

AMERICAN UNIVERSITY OF ARMENIA

**IMPLEMENTATION OF POVERTY REDUCTION STRATEGY PAPER IN
ARMENIA: ISSUES OF PUBLIC PARTICIPATION AND PROGRAM
ADMINISTRATION**

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TABLE OF CONTENTS

	Page
Abstract.....	6
List of Abbreviations	7
Introduction.....	8
Objectives of the Study.....	10
Methodology.....	10
Research Questions.....	11
Definitions of Poverty.....	12
Definitions of Civil Society	14
PRSP and MDGs.....	17
Findings.....	21
Analysis.....	28
Conclusions:	
Why Successful Implementation of PSRP is Still an Issue in Armenia?	29
Recommendations:	
How the effectiveness and pro-poor orientation of PRSP could be increased?.....	30
Recommendations to Civil Society Organizations	31
Recommendations to the Government.....	32
List of References	34
Appendix A.....	37
Appendix B:.....	38

LIST OF TABLES AND FIGURES

	Page
TABLE 1: CONSOLIDATED EXPENDITURES IN SOCIAL SECTOR	27

Abstract

In 1999 the World Bank introduced the concept of Poverty Reduction Strategy Paper for the developing countries. In Armenia the issue of poverty reduction took a momentum starting from September 2000, after the Millennium Summit, where the decision on financing less developed countries for the purpose of poverty reduction was made. Republic of Armenia officially recognized poverty reduction as a strategic goal. Although there is no doubt that Armenian government has done much in reducing extreme poverty since Millennium Summit, thousands of people are still poor.

Thus, the purpose of this policy project is to:

- present the current strategy applied to poverty reduction,
- find out the role of civil society in successful implementation of this strategy,
- identify issues of public participation and program administration impeding successful implementation of PRSP,
- study the main reasons for slow implementation of PRSP, as well as
- propose recommendations for increasing the effectiveness of Poverty Reduction Strategy.

As it was found out, a number of issues are challenging poverty alleviation. In particular, issues like corruption, weakness and passiveness of CSOs, insufficient public participation, lack of transparency and accountability in decision-making and poor democratic traditions along with problems in administration of PRSP and monitoring of results hamper the successful implementation of this challenging program.

Based on the findings a number of recommendations have been developed and proposed to the government and civil society.

List of Abbreviations

CSO - Civil Society Organization

FSU - Former Soviet Union

GDP - Gross Domestic Product

IMF - International Monetary Fund

MDGs - Millennium Development Goals

MTEF - Medium-Term Public Expenditure Framework

NA - National Assembly

NGO - Non-Governmental Organization

PRSP - Poverty Reduction Strategy Paper

RoA - Republic of Armenia

SC - Steering Committee

UN - United Nations

UNDP - United Nations Development Program

WB - World Bank

WG - Working Group

Introduction

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”

- Franklin Delano Roosevelt

The fall of Berlin wall launched the decay of communist regimes and dismantling of planned socialist economies in a number of Central and Eastern European countries. The culmination of this process was the break-up of the Soviet Union. Many of these countries are still undergoing a process of transition from centrally planned to a market economy. Some countries that went through similar processes of modernization in East Asia, have reached tremendous progress in economic development accompanied by reduction in poverty and improvements in welfare, whereas many other countries have had to contend with overwhelming economic and political changes. However, no region in the world has suffered reversals similar to what the countries of the former Soviet Union (FSU) and Eastern Europe has encountered in the 1990s. The number of poor in these countries has increased by over 15 million. Armenia as part of on FSU also could not escape from facing the challenge of poverty.

On the top of adverse consequences of the break-up of Soviet Union, collapse of the economy, common for many other former Soviet countries, two other events largely contributed to further deterioration of economic performance and living conditions in Armenia. In 1988 a devastating earthquake hit the country causing tremendous calamities and leaving in ruins large parts of the country's infrastructure.

Approximately the same time a military conflict with neighboring Azerbaijan for Nagorno-Karabakh autonomous region started to emerge. As a result of this conflict about 600.000 Armenian refugees fled to Armenia in the following 1-2 years. The

inflow of refugees caused a sharp increase in population and tremendous economic and social constraints in Armenia. Thousands of refugees from Azerbaijan, lasting consequences of the devastating earthquake and the *de-facto* war from 1990 to 1994 that now has the status of a frozen conflict (ceasefire has been reached in 1994), economic blockade by the neighboring states of Azerbaijan and Turkey (borders are still closed) caused huge economic disruption, which brought to complete standstill a number of large industrial enterprises. All this significantly contributed to deterioration of social and economic conditions in the country, further complicated the economic and social situation and worsened the quality of life, generating enormous level of poverty.

Growing poverty plunged people into the despair and hopelessness that have lasted almost fifteen years. Even today, having incremental growth in GDP (in average 11.2% in 2000-2005¹), the rate of extreme poverty remains at the level of 6.4% - a tangible phenomenon, which is difficult to overcome. The poor segment of the population constitutes 36.4%, or more than 1/3 of population, while based on 1988 official figures, only 1/5 of the population was considered to be below the poverty line.

The analysis of the outcomes of the decade of transition indicates that the economic growth and reforms do not always bring about an increase of welfare and the raise of the human development level.

I will start this paper with presenting the objectives of the study, the methodology applied and the research questions addressed in this study. Before turning to the strategy of overcoming poverty it is important to discuss what are *poverty* and *poverty eradication* as well as understand the *civil society's* role in alleviating this social

¹ In 2005 GDP crossed the level of 1989 and its size was bigger than in 1989 by 14.1%.

disaster. Finally I will discuss the process of implementation of PRSP in Armenia, and institutions governing it, analyze findings and present recommendations.

Objectives of the Study

Poverty Reduction Strategy Paper was adopted in 2003 aimed at facilitating and overcoming grave social conditions existing in Armenia since gaining independence. However, despite the operating program, inspiring figures and encouraging statements regarding poverty reduction in the country the poverty level is still significant. Thus, the objectives of this study are:

- to investigate and discover the main reasons for slow implementation of PRSP,
- identify the role of civil society and perspectives for public participation in implementing PRSP, and
- analyze the existing situation with the implementation of PRSP and offer recommendations for improving it.

Methodology

The aim of this policy project is to study the issues of public participation and program administration hampering successful implementation of PRSP in Armenia. This is a descriptive-explorative study (content analysis based on the existed materials). In particular the following research methods were used:

1. Content analysis of existing papers, studies, documentations and legal acts regarding poverty reduction in Armenia.
2. Interviews conducted with 7-8 people², including independent experts, civil servants, and representatives of donor organizations and NGOs, about the progress in implementing the strategy.
3. Content analysis of Armenian government activities within the framework of PRSP.
4. Content analysis and elaboration of policy recommendations for CSOs and Government.

Research Questions

The current situation with persisting poverty in the country along with continuing debates on the effectiveness of PRSP, particularly the civil society's role in its implementation, have led to development of the following research questions for this study:

- What are the current approaches to strategies and policies applied to poverty reduction by the Government and civil society organizations?
- How the lack/deficiency of transparency, accountability, weak democratic and participatory mechanisms challenge reduction of poverty?
- Why successful implementation of PSRP is still an issue in Armenia?
- How the effectiveness and pro-poor orientation of PRSP could be increased?

² See Appendix A.

Definitions of Poverty

*"Nobody hears the cries of the poor or
the sound of a wooden bell"*

Haitian proverb

Despite frequent disputes around common definition of *poverty* the most widespread one is economic and social conditions of lacking both money and basic necessities needed to successfully live, such as food, water, education, and shelter. For some researchers poverty is defined in very broad terms, such as inability to meet “basic needs.” Basic needs refer to the physical (food, shelter, health care) and non-physical (participation, identity, equity) requirements of a meaningful life. Amartya Sen, a Nobel Prize winner for economics in 1998 for his works on famine, human development theory, welfare economics and the underlying mechanisms of poverty, has related the concept of poverty to “entitlements”, which is command over various goods and services and the availability of such goods (World Development Report 2000/2001).

Poverty reduction (or poverty alleviation, eradication) is any process that seeks to reduce the level of poverty in a community, or among a group of people or countries (www.wikipedia.org).

According to Berar (1995) poverty is a danger. It puts a heavy economic and social burden on the governments and societies, and it deprives the present and future generations of great human resource potential. That is to say, poverty is a major threat to sustainable development³.

The World Bank experts present the following standards for the definition of poverty:

³ According to the World Commission on Environment and Development (the Brundtland Commission) Report published in 1987, sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

“Deficit of possibilities – low level of incomes, consumption and spending (as a rule, compared with the national poverty line); lack or insufficiency of production and private property; low level of social capital;
Poor accessibility of social services – limited opportunity to receive necessarily minimal education, and to ensure sufficient healthcare level from society viewpoint;
Low level of security – low defensibility level against various risks (loss of job; diseases; natural disasters, etc.);
Low level to influence (lack of suffrage) – deficiency in opportunities to participate in structures influencing economic and public life, including the life of the poor; lack of opportunity to negotiate with these structures and to influence the decisions made by them.” (PRSP 2003, 23).

Based on these criteria, PRSP (2003) of the Republic of Armenia presents the following definition of poverty for Armenian society:

“...poverty means *possibility to meet the minimal biological, social, spiritual-cultural needs on one’s own*. As “*biological need*” one should understand the food, minimal needs of individual, daily hygiene, and minimal seasonal clothes, existence of housing, access to water, warmth and electricity minimal consumption. As “*social need*” one should understand: health, education, work, necessity of minimal socialization (marriage, birth, rituals relating to death, relations with judiciary) with material opportunities that accompany the stability of internal family relations, necessity of being minimally informed (printing media, television, radio or other media) and devices of communication (telephone, transport, other means of communication). As “*spiritual-cultural need*” one should understand the minimal opportunity to access the spiritual-cultural values (not as by subjective needs and concepts, but as by objectively defined groups, for instance, minimal opportunity to participate to traditional ritual life, opportunity to read and to listen to music, etc)...” (p. 23).

In other words, a person who is not able to find resources to satisfy his/her minimum needs in housing, food, clothes, and cannot afford minimum consumption of water, sanitation, heating and electricity, and gas as well as has difficulties in affording healthcare and education, in child upbringing and finding a job, who does not have the opportunity to meet his/her cultural and spiritual needs, to read and participate in traditional ceremonies and festivals, etc., is considered to be poor (Lipton 1998).

Poverty also means sense of voicelessness and powerlessness in the institutions of state and society, as well as vulnerability to adverse shocks, linked to inability to cope with them (World Development Report 2000/2001).

International actions for poverty reduction also have significant importance as external factors/conditions are as important as internal ones. Expanding market access in high-income countries as well as ensuring the voice of poor people in global forum will further prompt evolvement of developing countries. Market relations are the core of that. However, internal issues such as social barriers⁴, wrong macroeconomic policies or natural disasters can as well have devastating effect and slope rather secured people into a horrific poverty (World Development Report 2000/2001).

Definitions of Civil Society

“As human beings, we cannot be neutral, or at least have no right to be, when other human beings are suffering. Each of us ... must do what he or she can to help those in need, even though it would be much safer and more comfortable to do nothing”

- Kofi Annan
UN Secretary General

Since the early nineties, donors have become increasingly aware and enthusiastic about the potential role of civil society in democracy and development. This was translated into the funding of a series of programs and projects that aimed at strengthening civil society (Howell and Pearce 2000).

⁴ Discriminatory practices associated with gender, ethnicity, race, religion, or social status result in the social, political, and economic exclusion of people that creates social barriers to upward mobility, constraining people's ability to participate in economic opportunities and to benefit from and contribute to economic growth. Social institutions—kinship system, community organizations, and informal networks—greatly affect poverty outcomes.

Civil society embraces the totality of voluntary civic and social organizations and institutions that form the basis of a functioning society as opposed to the force-backed structures of a state. According to the London School of Economics *civil society* is defined as:

“Civil society refers to the arena of uncoerced collective action around shared interests, purposes and values. In theory, its institutional forms are distinct from those of the state, family and marketCivil society commonly embraces a diversity of spaces, actors and institutional forms, varying in their degree of formality, autonomy and power. Civil societies are often populated by organizations such as registered charities, development non-governmental organizations, community groups, women's organizations, faith-based organizations, professional associations, trade unions, self-help groups, social movements, business associations, coalitions and advocacy groups.”
(Website: <http://www.wikipedia.org>).

Kumi Naidoo (2003) in defining civil society includes a wider spectrum of civil elements such as trade unions, foundations, faith-based and religious groups, community-based organizations, social movements and networks, and ordinary citizens who are active in the public sphere⁵.

Nevertheless, “civil society” is one of the most abused and least definable terms of the last decade. It has come to imply many things to many people, but whatever it is, it is known more for its absence than for its presence (VENRO 2005). It is impossible to give a single and unique explanation of the civil society. Depending on a country’s history and political tradition and depending on the degree of political liberalization and democratization, very different forms of civil society organizations have evolved in various countries (Ishkanian 2003).

According to Tikare et al. (2001) the participation of the civil society will increase the “ownership” of the development strategy, by stimulating reasoned debate, shared understanding, and a partial consensus in the society on some of the fundamental

⁵ Civil Society became a major player at the global level at the Earth Summit in Rio 1992 (it becomes an independent political, social and economical actor).

strategic choices. Participation of civil society will foster ‘government accountability’ and transparency (Howell and Pearce 2000) as well as increase the effectiveness of poverty reducing policies (Isham et al. 1995; Schusterman and Hardoy 1997).

Civil society emerged as a major force in efforts to improve governance. It should serve as a tool for overcoming social issues like corruption, inequality, reduced domestic and foreign direct investment and so on (World Development Report 2003). However, Terry McKinley (2004), in his paper claimed that civil society representatives, in most cases, have often had little basic input into PRSPs and had little chance of influencing program design. On the contrary Lawson (2003) states that:

“There is yet a little experience of PRSP implementation and monitoring, but a growing interest from civil society following from their involvement in the formulation process. PRSP implementation, the same as all policy implementation, is completely linked to the budget. There are three ways in which the budget relates to the implementation of PRSPs. The first can be described as financing gaps, the second as anti-poor policies, and the third as public expenditure monitoring. Civil society has a crucial and potentially pivotal role to play in all three.” (p. 8).

It is worth to mention major civil society organizations that act throughout the world forwarding successful poverty reduction. Some of them are known throughout the world at the global, regional, and country levels and include NGOs, trade unions, faith-based organizations, indigenous people’s movements, and foundations. Thus, they are: Oxfam International⁶, Action Aid⁷, Catholic Relief Services⁸, The Center of

⁶ Oxfam International was founded in 1995, formed by the group of like-minded independent non-government organizations, who wanted to work together internationally to achieve greater impact in reducing poverty by their collective efforts.

⁷ ActionAid (1972) is a unique partnership of people who are fighting for a better world - a world without poverty

⁸ Catholic Relief Services was founded in 1943 by the Catholic Bishops of the United States to assist the poor and disadvantaged outside the country.

Concern⁹, CIVICUS¹⁰, Eurodad¹¹, The Global Health Council (1972), Human Rights Watch (1978), InterAction¹², Save the Children¹³, Social Watch¹⁴, World Faith Development Dialogue¹⁵ and World Vision¹⁶ (Website: <http://web.worldbank.org>).

PRSP and MDGs

*“Recall the face of the poorest and
weakest man whom you may have seen,
and ask yourself if the step you
contemplate is going to be of any use to
him. Will he gain anything by it? Will it
restore him to a control over his own life
and destiny? ...Then you will find your
doubts and yourself melting away.”*
- Mahatma Gandhi

Poverty as a global phenomenon is in the current focus of international community and national governments. One of the main players in helping the national governments to cope with this phenomenon is the World Bank. Poverty became a problem/menace in Armenia after gaining independence in 1991 and World Bank

⁹ Since 1971, the Center of Concern has offered moral vision and provided effective leadership in the struggle to end hunger, poverty, environmental decline, and injustice in the United States and around the world.

¹⁰ CIVICUS is an international alliance established in 1993 to nurture the foundation, growth and protection of citizen action throughout the world, especially in areas where participatory democracy and citizens' freedom of association are threatened.

¹¹ Eurodad is a network of European development NGOs working for national economic & international financing policies that achieve poverty eradication & the empowerment of the poor.

¹² InterAction (1984) exists to enhance the effectiveness and professional capacities of its members engaged in international humanitarian efforts.

¹³ Save the Children (1919) is the leading independent organization creating real and lasting change for children in need in the United States and around the world.

¹⁴ Social Watch is an international network informed by national citizens' groups aiming at following up the fulfillment of internationally agreed commitments on poverty eradication and equality.

¹⁵ The World Faiths Development Dialogue (WFDD) was set up in 1998 to help to promote a dialogue on poverty and development.

¹⁶ World Vision International (1950) is a Christian relief and development organization working for the well being of all people, especially children.

became the major contributor to poverty reduction in our country. However, the development of PRSP started only from 2000 (Azizyan 2003, GoA¹⁷ 2006).

On August 8, 2003, the Government of Armenia adopted “Poverty Reduction Strategy Paper.” It was developed by joint efforts of the representatives of government, NGOs, the public at large, and independent experts and aimed at overcoming poverty. At the outset, the document was accepted with the condition of freedom in the further actions on its perfection and addition. There was also mutual understanding about the necessity to carry out revisions every year or once in two years along with monitoring and evaluation (Website: <http://www.cso-network.am>).

In order to have continuous coordination of the PRSP, a Working Group (WG) was established on April 14, 2001 in support of the PRSP Steering Committee (SC) that was responsible for the organization and coordination of development of the Interim PRSP¹⁸, and later, also the full PRSP, which was the amended version of PRSP1. The WG, in its turn, is comprised of representatives of governmental agencies and non-governmental organizations as well as international organizations. The task of the PRSP WG was to coordinate the ongoing efforts of PRSP elaboration, to draft the final document, to publicize elements of the strategy, to mobilize the participation of the civil society and the donor community in the PRSP elaboration process, to incorporate their feedback in the PRSP, and to submit the final draft of the PRSP to the SC.

Concurrently to the drafting of the PRSP, the Government of Armenia started developing the Medium-Term Public Expenditure Framework (MTEF). Taking into account the need for harmonizing and coordinating the course of action pursued by

¹⁷ PRSP was adopted in 2003 and approved in January 2004 after which the government developed an action plan aimed at ensuring the execution of the PRSP. The Government has also established a mechanism for the provision of quarterly reports by the state governance bodies on the progress of the implemented action plan.

¹⁸ In 2000, the Government of Armenia, with the assistance of the international community, initiated Interim PRSP1 (I-PRSP).

the PRSP and the MTEF, a special expert group was created. This expert group actively took part in the discussions of the PRSP drafts and submitted numerous comments and recommendations. As a result of the work performed by this group, the 2003-2005 MTEF successfully incorporated several actions proposed in the draft PRSP, which resulted in earmarking appropriate funds in the 2003 state budget in order to start the implementation of such actions in that fiscal year.

The PRSP Development Timetable:

May 2000 - The PRSP Steering Committee created by decree 267¹⁹ of the RoA Prime Minister.

March 2001 - The Interim PRSP adopted by the Government.

April 2001 - Competition announced to select stakeholders (ministries and agencies, local governments, experts, donor community, etc.) to draft the PRSP and to ensure the process of public participation.

September 2001 - Competition results finalized and plan of further actions clarified.

October 2001- January 2002 – PRSP Terms of References developed.

January 30, 2002 - Working groups led by deputy ministers and agency heads established in ministries and other governmental agencies under Prime Minister's decree 48.

February-October 2002 - PRSP drafted by experienced independent experts selected on a competitive basis.

February-November 2002 - Public participation and awareness-raising measures concerning the PRSP drafting, contents, and discussions ensured.

June 2002 - Expert group in charge of harmonizing and coordinating the course of action pursued by the PRSP and the MTEF created.

August 12-28, 2002 - Discussions on various sections of the PRSP held in the RoA Ministry of Finance and Economy.

October 2002 - Draft PRSP submitted to all the stakeholders.

November-December 2002 - Public hearings of the draft PRSP.

January 2003 - PRSP priorities set.

February 2003 - Expert group to finalize PRSP created.

July 15 2003 - Draft PRSP amended on the basis of the solicited feedback and recommendations submitted to the RoA Government

August 8, 2003 - PRSP adopted in a session of the RoA Government (Azizyan 2003).

Poverty Reduction Strategy Papers (PRSPs) are in many ways the replacement for Structural Adjustment Programs, and are documents required by the IMF and the

¹⁹ Prime Minister adopted decree 267 on May 15, 2000 to create the Steering Committee (SC) chaired by the Republic of Armenia Minister of Finance and Economy; the SC comprised of representatives of line ministries and parliamentary standing committees closely related to social and poverty issues, the RoA National Statistics Service, political parties, non-governmental organizations, and the donor community.

World Bank before a country can be considered for debt relief (Webpage: http://en.wikipedia.org/wiki/Structural_adjustment_program).

However, Levinsohn (2003) questions the effectiveness of PRSP in particular, whether the benefits yielded from it surpassed the considerable administrative cost of it. According to his suggestion “The Bank and the Fund or an NGO should undertake one careful, detailed and rigorous analysis of a specific PRSP process based on a multiple waves of a household survey, which can then serve as a model for future reviews and analysis.” (p.199).

Poverty alleviation has also constantly been in the focus of UN institutions in the last decades. Millennium Development Goals adopted in 2000 dwell upon this issue in detail. The first Millennium Development Goal²⁰ (MDG 1) is to eradicate extreme poverty and hunger. The target (i.e. Target 1) linked to this goal is to halve, between 1990 and 2015, the proportion of people whose income is less than 1 USD per day. Consequently, the first indicator related to MDG 1 is the proportion of the population whose income is below 1 USD per day by 2015. Indeed, the commitment of the Government of Armenia to implement MDGs is reflected only in the PRSP. The PRSP of Armenia, unlike PRSP of other countries, is explicitly linked to the MDGs. It contains all goals and targets and is fully consistent with the time horizon of MDGs (Jrbashyan 2005).

²⁰ The Millennium Development Goals (MDGs) were formulated on the basis of the Declaration of UN Global Conference and Agreements during the last decade. MDGs compel the international community to expand the development concept by promoting poverty reduction and human development as key factors for the sustainable social and economic development in all countries and by emphasizing the importance of global cooperation in those processes.

Findings

This section will present major findings about issues impeding poverty alleviation in Armenia. The following sections will then separately analyze the issues in public participation and program administration and propose recommendations on how to address them.

Issues in Public Participation

Number of issues related to public participation in implementation, public awareness and perception of the strategy impede successful realization of the program. Before I start discussing specific issues related to public participation and awareness I would like to bring up two general factors that strongly impede success in poverty reduction. These two are poor democratic traditions and institutions and corruption, stressed by the experts.

An important finding made in this paper concerns the impact of overall poor state of democracy in the country²¹ and weak democratic institutions. Within democratic systems, where a greater proportion of people participate through political institutions in public debates and discussions, they can influence the decision-making on economic and social policies.

Poor democracy is the significant impediment to the successful implementation of PRSP. Economic growth without democracy leads to greater degree of inequality that resulted in higher poverty level (this issue will be thoroughly discussed in the Analysis section).

²¹Democracy score was 5.18 in 2005 whereas in 2004 it was 5.00. The range is between 1 (consolidated democracy) and 7 (consolidated authoritarian regime) where 5 is considered as semi-consolidated authoritarian regime.

Freedom House, a non-profit, nonpartisan organization, is a clear voice for democracy and freedom around the world.

In the democratic system the poor have at least the chance to try and bring about economic changes that can lead to the reduction of poverty and improvement of their social conditions. Although, all necessary conditions exist for successful evolution of democratic institutions in Armenia, findings show that there are numerous violations and breaches of justice. In such conditions CSOs have difficulties in accomplishment of their goals. Appropriate tools for implementation their goals are spoiled by widespread corruption practice that is a result of weak democratic institutions.

Corruption is another serious challenge to poverty alleviation. According to the World Bank specialists, corruption²² is an important factor and is marked as a significant obstacle in poverty eradication since it leads to unfair distribution of income and inefficient use of resources. Today corruption still exists in many sectors, including health care, education, social protection and others. As was mentioned in the interview with Amalia Kostanyan (2004):

“..., even after the positive example of the participatory drafting of the Poverty Reduction Strategy Paper (PRSP), the Government did not follow the principles of participation and transparency outlined in the anti-corruption strategy itself....It is just one declarative document and a list of measures that are not always consistent with the context of the strategy paper. There are no mechanisms for public participation and certainly no mention of any coordination....In Armenia, we are destroying whatever we attempt to create. That is why the issue of corruption is crucial for countries like ours and why we need to understand that it is our responsibility...”

(Website:

http://www.transparency.am/docs/an%20interview%20with%20amalia%20kostanyan_02%2002%202004.pdf).

²²Corruption rating was 5.75 in 2005 that remains unchanged for six years. The range is between 1 (existence of policies that adhere to basic human rights standards, democratic norms, and the rule of law) and 7 (absence of policies that adhere to basic human rights standards, democratic norms, and the rule of law).

Increased corruption – Reduced economic growth and increased income inequality – Increased poverty.
Increased corruption – Reduced governance capacity – Increased poverty.

Based on PRSP (2003), “poverty reduction is directly linked to the effectiveness of the efforts for limiting corruption, as well as preventing its new and more dangerous variations.” (p.75). Nevertheless, A.Kostanyan (2006) states that:

“..., it could be argued that, in the first place, the public does not accept the Armenian ACS²³ Program, because it has been developed without public participation. The document is neither comprehensive, nor balanced; and it focuses on changing the legislation rather than enforcing the law or punishing the perpetrators of corruption. It is worth noting that the Armenian Government is exclusively responsible for almost all measures listed in AP²⁴, which substantially restricts the involvement of other parties...., if there is to be real fight against corruption in Armenia, then a more favorable institutional framework (e.g. well-functioning bodies with more powers and better resources) needs to be created” (Website: http://www.transparency.am/dbdata/AC%20policy%20in%20Armenia_eng.pdf).

Corruption phenomenon still exists and subsequently has its crucial impact on successful implementation of PRSP. Poor and weak anti-corruption strategy that is pivotal element in PRSP prevents successful realization of poverty reduction strategy.

The next problem is insufficient level of public awareness regarding PRSP as a program and the process of its implementation. This was acknowledged by all experts. However, their opinions concerning why people are not aware of the program vary. Some of them consider that information regarding PRSP and poverty situation in Armenia is available (in libraries, on-line and through mass media) and open but people are not interested and prefer to stay unaware (UNDP, MOFE specialists and PRSP secretary) the other think that information is so complicated and vaguely presented that people do not understand the issue (mainly Oxfam experts).

The next finding is related to the statements done by many representatives of civil society about their participation in PRSP process. They claim that government is not willing and ready to cooperate with them; there are no proper consultation mechanisms, where government representatives would give advice on relevant issues

²³ Anti-corruption strategy (ACS).

²⁴ Action Plan (AP).

– in PRSP framework - to CSOs. However, it is not only Government's fault - fragmented and fragile civil society may become the reason for unserious attitude of government representatives. In fact, many CSOs dealing with poverty issues tend to be donor-supported (due to their financial dependence), which raises a question to what extent they represent the poor. Moreover, as one NGO claims, the government encourages participation but civil society remains passive.

Merely physical participation of CS organizations in discussions and public hearings is far insufficient, their further participation in actions and willingness to implement the designed measures is critical. Head of PRSP secretariat mentioned this many times.

Distrust in government programs and in particular in PRSP brings to limited success in PRSP implementation. It impedes poverty reduction since precludes target population and CSOs from active participation, discourages joint efforts. This latter rather stimulates individual work of each organization resulting in overlap of many programs. However, the secretary of PRSP in contrast to Oxfam representative states that there is no overlap of programs inside PRSP.

According to some interviewed experts, CSOs in general (this statement, however, does not relate to those included in Working Group) lack professional and unbiased attitude to the issues in their focus (they are more subjective due to their day-to-day activities with grassroots).

According to UNDP expert a perception of "ownership" for the strategy both among CSOs and among regular citizens is nonexistent. "Ownership" of government-managed programs is still to be built by the people.

Administrative Issues

Experts acknowledged that the process of PRSP implementation is not perfect and has gaps and drawbacks. It needs significant improvement (this will be discussed in analysis part). However, in my opinion there is no need to be too pessimistic. Some of the problems discussed here are natural and typical for countries which recently adopted a similar strategy. Yet, the following faults could be taken into consideration and improved during the further implementation.

Among some major issues that needs to be addressed are improved administration, monitoring and evaluation of the program since these can grow to chief obstacles in accomplishment of successful coordination and management of PRSP as a whole.

This finding concerns PRSP management and monitoring system. *PRSP Steering Committee* – the highest body/political coordination – consists of representatives of Government, NA, Church, Diaspora, NGOs and research institutions. This body is responsible for coordination of PRSP overall activities, updates and submission to Government.

The *PRSP Participatory Working Group* (WG) under the supervision of PRSP Steering Committee (SC) coordinates day-to-day activities of program implementation and monitoring. It is guided by the RoA Legislation, PRSP Implementation Partnership Agreement signed on October 30, 2004 and by the decisions of the PRSP Steering Committee.

The *Joint Analytical Group* established by the Working Group is founded to support the preparation of the PRSP annual report and PRSP update.

PRSP Open Forum is responsible for guaranteeing transparency and feedback of PRSP implementation process. Special task forces are assigned within line ministries

for the monitoring of the PRSP action plan. Line ministries should submit quarterly and annual reports on PRSP actions implementation.

Secretariat's job is to support management and coordination of above described bodies. Secretariat's function is implemented by a division of the Ministry of Finance and Economy.

The weakest and poorest functioning body of PRSP structure is PRSP open forum (which started functioning on February 23, 2005 according to Government report) since it does not completely fulfill its functions. The information on its website is not up-to-date (too old), the site is poorly organized. Moreover, according to Oxfam experts, forum staff has never replied to or commented the proposals, offers, comments and other relevant materials submitted to them.

Despite the existence of SC and WG, they are so isolated and independent in their work that even can be unaware each others' activities. This phenomenon creates tension and waste of time in particular during the last discussions on PRSP revision. I had an impression that even the staff of the program is not serious about their activities. On the other hand, according to Oxfam, experts are poorly paid that makes them keep aloof from the program.

According to M. Hakobyan statement, government does not properly coordinate activities of international organizations in the framework of PRSP. She thinks that donor organizations are quite independent in their decisions on the scope and direction of their projects and try to dictate their will. Whereas MOFE and WB specialists hold opposite opinion and consider international organizations influence as a positive contribution to PRSP.

The next important finding is that the government is not always able to afford the expenditures planned and then reflected in PRSP. For instance, even despite the fact

that PRSP planned to increase expenditures for health care in 2004, the actual expenses in the following table show the opposite.

Table 1: Consolidated Expenditures in Social Sector

	2002	2003	2004	
		<i>Actual</i>	<i>PRSP</i>	<i>Prelim.</i>
	<i>in % GDP</i>			
Total social expenditures	7.8	7.9	9.3	8.3
Education	2.2	2.2	2.7	2.6
Health	1.2	1.2	1.5	1.3
Social security and social insurance ¹	4.5	4.5	5.1	4.5
<i>of which: family benefits</i>	0.9	0.8	1.0	0.8

Source: PRSP Progress Report 2006.

Table 1 shows actual expenditures made in social sector within the framework of PRSP in 2002 and 2003 (left column) and projected and actual expenditures in 2004 (right column) in percentage to GDP. It can be seen from the table that social expenditures in 2004 were projected at a higher level than was actually spent in 2003. However, the projected target had not been met. This supports the idea that program's plans are sometimes too ambitious and government should be able to plan rationally in order to be able to meet set targets.

Moreover, poor cooperation and coordination between sectors (e.g. education, health care and other sectors are not interrelated) in the framework of PRSP is another problem, as WB specialists mention.

The next finding relates to financing of PRSP. MTEF²⁵ (medium-term expenditure framework) brought in this respect more details in targeting future indicators. Yet, it still does not provide a proper link between different activities planned by PRSP. For instance, there are many activities for the secondary education but few are represented in the form of programs with clear goals and measures. PRSP and MTEF are more

²⁵ PRSP-MTEF - annual budget mainly coordinated and managed by the Ministry of Finance and Economy.

about figures than people. The main dissatisfaction of CSOs and public at large is that human factor is not taken into account, to which the MOFE experts object.

Analysis

What are the Current Approaches to Strategies and Policies Applied to Poverty Reduction by the Government and Civil Society Organizations?

Representatives of the government as well as civil society have different approaches towards poverty eradication. The main difference is that government puts more emphasis on economic growth whereas civil society in addition to that considers important equal distribution of social welfare. Civil society organizations consider extremely important issues of gender equality, human rights etc., based on the perspective that economic growth is important but not sufficient for combating poverty. Armenia experiences robust economic growth but perpetuating poverty. Nevertheless, government and representatives of major international financial institutions (World Bank, IMF, etc.) view achievement of macroeconomic indicators as the most significant in comparison to other indicators.

How the Lack/Deficiency of Transparency, Accountability, Democratic and Participatory Mechanisms Challenge Reduction of Poverty?

First of all lack of transparency, accountability, democratic and participatory mechanisms nourish corruption that in its term negatively impacts the economy and subsequently impedes poverty alleviation. It also results in public distrust and

cynicism, declining participation and low awareness. Many of the interviewed experts expressed the opinion that PRSP implementation is transparent and accountable though it is not perfect.

According to Oxfam experts, in order to increase transparency and accountability of PRSP, structural changes in the national budget should be made (particularly program budgeting introduced). In their opinion MTEF is an ambiguous program, which ignores human factor and activities are not transparent. This opinion was, however, opposite to MOFE and WB specialists view.

Another general difficulty has been that over the decade following independence, Armenia is yet to institutionalize the format and tools for a dialogue between society and public authorities; society is still not ready to embark upon a dialogue to protect its rights and interests, while various public agencies, by virtue of the large number of day-to-day issues waiting for solution, simply do not have an interest in this dialogue.

Another important factor is that civil society is yet to reach a sufficient degree of institutionalization; it does not have the institutions and organizations it needs to become actively engaged in the dialogue with government. In other words, the passive stance of civil society in the elaboration of the PRSP has been due to a number of factors, some of which will depend on the successes of overcoming poverty.

Conclusions: Why Successful Implementation of PSRP is Still an Issue in Armenia?

PRSP is the major program developed for overcoming poverty, which emerged after the collapse of USSR. Despite complex geopolitical situation and continuous blockade Armenia was able to manage and even lessen extreme poverty level. The

assistance of international organizations in sharing international practices and resources as well as linkage of MDGs to PRSP have already had successful outcome.

PRSP program is mainly funded through the state budget but also depends on funds borrowed through international financial institutions, donor assistance, and private sector contribution. However, there is a significant gap between financial resources needed and available for the implementation of this important program.

In other words, PRSP takes up too much focus on elements of the overall economic policy of the country instead of concentrating on specific measures to reduce unemployment and soften the unfairly high level of social polarization.

However, despite issues discussed above, PRSP has its positive input in poverty alleviation in Armenia. This program started only 3 years ago and probably it would be too ambitious anticipating immediate success and complete elimination of poverty by now. PRSP should be considered as a long term program and tangible results will be seen in the future.

The study has generated several ideas and recommendations that might be helpful to the government and civil society. Recommendations to the Government and civil society organizations are presented separately and aim at finding out new ways for eradicating poverty in Armenia through improved public participation and better administration of the PRSP.

Recommendations: How the effectiveness and pro-poor orientation of PRSP could be increased?

According to the experts, the effectiveness of implementation of PRSP could be raised in the following ways:

- PRSP experts need to be reimbursed properly in order to create incentives for work
- Professionalism and objectivity of SCOs dealing with the issues of poverty will not only positively impact poverty reduction but also force government to perceive them more seriously.
- Persistence in implementation of defined targets by CSOs involved in PRSP implementation.
- Institutionalization of the participatory process.
- Improved tax administration will raise overall revenue collection in the country; in particular, heavier taxation of high income groups could contribute to re-distribution of income in the society towards the poor strata.
- According to Mr.Azizyan, instead of providing financial aid to the poor it would be better to create conditions for business activity, since financial help is not a solution, if poor people are not given a chance to work and earn income. CSOs could motivate them through their projects. The poor should have stable sources of disposable income. Oxfam experts claim that it is feasible and organization's experience in different marzes shows positive outcomes.

Recommendations to Civil Society Organizations

1. Poverty is not solely government responsibility; it should be addressed by the whole nation. The experts and professionals - those who are skilled enough - should take the lead and involve large parts of the society towards realization of PRSP.

2. Ensure active participation in the implementation process. The initiative for participation should come from CSOs. They should develop independent capacity to monitor the progress and impact of PRSP.
3. Strengthen partnership and cohesion between government and civil society in the process of implementation of PRSP. Two of them should be open and ready for cooperation, otherwise the effectiveness of the program will be low. Partnership can be realized within the framework of PRSP forum and in other possible formats.
4. It is important to create a healthy pro-poor²⁶ growth environment. Economic growth should be pro-poor. In order to make economic growth pro-poor the part of PRSP that relates to economic growth should be revised.
5. In order to raise accountability and transparency of PRSP there is a need to show how much is spent on each indicator of PRSP (there are 177 indicators). Thus, the question at hand is about efficient and transparent monitoring of the results with broad citizen participation. Rigorous monitoring (in rural areas, by sector for instance) would enhance the responsibility of implementers, resulting in increased trust in the government and the program as a whole.

Recommendations to the Government

1. Encourage civil society participation by organizing periodic (monthly, quarterly) public hearings, discussions and debates. It is necessary to raise the efficiency of the PRSP forum. It is important to keep track of all proposals and suggestions submitted

²⁶ Improvements in primary health and education, creation of jobs and income opportunities, development of skills, micro-finance, agricultural development (for countries like Armenia with large proportion of rural poor), and gender equality.

to the forum and after reviewing them produce written responses that will enhance the effectiveness of public dialogue and give satisfaction to all parties.

2. PRSP should be developed and implemented not only at the national level (as it is now) but also should descend to the community level.

3. Despite the fact that PRSP is the largest program targeting poverty and is adopted by the Government, it lacks appropriate legislative status. In my opinion it should be passed through the National Assembly and receive status of a law. Law status would raise the level of government responsibility for this program.

4. PRSP pays serious attention to participation process but fails to mention about institutions responsible for that. Inclusion of mechanisms, that could make the voices of the poor and their representatives heard, would improve the paper.

5. Broader inclusion of stakeholder groups such as CSOs, women's groups, ethnic minorities, policy research institutes and academics, private sector, trade unions and representatives from different religious groups in the process of implementation would have significant positive impact and raise its efficiency.

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Appendix A

Table 1: Statistics on poverty from 2001 to 2005

	2001	2002	2003	Targeted by PRSP 2003	2004	Targeted by PRSP 2004	2005
GDP per capita in US dollars	659.1	739.9	874.1	780.0	1106.1	904	1140
GDP growth rate, %	9.6	13.2	14.0	N/A	10.1	N/A	13.9
Poverty level, % of total population	50.9	49.7	42.9	46.2	39.0	43.7	N/A
Extreme poverty level, % of total population	16.0	13.1	7.4	15.2	7.2	14.7	N/A
Food poverty line, in drams	10,246	10,441	11,662	N/A	12,467	N/A	N/A
Absolute poverty line, in drams	16,989	17,299	18,541	N/A	19,373	N/A	N/A
Gini coefficient of income inequality	0.528	0.449	0.434	0.51	0.387	0.498	N/A

Source: National Statistical Service of Armenia (NSS).

Appendix B:

Questionnaire for the interviews with experts

1. Have you carried out any research and got any expert estimation of the current poverty situation in Armenia, and if so, for how long and what sort of research was it? Where can the results of the research be found?
2. According to your opinion are there two different approaches/explanations to poverty reduction from the government and civil society?
3. What could be the forms of civil society participation in implementing PRSP?
4. Do you think there is enough transparency and accountability in implementing PRSP? *If no*, what kind of tools would you recommend to apply for raising transparency and accountability in Armenia? *If yes*, how are the grassroots involved in implementation of PRSP?
5. In the recent years there were positive trends in reducing poverty. What is the cause of it: PRSP activities or general economic improvements of conditions by default reduce the poverty?
6. Please mention institutional mechanisms that could effectively impact poverty reduction. What are the most effective measures that could quickly contribute to poverty reduction in Armenia?
7. When you select a project, how do the beneficiaries participate in selection and implementation of it? Are they really aware of it?
8. How do you manage and coordinate projects related to poverty reduction as well as measure their success? (monitoring and evaluation)
9. What are the major lessons of implementing PRSP in the last three years? What were the major drawbacks or shortcomings?
10. What we (your organization/our country/government) can do in order to increase the effectiveness of PRSP?
11. How does the GoA coordinate the activities inside the system? How is the coordination/cooperation done between the GoA and international organizations as well as how international organizations cooperate with each other (especially in implementing different projects)? What is the role of international organizations?