



SUCCESS STORY

Keeping Track of Individual Pension Contributions



Photo: SPSS

MLSI key staff cheers as Valery is handing description to the MLSI Deputy Minister Artem Asatryan



Photo: SPSS

The value of commitment by the decision-makers cannot be overestimated

The Government of Armenia (GOAM) has been considering pension reform options for many years, and USAID has supported several different initiatives to assist this process. GOAM appointed a Pension Reform Working Group (PWG), which had already initiated its work when the SPSS project started in January 2007. The SPSS pension experts worked closely with the PWG as it developed pension policy. The SPSS project has assisted the Government of Armenia's Pension Reform Implementation Working Group in a number of areas. In previous months, the project has assisted in modeling pension system finances and drafting legislation.

In August 2008 the PWG delivered the final draft of its White paper and was disbanded. It was replaced by a Pension Reform Implementation Working Group (PRIWG), which is charged with developing draft laws and necessary procedural reforms to implement the new pension system. GOAM Decree N 1487-N of 13 November, 2008 set forth the reform program. Four draft laws have been prepared by the PRIWG and delivered to GOAM on 3 April, 2009. The pension reform is part of an overall income tax reform that will introduce individual recordkeeping of income taxes and pension contributions by the State Revenue Committee (SRC). The new pension system, and the reformed income tax system, will require the SRC to keep track of individual income tax payments and individual pension contributions. In the current system, employees of an employer pay income taxes in a lump sum, and there are no individual accounts for citizens. The new income tax system and the new pension system will change that and will require the SRC to establish individual accounts for all workers. The most fundamental tool for implementing the reform will be computer software that makes it possible for the SRC to collect and direct individual contributions of Armenian citizens to the asset manager they have chosen.

The SPSS team has mobilized considerable resources to develop specifications of the new information system that will be required by the State Revenue Committee to operate the new pension system. In the first quarter of 2009, the project undertook analysis of the business process that will be necessary for the new system. After a detailed overview of the business process, it was possible to prepare specifications of the information management system to support that business process. SPSS mobilized an international, multi-disciplinary team and completed specifications as promised by the end of March. The team included full time SPSS staff Valery Dmitrushchenkov, Vahagn Harutyunyan, Hasmik Ghukasyan, Gayane Dallakyan and Anna Ter-Ghukasyan, as well as Peter Ratcliffe, a specialist

working for SPSS on a short term basis who has significant experience in establishing similar information management systems in other countries, most recently in Macedonia. Armenian experts initially met Mr. Ratcliffe on a study tour on pension implementation in Macedonia, organized by SPSS in May 2008. A follow up study tour by SRC is planned as well for May, 2009.

The SPSS Project aims to strengthen Armenia's social protection systems, to improve Government of Armenia and NGO institutional and human capacity within the scope of the USAID/Armenia Mission Strategic Objective of improved social protection.

The project offers international and Armenian technical assistance in four key social protection areas; social insurance, employment services, occupational safety and labor protection and social assistance. It aims to facilitate transition to self-reliance and sustainability, while reducing citizens' dependence on public support to meet their basic needs.