



EUROPEAN COMMISSION

TWINNING PROJECTS	
INTERIM QUARTERLY REPORT	
Project Title:	Support to the State Social Protection Fund on the introduction of funded element within the insurance – pension system, establishment of non – state pension funds and development of legal framework for regulating their activity
Partners:	Ministry of Welfare of the Republic of Latvia German Federal Ministry of Labour and Social Affairs State Social Protection Fund of the Republic of Azerbaijan Implementing body: German Association for Social Security Policy and Research
Date:	24th of July, 2014

Section 1: Project data

Twinning Contract number:	Twinning Contract 2014/338-674 Twinning Reference No AZ/13/ENP/SO/24
Project Title:	Support to the State Social Protection Fund on the introduction of funded element within the insurance – pension system, establishment of non – state pension funds and development of legal framework for regulating their activity
Twinning partners (MS and BC)	Ministry of Welfare of the Republic of Latvia German Federal Ministry of Labour and Social Affairs State Social Protection Fund of the Republic of Azerbaijan Implementing body: German Association for Social Security Policy and Research
Report number:	Twinning Interim Quarterly Report No 1
Period covered by the report:	From the 7 th of April, 2014 by the 1 st of July, 2014
Duration of the project:	Duration of the project is 18 months
Rapporteur:	Ingus Alliks Deputy State secretary of the Ministry of Welfare of the Republic of Latvia Lead Member State project Leader Nigar Panahova Head of the Personal Accounts Department of the State Social Protection Fund of the Republic of Azerbaijan

Signatures:

Date:

Mr. Ingus Alliks
MS Project leader

Ms. Nigar Panahova
BC Project leader

List of abbreviations used in the report:

MoW	Ministry of Welfare of the Republic of Latvia
GVG	German Association for Social Security Policy and Research
SSPF	State Social Protection Fund of the Republic of Azerbaijan
RTA	Resident Twinning Adviser
Project	Twinning project related to the Twinning Contract 2014 / 338/674
ENPI	European Neighbourhood and Partnership Instrument
NGO	Non-governmental organisation
EU MS	European Union Member State
UNDP	United Nations Development Programme
STE	Short term experts

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2A – BACKGROUND

This report covers activities that have been carried out in the first quarter of the project starting with the date of notification – from the 7th of April, 2014 to the 1st of July, 2014.

RTA started her activities in Baku as from the 8th of May, 2014.

Overall objectives

Overall Objective and indicators of achievement (as in Log frame)	State of Achievement / problems encountered
Development of the insurance-pension system in Azerbaijan	
<p><i>Indicator of achievement</i></p> <p>Positive assessment of the pension reform by local and international organisations (Commission of the European Union, the World Bank, NGO).</p>	<p>The first reporting quarter covers just two months of the project implementation, therefore no information on the planned results can be provided, since the objectives are not achieved yet.</p> <p>Activities in the reporting period affect the future progress of the project since a kick-off meeting (project launching conference) was organized in the first month of the start of the project, which was attended by nearly one hundred participants from various state institutions, international organizations, private sector and media. During the kick off meeting, participants received information on project objectives, implemented activities, planned outputs and outcomes, and also there were made short introductions about EU MS - pension system of Latvia and Germany.</p> <p>UNDP has worked very closely with the SSPF making the current pension system efficient and effective. Its helps SSPF to take next steps in further development of pension system in elaboration the second and third pillar of pension system.</p> <p>With the loan's support from Word Bank SSPF significantly improve effectiveness and transparency in the provision of public pensions to eligible beneficiaries.</p>

	Preparatory work for the first experts' mission on project activity 4.1. "In-depth presentation of the state pension system of the EU MS to relevant SSPF staff and other stakeholders" started in the reporting period
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Project Purpose

Project purpose and indicators of achievement (as in Logframe)	State of Achievement / problems encountered
To enhance capacity of the State Social Protection Fund (SSPF) to establish the regulatory, legal and administrative framework for the introduction of a funded element in the insurance-pension system and the establishment of non-state pension funds.	
Positive assessment of the SSPF capacity.	A working group was established in the State Social Protection Fund (<i>Annex I</i>), which will participate in the preparation of implementation of project activities, review reports prepared by project experts, and plan the submission of recommendations and policy proposals.

Policy Developments

- No new policy documents related to the pension system adopted during the reporting quarter. However since the 1st of July, amendments to Labour Code took effect, which envisage that employers should declare the concluded labour agreements in the common centralized data base before an employee starts to work. These amendments will promote an increase in the number of employees who have written labour agreements and therefore will reduce the size of undeclared employment.
- In the reporting quarter, SSPF implemented several activities and published significant information, which directly or indirectly influence the results of project: SSPF organized massive information campaign in big cities and regions (Ganja, Gabala, Zardab, Şirvan, Quba, Lankaran and Yevlakh) on electronic services provided by the SSPF.
- SSPF informs that, within the first five months of the current year (2014), about 110 thousand insured persons got registered and the number of insured persons registered in the personal accounting system increased to 2,800,000.

- In May, 2014, the EU financed Twinning project "Approximation of the legal and regulatory framework for the securities market of Azerbaijan to the European Union acquis and capacity building for the State Committee for Securities" was completed. Draft Law "On Capital Markets" was prepared within this project, which envisages supervision on capital markets that is very necessary element for this project results as well.

Project Assumptions

	Intervention logic	State of achievement/ problems encountered
Project Purpose	To enhance capacity of the State Social Protection Fund (SSPF) to establish the regulatory, legal and administrative framework for the introduction of a funded element in the insurance-pension system and the establishment of non-state pension funds.	
	Assumptions	
	<ul style="list-style-type: none"> • SSPF establishes appropriate cooperation and information exchange links with other relevant institutions in the administration (e.g. Ministry of Finance, Ministry of Taxes, etc.). 	Started
	<ul style="list-style-type: none"> • Adequate financial resources are allocated to ensure solid backing of the pension reform. 	Started
	<ul style="list-style-type: none"> • Capital market and other relevant financial institutions are further developed in Azerbaijan. 	Started
	<ul style="list-style-type: none"> • There is overall understanding and support of the pension reform on the business side as well as employees. 	Not started yet

Mandatory Results	Intervention logic		State of achievement/ problems encountered
	1. Relevant pieces of legislation elaborated for establishment of the funded component in the state pension system. 2. Technical description of the mechanism for accumulations and management of the funds on the individual funded accounts elaborated. 3. Relevant pieces of legislation elaborated to facilitate the development of non-state pension institutions. 4. Capacity of the relevant SSPF staff enhanced through training and coaching to ensure effective launch and implementation of the funded component in the state pension system. 5. A communication strategy elaborated to raise public awareness concerning the new funded component of the state pension system.		
	Assumptions	<ul style="list-style-type: none"> SSPF retains its key staff who possess relevant knowledge, competences and skills to continue working on the pension reform. 	Started
		<ul style="list-style-type: none"> There is political will at the top management of the SSPF to promote introduction of the funded elements in the pension system, and overall political support to the SSPF for the pension reform. 	Started

Activities	Intervention logic		State of achievement/ problems encountered
	Assumptions	<ul style="list-style-type: none"> Continued political will on the part of the SSPF to engage in moving towards the introduction of funded elements in the pension system. 	Started
		<ul style="list-style-type: none"> Sufficiently qualified, knowledgeable and energetic staff can be made available to work alongside the RTA and short term-experts on these issues. 	Started
		<ul style="list-style-type: none"> SSPF will have already developed appropriate econometric models and have them in place enabling assessment of different pension reform scenarios and its key variables. 	Not started yet
		<ul style="list-style-type: none"> Interest of public in project, its entity and activities. 	Started

Modifications to the Project Activities by Side-Letters

There was one Side Letter in the 1st quarter. This was dated July 1, 2014 and added one new expert - Mr Markus Maximilian Maria SAILER, Senior Economist / Senior Expert Consultant in the Department for Research and Development of German Pension Insurance-Federal Institute (Deutsche Rentenversicherung Bund), representing Junior Member State Partner.

This modification was necessary in order to increase the number of experts who can be involved in the implementation of project activities and to provide flexibility in provision of required expertise and ensures timely replacement of experts when necessary, thus it does not hinder the progress of the project.

Expert Mr. Markus Maximilian Maria SAILER was add as additional expert to the following activities - Activity 1.2 – Sub-activities 1.2.1 and 1.2.2; Activity 2.1 – Sub-activities 2.1.1 and 2.1.3; Activity 2.2 – Sub-activity 2.2.1 and Activity 4.1.

2B - ACHIEVEMENT OF MANDATORY RESULTS

Mandatory Results	Indicators of achievement	Activity	State of achievement			Remarks
			started	in progress	completed	
Component 0: General Activities. 0.1. Kick-off conference	<ul style="list-style-type: none"> Stakeholders, media and public are informed about the start, content and expected results of the Project. 	0.1			x	Successfully completed and the result achieved.
0.2. Thematic mid-term project visibility event	<ul style="list-style-type: none"> Stakeholders, media and public are informed about the achievements at this phase of the project. 	0.2				This benchmark will be achieved in the month 12 of the project
0.3. Closing Conference	<ul style="list-style-type: none"> Stakeholders, media and public are informed about the results of the Project. 	0.3				This benchmark will be achieved in the month 18 of the project.
Result 1. Relevant pieces of legislation elaborated for establishment of the funded component in the state insurance-pension system	Package of legislation for establishment of the funded component of the pension system accepted by the SSPF for use in dialogue with other stakeholders by the end of the project duration. This legislation is expected to provide a legal base for: <ul style="list-style-type: none"> a) a mechanism for collecting of funds on real funded accounts; b) methods for managing the funds accumulated on the funded accounts as 	1.1.	x			This benchmark will be achieved in the month 4 of the project
		1.2.				This benchmark will be achieved in the month 7 of the project
		1.2.1.				
		1.2.2.				

Mandatory Results	Indicators of achievement	Activity	State of achievement			Remarks
			started	in progress	completed	
	well as a legislative basis providing for the requirements to managing companies and specialized custodians; c) procedures for the selection of managing companies to manage the funds accumulated on the funded accounts as well as rules on selection of the relevant managing companies by the insured persons; d) regulatory and legal framework providing for the mechanisms of administrative and technical control over the investment of the funds on the funded part of individual accounts of the insured.	1.3.				This benchmark will be achieved in the month 11 of the project
		1.3.1.				This benchmark will be achieved in the month 9 of the project
		1.3.2.				This benchmark will be achieved in the month 10 of the project
		1.3.3.				This benchmark will be achieved in the month 11 of the project
Result 2. Technical description of the mechanism for accumulations and management of the funds on the individual funded accounts elaborated.	Technical description of the internal SSPF mechanisms in relation to implementation of the funded component in the state pension system accepted by the SSPF by the end of the project duration.	2.1.				This benchmark will be achieved in the month 16 of the project
		2.1.1.				This benchmark will be achieved in the month 13 of the project
		2.1.2.				This benchmark will be achieved in the month 12 of the project

Mandatory Results	Indicators of achievement	Activity	State of achievement			Remarks
			started	in progress	completed	
		2.1.3.				This benchmark will be achieved in the month 16 of the project
		2.2.				This benchmark will be achieved in the month 18 of the project
		2.2.1.				This benchmark will be achieved in the month 17 of the project
		2..2.2.				This benchmark will be achieved in the month 18 of the project
Result 3. Relevant pieces of legislation elaborated to facilitate the development of non-state pension institutions;	Package of legislation on development of non-state pension institutions accepted by the SSPF Board of Directors for use in dialogue with other stakeholders by the end of the project duration. This legislation is expected to provide a legal base for: a) establishment of non-state pension funds and regulating their activity;	3.1.				This benchmark will be achieved in the month 12 of the project
		3.1.1.				This benchmark will be achieved in the month 10 of the project

Mandatory Results	Indicators of achievement	Activity	State of achievement			Remarks
			started	in progress	completed	
	b) regulations for allocation of non-state pension funds' resources and control over such placements;	3.1.2.				This benchmark will be achieved in the month 12 of the project
	c) mechanisms for granting, financing and delivery of non-state pensions by non-state pension funds;					
	d) mechanism for involvement of non-state pension funds to the participation in the management of resources on the funded part of the insured's individual account in the state pension system.	3.2.				This benchmark will be achieved in the month 15 of the project
Result 4. Capacity of the relevant SSPF staff enhanced through training and coaching to ensure effective launch and implementation of the funded component in the state pension system	Positive improvement of the SSPF staff assessment results (impact of training and coaching activities) by the end of the project duration.	4.1.	x			This benchmark will be achieved in the month 2 of the project
		4.2.				This benchmark will be achieved in the month 15 of the project
		4.3.				This benchmark will be achieved in the month 16 of the project
		4.4.				This benchmark will be achieved in the month 8 of the project

Mandatory Results	Indicators of achievement	Activity	State of achievement			Remarks
			started	in progress	completed	
Result 5. A communication strategy elaborated to raise public awareness concerning the new funded component of the state pension system.	Communication strategy to raise awareness on the pension reform accepted by the SSPF management.	5.1.				This benchmark will be achieved in the month 16 of the project
		5.2.				This benchmark will be achieved in the month 18 of the project

2C – Activities in the Reporting Period

No STE working days were used in the reporting period. All work was done by RTA.

The works in the first quarter were focused on:

- 1) Preparation of the RTA secondment to Baku;
- 2) Organize kick – off meeting (press release (*Annex 2.*) invitation, agenda (*Annex 3.*), list of participants (*Annex 4.*), presentation of project activities (*Annexes 5.1., 5.2., 5.3.*);
- 3) Preparation of the RTA assistant (*Annex 6.*) and RTA assistant – translator job description (*Annex 7.*) and organize Project support staff recruitment procedures (*Annexes 8., 9.*);
- 4) Performance of the procurement procedures in accordance with the relevant EU requirements to produce visibility materials (folders Word Pads, leaflet, pens, call signs, vinyl (stickers), business card) and to secure simultaneous translation service for the kick-off meeting;
- 5) Preparation description of assignment for implementation project activities 1.1. and 4.1..
- 6) Study of SSPF business, documents, statistic data and materials related to the social protection system, including pension issues;
- 7) Preparation of the work plans for organization of kick – off meeting (*Annex 10.1.*) and work plans for the first (*Annex 10.2.*) and second (*Annex 10.3.*) quarter of project.

After arriving to Baku, the RTA held a series of meetings with representatives of the Delegation of the European Union to Azerbaijan, Embassy of the Republic of Latvia in Baku, SSPF Chairman and Heads of Departments and divisions and BC project Leader, RTA and Leaders of components make contact for further cooperation and achievement of general objectives of the project.

During the first month, there were reviewed job descriptions of RTA assistant and RTA assistant – translator, prepared advertisement, which was published in web sites of EUD and SSPF on the 16th of May. By the 29th of May, it resulted in 29 application forms of candidates – 20 candidates submitted application form for RTA assistant position and 9 candidates submitted application form for RTA assistant – translator position. There was worked out the Matrix with scores for evaluation of requirements of candidates. Requirements included qualification, skills and professional experience of candidates. Three best candidates for RTA assistant – translator position were invited to the job interviews in which languages skills were examined. The five best candidates for RTA assistant position were invited to the job interviews.

On the 25th of June, there was signed service contract with RTA assistant – translator Mr. Chingizov Chingiz.

The service contract with RTA assistant will be signed by the end of July.

Procurement procedures were organized in accordance with the relevant EU negotiated procedure without publication including requirements to produce visibility materials (folders Word Pads, leaflet, pens, call signs, vinyl (stickers), and business card) and to secure simultaneous translation service for the kick-off meeting on the 5th of June. For each position of procurement, three different companies' offers were compared and selected offers with appropriate quality and lowest price.

COMPONENT 0 – General Activities	
Activity 0.1	Kick-off meeting
MS Experts	1. Mr. Ingus Alliks – The Lead Member State Partner Project Leader; 2. Ms. Nathalie Bélorgey Junior Member State Partner Project Leader; 3. Ms. Agrita Groza MS RTA.
BC Experts	<u>SSPF Chairman; BC PL, RTA Counterpart</u>
Outputs	Press Release, Project Leaflet, Presentations, visibility materials – folders, Word Pads, pens, call signs, vinyl (stickers), and business card were produced
Benchmark	<u>Stakeholders, media and public are informed about the start, content and expected results of the Project.</u>
Duration	<u>1</u> day
Initially planned	Month 2
Implemented	Month 3 (on the 5 th of June)
Description	
<p>The Kick – off meeting (project launching conference) was organized jointly by the working group of SSPF and project RTA in hotel “Fairmont Baku” on the 5th of June, 2014.</p> <p>Kick-off meeting, which was attended by nearly one hundred participants from various state institutions - Ministry of Finance, Ministry of Taxes, Ministry of Economy and Industry, Ministry of Labor and Social Protection of Population, Central Bank, as well as State Social Protection Fund, representatives of the international organizations - World Bank, United Nations Development Program in Azerbaijan (UNDP), representatives from large enterprises, provided first official contact to all stakeholders involved in the project. There was presented the project and given short introductions about the EU MS - pension system of Latvia and Germany to all stakeholders.</p> <p>In order to inform public about the start of the project, press release was prepared and visibility materials (folders, leaflet, word Pads, pens, call signs, stickers and business card) were produced.</p>	

2D – Timing and Delays

	Activity/action Planned
X	Activity/action Performed
C	Activity/action Completed
	Activity/action Delayed by more than 3 months

Years	Year 2014									Year 2015								
Months	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9
Project month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Component 0: General activities																		
Activity 0.1.			c															
Activity 0.2.													c					
Activity 0.3.																		c
Component 1 Capacity building aimed at implementation of the funded component in the state insurance pension system (“second pillar”)																		
Activity 1.1.			x	c														
Activity 1.2.					c	c	c											
Sub-activity 1.2.1.					c													
Sub-activity 1.2.2.					c	c	c											
Activity 1.3.								c	c	c	c							
Sub-activity 1.3.1.								c	c									
Sub-activity 1.3.2.										c								
Sub-activity 1.3.3.										c	c							
Activity 2.1.													c	c	c	c		
Sub-activity 2.1.1.														c				
Sub-activity 2.1.2.													c					
Sub-activity 2.1.3.															c	c	c	

2E – Assessment

Overall Assessment of progress

The project and the implementation of activities within the first project quarter went smoothly and timely.

The project is implemented in close cooperation between the RTA and BC project team on a daily basis.

The first activity 0.1. Kick-off meeting were organized and planned mandatory results achieved.

Activity 4.1. “In-depth presentation of the state pension system of the EU MS to relevant SSPF staff and other stakeholders” are planned to be completed in the next quarters.

At this stage of the project implementation, there is no risk that future activities will not be started as planned or that they will be delayed for more than three months.

Issues

There are no issues threatening the continuation of the project.

Recommendations

To ensure greater involvement in the implementation of the project activities from BC components leaders.

To observe the timing of planned activities and to ensure compliance within the specified time without jeopardized the timely conduct of activities.

To involve in the implementation of project activities' initially recommended experts.

To provide necessary documents and data related to the business of SSPF according to the experts request.

Section 3: Expenditures

The total cost of the Action eligible for financing is 749 994,41 EUR. Execution in the first quarter - 25 850.09 EUR or 4% of total estimated cost.

