

AMERICAN UNIVERSITY OF ARMENIA



A STUDY OF POVERTY IN REPUBLIC OF ARMENIA:

*the nature of poverty in Armenia and potential strategies
for its alleviation*

**A MASTER'S ESSAY SUBMITTED TO
THE FACULTY OF THE GRADUATE SCHOOL OF
POLITICAL SCIENCE AND INTERNATIONAL AFFAIRS
FOR PARTIAL FULFILLMENT OF THE DEGREE OF
MASTER OF ARTS**

BY

NARINE HAKOBYAN

YEREVAN, ARMENIA

NOVEMBER 2000

SIGNATURE PAGE

Douglas H. Shumavon

Faculty Advisor

Date

Douglas H Shumavon

Dean

Date

American University of Armenia

November 2000

ACKNOWLEDGEMENTS

I have many people to thank for their support to this effort.

First of all I would like to thank my supervisor Dr. Douglas Shumavon for his support and irreplaceable advises and suggestions and also to Dr. Lucig Danielian, for her support in choosing correct methodology for my essay. Without their support I would hardly complete my Master's essay.

I would like to thank also my ex-chiefs Ms. Astghik Mirzakhanyan, Julia Magluchants and Diana Martirosova for their support in this work. They provided me all the information I needed during this work.

My gratitude also goes to my friends Lilit Hakobyan and Vahe Grigoryan for their encouragement, kindness and patience. Without them, I don't think I'd be doing this.

TABLE OF CONTENT

	Page
1. Introduction	8
2. Chapter 1: Poverty in Armenia	12
Research Questions	13
Methodology	17
3. Chapter 2: Analysis and comparison of the survey conducted by me with the survey conducted by Ministry of Statistics in 1996, “Living Standard Survey”	18
4. Conclusion and Recommendations	26
5. List of References	28
Appendix A: Evolution of Output in Transition Time.	29
Appendix B: Global Income Trends in the 1990s and Global inflation trends in the 1990s	30
Appendix C: Relative Poverty Risk of Households with Unemployed Heads	31
Appendix D: Relative Poverty Risk of Children and Elderly.....	32
Appendix E List of the 14 vulnerable groups defined by Paros System	33
Appendix F: Gross household expenditures.....	34
Appendix G: Questionnaire of the Living Standard Survey	35

LIST OF TABLES AND FIGURES

Table 1: Poverty incidence	14
Table 2: The Structure and Composition of Current Household Incomes, Survey 2000.....	19
Table 3: The Structure and Composition of Current Household Incomes, Survey 1996.....	19
Table 4. Gross household expenditures. Survey 2000.....	34
Table 5. Gross household expenditures. Survey 1996.....	34
Table 6. Structure and Composition of Consumer Expenses.....	21
Table 7. Poverty line basket structure and caloric value. Survey 1996	22
Table 8. Poverty line basket structure and caloric value. Survey 2000	24
Figure 1: Evolution of Output in transition Time	29
Figure 2: Global Income Trends in the 1990s	30
Figure 3: Global Inflation Trends in the 1990s	30
Figure 4: Relative Poverty Risk of Households with Unemployed Heads	31
Figure 5: Relative Poverty Risk of Children and Elders	32
Chart 1: Gross Household Expenditures	20
Chart 2: Distribution of Population by Poverty Groups Survey 1996.....	23
Chart 2: Distribution of Population by Poverty Groups Survey 2000.....	25

LIST OF ABBREVIATIONS

CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
CSB	Central and South Eastern Europe and Baltics
ECA	Europe and Central Asia
FAO	Food and Agricultural Organization of the United Nations
FSU	Former Soviet Union
PEF	Pension and Employment Fund
SIF	Social Insurance Fund
SME	Small and Medium Enterprises
UNDP	United Nations Development Program

ABSTRACT

“Poverty in Armenia” Master’s essay consists of Introduction part, Chapters 1 and 2, Conclusion and Recommendation part.

In Introduction part I describe the poverty in transition countries particularly in Former Soviet Union and Central and Eastern Europe. I describe the nature of the poverty in those countries and bring some similarities and differences that occur in countries in that period. I also bring the fact about who should be considered poor, what strata in society is most vulnerable to poverty. I also bring the fact about importance of Social Assistance System in poverty alleviation process, and what could be done for making its work effective.

In Chapter 1 I discuss the situation of poverty in Armenia. Armenia as all CIS countries has common features in that problem. But Armenia with different historical background and different traditions faces this problem in its own way. And it is important to clearly understand what kind of group in society is poor now in Armenia, what brings them to that situation. I also describe the situation of how social assistance is contributed to that problem.

In Chapter 2 I make an analysis of the survey conducted by me and compare them with the Survey conducted in 1996. This is done mainly to see what kind of changes take place within 4 years with the living standards of the population. It is also important to see what government does for alleviation of this problem.

And in the Conclusion and Recommendation part I bring my own recommendations concerning of how this problem could be solved. They are mainly connected with the new criteria that Social Assistance Systems should take into account in order to work more effectively, several reforms should have been take in the sphere of social insurance, and government should undertake global economic changes for the alleviation of poverty.