementation.

Capacity building was mainly undertaken through the outsourcing of grants to encourage public-private partnerships. The SPSS project team began this effort by developing the Outsourcing Manual for the MLSI and SESA, which outlined a transparent and competitive outsourcing mechanism and included step-by-step procedures for outsourcing social service projects.

Based on procedures outlined in the Outsourcing Manual, seven grant competitions and 11 grants were implemented for social service development projects (all of which included a capacity building component to benefit selected NGOs.) The SPSS staff jointly with MLSI developed requests for proposals and participated in selection committee meetings. The following competitions were conducted jointly with the MLSI:

- Establishment of community daycare centers for individuals with disabilities,
- Community social services outsourcing,

- Accessible Community Project, and
- Vanadzor Orphanage Graduate Independent Living Skills Development Project.

The implementation of each of these initiatives is discussed in the sections below.

Community Daycare Centers

Daycare centers for people with disabilities represents a recent addition to the basic package of public obligations, and international experience shows that such services are more efficiently provided by NGOs. The community daycare initiative for the disabled was a pilot project of daycare service provision by NGOs for the first time in Armenia.

SPSS, together with the MLSI, conducted a grant competition and signed grant agreements with five selected NGOs to provide community-based daycare centers for disabled citizens. Each RFP for a grant-matching program was developed in extensive collaboration with MLSI, who institutionalized the granting mechanism upon award. The RFP was then posted in the newspapers and on the MLSI and SPSS project websites.

Daycare (Respite Care)

Daycare (respite care) is defined as a temporary relief service for families with disabled members living at home and as an essential element in preventing institutionalization of disabled. Daycare can relieve the caregiver's stress, thereby enabling him or her to continue caring for the individual with a disability. Respite care helps families cope with both emergency situations and relief from the daily stress of caring for a disabled family member.

The main focus of the competition was to help the NGOs to more efficiently deliver public services and make the optimal use of local resources by joining efforts with the local or state authorities. The objective of the tender processes was to initiate a sustainable mechanism for service outsourcing, to be used by the GOAM in purchasing basic social services in the future. The goals of grant initiatives were:

- Provide sustainable social services support to the individuals with disabilities through development of community daycare center models in Armenia,
- Develop pilot models of community daycare services applicable throughout the country, and
- Ensure sustainability of service delivery through partnership with the government agencies.

Five NGOs were selected to implement community daycare centers for individuals with disabilities: "Astghatsolk", "Full Life", "Havat" hearing-impaired children's mothers, "Prkutyun", and Mental Health Foundation.

"Prkutyun" NGO, provides daycare services for mentally challenged children and youth. In the course of the project 40 disabled individuals had an opportunity to learn handicrafts and computer skills, and develop writing skills. The center was funded by the SPSS project from October 2007 to December 2008. With support from SPSS and World Vision Armenia, training was provided to two social workers and two art therapists. The center also offers transportation services to and from the center as well as psychological and legal consultation for the handicapped youth and their families. Starting in January 2008, the MLSI funded salaries of the day center staff.

"Havat" hearing-impaired children's mothers NGO, implements a daycare service center for children and youth with hearing impairment and their parents on the base of Yerevan's Arabkir Medical center (whose mainline services were more medical in nature). In the course of the project, 40 disabled individuals were provided with speech development services, psychological and social services, and sign language trainings. Thirty mothers were involved in the parents' school. With SPSS support, training and

capacity building was organized for 27 speech therapists, two social workers and two art therapists. Vocational training (computer classes) was organized for the hearing-impaired beneficiaries of the center. The SPSS Project funding supported the development of these social services at the center, and by the end of the project, the center had a full-time social worker.

“Astghatsolk” NGO, located in Chambarak, a remote rural town in Gegharkunik region, services the Chambarak town and close located villages. The daycare center was attended by 48 children (including 17 disabled and 31 socially vulnerable children). The operation of the daycare center encouraged Arabkir center to offer health services for Chambarak’s vulnerable population. The center provided crafts classes, psychological and social services. With support from SPSS and World Vision Armenia, two social workers and two art therapists received training. Currently, salaries for daycare center staff are provided by the village councils of Ttu Djur and Vahan as well as the Chambarak Municipality.

“Full Life” NGO, located in Stepanavan town, Lori region, provides social and psychological services to disabled children and youth, including English language, computer skills and crafts classes. Forty-two disabled and socially vulnerable participants benefitted from these programs. The services of the day care center include transportation from villages to the center and back. With support from SPSS and World Vision Armenia, the center’s staff received training in social work and art therapy. During the course of the project the NGO was able to attract funding from several donor agencies and expand day center facilities.

Mental Health Foundation Center, in Yerevan provided day care services for mentally disabled individuals. 62 beneficiaries of the day care center received psychological, social and rehabilitation services.

Community Social Services Outsourcing

This initiative was implemented with MLSI and local governments. Based on criteria developed by SPSS in collaboration with MLSI Social Assistance Department, four communities were selected from a list of 30 for outsourcing of social services: Alaverdi, Nor Nork, Artik and Noubarashen. Each community then engaged in social planning to outline an action plan for community social service development, based on the detailed assessment of its social service assets, strengths, opportunities, threats, weaknesses, needs and problems. The SPSS project conducted a series of trainings for community social service representatives (with SESA, Regional Social Service Agency, local government and NGOs) and supported the communities to identify the social services needs for outsourcing. Community working groups developed the background, the goal and objectives for the RFP to outsource a social services project to an NGO.

Figure 12: Community-based Social Services Planning.



Source: SPSS experts provide training on community-based social services planning.

The needs and projects identified by four participating communities included:

- Alaverdi: support to vulnerable families,
- Nor Nork: social service delivery to the elderly and disabled,
- Artik: social service delivery to the disabled and elderly, and
- Noubarashen: assistance to children from vulnerable families.

SPSS supported four community competitions and the development of RFPs by the local community groups. The RFP announcements were placed in local and national newspapers and on the SPSS website.

Alaverdi community support center: Grant competition was announced on July 23 2008, and a selection committee met on September 12, 2008, “Vanagni XXI” NGO was selected to operate a community center delivering community-based social services (consulting, rehabilitation and training) for vulnerable groups including the elderly and disabled and families in need. The center provided consulting and rehabilitation training to over 100 vulnerable people in the town of Alaverdi. Two social workers were trained with support from SPSS and World Vision Armenia. The Municipality of Alaverdi provided a match of 20-30% (15% cash and 10% in-kind) for the project. The community provided the office space, including renovation, and small social benefits for the vulnerable families.

Nor Nork community center for disabled and elderly: Grant competition was announced on July 23 2008. “Paros” NGO was selected for the project to improve social services provided to people with disabilities and senior citizens in Nor Nork community. Through this initiative, Nor Nork consulting center for community vulnerable groups was established with a 20% match from Nor Nork community. The center’s services include language and computer trainings for disabled youth, debate clubs, and transportation for disabled individuals to the rehabilitation center.

Artik community center for disabled and elderly: After two rounds of grant competition, “Araks Center” NGO was selected from three competitors in September 2008 to improve social services provided to people with disabilities and senior citizens in the Artik community. The community service center established through this initiative organized trainings and consulting services for the elderly and disabled individuals. Artik community provided a 10-20% match for the project.

Noubarashen community child development center: Competition was announced on July 23, 2008 and re-announced in October. The community actively participated in trainings and identified the needs for outsourcing, however was not able to provide the community match and requested not to have the community outsourcing piece.

Accessible Community Project

Armenia's legislation requires accessibility of all residential, public and industrial buildings, however most buildings and streets remain inaccessible. The SPSS supported the Armenian Government policy of social integration of people with disabilities by organizing the Accessible Community competition, jointly with the MLSI Disabled and Elderly Department. The RFP for the competition was developed by the MLSI with close SPSS oversight and support. The competition had two main objectives: to create a user-friendly environment for people with disabilities, and foster partnership among NGOs and local government. The competition yielded seven proposals, and award of two community grants based on SPSS and MLSI evaluation and pre-award visits. These grants included:

- **City of Gyumri:** construction of two access ramps, at the entrance of the Regional Social Services Agency and at Integrated School #42, by the "Mush Development Center" NGO in partnership with Gyumri Municipality
- **City of Dilijian:** creation of accessible environments at several locations (Integrated School #1, the Municipality building, the Cultural Center and the downtown square), by the "Bridge of Hope" NGO in partnership with Dilijian Municipality.

Vanadzor Orphanage Graduate Independent Living Skills Development Project

The project was aimed at the development of independent living skills for Vanadzor Orphan graduates. At the request of the Department of Children's, Women's and Family Issues at MLSI, this skills development program was created as the pilot initiative to serve as the model for orphanage graduate programs. The RFP had two main objectives: to provide orphanage graduates with instructions in social and independent living skills and to provide opportunities in vocational education that will make them employable and develop their job search skills. Following a competitive tender, "Aravot" NGO was selected from three applicants. The project started on October 1, 2008 and continued until April 2009, when monitoring and evaluation identified numerous instances of non-compliance in project implementation. The project was terminated in April 2009.

5.3.3 Professionalization of Social Work

To achieve improvement of social services and their continuous expansion to meet the country's needs, support to the social work profession is critical. The SPSS project team supported this objective by developing professional conduct standards for social workers within the MLSI system.

The SPSS team assessed training needs of basic para-professional social workers in the State system required to properly conduct their full job duties. SPSS experts conducted a comprehensive review of Armenia's Law on Social Assistance and associated legislation, taking account its reference to social workers. The SPSS team compared Armenia's existing legislation with similar systems in Lithuania, Latvia and Estonia, outlined the key principles of social workers' professional activity, and analyzed social work courses offered in Armenian universities. The team then made recommendations on required qualifications for social workers, licensing, and social-psychological rehabilitation.

Based on this assessment, and on review of the international best practice, the SPSS team drafted a revised Ethics Code for social workers, from a previous DFID version, which was circulated throughout MLSI's Social Work network for comment.

At the request of the Social Assistance department of MLSI, SPSS delivered a package of standardized occupational analyses for three strata of professional and paraprofessional social worker positions, including the internationally accepted education requirements. This, along with an analysis of social worker status under current law contributed to a discussion of redefinition of professional social work at multiple levels.

SPSS worked to build the skills of “special care” providers who are paraprofessionals in social work. SPSS provided the following training:

- Trained social workers and psychologists working in orphanages and child care and protection boarding houses in communication skills, positive discipline of children, and stress management;
- Trained social workers, psychologists and educational specialists working with children in special schools, child development centers, preschool institutes, child centers, assessment centers and daycare centers. Skills included: communication skills, working with traumatized children, positive discipline, and stress management;
- Trained psychologists, social workers, caregivers, nurses and MLSI Division of Elderly Issues staff in communication skills, disability/frail elderly sensitivity training, working with families of the elderly/disabled, and stress management;

SPSS organized a five-day intensive training program for social workers and art therapists from the five local NGO recipients of SPSS-MLSI daycare grants. The trainings, held in Yerevan during early November 2007, were conducted by SPSS specialists and aimed to build the capacities of participating NGOs to help them provide quality social services for individuals with disabilities.

5.3.4 Improved Services for Vulnerable Populations

Social Inclusion of Vulnerable Children

SPSS organized a roundtable discussion focusing on the social inclusion of vulnerable children through the “State Support to Alumni of Child Foster Care Organizations” project with the participation of government counterparts and NGO representatives, and developed recommendations for program improvement. SPSS also provided training for 92 social workers on service to vulnerable/ sensitive populations in residential and daycare centers operated by the GOAM and its subcontractors.

In the framework of this task and in collaboration with the NILSR and MLSI, SPSS developed a comprehensive reference guidebook “Children Protection System in Armenia” with detailed maps of available resources. An agreement has been established regarding the forthcoming follow-up to the publication by MLSI and LILSR.

SMEC Capacity Building

The Regional Social-Medical Commission (SMEC) is responsible for providing social and medical expertise to establish the degree of disablement of people with disabilities. The SPSS team assisted SMEC to develop and implement an information system on registration of people with disabilities. The team trained SMEC staff on the use of the system, and initiated a plan to establish interim connectivity (while awaiting the WB corporate network) so that SMEC can apply the system and skills.

5.4 END OF PROJECT STATUS OF SOCIAL ASSISTANCE TO VULNERABLE GROUPS

Key achievements of Component 4 are summarized below:

- Recommended improvements to the Armenia family benefit system, to enhance targeting and effectiveness in poverty alleviation. With project assistance, SPSS recommendations were implemented by MLSI;
- Developed and strengthened mechanisms for social contracting between the public sector and indigenous NGOs providing social services. Facilitated the conclusion and implementation of 5 social contracts between the GOAM and private sector or NGOs to address the needs of vulnerable populations;
- Organized a presentation on the legal issues related to social contracting from government to NGOs (conclusion: no barriers);
- Facilitated community-based social services pilot projects in 4 communities based on community social planning with local government matches; and
- Built MLSI capacity in project-level monitoring and evaluation, including development of quantitative and qualitative indicators for selected key programs. Developed the Outsourcing Manual for MLSI.
- Conducted spokespersons training for MLSI managers,
- Provided program budgeting training and coaching for MLSI departments,
- Built skills of social workers and para-professionals delivering social services,
- Wrote professional conduct standards for social workers within the MLSI system,
- Organized community-based social contracting round table for 33 participants from MLSI, MTA and NGOs,
- Provided training for 188 regional social workers on dealing with domestic violence and trafficking vulnerability issues,
- Supported with research and analysis a number of priority elements identified by MLSI for a national strategy for social protection,
- Strategy development study tour to Lithuania for 8 MLSI department heads,
- Conducted a legislative drafting seminar for 64 participants,
- Supported development and implementation of the SMEC Information System for registration of people with disabilities, and
- Supported MLSI incentives for community-based improvements of accessibility for people with disabilities.

5.4.1 Sustainability

SPSS provided the GOAM with necessary tools to continue to improve social safety net programs and to effectively outsource social services. The local governments of Nor Norq, Artik and Alverdi agreed to continue funding the community centers established by SPSS through its grants program, which will greatly benefit their communities. At the closing of SPSS, the MLSI had submitted funding to continue one of SPSS's grants. In order to effectively implement an outsourcing mechanism, the MLSI must hire a Grants Manager to oversee its outsourcing program. The MLSI has indicated that it will hire a Grants Manager; however, at the end of SPSS this position had not yet been filled.

In addition to the above components, SPSS supported the renovations of the NILSR’s training facilities to ensure the sustainability of the training function within the GOAM. SPSS set as a priority the institutional development of training capacities in the social sphere. The emphasis was on promoting NILSR as a center for the training on social and labor issues. The sustainability of Component 4 activities ultimately depends on the political will of the GOAM to continue to work towards improving social assistance to vulnerable populations.

Figure 13: NILSR Renovations.



Source: SPSS renovated NILSR’s training facilities to ensure the sustainability of training functions within the GOAM.

5.4.2 Next Steps

Support to the vulnerable unemployed and workers (low-skilled workers, labor migrants who lost their jobs, women, and people with disabilities) is particularly important given the global economic crisis and the recent slowing in the rates of economic growth. Armenia is in a recession and it is likely unemployment will continue to grow. This has resulted in job losses, a larger informal economy, slowed remittances flows, a decrease in social spending, delayed new investments, and decreased international trade. Income inequalities in Armenia are expected to increase. There has been a dramatic increase in the number of unemployed (particularly among Armenia’s migrant laborers), the “working poor” (people who are unable to earn enough to lift themselves and their families above the poverty line), and other vulnerable populations. Assistance from the GOAM (particularly SESA), local governments, and the private sector will be required to help vulnerable individuals mitigate the economic and social consequences of the global economic crisis. Suggested next steps include:

- Development of policies and programs that bolster the social safety net.
- Use of public-private partnerships in employment services delivery to improve the efficiency of service delivery.
- Increased employment and economic opportunities for people with disabilities.

6. INFORMATION MANAGEMENT:

The goal of the SPSS project's cross-cutting activities in IT was to assist the Government of Armenia in the development and the implementation of effective and efficient social protection management information systems and databases. The SPSS team supported counterparts across all project components to upgrade information management systems and to re-engineer administrative processes.

The SPSS team provided training and technical assistance to help move the Government of Armenia towards more efficient system of electronic data management. Based on an initial comprehensive gap assessment, SPSS developed the Strategy for Strengthening Management Information Systems in the Social Protection Sector. Project experts made recommendations for priority management information systems modernization and helped to execute tenders for the implementation of two high-priority projects: the upgrading of the Document Flow System at the MLSI, and the development of the information system for the registration of people with disabilities at the Socio-Medical Examination Commission. Through the life of the project, the SPSS team conducted training related to e-Government solutions, IT project management and sustainable IT planning, and best practices on software development and IT infrastructure management.

The main counterpart of the project's cross-cutting IT activities was the NORK Information-Analytical Center – one of two local IT organizations with vast expertise in the area of ICT automation for MLSI projects. The project team collaborated closely with government counterparts including MLSI, SESA, SMEC, the Medical Social Examination Agency, the National Statistical Service, the IT Department of the Ministry of Economy, and the IT Department of the State Revenue Committee. SPSS also established and maintained a close working relationship with the Project Coordination Unit for World Bank's Social Protection Administration project.

This final section of the SPSS Final Report provides: 1) an overview of social sector information management; 2) the policy and capacity gaps that SPSS helped address; 3) a summary of SPSS's support to information systems enhancement; and 4) end of project status report on the cross-cutting activity.

6.1 SOCIAL SECTOR INFORMATION MANAGEMENT

The SPSS team conducted an extensive assessment the existing ICT systems and databases, including infrastructure, hardware, software and connectivity capacity, carried out across all project components. This assessment culminated with the Information Strategy for the Social Protection System, developed by the project in September 2007. In December 2007 the project team organized a retreat with key stakeholders to conduct an official presentation of these recommendations and to further discuss strategies for the development and application of management information technology for social insurance in Armenia. This assessment covered several information systems and databases, that have been developed and operationalized over the past decade to support the social protection sector including:

- Social Security Cards database,
- GORTS – Employment services,
- PAROS – Poverty family allowance,
- PYUNIK – Disabled persons,
- MANOUK – Orphaned children,
- PARNAS – Personal Account Registration, Numbering and Analysis System,
- PARNAS-E – Employer version of PARNAS, and
- ARAKS – Database of pensioners.

The Information Strategy for the Social Protection was based on the following:

- Extensive assessments of existing ICT infrastructure, including hardware, software, connectivity and institutional capacity in ICT management, carried out across all components (NORK Center databases, central and some territorial offices of SSIF, SESA, SLI),
- Assessments of existing information systems and databases,
- Assessments of information systems data flows and data exchange requirements, and
- Analysis of legislation and regulations governing the ICT area.

SPSS also conducted other assessments of existing information systems and databases, and evaluated data flows and data exchange requirements. Following the development of the Strategy, the SPSS team enforced the development of strategic thinking across its technical assistance to counterpart agencies.

6.2 INFORMATION POLICY AND CAPACITY GAPS

SPSS promoted a strategic approach to improving information management systems for social insurance. The SPSS team evaluated the existing capacity gaps and offered recommendations on overcoming them in the Information Strategy for the Social Protection. The following capacity gaps were identified during these assessments:

- Lack of senior management awareness of the ICT benefits and commitment to ICT modernization, leading to insufficient allocation of financial and other resources in support of existing IT infrastructure and systems and of new ICT developments;
- Lack of connectivity among central and field offices of the MLSI agencies, precluding timely data exchange and efficient service delivery related to pensions, employment services and social assistance;
- Isolated sub-systems and databases, leading to multiple entries of the same information and data quality problems;
- Outdated technologies, such as databases and development tools, making maintenance of existing information systems and databases more complicated and expensive. System designs had been based on government regulations that existed at the time of their development and implementation. There is no explicitly defined change management process that would ensure the updating of software following changes to pertinent legislation or to business processes, or the retraining of users with the operation of these systems;
- Lack of coordination of business processes among different agencies, leading to inefficient data exchange;
- Lack of legislation and regulations concerning interagency data exchanges;
- Lack of standard project life cycle for IT systems development and implementation; and
- Legislative changes not being followed by system upgrades and retraining of personnel.

6.3 SPSS SUPPORT TO INFORMATION SYSTEMS ENHANCEMENT

SPSS, jointly with NORK Center specialists, identified and recommended several high-priority projects for the modernization of information systems and databases, on the request of MLSI. Following the initial gap assessment that underlined existing needs and available resources, the SPSS project supported several of these initiatives.

6.3.1 Document Flow System for the MLSI

SPSS supported the development and implementation of an information system for the modern Document Flow System for the Ministry of Labor and Social Issues – one of the projects identified as having the highest priority during the initial capacity gap analysis. Working jointly with NORK Center IT specialists, SPSS experts conducted an assessment of the functional requirements for the system, which were then discussed and agreed with the MLSI secretariat and NORK. A local company (CHS Verticel) was subcontracted by the SPSS team to carry out the development and implementation of the system under the team’s supervision.

As of September 2008, the new Document Flow System was in use by all Ministry departments. Thirty MLSI employees were trained to operate the system. The system automated document flow in MLSI by using state-of-the-art technologies and new methods for data collection and processing. These improvements enhanced MLSI efficiency in handling citizen inquiries documents such as: legislative acts, official letters, suggestions, citizen complaints and appeals registration information systems for people with disabilities.

6.3.2 Information System for Registration of People with Disabilities

Modernizing the information system for registration of people with disabilities was another priority project of MLSI. SPSS IT experts jointly with NORK Center IT specialists gathered and assessed the functional requirements for the information system, which was then discussed and agreed upon with the Socio-Medical Examination Commission (SMEC).

SPSS supervised the development and implementation of the system. The disabled registration information system has been operating since June 2008, and is implemented across 24 SMEC offices. Sixty SMEC employees were trained by the subcontractor and NORK Center specialists on operating the system.

6.3.3 Upgrade of SESA IT system

The SPSS team managed the software development and outsourcing process to establish interim mechanisms for network connectivity that would link the central and field offices of the SESA, as it awaited World Bank-funded corporate network installation. The installation of network connectivity became the basis for the forthcoming implementation of the upgraded GORTS system. This work was carried out on the request of the MLSI, and was conducted jointly with the NORK Center. The Team evaluated quotations from interested contractors, selected the best proposal and prepared a contract for the installation of network connectivity for SESA offices and service agreement for providing connectivity.

SPSS assisted NORK Center in preparing a service-level agreement for SESA network connectivity. The project IT experts then collaborated with NORK Center specialists in monitoring and controlling of the contract execution.

6.3.4 Design of Management Information System for State Labor Inspectorate

SPSS IT experts conducted the troubleshooting of the Access-based database created under a World Bank project to identify and catalogue functional problems and recommended IT improvements that needed to be made before the database was rolled from two pilot offices to all SLI offices. The SPSS team helped to create a user manual and conduct training of inspectorate employees, in collaboration with NORK Center. SLI employees from all regional offices received training on the database, and the database was introduced across all SLI branches. Recommendations and specifications for a new SLI MIS/IT system based on web technologies with risk-based analysis support have been developed and shared with SLI and NORK Center.

6.3.5 Other Activities

SPSS conducted an assessment of PARNAS, and reviewed the functionality and capacity of the current IT system, and the capacity of the hardware and software platform. Presentations on corporate networking, electronic signature and IT strategy were delivered. A report on the unreformed pension system was delivered in July 2007.

Figure 14: New MLSI Website.



Source: The new MLSI website has helped to improve MLSI quality of service, and enhance its capabilities in public education and outreach.

SPSS mobilized considerable resources to develop specifications for new information system that will be required by the State Revenue Committee to operate the new pension system. (Automating Unified Income Tax and Funded Contribution Collection is a key component of the GOAM's pension reform.) In the first quarter of 2009, SPSS undertook an analysis of the business processes that will be necessary for the new system. Following the detailed overview in March 2009, the team prepared specifications of the information management system to support those business processes.

SPSS collaborated with the Information Systems and Analysis Department of the State Social Insurance Fund (SSIF). The team organized an assessment of SSIF's IT systems and participated in the assessment of its business processes. Observations and recommendations were delivered in written reports and presented during a retreat with SSIF staff in August 2007.

At the request of MLSI, the SPSS's IT experts jointly with NORK Center IT specialists gathered and analyzed requirements for the websites of MLSI and affiliated agencies and the social sphere information portal. The NORK Center modernized the MLSI website with project assistance. Several electronic instruments were implemented for communication between the Government and civil society: departments and agencies reports, e-mail inquiry of information and on-line requests for meeting with MLSI officials. The SPSS team later performed a reevaluation of the revamped site and proposed recommendations for further improvement.

The social sphere information portal should provide efficient collaboration and information exchange for MLSI (its agencies and employees). For citizens and organizations, this working tool will provide personalized access to necessary information and on-line services.

6.3.6 Exposure to International Best Practices

Seminars

The SPSS team conducted several seminars on IT topics for NORC Centre employees. The training sessions addressed modern approaches to software development and the management of software development projects. The training was followed by discussions and sharing of experience and views on the presented subject. Topics included: 1) best practices of use of database technologies in software development; 2) use of Electronic Signature for e-Reporting; 3) IT infrastructure planning and management, and; 4) impact of virtualization of ICT infrastructure and efficient and cost-saving approaches to ICT infrastructure.

In June 2008, the SPSS team organized a seminar on best international practices in e-governance. The following topics were covered: e-Government and its components, ID cards, electronic document flow, information exchange, databases and state registries, electronic archiving, electronic democracy, WEB portal, electronic services, electronic signature, information security, and RA legislation on electronic management.

At the seminar SPSS experts presented e-government international best practices and modern approaches to information and applications integration and initiated discussion on Social Protection Sector Portal evaluation methodology and criteria. Presentations were followed with discussions of applicability of the Estonian experience to Armenia and an outlining of the e-government strategy and necessary actions in Armenia to deliver basic e-services to citizens and business.

Study Tours

To help improve institutional and human capacity in the field of Information Management, as well as assist in the design of an ICT strategy for the Social Protection System of Armenia, SPSS supported the capacity building training at the e-Government Academy and a study tour to Estonia for eight managers and policy makers from the following institutions: MLSI, NORC Center, the National Institute for Labor and Social Research, the State Social Security Service, and the State Employment Service Agency.

The participants benefitted from plenary discussions, group meetings, and interviews, and participated in training sessions and workshops, with the support of Lithuania's Ministry of Social Affairs and Labor.

The study tour covered the following topics:

- The framework and basic issues of ICT coordination in public sector,
- ICT Architecture,
- ICT Strategic Planning & Management in Theory and Practice,
- Strategic Planning and Management in ICT,
- National Development strategies and ICT,
- ICT Budgeting,
- Legal Framework for ICT Regulation,
- Estonian ID-card and PKI (Public Key Infrastructure),
- Digital signature – concept and solutions,
- Main ICT development projects, X-Road etc.,
- Geographical information systems in public sector,

- Overview of state registries,
- Electronic document management and digital archiving,
- Estonian Government Session Systems (VIIS), e-Cabinet,
- Principles of auditing public sector IT projects,
- Aspects of Cyber Security: policies; audit; standards,
- E-democracy, e-participation, Participatory web-portal,
- A glance at the Estonian tax system - electronic customer service,
- ICT in local government – Tallinn City Government example: e-citizen / e-services / m-services, and
- Estonian e-Health projects.

This event improved MLSI's capability to design and implement information strategy and e-government solutions for the Social Protection System of Armenia based on international standards and best practices.

Training and Coaching

SPSS IT experts provided training for staff of MLSI, SSSS and NORK Center, and implemented technical assistance covering e-Government solutions, IT project management, sustainable IT planning, and best practices of software development and IT infrastructure management.

Coaching on tendering and management of contracts was achieved through joint work of SPSS IT experts with NORK Center managers and IT specialists on several tender preparations, contract management and oversight of IT systems implementation.

6.4 END OF PROJECT STATUS OF INFORMATION SYSTEMS

SPSS supported the modernization of several management information systems and databases for social protection system in Armenia across all project components. Key achievements of the cross-cutting IT component are:

- Organized a study tour on E-governance to Estonia for 8 participants,
- Developed recommendations for development of Information Strategy for the Social Protection system,
- Supported the development and implementation of an information system for the modern Document Flow System installed at MLSI. The Document Flow System has been in operation across all MLSI departments since September 1, 2008. Thirty MLSI employees have been trained on the use of the system,
- Delivered 4 IT seminars organized at NORK centre with presentations on best IT practices for: software development, electronic signature, IT infrastructure planning and management,
- Completed first session of project management training, and
- Managed software development and the outsourcing process to establish interim connectivity for SMEC and SESA, in support of forthcoming WB initiatives on corporate network installation.

6.4.1 Sustainability

SPSS provided the MLSI and NORK center with the necessary tools to continue to improve management information systems and databases for the social protection system. In order to develop and effectively implement ICT strategy, MLSI management must first develop and implement comprehensible

regulations on ICT governance for the social protection system that separates operational and project implementation functions from policy making, planning, monitoring and control. In the long run, sustainability of development and implementation of effective and efficient management information systems and databases depends on the political will of the MLSI management and on the regular investment in ICT developments.

Collaboration with donors and the private sector is essential to advancing modern ICT solutions in the social protection sphere throughout the country. Private organizations that participate in achieving these objectives could be supported by special measures of the government.

The following strategic areas have been identified:

- Infrastructure development and de-bottlenecking,
- Enabling comprehensible ICT policy and legal framework,
- Building human and institutional capacity,

6.4.2 Next Steps

Continuous ICT modernization is essential to the ability of social protection agencies in order to improve business processes and increase efficiency of operations in interacting with citizens and businesses. The use of ICT, together with information systems and databases, supported by a legal and policy infrastructure, is embedded in a process that is being driven by the promotion of good governance goals and public sector reforms. Technology can be catalytic, but the process means a re-orientation of social protection services towards serving citizens and businesses, which implies a change of work procedures, as well as in the attitude of officials.

The SPSS team has identified the following as priority areas for development or modernization:

- Development and implementation of the SRC information management system that would automate the unified income tax and funded contribution collection, outlined by SPSS team. Successful implementation of the GOAM's pension reform requires timely development of this system, as well as its integration with IT systems in NORK, SSSS, CDA, and the Treasury,
- The IT system at SSSS also should be modernized due to changed legislation and business processes,
- SESA's GORTS system should be modernized to enable implementation of self-services for citizens and employers, and
- A new SLI management information system based on web technologies with support for risk-based analysis should be developed and implemented.

To achieve progress in the strategic areas necessary actions have to be taken to achieve the following strategic goals.

- Well-coordinated ICT policies in the social protection sphere,
- Creation of ICT-supportive legislative environment,
- Use of public-private partnerships to implement inexpensive, fast and secure ICT infrastructure solutions,
- Integration of ICT solutions for social services, and
- Implementing citizen-centered, transparent, efficient services.

ANNEX 1

USAID SOCIAL PROTECTION SYSTEM STRENGTHENING (SPSS) PROJECT KEY ACCOMPLISHMENTS

February 2007 – September 2009

COMPONENT 1: SOCIAL INSURANCE

- Sent 4 delegates to ISSA Conference in Warsaw, March 2007.
- A seminar series reflecting international experience relevant to Armenia’s proposed reform, April – June 2007.
- Assessed PARNAS information system, July 2007.
- Continuous exchange with PWG and PRIWG on exploration of policy issues in light of international experience, March 2007 – June 2009.
- Sent 7 participants to Russian Federation funded pension conference, September 2007.
- Organized Sweden and Estonia Pension System study tour for 15 participants, November 2007.
- Provided the SPSS Statistical Model on estimation of financial sustainability of the pension system, along with training on its use, to all interested parties to conduct informed discussions of the pension policy options, December 2007 – September 2009.
- Organized SSSS retreat to plan for better customer service and public information, August 2007.
- Macedonia Pension System study tour with lectures on Kosovo Pension reform for 9 participants, May 2008.
- Organized Round Table for MLSI and PRIWG on lessons learned from the several pension system study tours, June 2008.
- Organized series of legislative drafting seminars for MLSI, MOF and GOA staffs, May – July 2008.
- Developed recommendations for low-cost immediate measures to improve the services and increase the level of public information for existing solidarity pension system, based on an assessment report of the State Social Security Service (SSSS) customer services in 10 Yerevan offices, September 2008.
- Prepared rules for Privileged Pensions administration, June – September 2008.
- Conducted report on focus group discussion on pension reform, November 2008. Wrote a draft law “On Funded Pensions” with the Ministry of Finance working group, provided comments on 3 other laws “Unified Income tax and Funded Contributions Personified Recordkeeping”, “State Pensions” and “Unified Income Tax” that comprise the reform, September 2008 – July 2009.
- Calculated the impact of different asset managers’ fees, December 2008 – January 2009.
- Prepared template report on Living Standards of Pensioners in Armenia to support MLSI with annual reporting to GOA on social status of the pensioners, January 2009.
- Assisted MLSI with developing Pension reform implementation public outreach program, January-March 2009.

- Developed 12 Business process maps to support all interested parties on having a clear understanding of the following:
 - The roles and responsibilities in pension reform implementation process.
 - Weaknesses and strengths of the new system.
 - Amendments to be made to the draft pension laws.
- The design of technical specifications for Unified income tax and funded contribution personified recordkeeping system, November 2008 – March 2009.
- Developed technical specifications for the software of Unified income tax and funded contribution personified recordkeeping system, provided English and Armenian copies to the GOA and donor organizations for financial support, March 2009.
- Developed amendments to existing 8 RA laws to be changed upon adoption of Funded Pension System, February – April 2009.
- Developed 20 memorandums with SPSS team recommendations, suggestions and concerns and submitted to PRIWG and almost all are considered during the planning of pension reform and drafting the laws, November 2008 – September 2009.
- Developed 50 questions and answers about the new pension system, August 2009.
- Developed and published a concept paper on Social Insurance Policy for the Republic of Armenia, August 2009.
- Provided implementation project management assistance for monitoring the many interdependent steps to realize the reform, January – September 2009.
- Developed Pension reform implementation Gant Chart, along with training on its use for the deputy ministers of MLSI, MOF and SRC. It includes project implementation tasks, time-schedules and shows progress and very important management and monitoring tool to assist the PRIWG in implementing pension reform, December 2008 – September 2009.
- Conducted detailed needs assessment with each affected agency to determine human, technical, financial recourses and training needs for pension reform implementation, March – September 2009.
- Conducted pension reform implementation risk assessment, July – September 2009.
- Drafted a separate Pension reform section located on MLSI website, August 2009.

COMPONENT 2: EMPLOYMENT SERVICES

- Prepared the situational analysis for the employment portion of the comprehensive MLSI Social Protection Strategy.
- Contributed a large volume of interpretations and translations on Employment and Social Service Strategic Plans from EU and Caucasus at the request of MLSI, October 2007 to date.
- Supported job fairs as a training ground for the SESA Regional Employment Center staffs charged with organizing 6 job fairs in 2009 financed by the State budget, from August 2007 – May 2009.
- Organized a conference on Labor Market Trend Analysis for 129 public and private sector participants, December 2007.
- Organized an AED-funded study tour to Bulgaria for 7 MLSI and SESA employees, March 2008.
- Introduced a statistically reliable method for employer surveys by SESA personnel that leads to service planning according to labor market demand and to job matching according to employer needs. Public presentations of results by region, November 2008 – June 2009.

- Using data gathered from SPSS sponsored bi-annual employer surveys and The National Statistical Service built capacity within SESA to create and publish an annual Labor Market Bulletin April – August 2009.
- Researched and wrote a white paper on best practices within EU countries on Strategy development, March-June 2008, provided translations of sample strategies.
- Researched and wrote a white paper on rural employment practices in OECD countries; organized conference to interpret prior rural survey findings, November 2007.
- Facilitated SESA’s development of a long-term strategy and action plan and the establishment of a management system to measure and improve performance, January 2008 – March 2009.
- Introduced and Implemented performance measures for SESA model offices, March 2008 – November 2008.
- Created a Performance guideline booklet for SESA Staff, April 2009.
- Trained active labor market measure implementers, SESA and Youth Center staff groups ranging from 29-129 participants, on progressive services and programs including: job-search skill training, job clubs, job fairs, how to customize services for youth and vulnerable groups, employer services and community employer councils, from August 2007-through July 2009. SESA’s increased effectiveness is shown by a 20% increase in employer use of SESA services.
- Created three model regional employment service offices to introduce effective active labor market measures, September 2008.
- Supported SESA’s establishment of a service outsourcing function, September 2008 – August 2009.
- Collaborated with SESA to introduce social contracting mechanisms with social contracting guidelines and expectations linked to SESA services for vulnerable populations.
- Provided best practice examples to 10 Yerevan Employment Centers.
- Developed the outsourcing RFP document for social enterprise contracting with SESA,
- Conducted competition with SESA and awarded two social enterprise contracts.
- Jointly with SESA project implementation is being monitored, reports reviewed, and responses delivered.
- Researched and developed Self Service Kiosks for model office implementation, May 2009 – September 2009.
- Organized AED-funded study tour to the US for 9 MLSI, SESA Staff, 2 employers, June 2009.
- Provided SESA with interim IT connectivity for a reformed reporting system, January 2008 – September 2009:
- Analysis of GORTS System installed by the NORC Center and SESA showed it couldn’t function unless SESA was IT Connected.
- Developed competitive process for IT connectivity contract for 46 of 51 offices.
- Introduced performance payment concept to contractors with on-going monitoring of IT connectivity contract and results.

COMPONENT 3: OCCUPATIONAL SAFETY AND LABOR

- Drafted Occupational Safety and Health regulations for the mining industry, explosive environments and petroleum/gas handling in 2007.
- Sent 3 delegates to visit Labor Inspectorate in Moscow, February 2008.
- SPSS brought together the NORK Information Analytical Center (NORK) of MLSI and the State Labor Inspectorate (SLI) to de-bug and update unused database software in 2008.
- Conducted training on best inspection practices for 90 inspectors through NILSR, September 2007.
- Developed SLI Risk Based Analysis Implementation Action Plan, which includes necessary steps for implementing risk-based analysis and recommendations for linkages between the health care system, SMEC, and SSSS to identify high-risk firms through data analysis as a step toward prioritizing the use of scarce inspection resources.
- Provided assistance to SLI to become a full IALI member, and organized attendance at the IALI congress in Geneva for the head of the SLI, June 2008.
- Published two Employer handbooks on OSH issues for SLI. The first gave general safety information; the second introduces a record-keeping and reporting system.
- Prepared a concept note on inspectorate coordination. MoE took forward the SPSS concept note for coordination of inspections to the Government, and it was adopted.
- Supported MLSI to design its proposed policies in consistent fashion with the new Government interest in coordination.
- In cooperation with AED organized study tours to Lithuania to observe system organization and the approach to high risk industries.
- Developed comprehensive OSH regulations applicable to all work environments with MLSI, September 2008.

COMPONENT 4: SOCIAL ASSISTANCE

- Organized a Round Table for 18 public and NGO participants on the status and barriers to social contracting in Armenia, April 2007.
- Sponsored 3-day training workshop for regional social service providers, Marz social service departments, and MLSI, August 2007.
- Supported with research and analysis a number of priority elements identified by MLSI for a national strategy for social protection:
- Strategy development study tour to Lithuania for 8 MLSI department heads, October 2007.
- Renovation of NILSR, 2007 – 2008, development of resource room 2008 – 2009.
- Supported a focus group study leading to summary and conclusions for the UNFPA-supported elderly survey by NILSR.
- Development of a strategy on Ageing and Elderly Issues executed by NILSR with a Sustainable Social Assistance Study conducted by NILSR.
- Provided policy notes and translations as requested by MLSI departments regarding violence against Women and Children's and Trafficking Prevention, Inclusion and Social Assistance Targeting.
- Supported MLSI's preparations for reporting to the Council of Europe on Armenia's compliance with the European Social Charter.

- Conducted a legislative drafting seminar for 64 participants, May – June 2008.
- Conducted spokespersons training for MLSI managers, November 2007.
- Organized community-based social contracting round table for 33 participants from MLSI, MTA and NGOs, December 2007.
- Organized community-based social services pilot projects in 4 communities based on community social planning with local government matches, March 2008.
- Provided training for 188 regional social workers on dealing with domestic violence and trafficking vulnerability issues, January – May 2008.
- Sent MLSI representative to COE meeting on violence against women, April 2008.
- Supported development of 5 Day centers for people with disabilities, September 2007.
- Social contracting demonstrations of MLSI disability and ageing department seeded by SPSS grant monies led to fruitful development of project-level quantitative and qualitative indicators introducing program and monitoring department staff at MLSI.
- Supported MLSI incentives for community-based improvements of accessibility for people with disabilities, 2008 – 2009.
- Wrote professional conduct standards for social workers within the MLSI system in 2008.
- Provided program budgeting training and coaching for MLSI departments, June – December 2008.
- Supported development and implementation of the SMEC Information System for registration of people with disabilities, 2008 – 2009.
- Presentation on the Legal Issues related to social contracting from government to NGOs (conclusion: no barriers), February 2009.
- Provided 13 grants to improve local social services to vulnerable people, throughout 2008 – 2009.
- Created 12 jobs for people with disabilities in Chambarak and Etchmiadzin, February – September 2009.

CROSSCUTTING: INFORMATION TECHNOLOGY

- Provided E-governance study tour for 8 participants to Estonia, April 2008.
- Developed recommendations for development of Information Strategy for the Social Protection system, September 2007.
- Supported development and implementation of the Information System for an MLSI Document Flow System. From September 1, 2008 the Document Flow System is in use in all the MLSI departments. 30 MLSI employees have been trained on the use of the System.
- Delivered 4 IT seminars organized at NORK centre with presentations on best IT practices for: software development, electronic signature, IT infrastructure planning and management in 2008.
- Completed first session of Project management training.
- Managed software development and the outsourcing process to establish interim connectivity for SMEC and SESA while they await WB corporate network installation.

ANNEX 2

PENSION CONCEPTS

Characteristics of Pension Systems

BASIC PENSION MODELS:

DEFINED BENEFIT MODEL (DB)

The main principle of this model is that it first defines the amount to be paid and then determines the appropriate contribution rates. The benefit to be paid is defined as a result of political debate in the case of state pensions or based on contracts in the case of private pensions. The defined-benefit model (DB) is widely used in countries, such as the USA, western, eastern and Central Europe and former Soviet Union countries.

The main alternative within this model is the “pay-as-you-go” (PAYG) pension scheme, which is used in the state pension security systems of all the above-mentioned countries. Payments are not usually personified and are collected in the state budget. The beneficiaries of the defined pensions are not those who make contributions at the given point in time, but those entitled to pension as defined by the legislation. The current Armenian pension system, the “solidarity pension system”, is a PAYG system.

Pension systems based on the DB model are basically different from each other depending on the following factors:

- Pension calculations: What formula is used to determine the size of the pension? For example, is the size of the pension linked to the income of the pensioner?
- Types of contribution made to the system: What is the source of funding? For example, are contributions or taxes paid only by employees, only by employers, or both?
- Methods for paying pension: How are specific pension payments made? For example, are pensions indexed according to average wage growth, the consumer price index or some other indicator?

DEFINED CONTRIBUTION MODEL (DC)

The main principle is that the contribution rate is defined first and the amount of an individual’s pension depends on the contributions invested and the accumulation of assets from those investments. The mandatory contribution rate is defined in the legislation as a result of political debates. There may also be opportunities for voluntary contributions which receive tax advantages. Payments are accumulated in individual accounts specially opened for that purpose and are channeled to investment portfolios. The accumulated amounts grow throughout years and are paid to the given person when he or she reaches retirement.

LEVELS OF PENSION SYSTEMS

There are two levels of the pension system targeted at solving two different types of social problems.

The **solidarity level** aims to insure the social protection of citizens who are not able to work. This level is designed to prevent poverty of pensioners and ensure their minimum living standards.

There are three types of solidarity pensions:

- The **base pension** is a general instrument of social protection in state pension systems, which is allocated to all citizens, entitled to the pension, regardless of their former and current level of earnings. It is used in former socialist countries and a number of developed European countries.
- The **targeted pension** is used as an instrument for mitigating income inequalities and is similar to social assistance benefits. It is commonly used in almost all European countries. The size of targeted pension differs depending on the following circumstances:
 - Is the pension the only source of income for the citizen?
 - Does the pensioner have any savings?
 - Does the pensioner have any income generating property?
- The **minimum pension** is an important instrument of poverty reduction used in state systems, particularly common in countries of the Middle East, North Africa, Eastern Europe and Central Asia. Only certain groups of population, i.e. the most vulnerable, are entitled to this pension.

The **insurance level** of the pension system aims to provide compensation based on the income of the working population. This level is designed to ensure a linkage between the citizens' income, their mandatory social contributions and their future pensions.

MANAGING ENTITY

Pension systems can be managed by the state, by private entities or by some combination of the two (mixed).

For **DB** models, this means:

- In a State managed system, the State collects contributions and makes pension payments. Amounts may be the same for all citizens or (more often) differentiated by social, professional, age, or income groups, length of services, marital status, number of children, etc.
- In a privately managed system, the private institution defines its own pension insurance conditions, particularly the rates to be paid and the amount of the pension.
- In a State-private system, the State purchases annuities from private financial institutions for certain social groups of population, in order to provide them with pensions in cases defined by the legislation.

The **DC** model is primarily fully-funded private pension insurance. In this case, pensions are based by the amounts accumulated by the employee during his years of service and revenues and dividends received from those amounts. This model is strictly personified, since the pensioner himself "finances" his pension.

PARTICIPATION PRINCIPLE

Pension systems can be either mandatory or voluntary. Many countries have system which include both participation principles.

Most State managed DB systems are mandatory.

The **DC** model can be introduced as either mandatory or voluntary. Depending on where this model is introduced (state or private), the rules for implementing the principles are totally different and are practically grouped into the following alternatives:

- **Mandatory introduction of the DC model as the primary pension security policy in the country.** In this case other pension security programs such as state social security programs or individual or corporate pension schemes are used to supplement the DC model.
- **Mandatory introduction of the DC model as an additional direction of pension security policy in the country.** In this case, it is used to complement the dominant state pension security of the DB model, in order to solve two important problems:
 - Creating a link between pension and individual's earnings, i.e. ensuring pension adequacy,
 - In case of lower level of state pensions, creating possibilities for receiving an additional pension.
- **Voluntary introduction of the DC model as an additional direction pension security policy in the country.** In this case, the voluntary program is used to supplement any pension system modal operating in the country (DC or DB).

FINANCING

Financing can be either through the State budget through taxes or from individual contributions which are invested (self-funded).

PILLARS OF A PENSION SYSTEM

In order to organize discussions of pension policy, the World Bank developed the concept of pillars of the pension system. These concepts are based on the principles described above. From this point of view, pension systems may be divided into four pillars.

"0" pillar is the social security policy component for the population which supports the elderly, disabled, survivors who are left outside labor market. It is finance by the State budget.

"1" pillar is the mandatory social (pension) security policy component. It provides mainly universal types of pensions to all persons satisfying specific requirements defined in legislation. It is financed by mandatory social contributions paid to the State budget.

"2" pillar is the mandatory pension insurance policy component. It provides pensions based on the amount of contributions made by workers from their incomes (in essence savings).

"3" pillar is the voluntary pension insurance policy component. It provides pensions based on contributions made by workers either as an individual or through a corporation.

The table below shows how these pillars match against with the characteristics of the reformed Armenian pension system:

0	I 40>	II scheme II 40>	II scheme I <40	III
				Funded (voluntary) pension
	Employment pension	Employment pension	Funded (mandatory) pension	
Social pension	Basic pension			

ANNEX 3

HOST COUNTRY AND INTERNATIONAL DONOR CONTACT INFORMATION

No.	Company	Address
1	American Bar Association/ Central and East European Law Initiative	42/2 Darabagh str., Yerevan, Tel: (374 10) 28 17 84
2	Academy for Educational Development	10 Aygedzor St. 0019, Yerevan Armenia Tel: (374 10) 22 10 48
3	American Chamber of Commerce	Armenia Marriott Hotel Ararat Wing, Room 313 1 Amiryan St. Yerevan, RA Tel: (374 10) 59 91 87
4	Aragatsotn Marz	Ashtarak local center 60 V. Petrosyan St, Ashtarak, Armenia Tel: (374 232) 3-52-56
5	Armenian Chamber of Commerce	11 Khanjyan St. 0010 Yerevan Armenia, Tel: (374 10)560184
6	Armenia Marriott Hotel	Armenia Marriott® Hotel Yerevan Republic Square Tel: (374 10) 59 90 00
7	Artik Municipality	Municipality Bld. Artik, Armenia Tel: (374 93) 90 04 66
8	Armenian Relief Society	116 Nalbandyan Str., 1st floor, apt # 24 Tel: 56 75 13
9	American University of Armenia	40 Marshal Baghramyan St.
10	Asian Development Bank	Asian Development Bank 21/1 Paronyan St. 0015 Yerevan, Armenia Tel: (374 10) 59 14 66, 59 14 62
11	Arlex International CJSC	54/9 Tpagrichner St. Yerevan, Armenia Tel: (374 10) 58 02 13
12	Armenian Assembly of America	2 Republic Square, Yerevan 0010, Armenia
13	Armenian Eye care Project	5 Aygestan str., house #7, Yerevan Tel: (374 10) 55 90 68
14	Armenian American Wellness Center	5 Mkhitar Heratcu str., Yerevan Tel: (374 10) 52 97 44

No.	Company	Address
15	Armenian and European Policy and Legal Advice Center	28 Charents St. 0025 Yerevan, Armenia Tel/Fax: (374 10) 55 30 81
16	Armenian Copper Programme	19 Khanjyan str. Tel: (374 10) 54 01 85
17	Aravot	8 Taterakan St. Vanadzor, Lori Marz, Armenia Tel: (374 322) 4 12 88
18	Ararat Marz	Masis local center 3 rd floor, Municipality building Masis, Armenia Tel: (374 36) 4-50-61
19	Armenia General Benevolent Union	9, Alex Manoogian St. 0070 Yerevan, Armenia Tel: (374 10) 51 22 51
20	Armenia Relief Society	apt. # 24, bld. 116 Nalbandyan St. 0001 Yerevan, Armenia Tel: (374 10) 56 75 13
21	Armenia Public Relations Association	24d Baghramian Avenue, room 309 (building of the library of the National Academy of Science, 3rd floor) Yerevan - 0019 Armenia Tel:(374 10) 51 93 51
22	Armenian Missionary Association	22 Nigol Douman str., Yerevan, 0028 Tel: (374 10) 26 36 56
23	Arminco	28 Isahakyan ave.Yerevan
24	Armenian European Policy and Legal Advice Center	28 Charents str. Tel: (374 10) 55 92 00
25	ALaverdi Municipality	8 a Z. ANdranik St. Alaverdi, Armenia Tel: (374 253) 2 24 52
26	Adults Education and Lifelong Association President	12 a, Koryun str., Yerevan Tel: (374 10) 56 23 36
27	Astghatsolk NGO	Gegharkunik Tjambarak 12 Zoravar Andranik St. 377290 (065) 23211, 23788
28	British Council	Marshal Baghramyan Ave., Building 24 0019 Yerevan, Armenia Tel: (374 10) 56 99 24
29	BSC	Charents 1, 1 st . bld. 2 nd floor Tel: (374 10) 54 47 78
30	Central Bank of Armenia	6 Vazgen Sargsyan str. Tel: (374 10) 58 38 41

No.	Company	Address
31	Converse Bank	26/1 V. Sargsyan St. 0010 Yerevan, Armenia Tel: (374 10) 51 12 04
32	Community Association of Armenia	Charents 1 str., Tel: (374 10) 57 45 01
33	Community Connections Project Harmony-Armenia	8/8 Paronyan St. 0015 Yerevan, Armenia Tel: (374 10) 53 67 83
34	Council of Europe	Zarobyan St., Building 60 0009 Yerevan, Armenia Tel: (374 10) 54 63 22
35	Confederation of Armenian Trade Unions	Republican square, Building of Unions, second floor 53 room
36	Children's Reception and Orientation Center	64 Ulnetsu str. 093 32 79 21
37	Caucasus Research Resource Center	52, Abovyan Str. 3rd floor, room 305 Tel: (374 10) 58 13 30
38	Civil Society Institute	24 Vagharshyan str., apt. 85, Yerevan Tel: (374 10) 27 20 14
39	Communities Finance Officers Association	15 Mashtots ave., apt. 131
40	Central Electricity Supply Company of Orissa Ltd. /Heat Associated Education	11 A Admiral Isakovave., Yerevan Tel: (374 10) 56 29 80
41	DVV International	1 Charents str., room 7, 2 nd floor 57 56 41
42	Davtashen local center	3 rd district, Davtashen community administration bld. Yerevan, Armenia Tel: (374 10) 36 55 14
43	Eurasia Partnership Foundation	56 Zarubyan str., Yerevan Tel: (374 10) 58 60 95
44	European Partnership Foundation	56 Zarobyan St., Yerevan 0009, Armenia Tel: (374 10) 586095
45	European Union Tempus Program	50 Baghramyan str., 1 st floor Tel: (374 10) 27 45 90
46	European Bank for Reconstruction and Development - Micro Lending Program	20 Baghramyan str., apt. 1 Tel: (374 10) 54 04 25
47	EIF/SUN Enterprise Incubator Foundation	123 Hovsep Emin str., Yerevan Tel: (374 10) 21 97 97
48	EMG-Project Nova	7 Aygedzor str., Yerevan Tel: (374 10) 27 41 25
49	Friends of Warm Hearth	P.O. Box 1037 Tempe, AZ 85281 USA

No.	Company	Address
50	Fund for Armenian Relief	Khorenatsi Street 22 Tel: (374 10) 52 66 60
51	Financial Sector Deepening Project	8 Mher Mkrtchyan St. 0010 Armenia, Yerevan Tel: (374 10) 52 25 06
52	Fund Armenian Relief /Water Rehabilitation Project	22 Khorenatsi str., tel: 58 13 45
53	Full Life NGO	17/23 Nzhdeh St., Stepanavan, Lori Marz, Armenia Tel: (374 256) 2 30 23
54	GTZ	5 Nalbandyan str. Tel: (374 10) 56 03 96
55	Gadbury Group Ltd Consultants Flat	10A, Block I Victoria Garden 301 Victoria Road Pokfulam, Hong Kong
56	Government of Armenia	Government of Armenia Gov. House 1, Rep. Sq. 0010 Yerevan, Armenia Tel: (374 10) 51 27 20
57	Gegharkunik Marz	Armavir local center 71 Abovyan St. Armavir, Armenia Tel: (374 237) 6 29 46
58	Global Gold Mining, LLC	Zarobyan St. 1/1 Tel: 58 98 56
59	Global Development Fund	Abovyan St. 10 Tel: (374 10) 54 34 72
60	Havat NGO	Yerevan 30, Mamikonyants street Tel: (374 10) 23 19 53
61	Hovnanian International LTD	50 Gevorg Chaush St. Yerevan, Armenia Tel: (374 10) 39 97 21
62	International Foundation for Election Systems	10 Proshyan str., Yerevan Tel: (374 10) 26 83 57
63	International Center for Human Development	19 Sayat Nova str., Tel: (374 10) 58 26 38
64	International Labor Organization	14, Petros Adamyan St. 0010 Yerevan, Armenia Tel: (374 10) 54 65 31

No.	Company	Address
65	International Association of Labor Inspectorates	BP 27 L-2010 Luxembourg Tel: (+) 352-247 86151
66	International Social Security Association	4 route des Morillons Case postale 1 CH-1211 Geneva 22 Switzerland Tel. +41 22 799 66 17
67	Information System Security Association	9220 SW Barbur Blvd #119-333 Portland, OR 97219 Tel: +1 866 349 5818
68	It's Your Choice	48/1 Charents str., Yerevan Tel: (374 10) 55 45 02
69	International Center for Journalists	1 Alex Manukyan str., Yerevan Tel: (374 10) 57 81 42
70	IREX Armenia	16 Vardanants St. 0010 Yerevan, Armenia Tel: (374 10) 52 66 21
71	International Center for Human Development	19 Sayat Nova St. 0025 Yerevan, Armenia Tel: (374 10) 58 26 38
72	International Monetary Fund	1 Melik-Adamyanyan str. Tel: (374 10) 52 89 60
73	Innovation in Support of Reproductive Health	7 Aygedzor St. 0019 Yerevan, Armenia Tel: (374 10) 27 41 25
74	Junior Achievement of Armenia	62 Hanrapetutyanyan str., apt. 89 Tel: (374 10) 54 22 39
75	Kotayk Marz	Abovyan local center 2 Barekamutyanyan St. Abovyan, Armenia Tel: (374 222) 2 09 64
76	Liarzheq kyanq NGO	G. Nzhdeh 17/23a, Stepanavan, Armenia
77	Lori Marz	Vanadzor local center 14 Nzhdeh St. 2001 Vanadzor, Armenia Tel: (0322) 2 09 57
78	Mental Health Foundation	apt. 6, 82 Hanrapetutyanyan Str. 54 45 04
79	Millennium Challenge Account	Yerevan 0010, Melik-Adamyanyan 2/1, tel: 546816
80	Ministry of Finance	1 Melik-Adamyanyan str. 656Tel: 59 53 04

No.	Company	Address
81	Malatia-Sebastia local center	B 2 South-Western district, bld. of Kindergarten 220 Yerevan, Armenia Tel: (374 10) 73 96 68
82	Ministry of Territorial Administration	Government Building 2, Republic Square, Yerevan Tel: (374 10) 52 52 74
83	Ministry of Economy	5 M. Mkrtchyan str., Tel: (374 10) 52-61-34
84	Ministry of Labor and Social Issues	Government House 3 Tel: 52 68 31
85	Mission Armenia	42 Garegin Nzhdeh str. Tel: (374 10) 44 47 92
86	MACRO International	11785 Beltsville Drive Calverton, Maryland 20705
87	National Statistics Service (NSS)	Government house 3 Tel: (374 10) 56 17 09
88	National Institute for Labor and Social Research (NILSR)	68 K. Ulnetsi St. 0069 Yerevan, Armenia Tel: (374 10) 24 75 42
89	National Institute for Labor and Social Research	68 K. Ulnetsu str.
90	Nork-Marsh Local Center	225 Norki Ayginer St. Yerevan, Armenia Tel: (374 10) 65 32 73
91	NDI National Democratic Institute	6 th floor, Marriott Hotel Tel: (374 10) 52 03 38
92	National Association of Regulatory Utility Commissioners	1101 Vermont Ave., NW, Suite 200 Washington DC, 20005
93	Open Society Institute Assistance Foundation –Armenia	7/1 Tumanyan str. 2 nd cull-de-sac Tel: (374 10) 53 38 62
94	OMX Exchanges	SE-105 78 Stockholm, Sweden Tel: +46 8 405 60 00
95	Our Lady of Armenia Convent	6 Charents St., Ani District Gyumri, Armenia Tel: (374 312) 34 338
96	Peace Corps Armenia	33 Charents Street, Yerevan 0025
97	Paros NGO	city Yerevan, Nork III district, Baghyan 2
98	Paros Foundation	#23, 24/2 bld., first blind alley M. Khorentsi St. Yerevan, Armenia Tel: (374 93) 99 80 99

No.	Company	Address
99	Paros Chamber Choir	Apt. 56, 10 Hakobyan St. Yerevan, Armenia Tel: (374 10) 22 64 70
100	Professionals for a Civil Society	8/50 g M. Baghramyan ave. Yerevan/Armenia Tel/Fax: (374 10) 26 10 35
101	PA Consulting Group/Water	11/6 Proshyan str. Tel:(374 10) 56 60 28
102	PIN Armenia, Czech Development Agency	41 Arabkir St. Yerevan, Armenia Tel: (374 10) 25 92 69
103	Project Harmony, Armenia Branch	8 Paronyan str., Tel: (374 10) 53 67 83
104	“Prkutyun” disabled children and youth PO	33 Chekhov str. Tel: (374 10) 42 78 50
105	Russian Armenian (Slavonic) State University Career Center	Hovsep Emin 123 str. Tel: (374 10) 27 70 52
106	RA Government	1 Gov. building
107	Rapid Urban Environmental Assessment	Tigran Mets 20/2 Tel: (374 10) 54 0712
108	Syunik Marz	Kapan local center 5 A Lernagortsneri St. Kapan, Armenia Tel: (374 2830) 6 80 58
109	State Revenue Committee	Yerevan, Khorenatsi 7 Tel: (374 10) 53-91-95
110	State Employment Services Agency	68 K. Ulnetsu str., Tel: (374 10) 28 06 55
111	State Social Security Service	13 Nalbandyan str. Tel: (374 10) 52 45 74
112	State Labor Inspectorate	129 A.Armenakyan str. Tel: (374 10) 65 02 12
113	State Employment Services Agency	68 Karapet Ulnetsu St. 0069 Yerevan, Armenia Tel: (374 10) 28 06 19
114	State Medical Evaluation Commission	129 Armenakyan st. Tel: (374 10) 65 06 01
115	State Tax Service	7 M. Khorenatsi St. 0015 Yerevan, Armenia Tel: (374 10) 53 80 65

No.	Company	Address
116	State Revenue Committee	State Revenue Committee 7 M. Khorenatsi St. 0015 Yerevan, Armenia Tel: (374 10) 53 91 95
117	Shirak Marz	Shirak Social Department 5a Shedrin St. Gyumri, Armenia Tel: (374 312) 2 40 18 Gyumri-1 local center Tel: (374 312) 2 20 15 Gyumri-2 local center Tel: (374 245) 3 97 43
118	Save the Children, Inc.	2a Agatangeghos str, 2 nd floor Tel: (374 10) 56 23 35
119	Spitak Municipality	7 Shahumyan St. Spitak, Armenia Tel: (374 255) 2 25 00
120	Stepanavan Municipality	1 Nalbandyan St. Stepanavan, Armenia Tel: (374 256) 2 22 33
121	Tavush Marz	Ijevan local center 12 Aghayan St, Ijevan, Armenia Tel: (374 263) 3 26 43
122	UK Department for International Development	34 M. Baghramyan Ave. Yerevan, Armenia Tel: (34710) 26 43 01
123	United Methodist Committee On Relief /Aregak	Arami 42/1 Tel: (374 10) 54 36 28
124	United Nations Development Program	14 P. Adamyan str. Tel: 56 60 73 58 01 74
125	USAID Mobilizing Action Against Corruption Project	Citadel Business center, 105/1 Terian str., Suite 302 Tel: (374 10) 51 48 35
126	USAID Civic Advocacy Support Program	35 Jrashat str., (entrance on Zarubyan street) Yerevan, 0009, Armenia Tel: (010) 58 95 35
127	USAID Competitive Armenian Private Sector Project	15 A Alek Manukyan str., 3rd floor Yerevan, 0070, Armenia Tel: (374 10) 55 63 28
128	USAID Financial Sector Deepening Project	0010 Armenia, Yerevan 8 Mher Mkrtchyan Str. Tel. (374 10) 58 30 93

No.	Company	Address
129	USAID Local Government Project, Phase 3	AUA Business Center 9 Alek Manukyan str, 3rd floor Yerevan, 0070, Armenia
130	Union of Manufacturers and Businessmen of Armenia	20/2 Tigran Metsi Ave. 0018 Yerevan, Armenia Tel: (374 10) 54 07 15
131	USAID BRIDGE Armenia Public Works Program	72 Manoushian Street, 375012 Yerevan Tel: (374 10) 26-00-15
132	USAID Primary Health Care Reforms Project	3 A/A Aghbiur Serob str., Yerevan Tel: (374 10) 26 13 12
133	United Nations Children’s Fund	14, Petros Adamyan St. 0010 Yerevan, Armenia Tel: (374 10) 58 01 74
134	United Nations Population Fund	14, Petros Adamyan St. 0010 Yerevan, Armenia Tel: (374 10) 54 70 87
135	Union of Blind, Echmiadzin Brach	21 Tumanyan St., Etchmiadzin, Armenia Tel: (374 231) 5 33 46
136	VGM Partners	7th floor, 13 A Khanjyan str. Tel: (374 10) 51 93 39
137	Vayots Dzor	Yeghegnadzor local center 5 Shahumyan St Yeghegnadzor, Armenia Tel: (374 0281) 2 30 69
138	Vahagni 21	Lori Marz, city Alaverdi, Zoravar Andraniki 8A (City Governor’s Office)
139	Vanadzor Municipality	Municipality Bld., Haiq Sq. Vanadzor, Armenia Tel: (374 322) 2 26 48
140	World Bank	Republic Square, 9 V.Sargsyan St. Yerevan 375010, Armenia Tel: (374-10) 52 48 84
141	WB SPA Program	Government bld. 3, Tel: (374 10) 56 53 93
142	World Vision Armenia	1 R. Melikyan str., Malatiya-Sebastiya Tel: (374 10) 74 91 18
143	Yerevan State University	1 Alex Manoogian St. 0025 Yerevan, Armenia Tel: (374 10) 55 53 10
144	YSU Alumni & Career Center	0025, Yerevan, Alex Manoogian 1 YSU central building, 6th floor Tel: (374 10) 55 54 61

No.	Company	Address
145	Yerevan	Kentron Local Center 21 a Sayat Nova St. Yerevan, Armenia Tel: (374 10) 52 62 86

ANNEX 4

WORK PLAN AND PERFORMANCE MONITORING PLAN

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
1	Component One: Social Insurance		
1.A	Advise on the establishment of a multi-pillar pension system.		
1.A.1	Finalize design, structure, and parameters of proposed pension reform and propose an action plan.	Recommendations and action plan for pension reform path submitted to PWG, Y3 M3.	<ul style="list-style-type: none"> The PRIWG was charged with producing four draft reform laws to implement the pension reform program adopted by GOAM in November 2008. Four draft laws have been prepared as discussed in more detail in 1.C.1.
1.A.2	Final draft of report with solid quantitative analysis of reform scenarios.	Final draft report delivered, Y3 M9.	<ul style="list-style-type: none"> 1st report to MLSI submitted in December 2007; calculations revised to reflect 60% pension increase. SPSS experts completed a paper updating the document presented to MLSI in November 2007 with several proposed scenarios of pension reform. The document contains an updated description of the pension system and presents several different reform scenarios. In addition, the revised document will incorporate changed growth assumptions resulting from the economic crisis. See also 1.B.1.
1.A.3	Provide ongoing policy advice on reform scenarios.		<ul style="list-style-type: none"> Provided the SPSS Statistical Model on estimation of financial sustainability of the pension system, along with training on its use, to all interested parties to conduct informed discussions of the pension policy options, December 2007 – September 2009.
1.A.4	Present pension reform to the public.	Baseline survey of Public Awareness, Y3 M2. Produced and distributed materials on reformed pension system, Y3 M9. Materials tailored to different audiences, Y3 M3. PWG and GOAM trained on presenting unified pension reform message. Journalists receive information on the pension reform. Frequently asked questions accumulated and analysed, Y3 M6.	<ul style="list-style-type: none"> 50 detailed questions and answers developed about the new pension system. The O&A has been discussed in detail with the MOF. MLSI has made no comments on it to date.
1.A.5	More actively involve civil society in general and NGOs in particular in the reform discussion.	PRN	<ul style="list-style-type: none"> No activity was conducted in Y3 Q4. However, GOAM intended to discuss the draft pension reform laws with the National Assembly and it was open to the possibility of parametric changes based on inputs from legislators.
1.A.6	Develop proposal for disability insurance in reformed system.	Proposal delivered to MLSI, Y2 M1. Changes based on proposal(s) adopted and operational, Y4 Q4.	<ul style="list-style-type: none"> A Preliminary proposal delivered to PWG and MLSI. Also See 1.G. where disability insurance is discussed as part of the social insurance policy paper.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
1.B	Provide ongoing modeling support and training in modeling to provide actuarial calculations to inform the reform.		
1.B.1	Refine previously developed statistical model and produce preliminary fiscal and actuarial calculations.	Preliminary fiscal and actuarial calculations produced, Y3 M3.	<ul style="list-style-type: none"> The impact of different asset managers' fees calculated: December 2008 – January 2009. In view of current economic changes as a result of the global financial crisis, the SPSS team produced changed scenarios on the SPSS statistical model with updated data on GDP, inflation, employment, and unemployment. A roundtable discussion on proposed scenarios and impact of the crisis and reform on the financial sustainability of the system was held at the SPSS office on July 1st, 2009 with participation of representatives from MOF, MLSI, SRC and SSSS. The SPSS team prepared the scenario tables and the presentation slides using the statistical data received from MOF, NSS and SSSS on early May. However, during the discussions the MOF representatives presented the last estimates of the Government on possible GDP growth and economic developments for years 2009-2011 and requested the SPSS team to rerun the scenarios using the updated information. In addition the MLSI and MOF counterparts requested the SPSS team to estimate the impact of diverse approaches to calculation of the individual coefficient applied in estimating of old-age insurance pensions on Pillar 1 balance and old-age pension amounts. The SPSS team prepared Memorandum 20 and presented the requested calculations to PRIWIG on July 8, 2009. The revised scenario tables with MOF July data were developed and submitted to interested parties on July 27th. Please also see 1. A. 2. A revised model was produced, with a model manual for its use.
1.B.2	Provide training to local staff and counterparts on model use.	Staff operates the new model in practice, Y2 M3. NILSR+MLSI staff begin to use model, Y2 M4. Second pillar training, Y3 M3.	<ul style="list-style-type: none"> Upon MLSI request the SPSS team has selected one of the successful students of the Modeling trainings conducted by the SPSS Modeler Landis Mackellar in 2007-2008 to prepare for permanent employment at MLSI. She will be responsible for developing different reform scenarios using SPSS Statistical model after the project ends. However, the capacity is still not the same as that of other project staff. As the project ends, there is a risk that before the start of the next project a calculation will have to be made of parametric changes that the National Assembly may propose. The new project will have to be able to operate the model to provide support to the PRIWIG.
1.B.3	Revise model as necessary to support discussions of law with international donors.	PRN	<ul style="list-style-type: none"> The model was revised to reflect changes in economic conditions. Discussions with international donors took place on the overall pension reform program. The revised scenario tables were submitted to the WB experts and differences in estimations were communicated by e-mail.
1.C	Draft and facilitate discussion on new pension law, regulations, and other legal documents.		
1.C.1	Support legislative activities within the Government's PRIWIG.	Permanent working contacts established with the existing PWG, Y1 M3. Legal and Legislative advice, PRN.	<ul style="list-style-type: none"> 20 memorandums with SPSS team recommendations, suggestions and concerns were developed and submitted to PRIWIG and almost all are considered during the planning of pension reform and drafting the laws, November 2008 –September 2009.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
1.C.2	Produce first draft of law(s) on pensions.	Draft laws delivered, Y3 M6. Assist in organizing Parliamentary Hearings, Y3 M9.	<ul style="list-style-type: none"> Initial legislative drafting done in year 2. PRIWG has been continuously advised on drafting a complete set of pension laws, following the GOAM program that was adopted in November 2008. The reform package includes four laws: (1) the unified tax (MOF responsible for draft), (2) the solidarity pension system (MLSI responsible for draft), (3) the funded pension system (MOF responsible for draft), and (4) personified recordkeeping (MLSI responsible for draft). SPSS provided comments on the draft laws and participated in working group discussions of the PRIWIG and GOAM. Taking into account comments and recommendations of SPSS experts, and other counterparts MOF and MLSI, provided GOAM new updated versions of draft laws on July 22, 2009. The discussion of the four laws was included in the agenda of PRIWIG meeting on July 31. SPSS translated the draft laws, first translating the April versions, then updated the translations to reflect the May versions of the laws, and posted the translations on its website to make them available to all interested parties, such as other donors. An update on translation of draft laws was done in August. However, the PRIWIG has not provided updated drafts to SPSS. As the project ends, the most current available draft laws are on the website. They will have to be updated by the next project. Report Delivered to focus group discussion on pension reform, November 2008. Law drafted "On Funded Pensions" with the Ministry of Finance working group. Provided comments on 3 other laws "Unified Income Tax and Funded Contributions Personified Recordkeeping," "State Pensions" and "Unified Income Tax" that comprise the reform, September 2008 - July 2009. Amendments to existing 8 RA laws developed, to be proceeded upon adoption of Funded Pension System, February - April 2009. Several drafts of the four laws constituting the package of pension reforms were produced throughout 2009.
1.C.3	Final draft laws submitted to Parliament.	Final draft laws submitted to Parliament, Y3 M8.	<ul style="list-style-type: none"> On September 10, MOF staff informed SPSS staff that the Prime Minister has instructed GOAM to complete revision of the package of pension reform laws and to submit them to the National Assembly within two weeks, to see what the reaction will be. Upon receipt of the legislators' reaction, additional changes might need to be made by GOAM, including those of a parametric nature.
1.C.4	Advise Parliament and Government on refining draft laws.	Laws adopted by Parliament, Y3.	<ul style="list-style-type: none"> See 1.C.1. for extensive activity on advising the GOAM. During this quarter no additional activity on advising Parliament was conducted; this activity was conducted at the explicit request of the PRIWIG which repeatedly informed SPSS that GOAM is not yet ready for discussions with the National Assembly.
1.C.5	Draft other legislation including regulations, by-laws, beneficiary designation, and other forms and legal documents as needed.	Regulations, by-laws, beneficiary designation, other forms and legal documents drafted and adopted, Y4 Q3.	
1.C.6	Advise on mechanism and governance of asset management for second pillar.		
1.C.7	Advise on legal responsibilities of custodian.		
1.C.8	Advise on legal requirements and administrative process of reporting to individuals.		

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
1.D	Implement ongoing stakeholder involvement and public outreach activities to promote ownership and awareness of pension reforms.	Employer and employee knowledge of pension reforms increased by 75 %, Y3 Q4, and 100%, Y5 Q4.	<ul style="list-style-type: none"> The PRIWG has developed a public information program and SPSS assisted with this activity. Within this framework strategies and tools for raising public awareness on pension system reform were developed, but the GOAM has strongly disagreed and refused to begin public information activities until the laws are introduced to the National Assembly.
1.D.1	Arrange information, education, communication events to improve familiarity with pension issues.	PRN	<ul style="list-style-type: none"> A separate section of MLSI website allocated to Pension reform drafted, August 2009. See also 1.A.4.
1.D.2	Develop public education plan in accordance with the base period 3 year action plan.	Action plan adopted by MLSI, TBD. Developed and operational public information mechanisms at MLSI, Y3 Q4.	<ul style="list-style-type: none"> SPSS assisted the PRIWG with developing Pension reform implementation public outreach program, January-March 2009. The latest activity was in March when SPSS experts assisted MLSI in preparing the public information plan MLSI then submitted to the Government. MLSI has asked SPSS to specify what it can assist with in the remaining time of the project, and SPSS advised that it can provide methodological assistance, such as writing documents and presenting lectures and limited publication assistance. The SPSS project informed the PRIWG that the following activities could have taken place before September: Seminar for spokespersons, preparation of materials for public outreach, trainings for spokespersons and journalists, etc. However, the PRIWG was not ready for these efforts within the timeframe of the project. Instead, the PRIWG requested assistance with the study tour to Estonia described in 1.A.3.
1.D.3	Conduct surveys, focus groups, and other information collection activities.	Consumer concerns assessed and documented, TBD.	<ul style="list-style-type: none"> See also 1.F.4.
1.D.4	Design and implement information, education and communication materials and events to facilitate discussion on pension law.	Information, education, communication materials on law delivered, PRN.	<ul style="list-style-type: none"> Question and answer materials on pension reform program drafted and circulated within PRIWG.
1.D.5	Design and implement information, education and communication materials and events on improvements in household survey.	PRN	
1.E	Advise on incremental improvements in administration procedures and IT upgrades in the current pension system.		
1.E.1	Produce report on the current pension system with analysis and recommendations for improvements.	Report with recommendations on improving the current pension administration delivered to MLSI/SSSS, Y1 M8 and relevant policies presented, Y3 Q4.	<ul style="list-style-type: none"> Assessment prepared and recommendations provided to SSSS for incremental improvements by Y2. A Template report prepared on Living Standards of Pensioners in Armenia to support MLSI with annual reporting to GOA on social status of the pensioners, January 2009. Some review of the issues has occurred through needs assessment of SSSS, see 1.F.2.
1.E.2	Propose new organizational design covering departments, staffing levels, position descriptions.	Changes proposed to organizational structure, Y4. Model office functions designed, Y4.	
1.E.3	Improve use of automated processes in customer service.	Incremental increase in public access to and awareness of pension program, Y4.	<ul style="list-style-type: none"> SPSS advisors discussed the provisions of the draft state pension law that may inhibit use of automated electronic processing.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
1.F	Assist in design and implementation of business process and IT specifications including collection of funds and data reconciliation.	Report on business process and IT specifications of reformed pension system delivered, Y3.	12 Business process maps developed to support all interested parties on having a clear understanding of the following: The roles and responsibilities in pension reform implementation process; Weaknesses and strengths of the new system; Amendments to be made to the draft pension laws; The design of technical specifications for Unified income tax and funded contribution personified recordkeeping system, November 2008 –March 2009.
1.F.1			<ul style="list-style-type: none"> • A detailed System Specifications delivered for the information management system that will be required for the SRC to collect funds and reconcile all data to the level of the individual participant. The document was entitled "SRC. Personified Recordkeeping and Unified Income Tax and Funded Contribution Collection System Software Requirements Specification." The document contains specific requirements for the software that the SRC will need to develop and implement the reform, including collection of the unified tax and personified data. • The SRC staff was oriented and instructed on the System Specification to obtain understanding of all the modules of the proposed system. However, the SRC team and others have a great deal of difficulty in thoroughly reviewing the system specifications. • In the intervening time, there has been a change of leadership at the SRC and the person in charge of pension reform implementation has been removed. The SPSS team worked on the System Specifications with the head of the IT department. • In September 2009, the SRC appointed its representatives to attend a five day workshop to discuss the System Specifications, module by module. SRC did not appoint its employees; instead, it appointed staff of its contractor currently providing IT development services. SPSS respected SRC's appointment of its representatives, however, there is a risk in conducting this information exchange with a contractor and not with SRC employees who are engaged in the business process. • The SPSS team expressed its concerns to the SRC. Armen Alaverdyan, Deputy Chairman of the SRC concerning the three major risks currently observed: (1) low level of familiarity with the specifications; (2) absence of SRC business process staff; and (3) absence of a project manager for the implementation of the new system. • The SPSS project provided a report and an updated system specification document to SRC and the PRWIG.
1.F.2	Assist in project management.	Organize project management support for implementation.	<ul style="list-style-type: none"> • Impact of different asset managers' fees calculated, December 2008 – January 2009. • Pension reform implementation Gantt Chart developed (available in both Armenian and English), along with training on its use for the deputy ministers of MLSI, MOF and SRC. It includes project implementation tasks, time-schedules and shows progress to assist the PRWIG in implementing pension reform. It is posted on the SPSS website and is updated on weekly basis. • Detailed needs assessment conducted with each affected agency to determine human, technical, financial resources and training needs for pension reform implementation, March –September 2009. • Pension reform implementation costs estimated; Pension Reform Implementation Financial review chart and financial need assessment form developed. A training needs assessment was started simultaneously. An appropriate form was developed and provided to MLSI, SRC and MOF. The financial needs assessment was not completed due to the ending of the project. • Risk assessment specifically done for SRC and a risk assessment guide developed. • Gantt chart prepared for the SRC outlining its specific tasks in the pensioner form process: an effective date of January 2010 can be met with appropriate effort, but this will be difficult. • Implementation project management assistance provided for monitoring the many interdependent steps to realize the reform, January - September 2009.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
1.F.3	Advise on tendering and management of contracts to develop new systems for collection on unified tax and personal data.	Business process and IT systems to collect contributions and personal data implemented and functioning. Y5.	
1.F.4	Advise on tendering and management of contracts to develop new systems to enroll individuals in the second pillar.	Business process and IT systems to enroll individuals implemented and functioning Y5.	
1.F.5	Advise on data migration from previous system as needed.	Data migration accomplished as needed Y4.	<ul style="list-style-type: none"> Data migration from PARNAS to the new system is essential. SPSS experts facilitated discussion of this issue by MLSI, SSSS and SRC and drafted proposed documents for implementation. Based on SPSS IT experts' analysis and recommendations the PRIWIG decided to use the personalized recordkeeping system PARNAS developed within the SSSS for the current pension system. In cooperation with SPSS team the SRC and MLSI prepared a draft Decree for GOA to support transfer of two official databases (PARNAS and SSC) to SRC for developing the new system. SPSS has initiated discussions with various counterparts on their detailed data exchange needs. Discussions were conducted to address SRC and MLSI exchange needs, as well as SRC and CDA needs. It is planned that the informational center NORK will transmit all data for MLSI. NORK will receive all required data from SRC, store it as necessary, and distribute to all MLSI agencies; including SSSS. A series of meetings were held to discuss the SRC-Treasury data exchange process and a document was produced describing the process. Some updates to the document were suggested by MLSI. The revised document was sent to MLSI and accepted without any changes on July 21st. Data exchange continued to be discussed in the September meetings and workshops of System Specification expert Peter Radcliffe. The latest version of the protocol of data exchange between SRC and Treasury was prepared in September.
1.F.6	Advise on tendering and management of contracts to report to individuals their contribution and investment return in the second pillar.	Delivery of first report to individuals Y5.	
1.G	Advise on policy and institutional reforms for other social insurance programs.	Recommendations delivered, Y3 M9.	
1.G.1	Assess existing social insurance programs, make recommendations to revise eligibility, benefits, targeting and disbursement.		<ul style="list-style-type: none"> Rules for Privileged Pensions administration prepared, June-September 2008. A concept paper on Social Insurance Policy for the Republic of Armenia was developed and published, August 2009. SPSS experts proposed to MLSI and NILSR a comprehensive review of social insurance other than pensions, to be conducted in the form of a workshop with a report submitted in advance. These issues appear to some extent in the draft law on State Pensions, but have generally not been addressed. SPSS proposed a comprehensive review of five forms of social insurance: unemployment, maternity, temporary incapacity, occupational injury, and disability. For each form of social insurance SPSS presented: international good practices, the current status of this form of social insurance in Armenia, the regulatory framework, institutional arrangements, GAP analysis and SPSS recommendations. This review was drafted by a team of SPSS experts over many months, translated and circulated for discussion to MLSI, NILSR and USAID. It is accompanied by extensive annexes containing examples of good practices from the ILO, as well as Austria, Estonia, France, Germany, Portugal, Poland, Sweden, UK, and US. MLSI notified SPSS that it would not make any substantive comments on the document and would use it as background for research and policy development; in light of that decision, a concluding workshop appears unnecessary. USAID provided expensive comments and guidance to the SPSS team.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
1.G.2	Draft legislation as necessary to support reforms.	Legislation reflecting recommendations drafted and introduced, Y4.	
2 Component Two: Employment Services			
2.A	Assist SESA to develop Strategic National Employment Service Action Plan with key elements: stronger links with employers, outsourcing of selected services using social contracting (social enterprises), implementing locally based new employment approaches tied to improve capacities of staff, improved job matching, improved self-service, improved tracking of vacancies.		
2.A.1	Build and strengthen internal capacities within SESA both on central and local levels to implement an Employment Strategy.	Plans on local level developed in 51 local offices, Y3 Q3. Staff performance management mechanisms to measure the achievements are defined and operational, Y3 Q2.	<ul style="list-style-type: none"> • Five countries' strategies translated and provided to the Ministry and SESA. • Two analytical reports prepared and provided (outlining 6 labor market surveys comparative analysis and EU countries employment strategies analysis). • ToR for Employment strategy reviewed and comments submitted to MLSI/SESA. • Situational analysis prepared for the employment portion of the comprehensive MLSI Social Protection Strategy. • Conference organized on Labor Market Trend Analysis for 129 public and private sector participants. • AED-funded study tour to Bulgaria organized for seven MLSI and SESA employees. • 90% of SESA staff leaders trained in strategic planning methods resulting in implementation action. • Technical assistance provided to SESA's development of a long-term strategy and action plan and the establishment of a management system to measure and improve performance in all its offices. • Current employment services system analyzed the mission, vision and goals for five years formulated. • Staff performance management mechanisms to measure the achievements are defined and operational in pilot offices.
2.B	Assist SESA to create institutional framework for strategic outsourcing of SESA services.		
2.B.1	Improve existing legal and regulatory basis for promoting outsourcing of services in SESA as well as support stimulation of community initiatives	Necessary revisions of legal and regulatory provisions proposed, Y3 Q3.	<ul style="list-style-type: none"> • Employment Law reviewed and recommended on how to integrate international best practice concepts into current law were presented to MLSI and SESA Staff. • A service outsourcing function established at SESA through SPSS technical assistance. • Through SPSS assistance, SESA introduced social contracting mechanisms with social contracting guidelines and expectations linked to SESA services for vulnerable populations. Related legal and regulatory amendments were proposed, which are to be considered along with future revisions in employment legislation. • Best practice examples provided to 10 Yerevan Employment Centers. • Outsourcing RFP document developed for social enterprise contracting with SESA. • Joint tender piloted with SESA and two social enterprise contracts awarded. Among those one of the most successful was Armenian Union of Blind Echmiadzin Branch's case with creation of six jobs for blind people. • Technical assistance provided to SESA in project implementation processes involving monitoring, reports review and response delivery.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
2.C	Support continued reforms of SESA offices.		
2.C.1	<p>Assist SESA in rolling out the new methods of Active Labor Market Measures including full service offerings, countrywide coverage, involvement of NGOs and private providers, and Active Labor Measure message</p>	<p>Consensus built in terms of demanded services, Y3 M4.</p> <p>Employers contacts increase with negotiations on strategic role and responsibilities of stakeholders initiated, Y3 M5.</p> <p>Cooperating employer board implemented in 27 centers to assure Public-private partnerships embedded, Y3 M10.</p> <p>New programs implemented in model offices, Y3 Q2.</p> <p>Acquiring of conference tables for 5 centers, Y3 Q2.</p> <p>Acquiring entrance signs for 47 centers, Y3 Q2.</p>	<ul style="list-style-type: none"> A customized job search training manual was introduced through trainings for SESA and Youth Center representatives, targeting active labor market measure implementers, on progressive services and programs including: job-search skill training, job clubs, job fairs, how to customize services for youth and vulnerable groups, employer services and community employer councils Assisted the SESA to organize Armenia's largest job fair with 108 employers across 17 sectors and 14 Armenian partners, the first ever event of this type. The first Shirak region job fair was organized by SESA, with SPSS support, along with five non-governmental organizations in Gyumri. Supported job fairs as a training ground for the SESA Regional Employment Center staffs charged with organizing six job fairs in 2009 financed by the State budget, from August 2007 through May 2009. Orchestrated the openings of job clubs in Vanadzor, Gavar, Jjevan, Hrazdan Regional Employment Centers and Charentsavan, Alaverdi, Berd, Abovyan and Dilijan Local Employment Centers. Guided Erebunni office to use job search during job club. Monitoring of eight job club's activities showed on average two jobs per job club of about eight participants. Statistical forms and questionnaires for monitoring and evaluation of job clubs activities were developed and provided to SESA and job club implementing centers. Five job club rooms were furnished with tables and four office received chairs and whiteboards. Handbooks for job fairs, and two handbooks for job search and job club for practical use were introduced: one is for job club and job search facilitators and the other is for job seekers. MLSI, SESA and employers' representatives participated in a study tour to the US aimed at learning about model employment services systems, which included employer relations, organized by AED. Four regional employer focus groups with 60 employers during Employer Relations trainings for SESA staff, giving SESA first-hand exposure to employer needs and perceptions. "Employer Councils" training reaching out to 17 selected Regional and Local Employment Centers staff and Directors, SESA lead staff, as well as nine employer's representatives, resulted launching the first in Employment system Employer Councils in Gyumri and Dilijan Employment Centers. An average 20% increase per year (2006-2008) of the number of unemployed received vocational training (430, as of 01.07; 503 as of 01.08 and 620 as of 01.09).
2.C.2	Set up model office where self-service programs will be initiated and where one can obtain information on vacancies and active LM measures, including training opportunities, on a walk-in basis.	A model office (Gavar REC, Hrazdan REC and Charentsavan LEC) is operating with self service programs Y3 M10 .	<ul style="list-style-type: none"> Three SESA model offices renovated and equipped by SPSS opened in Hrazdan REC, Gavar REC and Charentsavan LEC. The first Armenian employment system self service kiosks for job seekers were installed in the 3 model offices of Gavar, Hrazdan and Charentsavan. Furniture and equipment provided to Vanadzor, Gyumri centers and SESA headquarters to ensure continued active measures' implementation. Custom designed local employment office entrance signs were procured for 48 SESA offices.
2.C.3	Assist in developing a sustainable monitoring and evaluation system with internal controls for determining overall effectiveness of employment services.	Monitoring and evaluation system revised, Y3 M3 . Recommendations adopted by SESA, Y3 M4 . Recommended system functional, Y3 M10 .	<ul style="list-style-type: none"> A Performance Measures Manual was introduced and two pilot employment offices were oriented for testing the performance indicators over three months. Performance guideline booklet and monitoring forms developed and provided to SESA Staff. Current staff planning reports reviewed and performance indicators introduced to be tested in two employment centers.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
2.C.4	Implement management reform and strategic staffing in pilot offices.	Management reform and strategic staffing plan proposed, Y3 M6. Middle and senior managers of SESAs staff trained, Y3 M6.	<ul style="list-style-type: none"> Model Office Design training provided, targeting new staffing functions, communication and program processes, resulted to development of process map for model offices.
2.D	Support improvements to job-matching.	25% increase in numbers of employers successfully recruiting through SESAs branch offices, Y3 Q4 and 50% Y5 Q4. Percent increase in job vacancies listed at SESAs, 20% Y2 M12, 30% Y3 Q4, 40% Y4 Q4, 50% Y5 Q4.	<ul style="list-style-type: none"> Number of employers recruiting through SESAs increased 2.35 times, from the baseline of 20% to 47% by the end of SPSS base period, exceeding targeted objectives: source: SESAs information. As a result of this, the number of vacancies listed by the employers increased from 1167 (as of 01.2007) to 8047 (as of 01.01.2008), exceeding targeted objectives. As of 09.2008 number of vacancies has dropped to 7402 affected by consequences of the global financial-economic crisis in Armenia, including the labor market.
2.D.1	Strengthen capacity to analyze labor market and forecast supply and demand. Improve forecasting and analysis to: inform management, support policy reform, and program improvement. This includes: collection of labor-market data beyond firms registering with SESAs and upgrading analytical capacity--either in-house or linking to other governmental or non-governmental groups and providing reports and data to employer for job promotion.	Labor market data collecting and interpretation skills improved, implying application of the new techniques by SESAs, Y3 M10. Publish Labor Market Bulletin, Y3 M6. Recommendations for improvement delivered, Y3 M6. Labor market analysis methods improved, Y3 M10. Recommended forecasting improvements and new labor-market model adopted and operational, Y3 Q3.	<ul style="list-style-type: none"> Within the framework of Employer Survey capacity building, 25 employees of SESAs's central and local offices involved in labor market data analysis, trained on: interview skills and methods, reporting, sampling, MS Excel tools for creation of graphs, tables and charts. SESAs staff was trained on sound methodology for employer and coached through the first semi-annual implementation of the survey to identify employment demand trends. The survey involved 3900 employers and 3000 job seekers. 14 days intensive training on job classification was conducted for selected staffs from the MLSI, SESAs, NILSR, "Nork" Information-Analytical Center, Youth Vocational Guidance Center, National Statistical Service, Ministry of Science and Education, Ministry of Economy and Chamber of Commerce and Industries of RA. The first statistical Labor Market Bulletin prepared and presented by SESAs with SPSS support to the public, providing the foundation for SESAs's statistical publication capacity. New labor market analysis tools designed and used. 75% of SESAs's Forecasting and Analysis division staff trained on survey design, implementation and reporting, including application tools in excel.
2.D.2	Recommend improvements in survey content, design and reporting.	Methodology on survey content and process delivered, Y3 M9.	<ul style="list-style-type: none"> Employer survey implemented and analysis provided. A sound methodology and Software for Employer survey results data entering developed for SESAs.
2.E	Promote upgrade of SESAs IT system; linking field offices to center and installing (in coordination with World Bank IT projects).		
2.E.1	Provide IT training and support for improvements.	60% of target staff trained. Improved survey implemented, with revised procedures.	<ul style="list-style-type: none"> Assessment of current SESAs IT system conducted and recommendations provided to support new system implementation training was provided by World Bank. 49 SESAs offices were connected to the integrated Network under the supervision of the NORC Center and SPSS IT specialists; interim connectivity was supported by SPSS.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
2.E.2	Assist with refinement of systems as necessary.	PRN	<ul style="list-style-type: none"> Increased connectivity capacity and solved problem of lack of service.
2.F	Implement ongoing stakeholder involvement and public outreach activities to promote ownership and awareness of employment services.		
2.F.1	Design and implement a public outreach campaign including production of brochures, round tables and seminars on employment services for employers and employees.	Increased public awareness of employment services, Y4 Q4.	<ul style="list-style-type: none"> "Employer Sample Survey" report was presented to the public through mass media by SESA, nationally and in the regions presenting local results for each marz. G8 Labor and Employment meeting Conclusions translated and forwarded to MLSI and SESA for their internal use. Four Employer Focus Groups and two Employer Councils learned about SESA Services. Public presentation on SPSS Employer Services results.
3	Component Three: Occupational Safety and Labor		
3.A	Promote adoption of rules and regulations for health and safety .		
3.A.1	Assistance for development of basic norms and rules for insuring workers' health and safety protection.	Passed by Parliament/ Government, for three industries, Y3 Q4, and for five industries by Y5 Q4.	<ul style="list-style-type: none"> Analysis of gaps in current Labor Code conducted. Recommendations were made for amendments to the Labor Code amendment, including six policy level changes and 30 specific proposals. Based on the recommendations the Ministry has made several changes into its draft law for amending the Labor Code. Recommendations to PRSP for amending the labor code were made. Draft regulations on occupational safety and health in surface and underground mining industries were developed and delivered to MLSI and ME. The last one was further adopted by the GOAM. Draft regulations on occupational safety and health in explosive atmospheres were developed and delivered to MLSI and ME. Draft regulations on occupational safety and health in petrol stations and petroleum bulk storages were developed and delivered to MLSI and ME. After further revisions those has been adopted by GOAM. Irish Safety, Health and Welfare at Work (General Application) Regulations which include safety rules and norms for 15 work activities and areas were translated and delivered to MLSI as part of a paper on setting priorities for creating a Comprehensive Occupational Safety and Health Regulation for Armenia. Recommendation provided to MLSI on mechanisms of labor code commentary processes. A concept note on coordination of the inspectorate prepared, which has been further promoted by MoE and adopted by the Government. Government Decree on Basic OSH Rules and Norms drafted through SPSS joint discussions with MLSI and SLI and submitted to the Minister by the Head of the Labor and Employment Department. Upon the Minister agreement Draft OSH Rules and Norms have been put into official circulation in the beginning of the August. The comments from nine Ministries have been received.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
3.B	Continued modernization of Labor Inspectorate.	The number of resolved complaints from base increased 50% Y3 Q4, 70% Y4 Q4, 100% Y5 Q4.	<ul style="list-style-type: none"> The two regulations adopted by the GOAM and other proposed reforms committed by SLI will only be effective within and after 2010, which delays the measurement of reform impact to a later period. Current statistics of resolved complaints are still based on systems yet to be improved after application of the new policies, thus provide rather inaccurate data for reliable calculations.
3.B.1	Assist LI to issue regular reports on labor issues, and provide outreach programs for the private sector, labor unions, employers and workers.	One report on labor issues disseminated, Y2 M3, and three successive annual reports -- Y3 Q4, Y4 Q4, Y5 Q4.	<ul style="list-style-type: none"> Two handbooks for employers on Occupational Safety and Health were published and disseminated in 1000 copies each. The first gives general safety information; the second introduces a record-keeping and reporting system. A follow up booklet on occupational health and safety issues in small business was prepared and submitted to the Labor Division and State Labor Inspectorate for comments. After finalizing the report it will be published at SLI web site. The first report was presented and discussed with around 70 participants from MLSI, NILSR, SLI, labor unions, employers and civic society organization at a high profile event in April 2008. The report of second annual survey presented and discussed with 16 employers and other stakeholders at an SPSS-REUA joint workshop, where participants proposed recommendations and next steps for making the report more conformant to public needs.
3.B.2	Conduct annual survey of business community views on LI performance, transparency, and practices.	Annual survey of business community-- Y2 M3, Y2 M12, Y3 Q3, Y4 Q3, Y5 Q3.	<ul style="list-style-type: none"> Baseline survey of 200 firms conducted throughout Armenia on perceptions of the Labor Inspectorate and the Labor Code has been finished and presented to public in a high profile event in April. Second survey of 69 firms conducted throughout Armenia on perceptions of the Labor Inspectorate. The anticipated third survey has been cancelled due to SPSS project revision in the last year of the base period. As a replacement, an LI performance and transparency workshop offered by SPSS to employers in 2009 has been cancelled upon the request of the newly appointed Head of LI due to Government's decision to stop programmatic inspections in Small and Medium Sized Enterprises (SME) until 1st of January 2011 changing the landscape of inspections. More time is required for understanding how this decision is impacting on business community views on LI performance, transparency and practices and the two previous surveys of businesses have created enough bases to work for improving the transparency and practices at SLI.
3.B.3	Promote establishment of efficient, effective complaints mechanism.	Revisions to improve the current complaints mechanism agreed, Y2 M6. Revised complaints mechanism operational, Y3 Q3. FAQs developed, Y3 Q6.	<ul style="list-style-type: none"> Agreement to address complaints mechanism improvements and establishment of a hotline at the LI has been reached and included in 2008 work plan with the MLSI, but was further cancelled due to SPSS project revision. A provision for presentation of best practices of registering and responding to complaints was included as part of this year's Annual Work Plan with MLSI. Assessment of current complaints mechanisms at SLI with a review of legislation and appropriate practices conducted. In 2005 ILO has established an Information Center at SLI which was meant to be an information point for employers. However it was mainly used for better handling quarterly employer reporting process. Since 2007 quarterly employer reports have been changed to annual reports and the Information Center resources are not being used effectively. Upon SPSS recommendation SLI has launched activities within the framework and it supported ILO-information center to serve as a reference and complaint point for employers. This will help utilize the existing RA rules and regulations for citizen and employers' complaints: the RoA Law on Rules of Consideration of Citizens' Proposals, Applications and Complaints and the RoA Law Administrative Bases and Administrative Proceedings.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
3.B.4	Provide training on data collection and analysis such as MIS/IT systems and changes in business processes.	80% of target staff trained, Y3 Q1.	<ul style="list-style-type: none"> After troubleshooting SLI's Access-based database, training for data representatives of all SLI regional offices was conducted by the "NORK" Center in cooperation with SPSS. 21 SLI employees participated in the two day training sessions meaning that 100% of targeted staff were trained and 25% of total staff of SLI were trained. The use of the system is now operational. See also Task 3.B.4.
3.C	Introduce methods for risk-based Occupational Safety enforcement.	Risk-based supervision system operational with compliance rates at 70% in all industries for which rules exist, Y3 Q4, and 93% for all industries, Y5 Q4.	<ul style="list-style-type: none"> The two regulations adopted by the GOAM and other proposed reforms committed by SLI will only be effective within and after 2010, which delays the measurement of reform impact to a later period. The required MIS and IT systems had to be created by Nork Center through cooperation with WB funding, which has yet to be completed.
3.C.1	Assist LI to develop and implement new business processes with mechanisms to identify, sanction and eliminated unsafe and unfair practices, and ensure that work conditions meet acceptable standards. Establish IT system and procedures for identifying high-risk firms.	New business processes developed and proposed, Y3 Q4. Standards proposed for 3 key industries, with compliance at 70%, Y3 Q4.	<ul style="list-style-type: none"> Report on needs assessment of the Labor Inspectorate delivered. Recommendations and specifications for a new LI MIS/IT system with provisions for Risk Based Enforcement system were developed and delivered to MLSI. Technical assistance provided in final troubleshooting of functional problems of Access-based SLI database, identified during piloting the system in two SLI regional offices, and after the two day trainings on the database for data representatives of all SLI structural and regional divisions, the database was introduced at SLI and is operational. The Risk Based Enforcement Action Plan at SLI, prepared by SPSS, to help identify high-risk firms through data analysis and accordingly prioritize inspections, is operational. The action plan sets forward necessary steps for implementing risk-based analysis and provides recommendations for linkages between the health care system, SMEC, SSSS databases and SLI. Analysis of data from SSSS and SLI on employers' social contributions, short term disability costs, employee numbers and accidents was conducted for identifying companies with potential occupational safety risks. The action plan provides a methodology for objective data analysis to identify high injury risk work-places so it can be efficient with inspection resources. It also establishes criteria for selecting high-risk firms: the sector, frequency and costs of injuries and diseases.
3.C.2	Capacity Building Training for Inspectors to focus on high risk industries.	80% of target staff trained, Y3 Q3	<ul style="list-style-type: none"> As part of SLI capacity building SPSS assisted SLI to create a modern conference room at its headquarters. In this new facility SLI will be able to conduct its regular seminars with employers, trainings of inspectors and other events for up to 30 participants. SPSS had previously assisted SLI to strengthen its training and employer relations capacity. Three benchmark trainings of inspectors and two employer surveys had been conducted for that purpose during last two years. Presently SLI has appointed training coordinator who will start in near future organizing needs assessments and trainings for the staff. The conference room also will serve as a place where employers will be given Labor Code and occupational safety seminars and consultations. A seminar on Risk Based Enforcement Action Plan was conducted at SLI conference room. This seminar raised awareness of SLI leadership on RBA Action Plan and stimulated international discussions for instituting effective risk-based analysis in Armenia. Bulgarian GLI delegation also participated in the seminar. Bulgarian GLI has been one of the first to provide trainings to Armenian labor inspectors. The Seminar was beneficial for further institutionalizing Risk Based Enforcement and capacity building at SLI by sharing international experience and emphasizing the importance of effective inspection planning and enforcement tools. Overall, 90 inspectors have been trained through SPSS-NILSR joint workshops on best inspection practices.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
3.D	Implement ongoing stakeholder involvement and public outreach activities to promote ownership and awareness of Occupational Safety and Labor.		
3.D.1	Assist MLSI to conduct Public Affairs campaign regarding occupational safety.	Labor Code, rules and regulations publicized, Y4 Q4.	<ul style="list-style-type: none"> • Social Hour Program jointly financed by SPSS and MLSI on H2 TV channel opened an unprecedented transparent public presentation of SLI 2008 activities. • Assistance Provided to SLI to become a full IALI member and represent itself at the IALI congress in Geneva in June 2008. SPSS assisted SLI with its 2008-2009 IALI fees. Since then SLI actively engages in cooperation with its international counterparts. • On April 27, 2009, Republican-level collective agreement has been signed between RA Government, Union of Employers and Confederation of Trade Unions of Armenia aimed to develop and implement decent work and employment policies through social partnership. Previous assistance to MLSI from the SPSS project included presenting of international experience on national level collective bargaining systems. SPSS assisted MLSI and its social partners (Trade Unions and Union of Employers) with development of local capacities for tripartite consultations and agreements at republican level responding to specific requests from MLSI. Several analytical papers and translations on best practices of collective agreements have been provided to MLSI. SPSS conducted a joint seminar with ILO on strengthening social partnership mechanisms in Armenia where representatives from MLSI, other government agencies, Trade Unions and Employer Unions discussed issues for drafting national collective agreement and avenues for better cooperation.
4	Component Four: Social Assistance to Vulnerable Populations		
4.A	Strengthen social safety net programs.		
4.A.1	Development of a proposal package for the reforms of state policy on social assistance.	<p>Analysis of results of Social Assistance survey presented to the Government, Y3 Q3.</p> <p>Mechanisms for Annual Evaluation of Social Assistance targeting developed, Y3 Q3.</p> <p>Resource center staffed and trained, Y3 M6.</p>	<ul style="list-style-type: none"> • With SPSS assistance, the GOAM made the following changes to the Family Benefit program in compliance with PRSP recommendations): <ul style="list-style-type: none"> - Increased the basic part of the family benefit. - Improved the methods for calculating benefits. - Clarified eligibility criteria. - Changed the amount of one-time financial and emergency assistance. - Recognized families with an insecurity rate of 30.01 and more as eligible for family allowance. - Changed the method of calculating family allowance: Families with no members under age 18 receive 8,000 AMD family allowance, while families with members under 18 have their allowance amount calculated according to special equations. • Through SPSS assistance, Resource Center staff gathered donations from other sources, including the MLSI. More than 100 pieces of professional literature were donated by the Social Assistance Department, and 25 pieces of SPSS-funded publications were submitted. • New software for SMEC developed and introduced. Staff trained on skills to implement the new system.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
4.B	Assist in social contracting with non-state stakeholders.	Two grants/social compacts made, Y1 M8, five by Y2 M12, eight by Y3 Q4, ten by Y4 Q4, 12 by Y5 Q4. Private donors matching grants/social contracts, Y5 Q4.	<ul style="list-style-type: none"> Overall, 11 grants/social contracts made. See also 5.G.1.
4.B.1	Design and pilot cost-effective methods for subcontracting by grant matching programs.	Two subcontracts including MLSI produced, Y2 M8. RFP produced for community-based services, Y2 M6. Follow up on ongoing grant programs, capacity building activities for NGOs (social work, fundraising and organizational development, e.g.) Y3 M10, Y4 M12, Y5 M10.	<ul style="list-style-type: none"> Methods for social contracting demonstrated: determination made that an adequate legal basis for subcontracting to NGOs exists. Grants/service-delivery social contracts were made in conjunction with MLSI: RFP and selection processes established matching grants. RFPs were also announced for community social service outsourcing by grant-matching programs in the selected communities.
4.C	Promotion and support of social work as an academic discipline and career path.		
4.C.1	Incorporation of the institute of social work. Establish professional status of "Social worker" by strengthening civil society groups.	Social workers code of ethics discussed and adopted, Y3 M3. Analysis of professional education resources for three levels Y3 M6. National conference delivered, Y3 M6.	<ul style="list-style-type: none"> Assessed training needs of basic para-professional social workers in the State system in order to understand their needs to properly conduct their full job duties. Paraprofessionals trained on skills for "special care" and provided reference materials for para-professional social worker, in conjunction with World Vision Armenia. Ethics' Code for social workers revised and drafted, based on international examples and a previous DFID version, which MLSI put forward for official circulation throughout its Social Work network for comments. At the request of MLSI, a package of standardized occupational analyses delivered on three strata of professional and paraprofessional social worker positions, including the internationally accepted education requirements. This, along with an analysis of Social Worker status under current law contributed to a discussion of redefinition of professional social work at multiple levels.
4.C.2	Develop in-service programs for social workers especially at community-based level.	Present information and referral services for community based services, Y3 M7. Propose code of ethics as core for training on Social Work practice.	<ul style="list-style-type: none"> In conjunction with the MLRSR and MLSI, a comprehensive reference guidebook was developed on "Children Protection system in Armenia" with detailed maps of available resources, including standards for information and referral services.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
4.D	Assist in clarifying new regulations and legal rules underlying social safety net.	Training of counterpart on monitoring conducted, Y2 M12.	
4.D.1	Provide translation of manuals, recommendations and standards for monitoring and evaluation at the project level. Develop quality control and monitoring methods.	Training of counterpart on monitoring conducted, Y2 M12.	<ul style="list-style-type: none"> Project level monitoring and evaluation (M&E) system development introduced for MLSI's 60 social protection projects/programs. SPSS undertook a comprehensive review of the M&E system of social services and issued a report with recommendations for improvements. With SPSS guidance and assistance MLSI developed indicators for selected key programs, particularly related to quality, outcomes and impact of programs based on the MLSI's priority areas. MLSI's respective staff trained on concepts of monitoring and evaluation, the functions of an effective M&E system, types of monitoring, learning materials provided on analysis of current M&E indicators in social assistance and employment project, guides for basic understanding of monitoring and evaluation principles in micro(project) and macro(policy) level, log frame for two or three social projects (among 60), methodological tools for M&E monthly analysis.
4.D.2	Advise on tendering and management of contracts with non-state providers.	<p>Recommendations on tendering and contract management delivered to GOAM agencies/communities, Y3 M10.</p> <p>Recommendations adjusted and operational, Y5 Q4. Capacity building in tendering for GOAM at appropriate level.</p>	<ul style="list-style-type: none"> Recommendations on the establishment of a new M&E system including the legislative framework necessary for the formation of the proposed system. Tendering and contract managements manual developed and introduced at the MLSI.
4.E	Implement ongoing stakeholder involvement and public outreach activities to promote ownership and awareness of Social Assistance to Vulnerable Populations.	Increased collaboration between private and public sector.	
4.E.1	Support of development of an internal stakeholder awareness campaign by arranging education, information, communication events and materials.		<ul style="list-style-type: none"> Support provided to MLSI in carrying out nationwide outreach campaign involving posters, brochures, hotline numbers, nationwide workshops, and media coverage to support social assistance policy changes and to educate and inform the public on their rights and to explain how they can apply and calculate the level of their eligibility for the benefits.
5	Crosscutting Activities		
5.A	Information, Education, Communication (IEC) and Public Relations.	MLSI will have developed professional public outreach and education capabilities, with mechanisms to inform and solicit public opinion about GOAM social insurance programs.	
5.A.1	Design round tables and forums as needed to support the four components.	PRN	

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
5.A.2	Engage in discussions with all levels of Government regarding new policy procedure changes.	PRN	
5.A.3	Create events such as press releases, round tables, forums, surveys, publications, etc. to disseminate information.	Two trainings provided on coverage for journalists and in parallel on presentation and media communication skills for the main speakers of the reforms, Y3 M10.	
5.A.4	Design courses and hold seminars. Publish manuals and guidelines.	PRN	
5.B	Policy, regulatory, and legislative review, drafting and promotion (PD).	Legislation, regulations, rules and by-laws	
5.B.1	Seek stakeholder inputs.		
5.B.2	Apply international best practices and lessons learned. Assist with identifying necessary changes for compliance with the European Social Charter.		
5.B.3	Assist with strategic planning.		
5.B.4	Draft legislative and regulatory proposals.		
5.B.5	Assist development of legislative and government adoption strategies.		
5.B.6	Assist with revisions.		
5.C	Anti-corruption initiatives (AC)		
5.C.1	Assess current laws and procedures for points of corruption risk.		
5.C.2	Systematically address risks in the development of new policies, laws and procedures.	Systematic adoption of policies, regulations and procedures that increase transparency and discourage corruption, PRN.	
5.D	Gender (G)	Gender-balanced programming	
5.D.1	Seek gender balance in all training.	Gender balance sought in all training and capacity building.	

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
5.D.2	Seek gender balance in all assessments and events designed to generate public input.		
5.D.3	Assure gender balance is incorporated in all proposed policies and procedures.	Gender equity evident in legal reform, policy writing, skill development, PRN.	
5.D.4	Model gender balance in project management structure.		
5.E	Monitoring and Evaluation (M&E)		
5.E.1	M&E implementation and refinement.		
5.E.2	Assessment of potential partner engagement in M&E activities.	Counterpart agencies strengthened, PRN.	
5.E.3	M&E data collection/program description.		
5.E.4	Annual review of M&E implementation and evaluation of SPSS activities.	Annual M&E report with assessment of overall SPSS performance, recommendations and suggestions for the subsequent year's work plan, Y1 M8, Y2 M12, Y3 Q4, Y4 Q4, Y5 Q4.	
5.F	Sustainability Strategies (SS)	GOAM achieves sustainable steps toward its Social Protection goals.	
5.F.1	Seek alignment of present political will with proposed strategies, policies, regulations and procedures.		
5.F.2	Assess potential programmatic costs for proposed innovations and seek long-term solutions affordable to GOAM.		
5.F.3	Involve stakeholders at every design stage.		
5.F.4	Provide training and mentoring sufficient to establish a sustainable skill base among implementers.		
5.G	Grants Management (GM)	Demonstration round of priority funding leveraged through grants.	
5.G.1	Allocate grant funds in a manner consistent with strategic priorities and targeting established with GOAM.	Grants for social contracts (Component 4). SESA training service outsourcing (Component 2).	<ul style="list-style-type: none"> Based on Outsourcing Manual 7 grant competitions and 11 grants were implemented for social services development projects.

No.	Tasks and Activities	Performance indicators with Targets/ Milestones where appropriate	Status
5.G.2	Use grants management as a tool to establish mechanisms in GOAM for ongoing outsourcing within its own means.	<p>Pilot grants outsourcing process established.</p> <p>Encourage MLSI contribute funds for outsourcing.</p> <p>Develop Internal procedure handbook for outsourcing for MLSI. Y3 M10.</p>	<ul style="list-style-type: none"> Pilot grant outsourcing process established at MLSI. Internal procedure manual for outsourcing developed and introduced at MLSI, addressing RFP development, project selection, unding allocation, supervision and monitoring, and reporting.
5.G.3	Involve appropriate stakeholders in the design of the mechanism.	<p>MLSI departments responsible for outsourcing have capacity to outsource grants, Y2 M12.</p> <p>MLSI provides a monetary contribution of a minimum of 10% of grants, Y3 M10.</p>	<ul style="list-style-type: none"> At the closing of SPSS, the MLSI had submitted funding to continue only one of SPSS's grants. Local governments of Nor Norq, Atik and Alverdi have agreed to continue funding the community centers established by SPSS, which will greatly benefit their communities.
5.G.4	Create opportunities to demonstrate transparent grant processes.	<p>Tenders are announced to large audience (on MLSI website, in newspapers, on career center websites, etc.) and other median as relevant.</p> <p>Tender documents have detailed explanation of project goals/objectives and selection criteria.</p> <p>Tender selection committees are composed of various stakeholders (MLSI, SPSS, USAID, NGOs, etc.).</p>	<ul style="list-style-type: none"> The Outsourcing Manual introduced at MLSI and SESA sets a transparent and competitive mechanism for the outsourcing, including ensuring large audience of announcement coverage, requirements for detailed explanation of project goals and objectives and selection criteria, selection and operation of a tender selection committee.
5.G.5	Create opportunities to demonstrate quality control and audit functions.	<p>Monitoring and evaluation system for quality control is developed, Y2 M12.</p> <p>Recommendations provided to MLSI on improving procedures for administering grants, Y2 M12.</p>	
5.G.6	Assure training in grants management for relevant stakeholders.	<p>Identify key MLSI personnel that will be responsible for grant management, Y2 M12.</p> <p>Provide training to identified MLSI personnel on grant management, Y3 M3.</p>	<ul style="list-style-type: none"> Respective personnel of MLSI trained on grant management.