

Armenia

The Development Challenge: Armenia's socio-economic and democratic transition has been hampered by the legacy of central planning, severe economic shocks arising from the collapse of the USSR, and reluctance of national decision makers to undertake critical reforms to restructure the economy. In the political sphere, flawed presidential elections in 1996 and 1998 contributed to widespread public cynicism. Government of Armenia (GOAM) inability to address many key social safety net issues and a lack of citizen involvement in the policy dialogue process have sustained this cynicism. The key political party in the coalition that supports the president won a large majority of the October 2002 local government elections, and opposition leaders have accused this party of numerous, widespread election irregularities. An additional impediment to Armenia's emergence as a free market democracy has been the ongoing conflict with Azerbaijan over the predominantly ethnic Armenian enclave of Nagorno-Karabakh (NK). As a result of this conflict, Azerbaijan and Turkey imposed blockades across the borders they share with Armenia. The blockades have produced regional isolation, and this has significantly affected Armenia's economic development, since Turkey and Azerbaijan offer important trade routes and should be significant trade partners. Successful resolution of the situation would allow the reopening of trade routes, making Armenia more attractive to potential investors.

Government data show an increase of 11 percent in gross domestic product (GDP) for the first nine months of 2002, with an especially large increase in construction and manufacturing sectors. By the end of 2002, Armenia's inflation rate was well below the three percent target. Exports are growing rapidly and the external deficit should narrow significantly. The trade deficit for January - September 2002 contracted by 16.1% compared with the same period the previous year, amounting to but \$318.9 million. Official unemployment decreased from 10.9% in 2000 to 10.1% in 2001 and 9.5% (January - September 2002) in 2002, although these figures do not include underemployment and are widely thought to underestimate the actual level, estimated at triple the official figure. Despite the steady macroeconomic progress reflected in consistently high growth and low inflation rates, the standard of living for Armenians in poverty is not improving. Fifty one percent of Armenians live below the poverty line, with 16% considered extremely poor and spending less than \$22 a month.

The issue of corruption is one of the most acute problems in Armenia. There is an imbalance of power between the three branches of government resulting from a lack of effective checks and balances, leading to Executive Branch domination. This is compounded by a fusion of political and economic power within the Executive Branch that blurs the line between public and private sectors, enabling the widespread corruption evident in Armenia today.

Since its independence, Armenia has emerged as a strategically important country in the Caucasus, and its progress towards becoming a stable, European-oriented, democratic country with a transparent, market-based economy is important to U.S. security and economic interests in the region. In addition, a settlement of the NK conflict and a rapprochement between Armenia and Turkey are both important U.S. foreign policy goals. U.S. ties to Armenia are many and varied, ranging from the cultural bond of the large Armenian-American Diaspora community to diverse personal connections, commercial interests, and broader political relationships.

The USAID Program: USAID assistance focuses on: restructuring the economy, developing the private sector, reforming the energy sector to promote economic and environmental efficiency, strengthening democratic governance, improving social welfare and health systems, and reducing the number of families living in temporary shelters as a result of the 1988 earthquake. USAID's cross-cutting program supports efforts under these program areas, including a human capacity development activity, a regional program on water management issues, and a grants program to promote economic growth, good governance, civil society, and the media. USAID has provided some humanitarian assistance, primarily targeting the most vulnerable populations and the victims of the 1988 earthquake. While USAID's assistance has contributed to the legislative framework necessary for a democratic, law-based, market economy, the implementing institutions still lack the capacity to carry out and enforce their mandates.

Therefore, much work remains to be done in order to help Armenia achieve prosperity for many of its citizens.

Other Program Elements: In addition to the FSA-funded elements of the bilateral program described in this document, USAID is carrying out a farmer-to-farmer assistance program in Armenia that provides short-term, U.S. volunteer technical assistance to increase farming and agribusiness productivity and incomes.

Other Donors: The United States is the largest bilateral donor. The second largest bilateral donor is Germany (private sector, small and micro enterprise development, export promotion, infrastructure development, public administration, and education). Other bilateral donors include France (education and culture), United Kingdom (public sector reform, civil society, and support for the national census), the Netherlands (agribusiness), Japan (private sector development and technical assistance), and Italy (health and culture). The largest multilateral donor is the World Bank (WB) (natural resource management and poverty reduction, foreign investment and export promotion, information technologies, economic infrastructure, education, health, social sector, agricultural reform, municipal development, transport, and judicial reform). WB and USAID activities complement each other's efforts in most sectors -- particularly social, judicial reform, and information technologies development. Other multilateral donors include (a) the International Monetary Fund (macroeconomic policy); (b) the United Nations network of agencies - United Nations Development Program (poverty reduction, democracy and governance, post-crisis management, infrastructure, and information technologies), United Nations High Commission for Refugees (refugee support), United Nations International Children's Emergency Fund (health and education), World Food Program and World Health Organization; (c) European Union (civil society, social sectors, energy, education, private sector development, land titling and registration, agriculture, statistics and transport); and (d) European Bank for Reconstruction and Development (enterprise credit and energy). Most donors participate in formal monthly donors' meetings, co-chaired by the WB, UNDP and USAID. Over 20 sector-specific theme groups meet periodically as well, reporting critical technical and policy information to the donor coordination group. There are also several Armenian Diaspora donors, the largest of which is the Lincy Foundation (road network, Yerevan public works restoration and improvements, tourism, and earthquake recovery). The Soros Foundation is also active in Armenia (civil society, education, public health, culture, media, and judicial reform).

Armenia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
FREEDOM Support Act	90,811	90,200	70,000	49,500
PL 480 Title II	742	911	0	0
Total Program Funds	91,553	91,111	70,000	49,500

STRATEGIC OBJECTIVE SUMMARY

111-0130 Economic Restructuring				
FSA	15,350	15,800	14,306	12,162
111-0150 Energy Sector Reform				
FSA	6,000	2,600	6,524	5,725
111-0160 Water Management				
FSA	500	2,400	2,190	2,170
111-0210 Democracy and Governance				
FSA	9,475	9,450	6,757	6,100
111-0340 Social and Health Sectors				
FSA	14,472	15,471	9,973	7,858
111-0411 Earthquake Zone Recovery Program				
FSA	6,950	5,113	2,563	0
111-0420 Cross-Cutting Programs				
FSA	5,444	4,882	4,287	3,405
TRANSFER				
FSA	32,620	34,484	23,400	12,080

Mission Director,
Keith Simmons

Data Sheet

USAID Mission:	Armenia
Program Title:	Economic Restructuring
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	111-0130
Status:	Continuing
Proposed FY 2003 Obligation:	\$14,306,000 FSA
Prior Year Unobligated:	\$6,714,000 FSA
Proposed FY 2004 Obligation:	\$12,162,000 FSA
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2004

Summary: USAID's program to facilitate the growth of a competitive private sector includes training, technical assistance, grants and limited commodity support (a) to foster the development of a policy, legal, and institutional environment conducive to private sector activity; (b) to increase access to financial capital for Armenian companies and entrepreneurs; and (c) to increase the capacity of private enterprises in selected sectors to conduct business.

Inputs, Outputs, Activities:

FY 2003 Program:

Strengthening policies, laws, and institutions for private sector activity (\$5,545,000 FSA). USAID is working to strengthen and make more transparent tax, fiscal, and customs regimes by: facilitating a more efficient tax administration with a high level of taxpayer compliance; creating a modernized customs administration; reforming fiscal relations between the central government and the municipalities; and strengthening budget and accounting systems. USAID is also providing support to strengthen the abilities of accountants and auditors working in the private sector. USAID will launch a new commercial law activity to facilitate legal and regulatory reform efforts intended to improve the commercial environment for trade, investment, and economic growth including enhancements to collateral, company and contract laws, banking, and intellectual property rights. Principal contractors/grantees are: BearingPoint and Institute of Chartered Accountants of Scotland (primes), and Metametrics (sub).

Access to financial capital (\$1,888,000 FSA). USAID is facilitating the development of capital market institutions that meet internationally accepted standards, helping to create a cadre of professionally competent brokers/dealers, and working to strengthen the capacity of the Armenian Development Agency to increase foreign direct investment for Armenian enterprises. USAID will continue to work with the Central Bank to adopt risk-based supervision practices employed in developed countries. In addition, USAID will initiate a new program to strengthen micro-enterprises that will include a component to provide small loans for working capital. Principal contractors/grantees are: IBM Business Consulting Services and BearingPoint (primes), and Metamatrix (sub).

Technical assistance to micro, small, and medium enterprises (\$6,873,000 FSA). USAID's program focuses on strengthening the capacity of private enterprises in selected sub-sectors, including information technology (IT), agribusiness, and tourism, to explore and identify new business opportunities and ultimately to create new jobs. USAID also will launch a new program to help micro-enterprises strengthen and expand their businesses. Principal contractors/grantees are: International Executive Service Corps, Development Alternatives, Inc., and SETA Corporation (primes).

FY 2004 Program:

Strengthening policies, laws, and institutions for private sector activity (\$6,442,000 FSA). USAID intends to continue those activities described for FY 2003. For commercial law, the emphasis may shift more towards strengthening institutions that implement commercial laws and policies rather than on legislative

drafting. In addition, USAID plans to complete activities for private sector accountants and may initiate a new program to strengthen government accounting procedures.

Access to financial capital (\$2,276,000). USAID intends to continue the activities described for FY 2003.

Technical assistance to micro, small, and medium enterprises (\$3,444,000 FSA). For small and medium enterprises, USAID intends to launch a new program that will target those sectors determined to have the greatest potential to provide for expansion and increased incomes. Pending the result of an assessment, USAID may launch a new program for labor markets that could focus on factors affecting current and projected demand for labor, obstacles to job seeking, and preparedness of the labor force.

Performance and Results: In FY 2002, small and medium enterprises receiving USAID assistance significantly increased their sales by \$8.7 million, which was more than double the target of \$4 million. As a result, they were able to hire over 2,000 new employees and exported \$1.7 million more in FY 2002 than in FY 2001. USAID also provided extensive support to the GOAM working group addressing customs issues related to World Trade Organization (WTO) accession. As a result of this assistance, the National Assembly passed all amendments required to bring Armenia closer to final WTO accession, which occurred in December 2002. USAID assistance in reforming tax and customs legislation and administration led to a significant increase in tax revenues as a share of gross domestic product (GDP), rising from 14.4% in 2001 to 16.3% in 2002. This increase was especially significant in terms of actual monetary collections, as GDP itself rose by over 9% during FY 2002. Other key results include: the creation of a specialized Economic Court; a reorganization within the Central Bank's Supervision Department that increased efficiency of operations; the creation of a new certification for accountants that is fully compliant with International Federation of Accountants' standards; and an increase in contacts between Armenian and foreign enterprises that will contribute to increased exports of Armenian products.

Continued progress in this objective will create a legal and regulatory environment that will encourage greater foreign direct investment and encourage Armenian enterprises to move from the shadow economy to businesses that are registered and paying appropriate taxes.

US Financing in Thousands of Dollars

Armenia

	ESF	FSA
111-0130 Economic Restructuring		
Through September 30, 2001		
Obligations	674	124,429
Expenditures	674	104,960
Unliquidated	0	19,469
Fiscal Year 2002		
Obligations	0	16,569
Expenditures	0	15,802
Through September 30, 2002		
Obligations	674	140,998
Expenditures	674	120,762
Unliquidated	0	20,236
Prior Year Unobligated Funds		
Obligations	0	6,714
Planned Fiscal Year 2003 NOA		
Obligations	0	14,306
Total Planned Fiscal Year 2003		
Obligations	0	21,020
Proposed Fiscal Year 2004 NOA		
Obligations	0	12,162
Future Obligations	0	10
Est. Total Cost	674	174,190

Data Sheet

USAID Mission:	Armenia
Program Title:	Energy Sector Reform
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	111-0150
Status:	Continuing
Proposed FY 2003 Obligation:	\$6,524,000 FSA
Prior Year Unobligated:	\$2,665,000 FSA
Proposed FY 2004 Obligation:	\$5,725,000 FSA
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2004

Summary: USAID's energy sector program provides technical assistance and training to address the economic and environmental effects of energy management, to promote cross-border cooperation, and to support facilitation of the closure of the Metzamor Nuclear Power Plant (MNPP). Specifically, the program supports legal and regulatory strengthening and commercialization, privatization and investment attraction, energy efficiency and demand-side management, renewable energy resource development, and expansion of the energy service companies (ESCOs).

Inputs, Outputs, Activities:

FY 2003 Program:

Private sector participation in energy sector (\$2,740,000 FSA). USAID will provide support, in close collaboration with the World Bank and other donors, for the effective implementation of the Government of Armenia's privatization program, including the electricity distribution company and hydro-generation. Technical assistance and training will focus on strengthening the capacity of the independent Armenian Energy Regulatory Commission (AERC) to issue licenses to sector entities and monitor their enforcement effectively, to maintain cost-based tariffs, and to formulate and promulgate the implementation of regulations required under the Energy Law as the legal basis for an effective, regulated power market. Principal contractors/grantees are: PA Consulting, Advanced Engineering Associates International, National Association of Regulatory Utility Commissioners, and United States Energy Association (primes).

Economic and environmental efficiency (\$2,479,000 FSA). In addition to collaborating with the AERC to ensure that market-driven tariffs are in place in order that actual tariffs meet sector entity needs for full cost recovery, USAID will work with energy sector entities to strengthen their commercial operations in anticipation of their sale to the private sector or the introduction of management contracts with private sector operators. This involves efforts to ensure that all energy sector companies are using international accounting standards as well as demonstration and development of customer billing and information systems. Working with key GOAM and other sector stakeholders, USAID will help to develop policies that promote more environmentally sound energy use; it will also develop a pipeline of energy efficiency pilot projects that demonstrate reduced end-use demand through enhanced efficiency which can replace expensive new generation investments. Principal contractors/grantees are: PA Consulting, Advanced Engineering Associates International, and Alliance to Save Energy (primes).

Diversified energy sources (\$1,305,000 FSA). This program supports development of projects for alternative electricity generation that would help diversify Armenia's energy sector away from its current over-reliance on imported gas and nuclear fuel and support the GOAM in moving to close the MNPP. Despite the serious constraints posed by the current regional political situation, USAID also supports attempts to increase technical-level dialogue among regional sector specialists and enhance system efficiency through increased trade. Principal contractors/grantees are: PA Consulting, Advanced Engineering Associates International, and National Renewable Energy Laboratory (primes).

FY 2004 Program:

Private sector participation in energy sector (\$1,975,000 FSA). USAID intends to continue the activities described for FY 2003. However, there will be decreasing emphasis on privatization activities for existing public sector entities, a shift in focus to opportunities for small-scale hydro development, and limited transition support for recently privatized entities. Technical assistance and training will strengthen AERC's capacity to maintain cost-based tariffs and to formulate and effectively monitor enforcement of the power market and its members.

Economic and environmental efficiency (\$2,503,000 FSA). USAID intends to continue the activities described for FY 2003, with an increased focus on developing effective demand for and supply of energy efficiency projects and building up a sustainable market for reduced end-use energy demand on the basis of pilot demonstration activities. To support the build up of a market for energy efficiency as a key element of Armenia's strategy to enhance energy security and to obviate the need for expensive new generation investments needed to close the MNPP, USAID will work with key GOAM and other sector stakeholders to develop and implement a set of policies that promote more environmentally- sound energy use.

Diversified energy sources (\$1,247,000 FSA). USAID intends to continue activities described for FY 2003

Performance and Results: In FY 2002, electric sector collected income as percent of revenue requirements improved from the previous year's level of 70% to 76%, yet fell short of the targeted level of 83%. Excess line losses (i.e., theft of electricity from transmission and distribution systems) declined from 14% to 10%. This last result is largely attributable to USAID's assistance through its \$15 million Power Sector Metering Project; the data acquisition system associated with this project was brought into full use to manage transmission system losses. Electric and gas sector energy consumption per unit of gross domestic product in 2002 was 0.69, which marked a substantial decline from its 2001 level of 0.79 and exceeded the target of 0.73 (lower is the aim). Finally, in 2002 the electricity distribution companies were consolidated into a single entity and privatized by sale to Midland Resources Holding. Although the precise nature of the tender and sale process did not meet USAID and other donor standards for openness and transparency, the purchaser did demonstrate reasonably strong commercial behavior in closing the sale. Also, the terms of the share purchase agreement and issuance of the license were in line with recommendations by USAID and other donors. Additional key results included: assisting the AERC to develop draft Market Rules for the wholesale power market; developing a pipeline of 17 energy efficiency and renewable energy pilot projects; conducting a wind energy resources assessment; continuing partnership development with the US energy industry; and initiating participation of municipalities in the energy efficiency network for Eastern Europe and the New Independent States.

Continued progress in this objective will support economic growth and competitiveness, reduce negative sector environmental effects and promote sustainable energy management, help Armenia to address key energy security concerns, and support the United States's objective of facilitating the closure of the MNPP.

US Financing in Thousands of Dollars

Armenia

	ESF	FSA
111-0150 Energy Sector Reform		
Through September 30, 2001		
Obligations	339	92,776
Expenditures	339	75,566
Unliquidated	0	17,210
Fiscal Year 2002		
Obligations	0	1,710
Expenditures	0	7,559
Through September 30, 2002		
Obligations	339	94,486
Expenditures	339	83,125
Unliquidated	0	11,361
Prior Year Unobligated Funds		
Obligations	0	2,665
Planned Fiscal Year 2003 NOA		
Obligations	0	6,524
Total Planned Fiscal Year 2003		
Obligations	0	9,189
Proposed Fiscal Year 2004 NOA		
Obligations	0	5,725
Future Obligations	0	0
Est. Total Cost	339	109,400

Data Sheet

USAID Mission:	Armenia
Program Title:	Water Management
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	111-0160
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,190,000 FSA
Prior Year Unobligated:	\$2,312,000 FSA
Proposed FY 2004 Obligation:	\$2,170,000 FSA
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2004

Summary: USAID's program for sustainable water resources management is designed to address some of the more severe consequences of environmental degradation in Armenia. In particular, it focuses on improving the national policy framework and institutions for water management, rehabilitating selected elements of the water quality and quantity monitoring systems, and providing support to local-level initiatives to develop capacity and implement market-based solutions to water management problems.

Inputs, Outputs, Activities:

FY 2003 Program:

National policy and institutional framework for water management (\$760,000 FSA). USAID will support the development of regulations and sub-laws and work to strengthen the capacity of the associated institutional structures required to begin effective implementation of the newly enacted Water Code. In particular, USAID will provide training and technical assistance to help develop the organization, staff, and methodological systems for the Water Resources Management and Protection Agency (WRMPA) of the Ministry of Nature Protection, which has the role of issuing water use and quality protection permits. USAID will provide logistical support to the National Water Council as well as technical assistance and training to the agencies the Council designated to develop policies and legislation in areas of water system management and regulation. USAID will also provide support to decentralized water basin management bodies that have a new and key role to play in the Water Code's system of integrated water management and planning. Principal contractor/grantee is: Associates in Rural Development (prime).

Water monitoring systems (\$1,093,000 FSA). USAID will provide equipment, renovate facilities, carry out training, and furnish technical assistance to ensure restored and enhanced monitoring capabilities for 29 water quality parameters at 65 key sites in the Lake Sevan-Hrazdan River basin system, including at the regional and central environmental monitoring laboratories. Renovations and upgrades for monitoring water quantity flow and depth will be completed at ten hydro-posts, in particular at 1) the Arpa tunnel inflow to Lake Sevan, 2) the outflow from Lake Sevan, 3) the major tributary to the Hrazdan River below Yerevan, 4) the point where the Hrazdan River flows into the Araks River, 5) three border posts along the Akurian and Araks rivers, and 6) the three posts on the Debed-Khrami Basin. USAID is supplying a limited number of water meters to wholesale water supply companies, along with enhanced accounting and customer billing and information systems; this will assist them in more effectively managing bulk water supplied to irrigation and drinking water distribution companies and to gauge their readiness to develop enhanced commercial operations in support of eventual privatization. Principal contractors/grantees are: Associates in Rural Development and Development Alternatives, Inc. (primes).

Stakeholder participation in integrated resources management (\$337,000 FSA). To support strengthening local capacity in water resources management, USAID awarded grants in the following areas: public awareness; lake and river clean-up; development of a model waste water treatment system for industrial pollution; alternative water facility and bio-gas regeneration for livestock operations; and enhancement of women's participation in water management for irrigation use. These grants will be implemented during FY 2003. Additional public outreach activities and local capacity building are being

implemented to support decentralized integrated river basin management in the Debed-Khrami Basin. Principal contractors/grantees are: Associates in Rural Development and Development Alternatives, Inc. (primes).

FY 2004 Program:

National policy and institutional framework for water management (\$489,000 FSA). USAID intends to continue the activities described for FY 2003, with an emphasis on strengthening capacity at the WRMPA and providing targeted assistance on policy and program implementation to the water system management and regulatory entities. USAID also plans to continue to provide institutional-strengthening and capacity-building support to decentralized Water Basin Management entities.

Water monitoring systems (\$1,314,000 FSA). USAID intends to continue the activities described for FY 2003. It plans to complete current support for rehabilitation of water quantity and quality monitoring systems and increase its focus on working to implement metering activities to support commercialization and privatization efforts of water supply companies.

Increase stakeholder participation in integrated resources management (\$367,000 FSA). USAID intends to continue the activities described for FY 2003.

Performance and Results: In FY 2002, substantial progress was made in improving the national policy and institutional framework for sustainable integrated water resources management. In particular, USAID provided key technical assistance to support development of a new, model "Water Code of the Republic of Armenia" that became effective in October 2002. Further support was provided in developing regulations and sub-laws to implement the new Water Code, including decrees on establishing the WRMPA and on rationalizing water monitoring in the new Hydrological and Environmental Monitoring Agency. In addition, assistance helped strengthen the institutional capacity of other key Government of Armenia agencies to implement the new Water Code, including the State Committee on Water Management and the proposed water regulatory agency. Working to rehabilitate selected water quality and quantity monitoring systems, key counterparts finalized the water monitoring plan, under which USAID proposes to equip, renovate, and provide training to upgrade capacity for monitoring 29 water quality parameters at 65 sites in the Sevan-Hrazdan Basin and quantity flow and depth measurement at ten hydro posts. Upgrades were completed at the seven posts in the Sevan-Hrazdan and Debed-Khrami basins. In support of strengthening local participation in integrated water management, the first round of local initiative grants was completed; four local capacity-building grants are now under implementation. Additional local-level support is being provided for public outreach and local capacity-building to support decentralized basin management in the Debed-Khrami Basin.

Continued progress in this objective will 1) support Armenia's economic growth by promoting integrated and sustainable management of a key, scarce natural resource and 2) help to address fundamental causes of the severe ecological effects of historically weak water management.

US Financing in Thousands of Dollars

Armenia

111-0160 Water Management	FSA
Through September 30, 2001	
Obligations	2,812
Expenditures	1,458
Unliquidated	1,354
Fiscal Year 2002	
Obligations	2,438
Expenditures	1,286
Through September 30, 2002	
Obligations	5,250
Expenditures	2,744
Unliquidated	2,506
Prior Year Unobligated Funds	
Obligations	2,312
Planned Fiscal Year 2003 NOA	
Obligations	2,190
Total Planned Fiscal Year 2003	
Obligations	4,502
Proposed Fiscal Year 2004 NOA	
Obligations	2,170
Future Obligations	0
Est. Total Cost	11,922

Data Sheet

USAID Mission:	Armenia
Program Title:	Democracy and Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	111-0210
Status:	Continuing
Proposed FY 2003 Obligation:	\$6,757,000 FSA
Prior Year Unobligated:	\$4,010,000 FSA
Proposed FY 2004 Obligation:	\$6,100,000 FSA
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2004

Summary: USAID/Armenia's democracy program seeks to achieve more transparent, accountable, and democratic governance by focusing on the following program areas: citizen participation, civil society/non-governmental organization strengthening, non-State media, local governance, legislative strengthening, rule of law, and anti-corruption.

Inputs, Outputs, Activities:

FY 2003 Program:

Increasing civic participation (\$3,643,000 FSA). In order to address public cynicism, USAID will promote increased citizen participation in the decision-making process through grassroots outreach. Working with the Government of Armenia, USAID will develop additional teaching materials for civic education courses in secondary schools, expand extra-curricular civic activities, and incorporate civic education into the curriculum of the pedagogical institutes. USAID will continue technical assistance to strengthen non-governmental organizations (NGOs) and expects to award grants to 77 NGOs, including watchdog NGOs implementing anti-corruption programming. USAID will develop voter education materials, train journalists on election coverage and judges in electoral adjudication, organize candidate debates, and increase transparency of election administration. USAID will continue supporting discussion groups, initiative groups, civic action groups, and town hall meetings that bring together citizens and government officials to solve community problems. Principal contractors/grantees are: World Learning, the International Foundation for Election Systems, the National Democratic Institute, and Junior Achievement International (primes).

Strengthening non-state media (\$1,356,000 FSA). Enhancing the professionalism and financial viability of Armenia's independent media outlets will continue to be an area of focus. Some 300 journalists, editors, and managers will be trained through programs in business management, fact-based journalism, and investigative journalism. USAID will also support technical assistance for reforms to create a more enabling legal framework for the media sector. Principal contractors/grantees are: Internews and International Research and Exchanges (primes).

Rule of law/governance (\$1,758,000 FSA). Local government strengthening will continue with an emphasis on legal and regulatory reform, capacity fortification, and increased responsiveness to and interaction with citizens. USAID will expand the number of pilot cities receiving assistance and intensify technical assistance to pilot cities that show progress. Under the new Armenian Legislative Strengthening Program, USAID will continue providing technical assistance to 1) strengthen the internal capacity of the National Assembly to support legislative processes, 2) enhance constituency relations and outreach, and 3) increase public and media access to information about the National Assembly. In rule of law, USAID will work with law schools, bar associations, the judges' association, and the courts to strengthen existing codes of ethics; and it will provide training in substantive areas of law to enhance professional skills and standards. Principal contractors/grantees are: Urban Institute, Development Associates, Inc., the American Bar Association/Central European and Eurasian Law Initiative (primes), and Development Alternatives, Inc. (sub).

FY 2004 Program:

Increasing civic participation (\$2,298,000 FSA). USAID intends to continue promoting grassroots outreach, the strengthening of NGOs, and civic education to increase citizen participation. The focus of the work with NGOs will be technical assistance and grants to the more advanced and those that are advocacy-oriented.

Non-state media (\$940,000 FSA). USAID plans to consolidate technical assistance to non-State television and radio stations, newspapers, and news outlets.

Rule of law/governance (\$2,862,000 FSA). USAID plans to continue efforts to promote the rule of law and combat corruption. Based on the success of legislative-strengthening and local government capacity-building programs, USAID will determine how to proceed with further assistance in these areas.

Performance and Results: USAID activities succeeded in enhancing citizens' understanding of their rights and responsibilities by engaging nearly 30,000 citizens in FY 2002 in dialogue and action groups on issues of concern to citizens, including the legal system, community needs, human rights, tax legislation, and the means with which to engage local government officials. USAID also supported programs that enhanced the understanding of the rights and responsibilities of youth. Over 1,400 additional teachers were trained to teach courses in human rights, civic education, the responsibilities of the State, and the law. As a result, all secondary schools in Armenia now have trained teachers teaching civic education courses. USAID support for NGOs resulted in increased institutional capacity and more effective government engagement in policy dialogue; e.g., NGO advocacy resulted in changes to various legislation and policies. Support for print and broadcast media enhanced independent media outlets' professionalism and improved their prospects for financial viability. Over 350 journalists, editors, and managers were trained. The impact of this training is evident. Specifically, during 2002, news quantity (hours of news time) and financial viability of non-governmental television stations increased by 53% and 17% respectively. As a direct result of USAID training, 20% of stations started new programs, such as talk shows, public educational programs, and regional news exchanges; 15% of TV and radio stations reorganized their newsrooms; and 25% of trainees were promoted to positions with more responsibility and editorial control.

To strengthen local government and make it more responsive to citizens, USAID's local government activity is facilitating fiscal and administrative decentralization and more responsive local governance. USAID comments on the draft Law on Apartment Building Management were incorporated into the law. Through increased numbers of town hall meetings, local government officials are becoming more responsive to their citizens. In order to make governance at the national level more transparent and effective, USAID's assistance to the National Assembly helped to establish a non-partisan Research and Analysis Working Group that will 1) coordinate all research and analysis provided to the parliament, 2) consider budgetary implications of draft legislation, and 3) ensure the harmonization of draft legislation with existing laws. For the judiciary, in FY 2002, through training for legal professionals, judges, and court administrators, USAID strengthened the substantive legal skills of professionals, familiarized judges with the legal implications of Armenia's accession to the Council of Europe, and improved the efficiency and transparency of court management. In a significant step toward increasing transparency, USAID, in conjunction with the judiciary, published all decisions of the Court of Cassation and selected decisions of the Economic Court of Armenia. The decisions are also being posted on the Internet. Through legal resource centers, USAID has made legal information more widely accessible and, through legal aid centers, has helped make legal services available to the most vulnerable. USAID also facilitated outreach to citizens on the constitutional amendment process.

With the completion of this program, USAID expects 1) enhanced citizen participation in policy development, 2) increased oversight of government through NGOs, 3) greater community involvement and advocacy, 4) better availability and quality of news through improved print, television, and radio media outlets, 5) more responsive and effective local governments and the parliament, and 6) a more transparent, dependable, and effective legal system.

US Financing in Thousands of Dollars

Armenia

111-0210 Democracy and Governance	FSA
Through September 30, 2001	
Obligations	41,660
Expenditures	31,679
Unliquidated	9,981
Fiscal Year 2002	
Obligations	8,857
Expenditures	8,056
Through September 30, 2002	
Obligations	50,517
Expenditures	39,735
Unliquidated	10,782
Prior Year Unobligated Funds	
Obligations	4,010
Planned Fiscal Year 2003 NOA	
Obligations	6,757
Total Planned Fiscal Year 2003	
Obligations	10,767
Proposed Fiscal Year 2004 NOA	
Obligations	6,100
Future Obligations	0
Est. Total Cost	67,384

Data Sheet

USAID Mission:	Armenia
Program Title:	Social and Health Sectors
Pillar:	Global Health
Strategic Objective:	111-0340
Status:	Continuing
Proposed FY 2003 Obligation:	\$9,973,000 FSA
Prior Year Unobligated:	\$2,094,000 FSA
Proposed FY 2004 Obligation:	\$7,858,000 FSA
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2004

Summary: USAID's social sector program seeks to strengthen and assure the sustainability of key aspects of the social safety net and health care systems, while providing urgently needed services to the most vulnerable in selected regions of the country. Specifically, USAID provides technical assistance, training, and commodity support to: improve the efficiency of social and health care systems and the quality of services provided; reform the social safety net at the macro level, e.g., pensions, unemployment benefits, and health finance reform; better the targeting and delivery of government-funded social welfare payments and free or subsidized primary health care services; and introduce new, more sustainable approaches for non-governmental organizations (NGOs) to provide services necessary to meet basic health and nutrition needs.

Inputs, Outputs, Activities:

FY 2003 Program:

Social and health service delivery and finance systems (\$3,217,000 FSA). In FY 2003, USAID will continue to expand existing activities, focusing on supporting systemic change within Government of Armenia's institutions that are responsible for delivering health and social services. This will include ensuring that the legal and regulatory framework for sustainable financing of health service delivery and social services, including pensions and unemployment, is in place. The implementation of the Personal Code System (each person in Armenia will be assigned a number, equivalent to a social security number in the United States) will start in January 2003. The Personal Code System is linked to reforms in social insurance, social assistance, and health care finance and case management. The health information system, designed by USAID in FY 2002 to assist the Ministry of Health to manage the country's health system, will be implemented. With support from USAID, it is anticipated that the National Assembly will pass the Mandatory Health Insurance Law in early 2003 that includes steps necessary to prepare the mechanisms and regulations for phasing in a national system. Pilot testing of the prototype personified reporting system (the collection system for the social insurance contribution for each individual) will begin in May 2003. National policies and service delivery protocols for maternal and newborn care will be finalized. Principal contractors/grantees are: PADCO and Intrah (primes).

Health and social services (\$4,433,000 FSA). Four independent Family Group Practices pilot sites will be established in FY 2003. A pilot Integrated Social Service Center will be renovated and made fully operational, and lessons learned will be applied in other locations. The unified curriculum for family medicine will be completed. Activities to improve the performance of primary health care providers include opening five rural practitioner training centers. Service delivery activities will include the provision of health services to remote rural populations. USAID will continue its Health Partnerships Program, which links Armenian and American health institutions with the goal of improving quality of primary health care services. In FY 2003, USAID will implement bridging activities in HIV/AIDS/Sexually Transmitted Infections (STI) that will provide support for USAID's long-term HIV/AIDS/STI strategy (FY 2004-2008). The bridging activities will include behavior change communication programs for new military recruits, development of voluntary counseling guidelines, and training activities for counseling on HIV/AIDS/STI and treatment of STI. Building capacity in the non-governmental sector in order to expand its participation

in the delivery of social and health services will continue in FY 2003. An initiative focusing on the role of primary health care providers in addressing gender-based violence will be implemented. Principal contractors/grantees are: PADCO, Intrah, World Council of Hellenes Abroad, Armenian Assembly of America, United Methodist Committee on Relief, and American International Health Alliance (primes); Abt Associates and International Relief and Development (subs).

Nutrition and short-term employment for the needy (\$2,323,000 FSA). USAID-supported activities will include feeding programs for the poor, elderly, and school-age children. Public works programs will provide short-term job opportunities and some permanent jobs to the most vulnerable populations in rural areas while improving the infrastructure related to social and health service delivery. Principal contractors/grantees are: Catholic Relief Services, United Methodist Committee on Relief, and Save the Children (primes); Armenia Caritas and Mission Armenia (subs).

FY 2004 Program:

Social and health insurance systems (\$2,491,000 FSA). Implementation of the Personal Code System and the personified reporting system will continue. Work will also continue on improving the legal and regulatory environment for NGO participation in social assistance and primary health care. Preliminary planning for the 2005 Demographic Health Survey will begin.

Health and social services (\$3,895,000 FSA). Activities will continue, consisting of the Health Partnerships Program, HIV/AIDS/STI program, the upgrade of the quality of primary health care delivery, and the provision of medical services to rural populations. Implementation of the Family Group Practices and Integrated Social Service Centers will begin.

Nutrition and short-term employment for the needy (\$1,472,000 FSA). While the bulk of activities will be similar to those described for FY 2003, the Direct Assistance Evaluation to be conducted in February 2003 may result in some fine-tuning.

Performance and Results: Significant progress has been achieved in establishing the legal and regulatory framework necessary for social insurance and assistance programs to operate in a fair, transparent, and more equitable manner. The Law on Personal Code and the Personal Privacy Protection Law were enacted in 2002. The Pension Reform Law, created with USAID assistance, passed the third reading of the National Assembly. The Mandatory Health Insurance Law was drafted and hearings are being held. Improved information management systems are in place that are critical for improved targeting of 1) the poverty family benefit program and 2) other health and social assistance programs that benefit the most vulnerable. Specific accomplishments include the following: 1) the Personal Code system was successfully pilot tested with implementation to start in FY 2003; 2) the Poverty Family Benefit program used by the Ministry of Social Security has been adjusted to better focus on the most vulnerable families; 3) a health management system for the country has been designed; 4) the annual and semi-annual surveys that monitor the effects of social health reform continue to be produced; and 5) personnel and training data bases have been installed in the Ministry of Social Security. An Actuarial Science degree program was established and recognized by the Ministry of Education. Service delivery programs to provide improved nutrition to vulnerable populations, urgently needed medical services, and short-term employment opportunities were implemented largely within the projected timeframe and were largely successful in reaching the number of beneficiaries targeted for FY 2002.

At the completion of this program, USAID anticipates that most of the groundwork will have been laid for the legal and regulatory framework for sustainable social and health service delivery and finance systems. In addition, the delivery system and the quality of social and primary health care services will have been improved.

US Financing in Thousands of Dollars

Armenia

111-0340 Social and Health Sectors	FSA
Through September 30, 2001	
Obligations	30,077
Expenditures	15,782
Unliquidated	14,295
Fiscal Year 2002	
Obligations	15,358
Expenditures	13,255
Through September 30, 2002	
Obligations	45,435
Expenditures	29,037
Unliquidated	16,398
Prior Year Unobligated Funds	
Obligations	2,094
Planned Fiscal Year 2003 NOA	
Obligations	9,973
Total Planned Fiscal Year 2003	
Obligations	12,067
Proposed Fiscal Year 2004 NOA	
Obligations	7,858
Future Obligations	0
Est. Total Cost	65,360

Data Sheet

USAID Mission:	Armenia
Program Title:	Earthquake Zone Recovery Program
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	111-0411
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,563,000 FSA
Prior Year Unobligated:	\$681,000 FSA
Proposed FY 2004 Obligation:	\$0
Year of Initial Obligation:	FY 2001
Estimated Completion Date:	FY 2004

Summary: The Earthquake Zone (EQZ) Recovery Program assists the Government of Armenia to compensate families who lost housing in the 1988 earthquake and still live in temporary shelters. Through the provision of housing certificates and housing improvement grants, USAID's program operates within the context of a comprehensive, integrated approach to redevelopment in the target area.

Inputs, Outputs, Activities:

FY 2003 Program:

Permanent housing for earthquake victims in temporary shelters (\$1,666,000 FSA). In FY 2003, USAID expects to complete issuance of up to 5,000 housing certificates for displaced earthquake victims in the EQZ. While certificates are being issued, a variety of factors will be continuously monitored, including housing prices in the various markets, emigration of sellers, supply of housing, and turnaround time for certificate redemption; adjustments in program implementation will be made as necessary. The principal contractor/grantee is: Urban Institute (prime).

Improve homes of earthquake victims (\$692,000 FSA). USAID will provide rural housing improvement grants. Approximately 560 rural houses are expected to be completed in FY 2003. The final mix of housing certificates and rural grants to be issued under this program will be determined based on GOAM reviews of the remaining housing compensation needs and the progress made by other donors toward completion of their programs. Principal contractors/grantees are: Urban Institute (prime) and Catholic Relief Services (sub).

Donor coordination in EQZ (\$205,000 FSA). USAID will continue to take the lead in establishing mechanisms for ongoing consultations among donors, GOAM officials, and implementing organizations on planning and development in the Earthquake Zone. Principal contractor/grantee is: Urban Institute (prime).

FY 2004 Program:

No additional funds will be allocated in FY 2004 for the earthquake activity. All remaining housing certificates will be redeemed, and all construction under rural grants will be completed. Reclamation and redevelopment of urban land cleared of temporary shelters or "domics" through the use of housing certificates will continue through the coordinated efforts of Armenian partners and other donors and investors.

Performance and Results: USAID has helped over 1,500 earthquake-displaced families obtain titles to permanent homes. Through the end of FY 2002, 2,565 housing certificates were issued, exceeding the target of 2,500. Of the certificate beneficiaries, 1,528 signed agreements to purchase new homes, slightly below the target of 1,600. The rural housing improvement grant pilot ended successfully, turning over 90 renovated houses to beneficiary families. An evaluation judged the urban housing improvement grant pilot to be less effective than the rural model. Therefore, in consultation with the GOAM, the decision was made to concentrate the funds budgeted for both urban and rural grants on rural grants.

By program completion, USAID will have enabled approximately 7,000 families to move out of domics and into permanent homes while simultaneously facilitating EQZ redevelopment. Also, donor collaboration will have created a synergy that resulted in improved quality of urban life and communities.

US Financing in Thousands of Dollars

Armenia

111-0411 Earthquake Zone Recovery Program	FSA
Through September 30, 2001	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2002	
Obligations	12,063
Expenditures	0
Through September 30, 2002	
Obligations	12,063
Expenditures	0
Unliquidated	12,063
Prior Year Unobligated Funds	
Obligations	681
Planned Fiscal Year 2003 NOA	
Obligations	2,563
Total Planned Fiscal Year 2003	
Obligations	3,244
Proposed Fiscal Year 2004 NOA	
Obligations	0
Future Obligations	0
Est. Total Cost	15,307

Data Sheet

USAID Mission:	Armenia
Program Title:	Cross-Cutting Programs
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	111-0420
Status:	Continuing
Proposed FY 2003 Obligation:	\$4,287,000 FSA
Prior Year Unobligated:	\$1,890,000 FSA
Proposed FY 2004 Obligation:	\$3,405,000 FSA
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2004

Summary: This cross-cutting program encompasses efforts that are either limited in time/scope, address targets of opportunity outside of the USAID/Armenia strategic framework, or produce results across a number of programmatic areas concurrently. This program promotes human capacity development, private sector development, good governance and strengthened civil society, media and communications capacity, and dialogue among countries of the region regarding sustainable water management.

Inputs, Outputs, Activities:

FY 2003 Program:

Participant training program (\$1,684,000 FSA). USAID will continue to provide participants with new leadership skills and knowledge to help produce results across all the programmatic areas that USAID is pursuing. Funds will provide for training and training-related technical assistance, grants, and the establishment of partnerships. Principal contractor/grantee is: Academy for Educational Development (prime).

Eurasia Foundation grant and loan program (\$1,684,000 FSA). USAID will continue to assist small businesses and business and professional associations, in addition to funding initiatives promoting stronger civil society. In FY 2003, specific emphasis will be placed on providing support to the information technology sector, development of grassroots community action mechanisms, institutional development, expansion of existing municipal information centers, and media strengthening. Principal contractor/grantee is: Eurasia Foundation (prime).

Regional water management (\$64,000 FSA). USAID will continue to support the regional water management dialogue. Principal contractor/grantee is: Development Alternatives, Inc. (prime).

Logistical and administrative support (\$855,000 FSA). Logistical and administrative support for the USAID/Armenia portfolio will be funded under this cross-cutting program. As a part of this, the Mission will conduct gender and human capacity development (HCD) assessments. The gender assessments will 1) identify program areas in which gender issues are of greatest significance and 2) formulate detailed recommendations to integrate gender throughout the USAID/Armenia portfolio. The HCD assessments also will assist USAID in formulating a strategic approach to its HCD activities, as part of its new five-year strategy. USAID also will increase its Diaspora outreach efforts by hiring an Outreach Coordinator. The Coordinator will strengthen USAID's Global Development Alliance activities as well as increase outreach to the Diaspora community.

FY 2004 Program:

Participant training program (\$1,300,000 FSA). USAID plans to continue participant training to support all its various programs with the aim of these participants taking a key lead role in program implementation.

Eurasia Foundation grant and loan program (\$1,500,000 FSA). USAID plans to continue assistance to the Eurasia Foundation to support private sector development and democracy and governance in Armenia.

Logistical and administrative support (\$605,000 FSA). USAID envisages a continued need to utilize resources to support its logistical and administrative expenses. Diaspora outreach efforts also will continue, strengthening USAID's Global Development Alliance activities.

Performance and Results: These efforts are cross-cutting and have contributed directly or indirectly to the results generated by the entire USAID/Armenia portfolio, detailed above.

US Financing in Thousands of Dollars

Armenia

	ESF	FSA
111-0420 Cross-Cutting Programs		
Through September 30, 2001		
Obligations	1,260	60,966
Expenditures	1,260	41,666
Unliquidated	0	19,300
Fiscal Year 2002		
Obligations	0	5,627
Expenditures	0	17,094
Through September 30, 2002		
Obligations	1,260	66,593
Expenditures	1,260	58,760
Unliquidated	0	7,833
Prior Year Unobligated Funds		
Obligations	0	1,890
Planned Fiscal Year 2003 NOA		
Obligations	0	4,287
Total Planned Fiscal Year 2003		
Obligations	0	6,177
Proposed Fiscal Year 2004 NOA		
Obligations	0	3,405
Future Obligations	0	0
Est. Total Cost	1,260	76,175