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ARMENIA SOCIAL TRANSITION PROGRAM  
14 Սուճրուկյան, Երևան 14 Sundukyan, Yerevan  
Telephone: (3741) 27-31-75/6/9  
E-mail: rvaughan@padco.am  
*PADCO Inc., in collaboration with Abt Associates, AIHA, Counterpart International, QED, AMEG*

**DRAFT: REPORT No 17**

**RECOMMENDATIONS FOR IMPROVING THE EFFECTIVENESS OF LOCAL SOCIAL SERVICES OFFICES IN ARMENIA**

Prepared for  
**The Ministry of Social Security of Armenia**  
Prepared by  
**PADCO Armenia Social Transition Program**

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PLANNING AND DEVELOPMENT COLLABORATIVE INTERNATIONAL

*Development Solutions for the 21<sup>st</sup> Century*

## PREFACE

Under USAD Contract No. 111-C-00-00-00114-00, PADCO is providing assistance to the Government of Armenia on social sector reform issues. Under Task 1B T5.1, PADCO is examining ways of unifying pensions and other social protection offices; under Task 1C T6.2, it is looking at integrating local social protection and labor offices, and under task 1C 6.5 it is evaluating the operations in local social protection and labor offices.

Two of these tasks (integration of social protection and labor offices, and unification of social protection and pensions offices) are very similar and it makes good sense to consider making changes to integrate social protection and labor offices at the same time as unification of social protection and pension offices. This approach will ensure that staff working in local offices will be better positioned to adopt change in an integrated manner. To maximize the benefit from such a re-organization it has also been necessary to examine current procedures in benefit-assessing offices to ensure that when such centers are unified, best use is made of the skills already available.

The document begins with a description of the current systems in the Regional Social Security Centers (RSSC), the Social Insurance Fund (SIF) offices and the Republican Employment and Labor Services (RELS) offices. It must be acknowledged that the Helsinki Consulting Group team working with RELS on a TACIS project<sup>1</sup>, co-operated willingly in the analysis of operations of RELS, provided excellent documentation, and made the task of analyzing RELS activities much easier. While the existing systems work reasonably well, and indeed have much to commend them, there are some serious weaknesses.

After outlining the results of a SWOT analysis, the paper then goes on to examine various options to strengthen the systems and provide the best service to customers (which includes the unification of the services). This is followed by recommendations, with a particular view towards the implementation of a model “one-stop shop” service, or Integrated Social Services Center (ISSC) in Lori Marz that will become the blueprint for services throughout Armenia in the future. A further report will focus specifically on the workplan for implementation of the ISSC in Lori Marz.

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<sup>1</sup> TACIS Assistance to Employment Policy in the Republic of Armenia, EDAR 9801, commenced 2.4.2000 and is scheduled to last for 18 months.

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## ABBREVIATIONS AND TERMS

AST =	Armenia Social Transition Program
PFB =	Poverty Family Benefit – the family benefit program based on the PAROS system administered by the Mergelyan Institute but to be transferred to the MOSS
GOA =	Government of Armenia
MFE =	Ministry of Finance and Economy, responsible for developing overall economic policy, ensuring auditing and reporting standards
MOH =	Ministry of Health
MOSS =	Ministry of Social Security
MSR =	Ministry of State Revenues, responsible for collecting taxes
NA =	National Assembly
Nemrut	MOSS Information Center-a joint stock company-wholly owned by MOSS
Normative acts =	Laws of parliament, decrees of the President, ministerial decrees and instructions, that, together, form the legal and regulatory framework for social protection programs
NSS	Armenia’s National Statistics Service also known as Armstrat
PIN =	Personal Identification Number
RELS =	Republic Employment and Labor Service, responsible for administering unemployment insurance benefits and providing job and training information -- subordinated to the MOSS
RSSC =	Regional Social Security Center – there are 54 local RSSC offices through which social services are delivered to the population of Armenia, responsibility for their administration rests with the Local Authority (Marzpeteran) and MOSS creates the policy
SAB =	Social Assistance Board-created under Decree 350 July 2000 to assist in better targeting of social assistance
SHA=	State Health Agency
SIF =	State Social Insurance Fund, which is administratively independent (but must follow MOSS policy), responsible for collecting payroll contributions and for distributing mandatory insurance benefits including old age, survivor, and disability pensions, and many small social benefits such as childcare benefits to mothers caring for young children, funeral allowances
SIF =	The 51 local offices of the Social Insurance Fund responsible for collecting payroll contributions and distributing social insurance benefits
SMEC=	Socio Medical Expertise Commissions- Offices, in each Marz, under MOSS supervision examining disabled persons and allocating categories of disability, Category 1,2,3 and disabled under 16 which then entitle a disabled person to a pension from the SIF
WB =	World Bank

# 1. STRUCTURE OF LOCAL SOCIAL SERVICES DELIVERY SYSTEMS

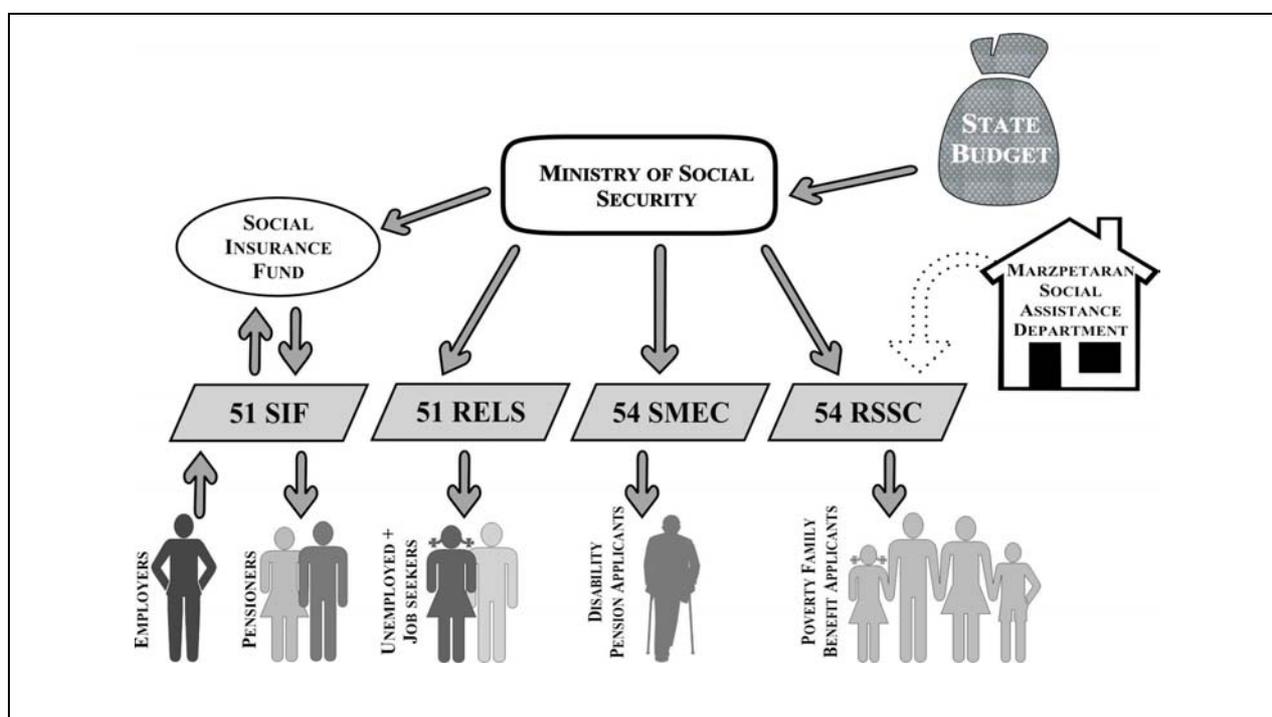
## 1.1. INTRODUCTION

Social services delivery impacts on most citizens of Armenia. The most recent figures indicate that over 55% of the population are poor and at some time or another most Armenians, or a member of their family, will come into contact with social services delivery either as applicants for Poverty Family Benefit, Unemployment Benefit, as recipients of Humanitarian Aid or as pensioners.<sup>2</sup> The number of Armenian families who were registered as eligible for PFB was 194,000 and the number of pensioners of all categories was 565,000. The number of registered unemployed is 177,500 at the end of 2000. The unemployment rate (calculated as a percent of the average number of unemployed to the labor force) is 12% however sample surveys implemented by the National Statistics Service indicate that the real unemployment rate is 27.3%. Expenditure on Poverty Family Benefits in 1999 was 2.1 billion dram (9% of the state budget), with an additional 0.7 billion dram on pensions and 1.4 billion dram for employment services. With poor economic growth and public finances in a precarious state it is clear that targeting of scarce resources and improving administrative effectiveness in the area of social service is a serious concern for every Armenian citizen.

There are three different state systems, each with separate structures and local offices, that administer social assistance benefits or social insurance benefits to people who are either in need or have earned the right to receive this payment. This fragmented system presents problems to people applying for pensions and benefits and also makes the proper auditing of disbursements difficult. The purpose of this report is to analyze the organizational structure and recommend how the organization of local offices could be changed to provide more effective administration and better services to the population.

## 1.2. OVERVIEW OF STRUCTURE

The Ministry of Social Security (MOSS) is on the whole responsible for most issues relating to protection of the poor and needy, although the Department of Migration and the Commission of Humanitarian Aid also have roles to play. The ministry develops policy and instructs the main providers of benefits and pensions (the Republican Employment and Labor Service (RELS), the Regional Social Security Centers (RSSC) and the Social Insurance Fund) to implement these. However, the lines of accountability from the offices delivering services to the Ministry are different for each organization.



<sup>2</sup> The term pensioners in Armenia includes, in addition to those of pension age, disabled persons, widows and other categories.

The 51 **Republican Employment and Labor Service (RELS)** offices, headed by a Director, are accountable to their regional administrative offices (1 in each Marz with an average of 5 offices in each Marz<sup>3</sup>) – however, the regional administration do not have the capacity to deal with the issues arising from their local offices, since the regional offices are effectively no more than upgraded local offices. While the regional administrative centers should report to the RELS Head Office on behalf of the regional offices, in reality each of the regional offices reports direct to the RELS HQ. This has led to a centralized form of management with RELS Directors having little discretion in program or financial matters. The offices allocate and distribute unemployment benefit (UB) and financial assistance (FA), in addition to providing as well other labor market services such as job search assistance and training assistance for the unemployed. In addition one Labor Inspector is located in each RELS office. The task of a Labor Inspector is to deal with mass layoffs, illegal employment and collection of information, from employers, on job vacancies. While these offices have a major role to play in active labor market activities, the reality is that these offices' main activity is to provide benefits for the unemployed. In 1999 over 93% of the budget for the RELS was paid out as benefits. 5% was used on active labor market activities, which includes training programs, job-search and public works and 1.7% on bank charges. Indications are that the situation worsened in 2000 with even less of the budget used on active labor measures.

The 54 **Regional Social Security Centers (RSSC)** are administratively accountable to the Social Assistance Departments [SAD] of the Marzpet – the regional governor, but the Marzpets are accountable to the Government and not to the Ministry of Social Security. The Ministry of Social Security formulates policy for social protection and the RSSC implement this policy with the SAD responsible for ensuring this is done. There is confusion of roles in this area leading to poor communication and obvious stresses evident between MOSS and the SAD. The RSSC offices take applications for the Poverty Family Benefits (PFB) program as well as Lump Sum Payment (LSP). In addition, they also carry out some social work activities – distribution of humanitarian aid and hearing some appeals from the population for example<sup>4</sup>, but in a rather ad hoc manner and use no trained social workers (Social assistance inspectors are often described as “social workers”). This is not their actual role, and using any international definition of social worker they should not be so described).

The 51 **Social Insurance Fund (SIF)** offices are accountable, via regional SIF administrative centers, to the SIF. The Prime Minister appoints the President of the SIF, and his advisors and deputies are all public servants. An advisory board is planned for the Fund but its composition is not yet clear. Similar to the RELS organization, the regional administrative center also normally has a regional administrative office function. Apart from collecting SIF contributions from employers, individual entrepreneurs and farmers The SIF office also allocates the following pensions: old age pensions, orphan's pensions, widow's pensions, disability pensions, social pensions (for those without contributions) and industrial injuries pensions (which are recovered from the companies while they are still in operation). All SIF offices are visibly divided into a contribution collection section and a pension allocation section. There is some crossover of staff e.g. when contributions are due from employers or when the quarterly balancing statement is due, staff may transfer in from the pension section for the busy period. The role of the SIF local offices in collecting social insurance contributions may change after the completion of a pilot program in Shirak Marz created under the recent tax reform law signed by the President on December 29, 2000. Under the pilot program, the Ministry of State Revenues will combine collection of all taxes from enterprises, including social insurance contributions. In addition changes have been proposed by MOSS to the Prime Minister in the relationship between MOSS and SIF that would give the former more direct control over the SIF. No details of these proposed changes are available at this stage.

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<sup>3</sup> Armenia is divided into ten administrative regions (Marzes) and in addition Yerevan has the status of a Marz. Each Marz is divided into districts and in total there are over 900 such districts in Armenia. Each Marz has a Marzpet or Governor appointed by the Government and the President appoints the Mayor of Yerevan. Each Marz and district also has a Community Head or Gaghagapateran who is elected by popular vote and each community also has Community Council.

<sup>4</sup> The issue of appeals is dealt with in greater detail in “AST Report 16: How to Create a Transparent Appeals System for Social Benefits,” January 15, 2001.

In summary, none of these organizations are exclusively involved in the assessment and payment of state benefits, state assistance or pensions.

### 1.3. FINANCIAL COMPLEXITIES

A separate report on the analysis of reporting requirements of each organization under the control of the Ministry outlines, in some detail, the structures of the organizations and their financial reporting arrangements.<sup>5</sup> The State budget funds the salaries of all public servants involved in the payments of benefits and pensions.

The funding sources for the payments of state benefits vary. Due to shortfalls in state budget revenues (30-34% of projected revenues on average), state benefits and pensions are seriously under funded.<sup>6</sup> For pensions and unemployment benefits the funding source is the SIF, i.e. employers contribute 28% of payrolls, (soon to be reduced to 15%), and employees contribute 3% contributions to this fund. Contributions are based on salary + bonuses + overtime. There is a stated government intention that 8% of the SIF fund should be allocated to unemployment benefits and active labor market measures, but in 1999 it was planned that 6.1% should be allocated and just 4.4% was actually allocated. RELS, therefore, suffers from ongoing shortage of funds. In general the fund's income is insufficient to cover the payments that are due, and it is supplemented by transfers from the state budget. At the end of November 2000, pensions had been paid up to the end of October 2000, while unemployment benefits had been paid only up to the end of March 2000.

The Poverty Family Benefit and Lump Sum Payments are funded from the state budget. At the end of November 2000 these benefits had been paid up to June 2000. The average allowance per family is 8,200 dram per month, or 2,300 dram per family member. The chronic shortage of funds to pay pensions and benefits is reflected in the numerous complaints received by MOSS from PFB applicants regarding late payments and the generally poor public perception of the ministry.

### 1.4. ENTITLEMENT TO BENEFITS AND PENSIONS

**Unemployment Benefits** are paid after a person has worked for at least 12 months and has registered as unemployed. The Unemployment Benefit is paid for a minimum of 5 months and is equal to 3900 dram per month, with another month of benefit for each five years of labor service record.<sup>7</sup> The average monthly unemployment benefit amounted to 3176 dram in the second quarter of 2000. People who have never worked are not considered unemployed; they cannot receive unemployment benefit or financial assistance and they are not eligible for training initiatives, although they can register for a job vacancy. Financial assistance can be applied for after the unemployment benefit has expired; it is paid at 30% of the unemployment benefit rate for the individual plus an additional 5% for each of the first two or three children (different information was received in different offices); i.e. a maximum of 1755 dram per month. These benefits are not means tested and they are paid to individuals, not families.

**Poverty Family Benefit** is paid to any **families who consider themselves poor**, have submitted an application, and have been determined to be entitled according to an eligibility scoring system. Entitlement is calculated via the PAROS system, a computer-based scoring formula system that includes a number of variables including the vulnerability of individual household members such as pensioners or the disabled, the size of the household, the type of housing, and the family income. Family income is generally based on salary details or other government income such as pensions or unemployment benefit. Other income such as payments from family members abroad, or income from unregistered trading are not taken into account. The benefit is paid at a basic rate of 3000 dram (recently reduced from 3,500 dram in July 2000) plus 1300 dram per person in the household – i.e. the payment for a two-person household is 4,300. Families either receive payment or they do not – there are no different levels of benefit for higher or lower underlying income levels. They are required to inform the RSSC of any change in the family circumstances.

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<sup>5</sup> PADCO AST Report 8 -Analysis of Enterprise Reporting Requirements December 2000

<sup>6</sup> According to the *Economic Trends Quarterly Issue for Armenia* published by the Ministry of Economy and Finance expenditure on social services in 1999 was 39% of planned expenditure and expenditure in the half year to June 2000 was 25.5% of planned expenditure.

<sup>7</sup> According to Article of the “ Law on Employment of the Population” unemployment is defined as “ Non-employed persons of working age (16) and able to work, who do not receive pensions, have at least 12 months of work experience, have applied to RELS for job vacancies and have received unemployment status”.

**Lump Sum Payments (LSP)** are payable to people whose circumstances take them just over the score determined by the PAROS system (score at present is 36). The LSP budget is 5% of the PFB budget. A lump sum of 3000 dram per family is paid on the recommendation of a Board (the “Social Assistance Board”<sup>8</sup>) – the duration of the entitlement is not fixed, though people need to reapply every year if they wish to receive such payments. Payments can be erratic – the Board may consider that everyone should get some payment so families can receive their payment for a month, then not receive it and a few months later receive it again.

**Special Payments from the Ministry** are made to citizens who apply directly to the MOSS headquarters. A citizen can receive a payment twice in one year or more often by a decision of the Minister or Deputy Minister.

**Pensions** are paid on the grounds of age, disability, or family circumstances. The claimants must be of retirement age or older (ordinary retirement age in 2001 is 63 for men and 58 for women), or disabled (categories 1, 2, or 3) or are widows or orphans. In general retirement pensions (of around 4000 dram) are earned by working for at least 5 years. Some job categories, lifetime achievements and titles offer rights to pension on “privileged terms” e.g. hazardous occupations, mothers with 4 or more children etc.; however old people who have never worked can claim a social pension of 2860 dram per month. Disability pensions are also paid to those who are disabled due to an employment injury or occupational illness. These pensions are not means tested, and paid to individuals rather than families.

### 1.5. PROGRAM ADMINISTRATION

All benefits and pensions must be applied for in writing, and a number of documents and certificates need to be submitted. Often, these need to be paid for and the fee can, in some cases, be quite substantial (a certificate showing evidence of divorce, for example). The applicant has to supply originals and photocopies. The original is checked and returned while the photocopy is retained. While a number of offices have photocopiers, most copiers are out of order or have no toner. Some offices with photocopiers photocopy the certificates for the client, others charge for this service and some restrict the photocopier to internal office use only. Applicants in a number of offices complete the application form for PFB themselves and in others the Inspector completes the form. After they have been checked for accuracy and authenticity, details from the documents are entered into the computer. Employees from each of the 54 regional offices take computer disks (and, sometimes, computers) to the various marz departments of social protection, or to the Mergelyan Institute where the Paros system is currently located. They do this at least once a month, often once a week, in order that their local database of eligible families may be updated and information checked against other databases e.g. Ministry of Transport to check car ownership. Applicants claiming poverty family benefits are given a Paros Passport that summarizes the contents of their application.

All applicants are visited in their homes at the start of their application, and often during their year’s entitlement as well (All adult members of a family must sign the application form). If the home conditions of a family appear to be very good on this visit, the inspector can input a code into the computer, denying them eligibility for the poverty family benefit. The reports on these visits, compiled by the inspectors give very little detail and do not give a great deal of background to these decisions. Information on the family circumstances is entered into a computer in the RSSC and eligibility is calculated by reference to the Paros score. The names of those eligible are listed and sent to the post office; lump sum payment recipients also have their names listed at the post office for payment. It seems to be a matter of center policy or workload whether people receive written notification of the decisions on their applications. But, in general, written decisions are not given. The applicant either finds out at the post office that he is or is not on the list or calls to the RSSC to ascertain if his application has been approved or rejected.

Pensioners submit several certificates, including a note from the SIF, office stating that the employer has paid contributions on their behalf, even though there is currently no system to pay such contributions in the name of an individual employee. Details of their employment history are entered into a computerized system called ARAKS which, based on service, defines the rate of pension to be allocated. Pensioners receive a small booklet, officially stamped, which sets out clearly the rates of pension to be paid and in the case of dis-

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<sup>8</sup> The Social Assistance Board consists of the Heads of the local offices of the RSSC, SIF, RELS, a representative from the Marzpeteran, 4 representatives from local NGOs and an internal affairs inspector who deals with children’s issues. These boards are a recent development having been set up under Decree 350 July 3<sup>rd</sup> 2000 to “assist in targeting state funds and the implementation of poverty family benefit and lump sum payments”.

ability pension the date up to which pension is to be paid. Lists of eligible pensioners are sent to the post office and pensioners can either collect their pension at the post office or have it delivered by their postman. There is some evidence that pensioners may make some contribution to the postman for this service. However, this is more a cultural tradition rather than a bribe and is not considered a major issue.

Unemployment Benefits are paid to unemployed who are eligible for benefits. The unemployed person must register within 30 days of dismissal and the base amount of benefit is 3900 dram per month. On average 24.5% of registered unemployed persons received benefit in 1999. The unemployment benefit system is entirely manual, although work has commenced under a TACIS project to create software for allocating unemployment benefits and job search under the working title of SEVAN. Applicants are required to produce at least four documents, such as workbook, salary confirmation etc. that need to be photocopied and retained by the office. The unemployed are advised when they register how much they will be entitled to and for how long. They are given a card with a registration number and date and time at which they next have to visit the office. (The process takes an average of 40 minutes) When they return to the office in the next month to sign on, between the 25<sup>th</sup> day of the month and the end of the month, they receive a cash payment receipt that they take to the bank to cash. While it might be considered more customer-friendly to issue the cash payment voucher when they sign on, having to return to the office to collect it later in the month gives them another opportunity to check out new vacancies. RELS offices through their Labor Inspectors also have a function in the inspection of employers and their premises to ensure compliance with the Labor Code.

All organizations make regular statistical returns to their respective head offices, in addition to having data entered on the PAROS system.<sup>9</sup>

For pensions, family benefits and lump sum payments, cash is taken to the local post office by the administrative office and distributed either in the post office or by postmen direct to applicant's homes. The Armenian postal service-Haypost charges 1.7% for this service.

Pensions not collected within a week are returned to the SIF office's bank account and pensioners can collect them the following month at the regional office. Depending on the reason for non-collection, pensioners can collect arrears of pension for up to three years, or indefinitely if the SIF office has made an error.

Poverty Family Benefits/lump sum payments not collected are paid into the regional RSSC's bank account; benefit is stopped if not collected for three months or more.

Unemployment benefit is paid via banks where the unemployed present their receipts. The banks charge 1.7% for the administration of benefits. There was some uncertainty whether money that is not collected, and lists of people who have not collected their money, are returned to the employment services offices or the SIF bank account.

SIF offices also collect contributions to the fund from employers. Employers make returns or balancing statements every three months (and annually by individual entrepreneurs and farmers), but employers should pay the contributions each month. They are usually paid into bank accounts locally, and transferred to the national collection account on the same day. Inspectors also go out and collect individual payments of 1500 dram monthly from those individuals who choose to pay in installments. *It would appear, however, that no effort is made to identify and bring to book unregistered enterprises – it is illegal to be unregistered and officials state that such enterprises cannot legally operate.*

RELS offices not only pay out benefits but also carry out a variety of labor market activities, such as counseling applicants when they make an application on what kinds of jobs they wish or whether they would like any training. If any suitable vacancies arise, people may be contacted. They also carry out labor market analyses. However, the number of vacancies available, the number of unemployed and the amount of funding available to train people mean that the ability of the employment service to influence the labor market is seriously constrained.

## 1.6. THE WORKING ENVIRONMENT AND THE CUSTOMER EXPERIENCE

All of the SIF, RSSC and RELS offices visited were in poor condition. The offices, **with some exceptions**, are generally:

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<sup>9</sup> Copies of the statistical returns are contained in AST Report Number 8-Analysis of Enterprise Reporting Requirements.

- Located in poorly maintained buildings;
- Inaccessible for disabled or elderly;
- Dark and badly cared for internally;
- Without even adequate heating-staff in some offices work in one room in the winter months to conserve heat;
- Unsafe in terms of international standards of Health and Safety;
- Cramped in the staff areas with staff interviewing applicants at their desks-except in the case of RELS where applicants are interviewed at a counter;
- Without waiting areas or seating for the public;
- Without notice boards with up to date clear information on eligibility conditions etc -- some offices had notice boards but the information was sometimes illegible, inadequately lit and was difficult to read;
- Without information leaflets on pensions and benefits and
- Without a queuing system or any system for scheduling appointments.

The general impression of these offices is that they offer a substandard working environment for staff and a poor reception for customers. Such conditions may prevent some genuinely needy persons from claiming the benefits or pensions they are entitled to, especially if they are physically unable to wait for a long time in such conditions. In some areas there are some elements of "outreach" as inspectors from RSSC offices visited the offices of the head of local rural communities to take claims and carry them to the RSSC. This improved access. Some Directors of RSSC offices are very pro-active in this respect and send Inspectors to remote villages for two or three days to take applications but most plead lack of funds as a reason why they have no outreach activities. Small amounts are provided for this activity-20, 000 dram in one office-and Directors consider this insufficient especially as some offices may have up to 45 villages in their catchment area.

The guidance on poverty family benefits is stated to be available in public libraries; however, the calculation formula is quite complicated and people may have difficulties in understanding this; indeed it is difficult even for inspectors to explain the calculation to their clients – they often say that "the computer decides". This situation will be further aggravated if and when the RSSCs are required to implement a new formula proposed by the World Bank.

Accessibility is often poor, and in one RSSC office that was located on the second floor, the RELS on the third floor could be reached only by climbing a steep circular iron staircase.

### **1.7. CONNECTIONS BETWEEN THE ORGANIZATIONS**

RELS offices, RSSC offices and SIF offices operate as three separate organizations with a separate management structure, separate reporting structures and separate budgeting. In effect they are similar to agencies that exist in other countries that are charged with delivering a type of social service. Communications that exist between the three organizations are largely informal and depend on local conditions and personalities. Some RELS offices and RSSC offices are located in the same building and there is evidence that this collocation has provided benefits for both organizations both in terms of exchange of information and sharing of knowledge. At a management level, however, there is no solid evidence of communication such as joint training sessions, joint seminars, and joint round tables on common issues of concern.

At local level there is some communication between the three types of offices, for example, when unemployment benefit is terminated, the RSSC is contacted, but the real hub of information is at the Mergelyan Institute which houses the PAROS system [soon to be transferred to Nemrout Information Center]. This system draws information from a number of sources, including the unemployment and pensions systems, and the utility companies, to confirm the eligibility of families to PFB. Given that the other organizations pass information about everyone who buys a car, information on use of electricity or property sales to the PAROS system, this raises questions on infringement of privacy of those people who do not claim poverty family benefits. Information at the Mergelyan Institute is updated at least monthly, and returned to regional centers. However, this means that social security applicants have to wait for a month before it is finally confirmed that they are actually entitled to PFB, or they may have been given the impression at the center that they are

entitled, but on examining the system it is discovered that they should not receive PFB – this results in a high number of complaints and appeals.

### 1.8. COMPUTER SYSTEMS

Each of these organizations has its own computers although the number of RELS offices with computers is very low. . These are currently stand-alone computers (though they may be linked within an office by a small local LAN); data transfer occurs to other offices or headquarters mainly through staff members carrying disks or occasionally computers to the central computing unit. The information transmitted mainly consists of data on applicants and their benefits, or on contributors to the social fund and the sums of their contributions. There is no computerized personnel database on the staff in the organizations, and while there are manual records it is difficult for the Ministry to know how many staff there are in the local offices, when they commenced employment, their names, their locations, what qualifications and skills they possess, and what training they have received.

Currently an EU TACIS project is working on a program that aims to pilot a new computer system in some RELS offices in Armenia, with, in the longer term, developing the SEVAN linked management and employment information system between three RELS offices.<sup>10</sup> Computer access levels within the employment service at the present time vary considerably, though some offices have developed software which, for example, allows a claim form to be completed by the computer, printed out, and then signed by the applicant. Whether this would be practicable in a new system remains to be seen. The TACIS Assistance to Employment Policy Project has recommended that MOSS should explore the possibility of using spare capacity within the PAROS computer system for calculation and allocation of unemployment benefits.

Sharing of data held on individuals is critical to the development of an efficient, cost effective social security system. It facilitates the introduction of a more comprehensive client information system, it enables the introduction of more rigid controls over decisions on who is entitled and paid and it eliminates duplicate claims and payments. It also, from a customer service perspective, means faster claim determination and payment. A fully integrated system updated and accessible to all three systems would be far more effective than three separate databases. To create a modern social security system in Armenia, it is crucial to develop a centralized social security database that will be accessible to all interested parties with the necessary authorized access, security measures in place and authentication systems. Access to data in government systems must be controlled so that specific items of data are available only for authorized purposes. In practice this means that individual privacy must be protected and the setting up an infrastructure of encryption-keys for users so that they can be identified. One of the basic problems in creating an integrated database in Armenia is that there is no standard way of holding an individuals name and address. Government Ministries, Government bodies and local authorities hold data in different formats and in manual systems or technically incompatible systems. Comparative analyses of different databases in Armenia indicate that identification between different databases rarely exceed 30%. Data items must also be authenticated to ensure that they belong to the same individual- a formidable problem in a country like Armenia where:

Citizens do not have a unique identifier-while all citizens have passports the number thereon is not used for any other purposes, has no significance numerically, and there are numbering problems with reissue of lost passports and the easy availability of false passports

- There is a proliferation of citizens with the same family name e.g. Harutunyan, Hovannesian, Kevorkian etc.
- There may be several different spellings of the same name e.g. Movsesian, Movsisian, Movsesyan, Movsessian, Movsessyan
- Citizens often deliberately misspell their names
- Street names have often been changed without records being updated

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<sup>10</sup> Under the EU TACIS “Assistance to Employment Policy” project the amount available for computerization is minimal. The strategy is to design, develop, test and implement in the pilot sites of Yerevan, Vanadzor and Ashtarak an automated information system to collect, process, pool and exchange information about unemployed, vacancies, job seekers and training possibilities. The Mergelyan institute has been contracted to develop the software. There are insufficient funds in the EU TACIS project (125,000ECU) to implement a nationwide IT system.

It will be a major challenge, given these circumstances, to create an integrated social security database.

### **1.9. FRAUD AND ABUSE**

The prevention and detection of fraud and abuse is a constant issue for all social security organizations throughout the World. Armenia is no exception. MOSS needs to make the task of reducing fraud an early priority. Public support is vital for welfare reform and public support is eroded by failure to stop people defrauding the welfare system. A further report on this issue will be produced by the ASTP team. However, it is important to deal with this issue in the context of improvement of services. In improving service administration opportunities for fraud must be minimized and benefit systems themselves must be designed to make them difficult to abuse. Fraud and abuse in a social security context covers:

- People who claim assistance and misrepresent their means and circumstances by understating or concealing income
- People who continue to claim benefits after their means and circumstances have changed from the time they first were entitled and do not inform the paying organization
- People who provide false documents or certificates in order to obtain a payment to which they are not entitled
- People who continue to claim a payment in the name of a person who is deceased or has left the country or is otherwise not entitled
- People working and claiming Unemployment Benefit
- People working in the underground (gray) economy and not paying social insurance contributions
- People working and not paying social insurance contributions on the full amount of their earnings
- People claiming disability payments who are not disabled
- Staff who defraud the system of social security by creating false claims or obtaining payment which is not due to them
- Staff who abuse their position to solicit bribes in return for favors or assisting applicants in defrauding the system
- Staff who use personal data on an individual for purposes other than the purpose authorized
- Any misappropriation of social security payments or funds by person or persons working within the social security system or any agencies delivering payments or social services of any kind

The social security organizations in Armenia have approached the prevention, detection and deterrence of fraud in a number of ways, and each organization appears to have adopted a different approach. The following is a brief summary and is not intended to be an in-depth study of the situation but an overview.

### **1.10. RSSC ANTI-FRAUD MEASURES**

Applicants for social security benefits are visited at home to check whether they appear to be as poor as they represent themselves. If their home conditions appear good, then a code is entered into the PAROS system, reducing the eligibility score to zero. The work of inspectors is checked by their superiors and dishonest inspectors are dismissed. Complaints against inspectors, by members of the public, are also used as an indicator that an inspectors work needs to be examined. The PAROS system coordinates with a range of other databases such as that for car purchase, or of utility companies to check whether those claiming family benefits have purchased a car, make a high level of international telephone calls or have a high usage of electricity. This allows about 7% to 8% of incorrect or fraudulent applications to be rejected.

### **1.11. SIF ANTI-FRAUD MEASURES**

Inspection visits take place to registered businesses to confirm salary levels that were reported by the employers. SIF staff also visit registered enterprises to check the number of staff present to ensure that the right level of contributions is being paid.<sup>11</sup> The powers to do such visits are limited as are the powers of examination of employees, books and documents. Staff from the regional government (the Marzpet's office) also

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<sup>11</sup> A law adopted in May 2000 "On the organization and carrying out of Inspections in the RA" defines the powers accorded to state bodies carrying out inspections. The SIF is listed as one of the bodies authorized to carry out inspections.

carry out factory inspections to check salaries of people receiving PFB even though they exceed their legal powers by doing so.

### **1.12. RELS ANTI-FRAUD MEASURES**

RELS staff check all documents produced by applicants who wish to register. Those who are registered and receiving payment have to attend once a month to sign a document indicating that they are still unemployed before they are given a payment voucher for the bank. There is no system in place to check if applicants are in fact working in unregistered businesses or self-employed or actually continue to work undercover for the enterprise who have certified that they are no longer employed.

### **1.13. EFFECTIVENESS OF ANTI-FRAUD MEASURES**

From discussions with various officials, it appears that there is insufficient awareness or will at a local level to deal firmly, decisively, and in a consistent and integrated way with fraud prevention, detection and deterrence. It must be stressed that internal fraud and external fraud is a particular concern of the Minister of Social Security and at MOSS Fraud prevention appears to depend, almost entirely, on checking the veracity of documents and in the case of PFB on home visits. As a consequence:

- Bribery exists at all levels, including social security or other benefit processing offices, of other officials, of postmen delivering benefits;
- There is substantial forgery of documents – e.g. labor record books can be bought freely;
- There is little attempt to ensure correct assessment of resources, particularly income from the shadow economy;
- There are high levels of inputting errors on computers;
- Applicants are not admitting to all their resources, understating income and concealing income;
- There are inadequate systems in place to clearly identify citizen's labor and contribution records;
- No process exists to identify unregistered companies and unregistered self-employed and
- There is no close examination or monitoring of the system of distribution of pensions and benefits by postmen to people's homes.

A sound fraud prevention system would not only minimize losses and increase social insurance fund revenue, but would also protect the employees of the offices against spurious accusations of corruption which might cost them their jobs. A major fraud prevention measure would be the creation of a common unique personal identification number which would integrate information held on citizens social security contributions, work record, pension and benefit records and in the long term be used as an identifier by citizens in transactions with all Government Ministries, organizations and agencies in Armenia.

### **1.14. RECRUITMENT AND TRAINING**

MOSS has no stated recruitment policy and thus recruitment is largely by word of mouth, in that when there is a vacancy it is not advertised. Usually, the Director of the office where there is a vacancy or a staff member will know of a suitable candidate. Training usually consists, in RELS, RSSC and SIF, of a one-month of work beside an experienced staff member followed by a month working under close supervision. Most members of staff have a professional qualification. This is rarely related to social security -- it may be in economics or agriculture. Thirty RSSC employees attended a six-month training program, prepared by the Sociology Department of YSU in 1995 however attendance was poor and thus only 18 successfully passed the examinations. There was an expectation that the staff who attended the course would train others however this did not materialize.. There is relatively little turnover of staff, which is to be expected in the current economic climate. The offices visited all had relatively stable staff cadre – the only people leaving were those who were fired for dishonest activities. Staff appear to be computer-literate with some being innovative in setting up systems to fulfill the needs of their individual organizations.

Salaries for inspectors are in the region of 10,000 to 20,000 dram/month (while PFB for a 4-person family is 8,200 dram). When asked the main reason given for staying in their jobs staff normally gave the lack of alternative employment as the reason. A number of staff indicated that they stayed as they were committed to providing a social service. MOSS does not have an up to date database of personnel, so it is difficult to get an exact figure on staffing. It would appear, however, that a very high percentage of staff is female but low percentages hold management positions. There is no stated promotion policy and no career paths for any posi-

tions. Directors of RSSCs are appointed by the Marzpet, as are all staff of the Social Assistance Departments of the Marzpetarians. All staff in the RSSCs are hired by the Director of the RSSC.

Most Directors or Managers do not appear to have had any management training with the notable exception of the RELS where the TACIS project has initiated a management-training program. In the SIF, managers regularly attend the school of management in Yerevan University (these courses are funded by the state budget, whereas “private” courses need to be paid for by the Fund itself). The value and effectiveness of these courses needs to be assessed.

### 1.15. JOB DESCRIPTIONS/INSTRUCTIONS

Due to the short timeframe of this review, only the job descriptions and instructions issued to RSSC staff, and in particular those of the administrator and inspector were analyzed. In general these are quite comprehensive and lay down in some detail the duties of these grades of staff. But there are clear weaknesses. The instructions on the protection of privacy of personal data are particularly poor. Staff are required only “To maintain the privacy of applicants and families”. In addition they lack any reference to the need for impartiality, avoidance of conflicts of interest, the unacceptability of taking bribes and gifts from applicants and a prohibition on the use of information gathered in the course of their work to further their private aims. This is something that should be incorporated into a code of conduct applicable to all social security workers and indeed all public sector workers.

### 1.16. STAFFING LEVELS AND WORKLOADS

The approximate staffing levels of the various offices are set out in the table below:

MOSS HQ	160
SIF HQ	200
RSSC LOCAL OFFICES	550
SIF LOCAL OFFICES	520
RELS LOCAL OFFICES	470

In addition MOSS has responsibility for a number of orphanages, homes for the elderly, rehabilitation hospitals, a stress research unit and clinic and a number of joint stock companies. In total the number of staff, including these operations is estimated at 3,500.

In the RELS offices it has been difficult to assess the workload of each staff member. The TACIS project has been unable to obtain an accurate figure on this as yet. There are wide variations between offices from 200 registered unemployed per staff member to 1,000 registered unemployed per staff member. In the SIF offices In the pensions departments, the staffing normative is said to be one employee per 5000 pensioners – the central Yerevan office had 12 inspectors dealing with 32,000 pensioners.

In the RSSC offices the recommended workload is one inspector for each 10,000 inhabitants in urban areas and one inspector for each 14,000 inhabitants in rural areas. Workloads in the RSSC offices visited varied considerably – in the Poverty Family Benefit system it ranged from over 2000 families per inspector (not all of whom receive PFB) to around 800 families per inspector. On average, a third of families registered annually receive PFB. Staffing normatives for Yerevan, Gyumri and Vanadzor are 8,000 people (not families) per inspector, and for the rest of the country they are 12,000 people per inspector – that is people registered of whom only a proportion are entitled to benefits. Given that inspectors generally count the number of applications, i.e. families, but the normatives refer to individuals, it is difficult to establish the degree of variance between actual and recommended staffing levels.

### 1.17. OTHER ACTIVITIES

Some social work activities take place in RSSC but these are rather haphazard and depend largely on the (often very considerable) commitment of individual inspectors and managers.

The RSSC office management have plans to establish some social services, such as centers for old people or soup kitchens for children, however they lack funding and in general they were looking for NGO’s to support these activities. RSSC are also involved in the distribution of humanitarian aid but only to the extent that they monitor the distribution to ensure that the correct amount of goods is distributed to those categories on lists supplied on request to donors.

## 2. SWOT ANALYSIS OF THE CURRENT SYSTEMS

A SWOT analysis is an effective method of identifying the Strengths and Weaknesses of an organization and to examine the Opportunities that exist and the Threats an organization faces. To carry out a SWOT analysis one needs to ask the following questions:

### *Strengths*

- What are the advantages of the organization
- What does it do well

### *Weaknesses*

- What could be improved
- What is done badly
- What should be avoided

### *Opportunities*

- Where are the good chances facing the organization
- What are the interesting trends

### *Threats*

- What obstacles does the organization face
- What are other organizations working in the same field doing
- Is the public climate or political climate in a state of change
- Are technological advances threatening your position
- Does the organization have cash problems

When dealing with complex situations in a limited amount of time and analysis using the SWOT technique provides a framework for identifying critical issues. Carrying out a SWOT analysis is very illuminating- both in terms of pointing out what needs to be done, and in putting problems in perspective. This SWOT analysis was carried out by two AST team members and is based on personal observation and interviews with managers and staff in a number of offices together with interviews with a number of Department Heads in MOSS. In addition a TACIS consultant carried out a SWOT analysis of the RELS in July 2000 and the results of this were incorporated into this analysis.

### 2.1. STRENGTHS

There are a considerable number of strengths in the existing systems:

- Much of the decision making process and databases of applicants are computerized;
- A high number of staff are familiar with and able to use computers in MOSS HQ, SIF HQ and in RSSC and SIF offices;
- Security of computer equipment in offices is adequate;
- There are some excellent innovative managers working in local offices;
- Staff are committed to their work;
- Communication exists between the different systems, although it is mainly an input into the national database;
- PAROS is a powerful assessment and anti-fraud tool;
- Nationwide network of media which allows people to be informed of the programs of social assistance and social insurance;
- Offices are generally well-organized with clear filing systems;

### 2.2. WEAKNESSES

- Budgets are prepared and decisions are taken without proper planning and are not based on actuarial models;
- There is little consistency of approach in local offices
- There is no planned approach to information dissemination, public education and use of the media;
- RELS local office staff are in general not computer literate;
- Unclear appeals system;

- Low salaries;
- Late payment of salaries;
- No promotion policy or career paths for staff;
- Inspectors on home visits and providing outreach services experience considerable difficulty as funding provided for this is minimal;
- Poor working conditions for staff;
- Poor reception conditions for customers;
- Little or no training programs for management and staff;
- Perception among staff that they are not consulted or asked for their opinion before major changes take place;
- No consistent recruitment policy or system of recruitment;
- Poor fraud prevention, detection and deterrence systems in place;
- Not clear how much money lost through fraud;
- Level of fraud awareness is variable – too much credence is placed on easily forged documents;
- Insufficient powers to examine companies' [and individuals] activities;
- Public perception of honesty and fairness of staff is poor;
- Contributions system is not in a position to identify contributions paid on behalf of individual employees;
- System dealing with Poverty Family Benefits has difficulty in dealing with income other than salaries;
- Excessively high levels of home visiting with little evidence of concrete results;
- PAROS system allows variable qualities of decision making;
- Privacy problems with PAROS;
- Workloads are very variable – some offices appear considerably overstaffed others are understaffed;
- Computer systems only communicate through national database;
- Insecure postal system means that many working days lost through traveling to submit disks or documents to HQ organizations;
- Variable levels of computerization in offices;
- High levels of out of order computers, printers and photocopiers;
- The number of computers in each office are insufficient for the workloads;
- Funding problems with office supplies and services- no paper in some offices and telephone and electricity accounts in arrears;
- Lump Sum Payment allocation appears to be haphazard; sometimes allocated mechanically rather than by serious consideration;
- No code of conduct for social security staff and related public sector workers and
- Lack of an effective management information system.

### **2.3. OPPORTUNITIES**

- There is considerable donor goodwill which could be tapped to assist in reform and restructuring of the systems;
- There are reform projects underway with USAID/PADCO, TACIS, Gtz, Swedish SIDA and World Bank which will address many of the weaknesses;
- The creation of the MOSS Information Center (NEMRUT), assisted by PADCO is a unique opportunity to begin the creation of a common database for all social insurance and social assistance programs;

- A draft Civil Service Law has been prepared by GOA and it is anticipated that this should become law in 2001;
- MOSS management is committed to reform and enthusiastic about creating improved systems;
- MOSS management demonstrate a willingness to consult with staff on changes in systems and operations;
- Many talented professional people working in the system already; and
- Improving economic circumstances in the country should contribute to a more cost-effective system becoming possible.

#### **2.4. THREATS**

- Pessimism among management and staff that the economic situation in Armenia will become worse;
- Fears about redundancies;
- Delays in collecting revenues from employers, and into the state budget in general
- Vulnerability to major changes in government policy (e.g. the proposed reduction of the employers' contribution rate from 28% to 15%)
- The reforms are part of a long-term program – enthusiasm needs to be maintained
- Conflicting advice being given by different donor organizations.

#### **2.5. SUMMARY**

To summarize, the existing benefit and pensions systems in Armenia have been quite effective in protecting the most vulnerable from the effects of the economic climate in the country, and there are many positive aspects to the systems already. However, there are a number of areas where they could be more effective in ensuring benefits are paid to the right people, and making best use of resources to ensure that the right help is available to the population when they need it.

The areas that particularly need to be addressed to improve administrative effectiveness include management training, better internal and external communication, fraud awareness, the appeals and complaints process and making the services more customer-friendly. The TACIS program on Assistance to Employment Policy has addressed a number of weaknesses in the RELS offices providing policy advice on employment service funding, advice on legislation, customer service training, management training and financial management.

#### **2.6. ACTIONS BY THE AST PROGRAM TO ADDRESS THE WEAKNESSES**

The AST program has begun to address many of the above issues with considerable success and will continue to assist MOSS to address the weaknesses and build on the strengths. To date PADCO has made considerable advances by providing the following assistance:

- Appeals- A report, outlining the deficiencies of the current system, describing best international practice, recommending changes and containing a workplan, has been prepared and is being considered by MOSS;
- Training- A one-week training program was developed and delivered to all Directors and Administrators of RSSC offices and on the recommendation of the AST team a MOSS Head of Training was appointed to co-ordinate and develop training for RSSC, RELS and SIF and the Ministry itself. PADCO has also supported a training program for the NSS;
- Improvement of system processes- A legal manual containing all legal acts relating to social protection in Armenia has been prepared and will be published and made available in all offices. A staff manual for the RSSC offices is nearing completion and will again be issued to all staff to ensure consistency of approach;
- PAROS database-Work on the transfer of the database from the Mergelyan Institute to the MOSS Nemrut Center has begun and will be completed by October 31<sup>st</sup>, 2001;
- Public education- A local AST consultant on public education has begun working closely with MOSS on developing a public education strategy;
- Personification-Appropriate MOSS staff have been on a visit to Moscow to study the Russian experience in implementing personification. A work-plan on personification has been prepared;

- PIN- The AST team have prepared a preliminary work plan for PIN implementation which will include provision of computers and related equipment;
- Privacy-A Law on Privacy has been drafted and submitted to GOA;
- Actuarial skills- An actuarial model of the Armenian Pension system has been designed, actuarial training has commenced and a permanent actuarial training program will commence in Yerevan State University in September 2001;
- Public Attitudes – A baseline survey of public attitudes, yielding valuable information, has been completed and will be followed up, using the same panel of respondents, every six months;
- Annual Survey of Household Income and Expenditure Survey- Recommendations on improving this survey have been provided, computers have been provided to the NSS and AST staff are working with NSS staff to automate data entry and processing.

All of the above activities are ongoing, other supportive activities have commenced and further activities are planned and all of these will strengthen MOSS capacity to implement reforms in a planned strategic manner.

### **3. RECOMMENDATIONS FOR REFORM**

#### **3.1. OBJECTIVES FOR REFORMING THE SERVICE DELIVERY SYSTEM**

The objectives of the current review are to ensure that the administration of state benefits and pensions is effective in targeting these payments in a customer-friendly way at those people and only those people who are entitled to them (the World Bank is currently reviewing the PAROS formula itself).

In addition given that RSSC offices that do not appear to carry out specific social work activities currently administer Poverty Family Benefits, capacity needs to be created for this to take place.

#### **3.2. OPTIONS FOR REFORM**

There is a range of possible options to address the issues outlined, which are discussed in more detail below:

1. Administrative effectiveness
  - 1.1. Improve procedures, training & communications
  - 1.2. Improve procedures, training & communications and train fraud specialists for each office
  - 1.3. Improve procedures, training & communications and create a fraud and audit body directly responsible to the Ministry.
2. To make the systems customer-friendly:
  - 2.1. Bring the three benefit paying organizations together in one location
  - 2.2. Create a new benefit paying organization which deals with all social benefit claims and payments

#### **3.3. ADMINISTRATIVE EFFECTIVENESS**

##### *Option 1.1. - Improve Procedures, Training and Communications.*

Clear written guidance and training on how to process applications, how to target visiting effectively and how to deal with applicants (including how to explain eligibility conditions for benefits and how to deal with difficult situations) would improve the effectiveness of the system considerably. Even greater effectiveness could be achieved by a linked communications system between all benefit systems and headquarters organizations thus increasing the rate at which information is shared, and avoiding the need for employees to travel throughout the country, often several times per month, delivering information. Current computer systems are sufficiently simple, and modern computers are sufficiently powerful that, in the interim, all existing systems can be worked on from the same computer, prior to a longer-term full integration of all computer systems.

##### *Option 1.2. - Train fraud specialists for each office.*

Fraud prevention specialists in each office would contribute greatly to the efficiency of the services. These specialists would be able to carry out their own investigations and provide advice and guidance to staff working on benefits; being based in regional offices they would be easily accessible. However, it is unlikely that there would be more than one such expert in each office and they might therefore work somewhat in isolation. In addition, such specialists should be paid adequate salaries to ensure some resistance against corruption, and this could create internal stresses in the regional office. (A method of encouraging staff and fraud

specialists to work jointly on fraud issues could be the use of a percentage of the fine paid by offenders for improvements to the local office).

*Option 1.3. - Create a fraud and audit body directly responsible to the Ministry (or indeed the Government, given that the SIF is responsible to the Government and not MOSS)*

In contrast to Option 1.2, this would create a body that would be independent of local managers and would report to the Ministry. A branch of this body could be based at each Marz and be responsible for all fraud investigations, whether they relate to contributions, benefits or pensions, in that Marz. As a result they would quickly build expertise in dealing with all aspects of fraud. They could spend a day per week in each RSSC to ensure accessibility. This option would be the most effective way of delivering benefit savings and increasing contribution revenue, especially if the organization was set rigorous annual performance targets while at the same time discouraging over zealotness.

This will ensure that applications are processed effectively and legally, that staff are well trained and information is transmitted speedily and accurately. In addition it will allow the establishment of a highly skilled team of fraud and audit experts who will not only develop strategies to reduce internal and external fraud, but will also be able to make recommendations on improving security. The Fraud and Audit Team could conceivably be constituted from staff currently based at Marzpeterans – this work is not dissimilar to the work currently being carried out by a number of the employees in the Marzpeteran social services department; however, it would cover all benefits. There have been some suggestions that a Fraud and Audit Control Team should be completely independent of MOSS and the function should be given to an outside body. This would be extremely expensive to operate and difficult to police and it is considered that it is more advantageous to build MOSS capacity to prevent, detect and deter fraud.

Specific recommendations to implement this option include:

1. (Social Security Benefits)
  - 1.1. Application forms should be completed at the beginning of each claim to benefit, whether the applicant is likely to be entitled or not.
  - 1.2. All decisions on entitlement must have a legal basis (e.g. providing evidence for denying benefit after a home visit).
  - 1.3. Methods of establishing data on unregistered income, or income from abroad need to be established.
  - 1.4. Home visits should be targeted to “suspicious” cases in addition to a number of visits each month to randomly selected applicants.
  - 1.5. Consideration will need to be given to privacy aspects of the PAROS system where it contains information on people who are not claiming benefits.
2. (Pensions)
  - 2.1. Individual employees contributions records need to be clearly identifiable
3. (All services)
  - 3.1. Decisions on entitlement, rejection or termination should be given in writing with clear guidance on how to appeal.
  - 3.2. A code of conduct for all workers in the benefits and pensions systems should be introduced.
  - 3.3. All employees of all services need to be constantly aware of the need to prevent fraud.
  - 3.4. Introduce modem links to Information Center and headquarters organizations as appropriate.
  - 3.5. Management Information Systems to be reviewed in light of improved communications
  - 3.6. Management and staffing levels, and workloads to be reviewed in view of more effective procedures to identify better ways of using staff available
  - 3.7. Review means of distributing benefits – are there more effective ways than using postmen delivering benefits to applicants?
4. (Fraud)
  - 4.1. Fraud departments should be responsible directly to MOSS.

- 4.2. Fraud staff must have powers to investigate cases from beginning to end i.e. the fraud case should not have to be passed to another official until it is fully investigated
- 4.3. In addition to investigating fraud and auditing, fraud staff should provide regular training of staff at local offices.
- 4.4. Fraud staff need to be well paid. In fact all staff should be adequately recompensed for their work. Low salaries and late payment of salaries contributes to internal fraud and bribe taking. A percentage of each fine imposed on offenders should be shared between the Fraud Department and the regional office with which the offending applicant is involved, for improvements to those offices.
- 4.5. Ministry officials should audit the work of fraud officers regularly.

### **3.4. MAKING THE SYSTEMS MORE CUSTOMER FRIENDLY**

There are some efforts made in the current systems for paying pensions, unemployment benefit and family benefits towards a more customer friendly approach. Some offices have installed chairs in waiting areas and a small number of RSSC offices do some outreach work. However, people in receipt of more than one of these benefits or pensions have to visit a number of offices to obtain certificates relating to other benefits; they often have to wait in cold, dark areas; they may not understand why they do not receive a certain benefit (particularly so in the case of poverty family benefit) and they may have to wait for some time to have entitlement confirmed. In most offices of the SIF or RSSC almost 90 percent of the customers are women and sometimes they are pregnant, have small children with them or are under pressure to be dealt with speedily as they are needed in their home. (In the RELS offices as 64% of the registered unemployed are women there are a high percentage of female customers also). When customers were questioned most indicated that it was not their first visit to the office in connection with their application as they had to return with further documentation and most had been waiting over an hour and in some offices three hours. Many traveled long distances to reach the office and then discover that they need additional documentation and have to return on another day. Most complaints from customers relate, in the first instance, to delay in payment of benefits but the next category of complainants are those who are demanding more information; why was PFB not granted; why was PFB terminated; why am I not eligible for PFB? This indicates a lack of information and lack of clarity of information. Customer service could be improved by:

- Simplification of benefit eligibility conditions;
- Improving database linkages to ensure reduction in the need to produce certificates and documents;
- Provision of clear understandable information-posters, leaflets, brochures at all offices and post offices, Marzpeteran and all locations where people gather in the community;
- Better use of the media, TV, radio, public meetings to ensure that information is presented in a clear, customer friendly manner;
- Establishing a clear accessible appeals system;
- Training staff in customer management to include conflict resolution training;
- Provision of regular technical training sessions for staff where the application of current laws and subsequent amendments are explained and discussed with practical examples and appropriate testing to ensure application of knowledge is consistent
- Provision of basic legal knowledge for all staff to cover their rights and responsibilities and customers rights and obligations;
- Providing outreach to improve access and
- Improving customer reception facilities in offices.

## **4. CREATION OF AN INTEGRATED SOCIAL SERVICE CENTER (ISSC)**

### **OPTION 4.1. CREATE A NEW BENEFIT PAYING ORGANIZATION WHICH DEALS WITH ALL BENEFIT CLAIMS AND PAYMENTS**

This could streamline benefits and pensions systems considerably, especially if there were multi-skilled inspectors dealing with applications for all types of benefits. There may be a number of obstacles to such a

proposal including the fact that two of the three organizations carry additional tasks also, e.g. the Social Insurance Fund also collects contributions from employers and the RELS carries out labor market activities. The SIF is responsible to the Government of Armenia whereas the other two organizations are responsible to MOSS.<sup>12</sup> Funding for pensions and unemployment benefits come from the social insurance fund whereas family benefits are paid from the state budget. The advantage of achieving this at the same time as co-location would be (perhaps) a smoother transition, but realistically this could only be achieved if there was a will to co-locate nationwide – it is not something that could be tested in just one location.

#### **OPTION 4.2. BRING THE THREE BENEFIT PAYING ORGANIZATIONS TOGETHER IN ONE LOCATION**

This would immediately improve customer services. Applicants would have to attend one location for all their benefit and pensions needs. All computer work could be concentrated in a computer center where specialists could be trained to input information into all the relevant computer systems and information on receipt of other benefits could be retrieved immediately from these computer systems without the need to write out certificates. There are opportunities to create a single data processing unit to process all applications for benefit and pensions. This would reduce opportunities for internal fraud, if properly organized. It would also free up inspectors to concentrate on dealing with customers and investigations of problem or suspicious applications. Together with improving administrative effectiveness this could also free up some inspectors to become more involved in social service type activities and who would provide help, advice and guidance that would not be connected directly to applications for benefits. There may also be scope for other organizations such as NGOs, who are focused on social service provision, e.g. care of the elderly, to be based in this building. Clearly this option would be very labor and cost-intensive in planning and implementation, but could in the long-term provide a much improved and streamlined service.

While a joint office is being piloted, it is unrealistic to expect a single organization to be created for just one site. This would cause considerable complications in terms of lines of accountability, and communication. However, the organizations sharing the building should be able to jointly carry out some functions such as reception duties, outreach work and computer input, and they should aim to move towards having flexible staff who are willing and able to carry out a variety of tasks.

In some parts of the country, it may be necessary to ensure that the physical areas covered by each organization are the same, to prevent applicants having to visit another office at a considerable distance to deal with their benefit or pension entitlement.

In order to explore the possibility of creating a pilot one-stop shop for social services in Lori Marz, an analysis was carried out of the operations of the RSSC, RELS and SIF offices in Vanadzor. There was considerable enthusiasm for joint working, together with high levels of commitment to develop better services for the people of Vanadzor. Given the depressed economic circumstances of the Vanadzor area the facilities that could be provided by one combined center, which could conceivably also provide some social care or health-care services, would contribute greatly to real improvements in the social sector in Vanadzor. The centers in Vanadzor cover both the urban area of 15 communities as well as the rural area of Gugark with 21 villages. This therefore reflects the variety of environments that exists throughout Armenia.

#### **4.3. SPECIFIC RECOMMENDATIONS RELATING TO LORI MARZ PILOT**

Specific recommendations relating to creating a Lori Marz pilot Integrated Social Service Center (ISSC) include:

1. Establish an Advisory Group consisting of representatives from MOSS and representatives from the RSSC, RELS, SIF and SMEC at local level together with representatives from the Marzpeteran Social Assistance Department and NGO's to ensure local management buy-in to the pilot and to ensure the involvement and support of local management and staff.
2. Establish a computer system, which has capacity to deal with all benefits/pensions/employment services and contributions systems, and may have scope for expansion to take on transmission of health service information.

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<sup>12</sup> The MOSS has submitted to the GOA a proposal that would bring the SIF more directly under MOSS.

3. Provide Management Training which would include such training program topics as; Conflict Management, Team Building, Time Management, Managing Meetings Effectively, Project Management, Effective Supervision and Customer Service.
4. Provide joint training for all staff to help forge ISSC identity. Training should be provided on such topics as: Customer Service, Working in Teams, Dealing Effectively with Conflict, Coping with Stress and Work Pressures, Basic Legal Knowledge, Effective Supervision (for administrators).
5. Provide some elements of cross-benefit training for staff to ensure that some staff in the ISSC are multi-skilled.
6. Consult with a representative cross-section of the likely customers of the ISSC to identify their needs. This can be done using a customer panel, a focus group, local surveys, exit surveys, public meetings or a combination of all of these methods.
7. Consider the needs of needs of jobseekers and organizations that need to discuss their Social Insurance Fund contributions in addition to benefit and pension applicants.
8. Develop a local public information campaign for Lori Marz to inform the population about the planning for and implementation of the ISSC.
9. Identify and consult with active local NGO's who are active and interested in becoming involved in social service delivery, outreach and information provision.
10. Build strong relationships and effective links with the TACIS Support to Employment Policy Project and the TACIS Strengthening Regional Development both of which are active in Lori Marz.
11. Make effective use of Donor activity in Lori Marz to ensure co-ordination and best use of resources available.
12. Identify linkages to the Health Sector (some have been already identified).

## 5. SUMMARY

To improve effectiveness of social services and state benefit or pension payments in Armenia, a number of steps will have to be taken. These include the improvement of current methods of assessing and administering benefits and pensions, the creation of a strong and effective fraud and audit unit, a training program for staff and management, improvements to the appeals systems, the establishment of initially joint premises, and in the longer term a joint organization for benefits payments.

Clearly there are many planning, staffing, training, and organizational implications. While some of the proposals can be implemented relatively quickly, others may take some time. A work plan for the establishment of a pilot Integrated Social Service Center will be developed by the work group referred to above.