Poverty aggravates dangers facing humankind, such as disease, overcrowding, conflict and crime. It makes the struggle against them even harder. That is why the eradication of poverty must be a priority for the entire United Nations family; it must be at the top of the international agenda.

Kofi Annan

Introduction

Probably all of us are witnesses of how people all over the world try to find their daily food from garbage or are bagging in the streets. It is poverty. People from different country defined the poverty differently.

- Poverty is pain it feels like a disease. It attacks a person not only mentally, but also morally. It eats away one's dignity and derives one into total despair- One poor woman from Moldova.
- Don't ask me what poverty is because you have met it outside my house. Look at the house and clothes that I am wearing. Look at everything and write what you see. What you see is poverty- One poor man from Kenya
- That person is poor who for 20 days out of the month eats boiled potatoes without butter, drinks tea without sugar, and doesn't have enough money to buy subsidized bread – Armenia 1995.
- Poverty is humiliation, the sense of being dependent and of being forced to accept rudeness, insults, and indifference when we seek help- Latvia 1998. (Narayan 2000, 3)

Poor people all over the world have much in common. According to the World Bank Report (2000), Poor people have a lack of assets, and basic access to resources and services, they have low standard of living, poor health and education, powerlessness and insecurity.

According to the UNDP Report (1998, 6), "No region in the world has suffered such reversals in the 1990s as have the countries of the Former Soviet Union (FSU) and Eastern Europe."

All the countries in Europe and Central Asia (ECA) have experienced a successive economic shock: loss of jobs or nonpayment of salaries, hyperinflation and loss of savings. Between 1988 and 1998, absolute poverty rates in (ECA) increased from 2% to 21%.[1] People began to feel themselves unusually vulnerable, powerless and unable to plan the future. Over 150 million people became poor.

For most of the new poor, transition has brought not only unaccustomed material hardship, but also the distribution of "normal" life and accustomed social patterns. Most of the poor in transition countries are literate, many are well educated and before the "transition" had secure employment and anticipated receiving regular pensions and allowances from the state after retirement. (World Bank 2000, 2)[2]

According to the World Bank (2000), Poor people express complete dissatisfaction that knowledge, skills, formal and informal competencies they have became irrelevant. They feel that they are no longer necessary to anyone.

Main factor of the poverty in ECA countries is social and economic dislocation of transition, and the resulting drop in output, government revenues, and household incomes.

Besides the common features, there are important differences across the region, especially between the countries of Central and South Eastern Europe and the Baltics (CSB) on the one hand and the Commonwealth of Independent States (CIS) on the other. On average the cumulative output decline in the CIS countries was almost 50%, while in the CSB countries output declined by about 15% before starting its recovery.[3]

According to the World Bank (2000), Poverty emerged not only because there were decline in output, but also because changes in output has tremendous effect on the households income (consumption).

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[1] These estimates are based on World Bank (2000d), which reports poverty estimates for the Europe and Central Asia Region, including Turkey.
[2] Making Transition Work for Everyone: *Poverty and Inequality in Europe and Central Asia*, The International Bank for Reconstruction and Development/ The World Bank, Washington, D.C., 2000
[3] See Appendix A.

According to the UNDP Report (1998), the only nations in transition countries that have decline in incomes during the 1990s were Eastern block. The FSU was the worst case among them; its average annual decline was about 8%. Central and Eastern Europe (CEE) was a little bit better, but still registered modest decline.[4] Besides that inflation was rampant in the FSU. "On average prices rose of 500% per year between 1990-1995." [5]

How do we measure the poverty? There are different indicators of the poverty measurement. Using monitory income, consumption or expenditure to identify and measure poverty has a long tradition. World Bank (2000, 170) sited that, "Consumption is conventionally viewed as the preferred welfare indicator, for practical reasons of reliability and because consumption is thought to be better capture long-run welfare levels than current income."

According to the World Development Report (2000), Poverty is generally estimated using three broad types of surveys: household or employment survey, which measures only employment, Consumption Survey, Income Expenditure Survey, or Integrated Living Standards Measurement Surveys, which measure consumption, income and expenditure.

In order to see how many people are poor, poverty line is calculated. According to the World Bank Report (1993), Poverty line is a measure that separates the poor from the non-poor. Those whose incomes (consumption) fall below the line are poor; those above are non-poor. According to the World Bank (2000), There are two types of poverty line: *absolute* and *relative*. Absolute line of poverty is based exclusively on expenditures incurred by household for acquisition of food products plus an allowance for other expenditures (such as housing and clothing). Hence absolute line can vary across countries, depending on consumption of

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[4] See Appendix B.
[5] ibid.

the consumption basket. According to the World Bank Report (1993, 14), "Relative poverty line refers to the position of an individual or household compared with the average income in the country, such as a poverty line set at one-half of the mean income."

Once a poverty line has been specified, it remains to decide the *extent of poverty* in a particular setting. This measure is the most commonly calculated measure of poverty. There is another poverty measure that is taken into account. It is the distance of poor people from the poverty line. It is called *poverty gap*.

At the conditions of total poverty poor people depend on little social assistance and humiliated by officials who treat them with little respect. With the worsening of poor standard of living, officials enrich themselves through illegal actions. The institutions that should help them became part of the problem.

There are particular common measures of the impact of the social assistance programs on poverty. According to the World Bank (2000, 294), "There are: coverage, targeting, and effectiveness. Coverage is the share of the poor who receive the benefit, targeting is the share of the expenditures from the benefit that is received by the poor, and effectiveness is the share of the benefit relative to average household expenditure."

In order to include as many poor households as possible, policymakers may make the eligibility criteria very broad. In many ECA counties, targeting is ineffective because some of the assistance go to those households who are nonpoor. Coverage and effectiveness also don't work very well. The broader social assistance distributed among households, the smaller the amount going to any one household is likely be. In a world of imperfect information, limited funds, policymakers face difficult choices in trying to reach as many poor households as possible with a meaningful level of assistance.

Identifying the groups that are at higher risk of poverty as well as the groups that comprise the majority of the poor can help policymakers determine whether social assistance can be targeted at certain categories of poor. Targeting groups at higher risk of

poverty will minimize errors of inclusion but if those groups comprise only a small share of the poor, there will be large errors of exclusion. (World Bank 2000, 93)

The poverty profiles show that poverty outcomes are correlated with labor market outcomes. According to the UNDP Report (1998, 140), "Poverty and unemployment in transition economies are closely linked, despite the fact that policy makers in transition economies initially established fairly generous unemployment benefits." There are differences in relative poverty risk index between the CSB and CIS countries.[6] Elders and children are also viewed as especially vulnerable to poverty in the transition.[7] However, despite the fact that decline in pensions is bigger than the wages, pensioners are at lower risk of poverty than other groups. According to UNDP Report (1998, 99), "Pensioners are at lower risk, because most pensioner families receive 1) two pensions, 2) relatively high allowances due to long employment, and 3) substantial material goods (a house, furniture, appliances, clothing) accumulated from the past."

Chapter 1. Poverty in Armenia.

Armenia as one of the CIS countries faces the poverty problem. And this problem is persistent. Considering poverty as one of the biggest problems in Armenia, ***the purpose of this Master's essay is to show the nature of the poverty in Armenia and to identify potential strategies for its alleviation.***

In order to see what is current situation of poverty in Armenia, what have been done and what kind of measures have been undertaken by government, I introduce the following **RESEARCH QUESTIONS**:

1. What is the nature of the poverty?

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[6] See Appendix C.
[7] See Appendix D.

2. Who should be considered as poor?

3. What kind of social policy reforms government has been undertaken for poverty alleviation?

4. What kind of impact these reforms have on the welfare of the population?

Armenia experienced an extremely sharp fall in output and collapse of its economy following the breakup of the Soviet Union and the blockade, which results from the conflict over the Nagorno-Karabakh. Because of the collapse the income of households failed to keep pace with inflation, as subsidies on energy and food were reduced, and the decline in Government revenue causes drastic cuts in social transfers. Poverty becomes widespread and severe.

According to the results of monitoring conducted between 1991-1996 by the Institute of Economic Research, no less than 90 percent of all income is spent on food, however meat, fruits and dairy products are absent from the menu. On the whole service payments are not made, falling ill is an unaffordable indulgence, being cured means total bankruptcy (Human Development Report 1999).

Because of the poverty, basic services like education or health service became not available for many people. Education has traditionally been viewed by Armenian families, as a priority needs. Therefore, school enrolment rates continued to be high. However the absence of money to buy textbooks, clothes and shoos for children and constant payments of fees for school funds become real obstacles for attending the school. High education is even more expensive, it clearly related to family wealth.

The impoverishment in Armenia may be split into four main phases:

Shadow Poverty (before 1988). The former USSR had an operative system of social benefits, privileges and subsidies. Starting from 1975 the State introduced child allowances for more vulnerable families thereby officially asserting the existence of poverty.

However, those considered deprived at the time were much better provided for than are today's needy people.

Sudden Poverty (1989-1991). This phase mostly generated by the earthquake and the influx of refugees. Out of its scare resources, Armenia had to provide material assistance to 520,000 refugees displaced as a result of the Karabakh conflict, before the international aid would arrive.

Market Poverty (1992-1995). In the first half of 1992, the hyperinflation rate jumped from 100% to 1000%. Poverty in the country reached an unprecedented rate. According to the several polls 97% of the population appeared beneath the personal "absolute poverty line". This was a period of struggle against famine and frosts, solely to prevent massive loss of life. This period witnessed mass economic migration, especially to Russian Federation.

Evolutionary Poverty (1996-1999). About 35% of households overcome "market poverty". At the same time, material inequity becomes more visible after privatization. Some 8-10% of households managed not only to overcome poverty but also to prosper. This period saw some economic stabilization. Many people started their own business. The survey in 1996 recorded a decrease in the poverty rate to 54.7%. (Human Development Report 1999, 24)

Based on the results of the survey conducted by Ministry of Statistics in 1996 three poverty lines were established through comprehensive analysis of consumption and expenditure. The "food line" was based on calculating the cost of a "food basket" providing adequate caloric requirements on the basis of the actual structure of food consumption. "Poverty line" is derived by adding to the food line the actual expenditures on non-food items (expenditures on goods and services). "Relative poverty line" is set at 40% of the median.

Many indicators of vulnerability to poverty have been proposed over the years.

Poverty is mainly urban, both because the majority of Armenians lives in towns, and because average consumption levels are lower in towns than in rural areas.

Table 1: Poverty incidence (among individuals by location of households).[8]

	Urban	Rural
Non-poor	41.2%	52.0%
Poor	29.2%	23.6%
Very poor	29.6%	24.4%
Total	100%	100%

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[8] The estimated based on the results of the survey conducted by Ministry of Statistics in 1996.

Evidence from the qualitative study (Dudwick 1995 and UNICEF 1994)[9] suggests that the elderly living alone are very likely to be worse-off, due to lack of family support. Although, Armenians have traditionally very small minority, they are among the poorest of the poor.

According to the Human Development Report (1999), besides the pensioners, unemployed, families with many children or incomplete families are traditionally considered to be the weakest and socially most unprotected groups.

According to the observation of the Ministry of Statistics, poverty rates decline noticeably families with children to the childless families. According to the World Bank Document (1996), Elderly comprise a numerically smaller portion of the poor than do working poor families with children.

The correlation between unemployment and poverty is far from being obvious. The presence of an unemployed family member is an in an urban area means automatic increase the likelihood that this family will be poor.

The core of the poor nowadays consists of those who until recently were the numerous middle class, represented by artists, scientists, intelligencia- the majority of the population in Armenia.

For many of them who are poor social assistance is the only source of income. According to the Human Development Report (1998, 79), "The Paros System was organized in 1995. It dealt with the distribution of the humanitarian assistance. Currently, Paros system is included in the state system and the purpose of that system is to assess family vulnerability and provide family assistance."

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[9] *Improving Social Assistance in Armenia*, Human Development Unit, Country Department III, Europe and Central Asia Region, Document of World Bank, 1996, p.34

In 1997 state budget contributed US $32 million or 8% of government expenditure to social assistance. This level was increased to 10% in 1998. The total budget for the benefits was 22 billion drams for 1999.

The Pension and Employment Fund (PEF) is included in the social assistance system. Its responsibilities are to finance pensions and unemployment benefits. According to the UN Common Country Assessment (2000, 29), "The average pension is limited to US$7 and is financed by mandatory social contributions of employees. Unemployment benefits are financed by mandatory social contributions of the employees. The current average for the unemployment benefits is US$5".

There were Child Allowances, Social Insurance Fund (SIF) benefits, Family benefits.

Child Allowances are financed by the State Budget and are provided to children up to the age of two. It takes AMD 1800. SIF are provided to those employees who temporarily terminate their employment due to sickness.

The Armenian government has recently undertaken major reform of social assistance programs. From January 1999, the primary social assistance program is Family Benefit, which replaced all social transfers (including child allowances) that were paid to 14 different groups defined on the basis of vulnerability.[10]

As it was mentioned previously Social Assistance needs to be focused on the poorest. Improving targeting should be therefore an essential objective of the government's social policy. The benefit of targeting is that it ensures resources go to the neediest.

> In some cases, targeting means that some people (the needy) receive benefits and others the (not-needy) do not. In other cases, the benefit size varies according to need, so the neediest benefit most, and those who are better off receive smaller benefits. With perfect targeting, only the needy are served, and the non-needy do not benefit; no funds are wasted on the non-needy and all the needy are served. However, no program is ever perfectly targeted, because it is difficult to always accurately establish who is needy and who is not (World Bank Document 1999, 45).

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[10] See Appendix E.

Effectiveness and targeting of these systems did not receive positive evaluation by either the population or by experts. According to the Human Development Report (2000), Those who get vulnerable grades below '36' are not entitled to family allowances. After that they appeared in worse situation than those who get this assistance. Besides that allowances in most cases are greater than the wages or salaries. Therefore, there is increase in number of applications to Employment Services. Since January 1999 they increase by 10000.

During the last two years the Government has made some efforts to regulate the most distressing social problems through social programmes like Family Allowances, Programme for Social Security and Insurance for 1999-2000. According to the UN, Common Country Assessment (2000, 52), "However until now no national social development and poverty reduction strategy has been formulated." Because of the lack of a state social strategy and of the absence of the national objectives on social development and poverty eradication, a passive policy in social area has been chosen.

In order to see what have been changed in the living standard of the population I have compared the Living Standard Survey conducted by Ministry of Statistics in 1996 with survey conducted by me. Therefore the **METHODOLOGY** of my Master's essay is survey. When it is impossible or unfeasible to select the probability samples non-probable samples is appropriate. Purposive sampling is non-probable sampling. It could be chosen on the basis of own knowledge of the population, its elements, and the nature of the research purpose. The purpose of my research is poor. Therefore, I chose the poorest population in Yerevan City. According to the observation of the Ministry of Statistics, the poorest population in Yerevan is located in the Shengavit district. During the Soviet times this district was mainly or almost industrial, and people were mainly workers. Nowadays most of the industries are closed, and people are unemployed. From the Shengavit district I chose Charbah area, and from that area one block of building. The size of my sampling is 50 households. The questionnaire consists

of the Sections like Employment, Self-Employment, Family Allowances, Aid, Current Expenditure, Migration[11].

Chapter 2. Analysis and Comparison of the Survey Conducted by me with the Survey Conducted by Ministry of Statistics in 1996, "Living Standard Survey.

First of all I would like to introduce general background of these two surveys. Living Standard Survey (Survey 1996) has covered 4920 households and the total number of the members was 20088 people. The average amount of people in one household was 4.08.

Number of the household in my survey (lets call Survey 2000) is 50 households, and the total number of people is 243. The average amount of people in one household is 4.86 (approximately 5). During the analysis of results of these two surveys I found out:

Household Incomes: From the data shown below it is obvious that people now live on incomes received from the additional sources; they live on public benefits and transfers.

1996	*Principal Income* 23096 drams	*Additional Income* 15768 drams
2000	*Principal Income* 15700 drams	*Additional Income* 23205 drams

The majority of incomes (59.6%) come from additional incomes, particularly from assistance from the relatives living abroad. Many of them survive because they get this assistance. Pensioners already several months didn't get their pensions. And for most of them it is the only source of income. From the 50 pensioners only 22 get their pensions in this month, average amount of which is 5476 drams. The percentage from the production and sale of agricultural products is rather low because sampling located in the urban area. From the 50 households only 2 of them have suburban plot and because of that they are included in the

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[11] See Appendix F.

non-poor group. Aid that households get is in-kind aid (food, goods, medicine) and most of which they receive form relatives.

Table 2: The Structure and Composition of Current Household Incomes, Survey 2000.

Income type	Per household		Per capita	
	Drams	*%*	*Drams*	*%*
1. Principal Income	*15700*	*40.36*	*3229*	*40.36*
1.1 Employment	10493	26.97	2158	26.97
1.2 Self-employment	2621	6.74	539	6.74
1.3 Production and sale of agricultural produce	2586	6.65	532	6.65
2. Additional Income	*23205*	*59.64*	*4773*	*59.64*
2.1 Public Benefits (pensions, disability allowances, unemployment allowances etc.)	3867	9.94	795	9.94
2.2 Transfers (assistance from relatives, charity)	14638	37.62	3011	37.62
2.3 Aid	4700	12.08	967	12.08
Total	**38905**	**100**	**8002**	**100**

If we compare this data with the data of Survey 1996, we will see that majority incomes in 1996 comes from the principal incomes (59.4%), among which the highest proportion belongs to the incomes from production and sale of agricultural products (30.2%), and employment (26.3%).

Table 3: The Structure and Composition of Current Household Incomes, Survey 1996.

Income types	Per household		Per capita	
	Drams	*%*	*Drams*	*%*
1. Principal income	*23069*	*59.39*	*6564*	*54.86*
1.1 Employment income	5103	13.13	1316	10.99
1.2 Self-employment	5142	13.24	1471	12.29
1.3 Production and sale of agricultural produce	11735	30.21	3358	28.06
2. Additional income	*15768*	*40.60*	*5400*	*45.13*
2.1 Public benefits (pensions disability allowances, unemployment allowances etc.)	2381	6.13	798	6.66
2.2 Transfers	13386	34.46	4602	38.46
2.3 Aid (in goods)	3622	9.32	1316	11.00
Total	**38836**	**100**	**11964**	**100**

Another indicator that I would like to talk about is ***Household Expenditures***. In assessing the standard of living of the population and especially in determining the equity of

the distributions of blessings among different layers of the society, the international approaches of statistical analysis are oriented towards household expenditures rather than income.

Chart 1: Gross household expenses
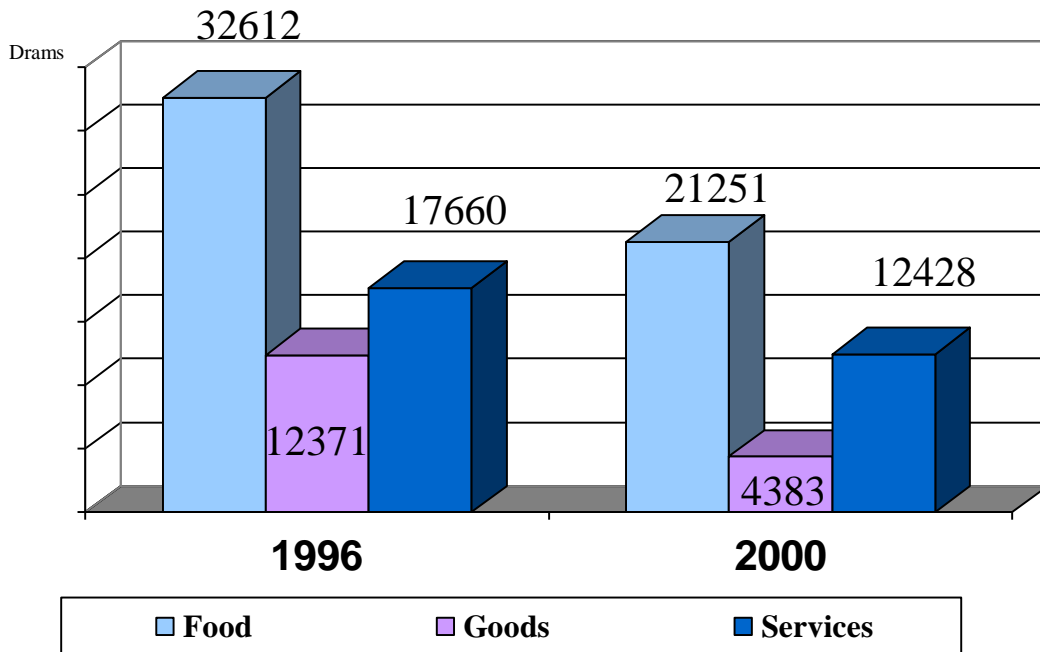
It has been found that the overall expenditures of the population have been decreased almost at twice during these four years. And people as in previous spend most of their incomes on food (55.8% in 2000) and (52.1% in 1996).[12] They cannot afford themselves to spend adequately on goods or services because of the low incomes. The only services that the population has to pay for are electricity and telephone services. If they will not pay for they will be cut off. 5% of the population of the Survey 2000 uses the electricity on credit. Other services like apartment or water fee are not paid at all for several years. Only few people pay for health service (4%). All respondents who have children of school year pay fees for the elementary or secondary school. This kind of education is preliminary for the population. But those who are attending private universities have to stop their education because of the high

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[12] See Appendix G.

cost of the tuition.

As for the structure and consumption of the food, according to the information in Table 6, the overall expenses on food decreased and the biggest proportion in the household expenditure belongs to bread, cereals and potatoes. In 1996 it takes 16.1% of entire consumer expenses and 37% of the entire expenses on purchased food, in 2000 it already takes 31% of entire consumer expenses and 55.7% of the entire expenses on purchased food. All this shows that what people earn goes to food. This corroborates the low standard of living of the population.

Table 6. Structure and Composition of Consumer Expenses.

	Food, goods and services	2000		1996	
		Per household		Per household	
		Dram	%	Dram	%
1	*Food purchased*	*21251*	*55.83*	*27220*	*43.4*
1.1	Bread and wheat	11833	31.09	10103	16.1
1.2	Dairy products	1787	4.69	1367	2.18
1.3	Fats	1720	4.52	2510	4.00
1.4	Meat	638	1.68	3561	5.68
1.5	Fish	191	0.5	555	0.88
1.6	Vegetables	1355	3.56	982	1.56
1.7	Fruits	353	0.93	972	1.55
1.8	Potatoes	899	2.39	1244	1.98
1.9	Sugar	765	2.01	1045	1.66
1.10	Confectionery	186	0.49	850	1.35
1.11	Eggs	408	1.07	632	1.01
1.12	Coffee	838	2.2	1109	1.77
1.13	Non alcoholic beverages	108	0.28	91	0.14
1.14	Alcoholic beverages	524	1.38	782	1.24
1.15	Other food	97	0.25	184	0.29
1.16	Outdoor food	238	0.63	1231	1.96
1.17	Food not purchased	307	0.81	5392	8.60
2	*Industrial goods*	*4383*	*11.52*	*12371*	*1.97*
3	*Services*	*12428*	*32.65*	*17660*	*28.19*
3.1	Residential utility services	3739	9.82	5935	9.47
3.2	Health care services	3848	10.11	3537	5.64
3.3	Transport services	3728	9.79	2672	4.26
3.4	Education	1114	2.93	1892	3.02
	Total expenditures	**38063**	**100**	**62643**	**100**

Based on the results of the Survey 1996, Ministry of Statistics calculated two types of poverty line: Poverty Food Line and General poverty line.

Poverty Food Line: Most frequently used 24 types of food products has been taken. The actual consumption of food products has been calculated on the basis of consumption thereof. According to the recommendations of Food and Agricultural organization of the United Nations (FAO) the minimum energetic per capita kilocalories should be equal to 2100 kcal. Taking above mentioned into consideration, it was calculated how many grams of each product should a person consume per day in order to have 2100 kcal per day. In order to evaluate the minimum of food basket, average territorial prices were selected from the questionnaires. In consequent periods only such poverty lines were used that were calculated on the basis of republican average (because territorial and republican averages were not significantly different from each other).

For the purpose of calculation of ***general poverty line***, the value of food basket recalculated taking into consideration the ratio of expenditures for goods and services, it has been accepted as the actual *consumption basket*.
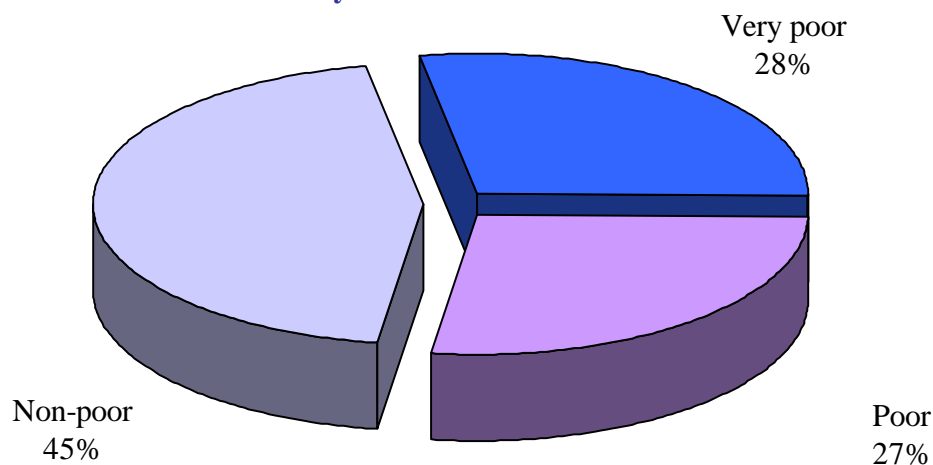
Table 7. Poverty line basket structure and caloric value. Survey 1996

#	Products	Grams (per day, per capita)	Cost (drams, per month, per capita)	Kcal
1	Rice	17.19	149	71.34
2	Beans	18.03	169	44.18
3	White flour, highest grade	19.64	120	67.99
4	White bread 9highest grade)	427.39	2244	1124.03
5	Macaroni products	25.62	187	89.15
6	Lavash	28.62	262	75.83
7	Beef	17.82	513	38.86
8	Poultry	4.07	117	3.33
9	Fish	15.00	146	11.09
10	Milk	27.12	143	17.09
11	Yogurt	18.27	110	14.43
12	Hard cheese, cow milk	12.48	317	51.40
13	Eggs	7.60	223	10.05
14	Butter	3.46	141	25.50

15	Oil	6.53	98	58.70
16	Melted butter	19.70	621	165.47
17	Apples	44.24	159	18.51
18	Grapes	4.96	28	2.83
19	Citrus fruits	3.30	24	0.86
20	Compots	14.92	45	11.49
21	Cabbage	45.85	69	11.92
22	Onions	12.19	33	4.26
23	Potatoes	192.45	560	115.47
24	Sugar	16.93	134	66.70
	Total		**6612**	**2100**
	National Food Line (drams)		**6612**	
	Share of non-food goods and services in poverty basket		**38.7**%	
	National Poverty Line (drams)		**10784**	

On the basis of poverty criteria the studied group was classified into three main groups: *very (extremely) poor* are deemed to be those households whose average current expenditures per capita were lower than the poverty food line; *poor* are those households whose average current expenditures per capita were lower that the poverty general line; and, *non-poor* are those households whose average current expenditures per capita were higher than the poverty general line. Taking all above-mentioned into consideration, the results were following:

**Chart 2: Distribution of population by poverty groups.
Survey 1996**

Very poor
28%

Non-poor
45%

Poor
27%

23

According to the Living Standard Survey, 55% of the population is under the poverty line.

In order to see how many people are poor today, the food basket is recalculated with current prices.

Table 8. Poverty line basket structure and caloric value. Survey 2000.

#	Products	Grams (per day, per capita)	Cost (drams, per month, per capita)	Kcal
1	Rice	17.19	160.8	71.34
2	Beans	18.03	234.5	44.18
3	White flour, highest grade	19.64	111.5	67.99
4	White bread 9highest grade)	427.39	3031.9	1124.03
5	Macaroni products	25.62	200.5	89.15
6	Lavash	28.62	294.2	75.83
7	Beef	17.82	550.2	38.86
8	Poultry	4.07	105.9	3.33
9	Fish	15.00	135.5	11.09
10	Milk	27.12	174.8	17.09
11	Yogurt	18.27	117.7	14.43
12	Hard cheese, cow milk	12.48	407.9	51.40
13	Eggs	7.60	165.9	10.05
14	Butter	3.46	143.4	25.50
15	Oil	6.53	108.7	58.70
16	Melted butter	19.70	592.3	165.47
17	Apples	44.24	180.3	18.51
18	Grapes	4.96	45.6	2.83
19	Citrus fruits	3.30	55.4	0.86
20	Compots	14.92	246.7	11.49
21	Cabbage	45.85	165.7	11.92
22	Onions	12.19	56.5	4.26
23	Potatoes	192.45	574.3	115.47
24	Sugar	16.93	127.6	66.70
	Total	**7987.8**		**2100**
	National Food Line (drams)	**7987.8**		
	National Poverty Line (drams)	**13028.1**		

With new estimation I found out that 87% of the population of my sampling is under the poverty line.

**Chart 2: Distribution of population by poverty groups.
Survey 2000**

Non-poor
14%

Poor
21%

Very poor
65%
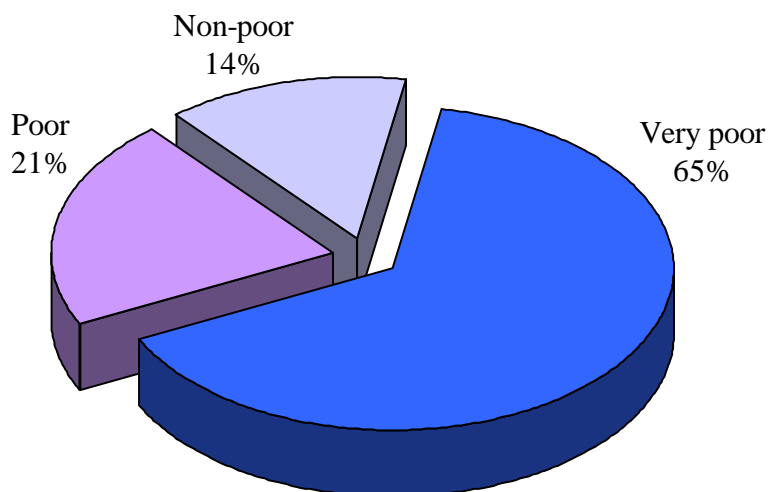
The non-poor households consist mainly from employees or self-employers, they have maximum two children and no pensioners. This kind of families shouldn't be considered as needy. But there are households that have more than 4 children, and they automatically fall under the poverty line, because even their parents have occupation there are too many dependents are there.

It is worth to mention that despite of the difficulties that people carry on, 73% or 177 people answer that they never emigrate from Armenia. 27% answer that they willingly left Armenia. They will emigrate in order to earn money and most of them prefer to go to Russian Federation or to USA.

On the question "How people estimate their economic condition?" 65.5% (159 respondents) answer that it is too bad. 31% (75 respondents) think that their economic situation even getting worse within 3 months. 48% (117) think that it will remain the same within 3 months. Most respondents answer that if they will get 50$ per person per month they will live good (normal nutrition, access to basic services like health care and education).

The Government has developed a vulnerability index (Paros Program) to target assistance to the most needy. According to this survey almost all (44 households) are in need. Almost all these households should be involved in any social assistance system, at least those who are very poor. But only 18 of them get involved in any social assistance and only 3 households get money of food assistance. Others who are not involved have been previously denied by the Ministry of Social Security, mainly because they have relatives outside the country or some valuable thing that they can sold (for example foreign TV set, or furniture accumulated from the past). Those who excluded from the assistance try to apply again and again but the system is so bureaucratic and complex that many people just give up because of so many obstacles. Majority of respondents told that if they would have been involved in the Family Allowance System they would be much better off than they are now, and also those who were involved in that system, but now are excluded, confirm that these allowances help them a lot. So people rely on that assistance, for many of them it is the last hope, then why are they excluded. In some cases it happens because of the manipulations of the workers of the assistance system. In other cases they require several documents from district office, but this office in its turn doesn't give this documents because the household doesn't pay for the apartment. If the household will have money for paying for the apartment he will hardly need the assistance. It becomes a vicious circle. Consequently, a new criterion of evaluation of the degree of indigence of the family is needed, which would be possible comprehensive and complete.

Based on the overall analysis the **RECOMMENDATIONS** of this essay are the following:

Recommendation 1: For the short-term period my recommendation is that surveys that are conducted concerning the poverty will help not only to estimate how many people are poor, but also to find out concrete addresses of these families who are poor. Defined

vulnerable groups are not enough for finding out needy families. Consumption of the families is good indicator for poverty estimation. People may hide their incomes or may have not expenses, but the consumption will show does this household is in need or not.

Recommendation 2: Social assistance system should continue to be improved. Paros system doesn't have good reputation. Many participants considered that Paros lacked clear and well-understood rules of eligibility, required procedures, information dissemination to applicants regarding their status, making appeals, etc.

Recommendation 3: For the long-term period, is the introduction of the social insurance system; all vulnerable groups should be included in that system, pension insurance and medical insurance.

Recommendation 4: To create favorable environment for establishment and increasing the level of foreign and direct investments. The link between development of small and medium enterprises and poverty alleviation has 2 dimensions. The first relates to the extent that small and medium enterprises (SME) promotion can help accelerate efficiency and economic growth. The second relates to the extent that SME promotion increases the employment elasticity of growth. But administrative process of registration and getting license discourage many of the entrepreneurs. High taxes, policy instability, corruption are major obstacles, in the process of the establishment of the enterprises.

Recommendation 5: For the long-term period, is to undertake measures for closing the gap between minimum wages and the consumer goods basket. This will require serious steps from government. It requires large share from budget revenues, it in its turn requires improvement of tax administration and elimination of the corruption.

And in conclusion I would like to say that whatever I recommend, the problem is so serious and persistent that it will last even longer than it is, until the government, officials, elite, all of us consciously understand this problem and do our best to improve it.

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