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POVERTY REDUCTION IN ARMENIA: THE ROLE OF THE WORLD BANK IN
COMBATING POVERTY

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LIST OF ABBREVIATIONS

AMD	Armenian Drams
BEEPS	Business Environment and Enterprise Performance Survey
CAS	Country Assistance Strategy
CIS	Commonwealth of Independent States
EFMR	Education and Financing and Management Reform Project
GDP	Gross Domestic Product
GEF	Global Environment Facility
HFPCD	Health Financing and Primary Health Care Development Project
ILCS	Integrated Living Conditions Survey
MDG	Millenium Development Goal
MFE	Ministry of Finance and Economy of the Republic of Armenia
MTEF	Medium – Term Expenditure Framework for Armenia
NGO	Non Governmental Organization
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper for Armenia
SME	Small and Medium Enterprises
UNDP	United Nations’ Development Program
US	United States
VAT	Value – Added Tax
WB	World Bank

ABSTRACT

The demise of the Soviet Union at the end of 1980s posed severe challenges for Armenia. Like other newly independent states, Armenia's economy suffered much from that breakup. Consequently, after Armenia declared its independence on September 21, 1991, it started to develop and employ its own strategic framework of political, structural and economic reforms. However, the absence of historical precedence and the lack of experience made the costs for independence and consequent transition to a market economy very high, for the country is still bearing the hardships of the early years of its transition.

Though nowadays Armenia has steadily growing GDP rates, poverty still persists in the country, meaning that rapid economic growth is not the one and the best way for alleviating poverty, unless it assures some equity. Indeed, economic growth is an important factor for poverty reduction, but it is not sufficient for its full eradication.

Poverty is an issue, for the reduction of which are concerned not only countries that face it but also the whole international community, which can have both direct and indirect intervention in Armenia's poverty reduction strategies. The World Bank is among those international organizations that has an essential role in combating poverty all over the World, as well as in Armenia.

The purpose of this Project is to examine the current poverty and unemployment trends in Armenia, to review what strategic framework of reforms is defined in the country concerning that issue. Moreover, to assess the assistance of the international community in general, and the World Bank in particular, in the process of operationalizing poverty reduction policies in Armenia and to find out whether poverty reduction keeps pace with economic growth rates in the country. The first section discusses main theoretical approaches to the problem and refers to the poverty situation in Armenia. Second section underlines the structure of public and governmental expenditures towards education, health care, and social assistance. The third section analyzes policies combating poverty: domestic efforts and international assistance, PRSP, WB. The final section will summarize the paper and provide some policy recommendations.

Introduction

Poverty is among the most widespread scourges that stunt human development all over the world. It should be as a specific area of attention, because it includes such essential aspects of human development as health, education, environment and human rights.

Unfortunately, Armenia is among those countries in the world, which face poverty at very high rates. Among the first and main reasons of Armenia's current unfavorable social conditions accompanied by high rates of poverty and unemployment is the breakup of the Soviet Union. It is a known fact that almost all former Soviet republics were highly "dependent" on its support, Armenia was among those countries, and the demise of the Soviet Union at the end of 1980s posed severe challenges for it. Like other newly independent states, Armenia's economy suffered much from that breakup, because Armenia almost lose any kind of assistance from the Soviet Union. Consequently, after Armenia declared its independence on September 21, 1991, it started to develop and employ its own strategic framework of political, structural and economic reforms. However, the absence of historical precedence and the lack of experience made the costs for independence and consequent transition to a market economy very high, for the country is still bearing the hardships of the early years of its transition.

Though nowadays Armenia has steadily growing GDP rates, poverty still persists in the country, meaning that rapid economic growth is not the one and the best way for alleviating poverty, unless it assures some equity. Indeed, economic growth is an important factor for poverty reduction, but it is not sufficient for its full eradication. The above-stated rests an assumption that poverty reduction programs should be of larger scope, having a broader strategic framework of sustainable human development.

Poverty is an issue, for the reduction of which are concerned not only countries that face it but also the whole international community, which can have both direct and indirect intervention in Armenia's poverty reduction strategies. The World Bank is among those

international organizations that has an essential role in combating poverty in all over the World and in Armenia. Since the inception of the World Bank's programs in Armenia, 49 projects had already been executed. Currently, the Bank's active portfolio consists of 17 projects, of which the central focus will be on the issue of increasing the accessibility of the poor to such essential infrastructures as are Healthcare, Education and Social Security.

The purpose of this Policy Project is: a) to examine the current poverty and unemployment trends in Armenia; b) to review what strategic framework of reforms is defined in the country concerning that issue; c) to assess the assistance of the international community in general, and the World Bank in particular, in the process of operationalizing poverty reduction policies in Armenia and d) to find out whether poverty reduction keeps pace with economic growth rates in the country. Thus, the focal basis of the discussion is that in order to decrease inequality and reduce poverty, the benefits for the poor from economic growth should be more than for other strata of the population. Hence, it is important to apply such strategies that will make growth more pro-poor. Seen in these terms, this policy project poses the following research questions:

- What is the poverty profile in Armenia?
- What policies are defined or what strategies are elaborated to implement poverty reduction in Armenia?
- What is the role of the World Bank in combating Poverty?
- To what extent do the World Bank assistance programs increase the level of pro-poor growth in Armenia?

The **methodology** applied for this Project paper will be based on the secondary analyses of existing macroeconomic and financial data, as well as relevant literature concerning poverty reduction in Armenia.

Poverty Profile in Armenia

Poverty is a phenomenon that, to some extent, exists in all countries of the world. The collapse of the Soviet Union was the most important factor for widespread high poverty all over the newly independent states. Having no experience and historical precedents for such transition, the countries of former Soviet Union found themselves in very critical conditions, namely, the necessity to change almost every aspect of previous system. The result of such a transition was sharp increase in poverty and unemployment rates, which in turn caused widespread illiteracy and migration.

The first concentration is to define what poverty is, by giving some basic poverty and pro-poor growth definitions. Hence, there is no single definition of poverty. According to the World Bank (quoted in PRSP, 2003), poverty is apparent as:

- *Lack of opportunity*: Low levels of consumption/income, usually relative to a national poverty line. This is generally associated with the level and distribution of human capital, social assets and physical assets, such as land, and market opportunities, which determine the returns to these assets. The variance in the returns to different assets is also important.
- *Low capabilities*: Little or no improvements in health and education indicators among a particular socio-economic group;
- *Low level of security*: Exposure to risk and income shocks, which may arise at the national, local, household or individual level.
- *Empowerment*: Empowerment is the capability of poor people and other excluded groups to participate, negotiate, change and hold accountable institutions that affect their well-being (PRSP, 2003, p. 23).

Moreover, the UNDP Poverty Report (1998) talks about six basic types of poverty:

- *Human Poverty* – The lack of essential human capabilities, such as being literate or adequately nourished.

- *Income Poverty* – The lack of minimally adequate income or expenditures.
- *Extreme Poverty* – Indigence or destitution usually specified as the inability to satisfy even minimum food needs.
- *Overall Poverty* – A less severe level of poverty, usually defined as the inability to satisfy essential nonfood as well as food needs. The definition of essential nonfood needs can vary significantly across countries.
- *Relative Poverty* – Poverty defined by standards that can change across countries or over time. An example is a poverty line set at one-half of mean per capita income – implying that the line can rise along with income. Often this term is used loosely to mean overall poverty.
- *Absolute Poverty* – Poverty defined by a fixed standard. An example is the international one-dollar-a-day poverty line – which is designed to compare the extent of poverty across different countries. Another example is a poverty line whose real value stays the same over time so as to determine changes in poverty in one country. Often this term is used loosely to denote extreme poverty (p. 16).

On the other hand, Ravallion (2004) brings two different definitions of pro-poor growth from modern literature. The first definition, advanced by Baulch and McCulloch, implies that the growth is pro-poor when the poverty falls more than it would be in case of the same rate of growing income, while according to Ravallion and Chen's definition, the "pro-poor growth" is the one that reduces poverty. Thus, by the first definition it can be assumed that if the incomes of poor rise faster than the non-poor, the economic growth in the particular country is pro-poor. Some argue that even from this perspective the growth cannot be considered pro-poor, if the rising incomes of poor do not secure income equality in the country. The issue is that while having increasing incomes the poor may not have equal access to various essential services or

economic spheres or if the latter is somehow performed it may not be provided in a pro-poor manner. Moreover, according to Harutyun Marzpanyan and Astghik Mirzakhanyan (2005)

Pro-poor policy is defined as a strategy developed and implemented based on the concept of human development, which mainly aims to expand the human capital and opportunities of poorer segments of the population through the implementation of the principle of social solidarity (quoted in UNDD Poverty Report, p. 9).

Thus, based on the above-mentioned definitions, it can be concluded that different countries treat poverty in different ways, hence elaborate poverty operationalization strategies in different ways. That is why the performance of the same policies¹ in different countries gives different results. Furthermore, according to PRSP (2003), the population of Armenia, in terms of poverty, is divided into three major groups: a) the very poor, whose current average per capita expenses are lower than the poverty threshold; b) the poor, whose current average per capita expenses are higher than the poverty food threshold; and c) the non-poor, whose current average per capita expenses are higher than the general poverty threshold.

General Economic and Social Developments after the Collapse of USSR

At the end of 1980s Armenia faced severe problems of socio-economic, geopolitical and demographic nature, mainly because of 1988 earthquake, the demise of the Soviet Union and the Nagorno-Karabakh war. According to PRSP (2003), the devastating earthquake excluded a huge part of population, some 400.000 people, from shelter, property and basic means of existence. In addition, the immigration of some 360.000 refugees, which flowed from Azerbaijan into Armenia because of Karabakh conflict, further complicated the situation. As a result, the vast majority of these refugees were added to the number of people that were in desperate need for social protection.

¹ Policies of the IMF, World Bank, and other international organizations that generally are the same in nature.

According to PRSP (2003) assessments, in 1993 Armenia faced the largest GDP decline among CIS countries, which was 46.9% of 1990 level. The Soviet collapse and the blockade caused the destruction of trade routes, disappearance of subsidies on imports of energy and other goods from Russia and dramatic increase in transportation costs. In the early years of 1990s, this brought to 55 percent GDP decline and 5,300 percent annual inflation (Gelbard et al., 2005).

However, this situation had only temporary character, since drastic structural and functional changes took place in all spheres of Armenian economy. The essence of the reformation process in Armenia was to bring economic prosperity and overcome existing socio-economic hardships in the country. In this regard, Kolodko (2002) defines economic reform as the process of essential shift from centrally-planned and state ownership-dominant economy towards a free market where private sector plays the key role. The year 1995 is considered to be the start of the aggregate economic expansion in Armenia, which can be conditioned by the re-opening of the Armenian Nuclear Power Plant, the stabilized exchange rate of Armenian currency (dram) and mass privatization. International community, and the Armenian Diaspora, had an extremely important contribution regarding country's economic recovery process. They provided considerable grants and loans to Armenia, which were significant financial support for implementing sound macroeconomic reforms.

Thus, Armenian economy entered the phase of development after 1994 and made successful reforms, especially in increasing real GDP rates and securing economic growth. Namely, those economic reforms include land privatization, small and large-scale privatization of state-owned enterprises, trade and price liberalizations, reforms in tax (introduction of VAT, income tax, etc.) and banking system. As a result, the GDP started to grow steadily by 6 percent annually from 1996 to 2000, which brought down annual inflation from 5,300 percent in 1994 to 19 percent in 1996. From 1994 to 2002, the GDP averaged at 6.68%. Moreover, economic growth rose to an average of 11.6 percent per year during 2001-2004 and per capita GDP

amounted to \$ 1,514 in 2005. The result of such positive trends was that overall poverty declined from 56% in 1998 to 32% in 2003 (Gelbard et al., 2005).

Fighting Poverty through Growth

Armenia's economic performance has been strong during the last decade. Economic growth accelerated during 2001-2006, with GDP growth rising from average of 5.4 percent for 1995-2000 to 12 percent for 2001-2006. In 2001-2006, economic growth was chiefly driven by export growth and expansion in construction, and service sectors. While in 2001-2003 the construction growth was mainly financed by grants from the Diaspora and other donors, the construction boom of 2004-2006 was fueled by growing private investments in real estate. In 2001-2006 the average inflation was in line with the long-term target of 3 percent (Poverty Reduction Support Credit III, 2007b).

The economy continued its strong performance during the first half of 2007. Preliminary data indicate that as of July 2007 real GDP increased by 11.2 percent, driven mainly by construction and growth in services and trade. As of August 2007 the rate of 12-month inflation stood at 1.5 percent, significantly lower than 2007 target of 4 percent (Poverty Reduction Support Credit III, 2007b).

Introduction for Health care, Education, SME, Labor Market and Rural Poverty

The vast majority of existing literature states that poverty reduction through growth means socio-economic expansion of all the sectors of particular economy. Hence, the preconditions for economic growth will be unemployment reduction, increase in income generation capacities of the population, increasing accessibility of the poor to essential infrastructures of the economy, creation of non-farm workplaces for rural areas, etc. That is why, the following chapters are fully devoted to the exploration of what the situation is in Armenian

economic sectors, how economic growth is reflected in those sectors and what are the gains of the poor from aggregate economic expansion.

From the early years of independence and subsequent land privatization, non-farming labor income in rural sector plummeted and wages from non-agricultural activities nearly vanished. At that time, the tangible portion of household income in rural areas came from agricultural production. When considering very low productivity of agricultural production, it could be implied that rural population lacks capability of affording basic health, educational, financial and other material needs, which causes widespread illiteracy in this sector.

Inequality in health care and education sectors is also a vulnerable point that needs to be addressed urgently. Human poverty is a widespread issue in Armenia, which is a result of inadequate income distribution policies. The only reserve of the poor is human capital, which serves as the main channel for maintaining participation of the poor in income distribution procedures. Through investments in human capital, it will be possible to increase the creativity value of that factor.

Various studies conducted by the Poverty Reduction Strategic Program (hereafter PRSP) state that the more educated is a person, the lower is the risk of the latter to be exposed to poverty. Hence, if the limited access of poor to those infrastructures continues, the gap of poverty reduction through investments in human capital will further be deepened. Such results are often caused by widespread corruption and excessive out-of-pocket expenses for receiving those services. Healthcare service is also highly limited in accessibility terms. For the most poor, professional healthcare treatment is often something imaginary that can never happen. Therefore, one of the key objectives of the PRSP was to abolish the negative trends observed in the development pathway of the health sector. At present, the utilization and consumption of healthcare services by population is significantly contracted and varies depending on the type of service.

The preservation of developments in these infrastructures will provide profound cornerstones for aggregate human capital development. From educational perspective, boosting the quality and accessibility of the sector offers thriving opportunities for the country, since the future gains from it are very high. More precisely, they will ensure good preconditions for future steady economic growth and substantial poverty and inequality reduction.

Except for boosting human capital, one of the fundamental mechanisms for fighting poverty is social assistance system. In Armenia, this system is designed relatively well; however, scarce financial resources bound the government to direct more resources for sufficing relevant needs of the population. Hence, further development of well-targeting social security system is a decisive task for Armenia. There are about 500,000 pensioners in the country and pensions are the main source of income for them. Therefore, the system should be further improved and designed in a way that increases targeting effectiveness of it. Scanty average monthly transfers breach the protection ability of the beneficiaries against impoverishment.

According to National Statistical Service, the largest part of the minimum consumer basket and the major share of the consumption patterns of the population are comprised of food products, meaning that the shortages in the size of social transfers may limit the ability of poor people to consume even basic survival means. Therefore, it should be the most prioritized system for the government when addressing reforms and reconstructions.

Trends of Poverty and Unemployment

According to PRSP (2003), assessments poverty in Armenia declined in 1999-2001, especially the number of very poor population (see Table 1). The most positive changes were in Yerevan, where the fraction of the poor decreased by 18.89% and the Gini coefficients respectively decreased by 9.66 and 18.89%.

Table 1: Poverty in 1998/99 and 2001*

	1998/1999	2001	2001/1999**
Sum of the poor people (poor and very poor)	55.05	50.9	-7.53
including Urban <i>of which: Yerevan</i>	58.27 55.17	51.9 46.7	-10.93 -15.3
<i>Other cities</i>	61.68	56.7	-8.07
Rural	50.76	48.7	-4.05
Including number of very poor population, %	22.91	16.0	30.16
including Urban	23.17	18.3	-21.01
<i>of which: Yerevan</i>	21.45	16.8	-21.67
<i>Other cities</i>	25.47	19.6	-23.04
Rural	22.55	11.3	-49.88
Gini coefficient of income concentration	0.593	0.535	-9.78
including Urban***	0.529	0.466	-11.9
<i>of which: Yerevan</i>	0.507	0.458	-9.66
<i>Other cities</i>	0.56	0.477	-14.82
Rural	0.632	0.583	-7.75
Gini coefficient of consumer expense concentration	0.372	0.344	-8.75
<i>including Yerevan</i>	0.434	0.352	-18.89
General poverty line, dram/month	11735	12019	2.4
Food poverty line, dram/month	7194	7368	2.41
Depth of poverty, %	19.0	15.1	-20.52
Acuteness of poverty, %	9.0	6.1	-32.2

Source: PRSP, 1998/99 and 2001 household surveys.

Thus, Armenia significantly reduced poverty during 1998/1999-2004; almost 700.000 people were lifted out of poverty. At the end of 2005 the share of poor population has decreased to 29.8 percent, while very poor declined from 6.4% to 4.6%. In 2005, the poverty gap was estimated at 5.4 percent, down from 7.4 in 2004; while severity of poverty was estimated at 1.6 percent (National Statistical Service, 2006b).

Table 2 : Armenia; Poverty Indicators in 2004 and 2005, percents

	2004					2005				
	Very Poor	Poor	Share in total population	Poverty Gap	Severity of Poverty	Very Poor	Poor	Share in total population	Poverty Gap	Severity of Poverty
Urban areas	7.5	36.4	62.4	8.4	2.8	5.3	30.7	63.5	5.9	1.9
Yerevan	6.1	29.2	31.8	6.5	2.2	3.6	23.9	32.6	4.0	1.2

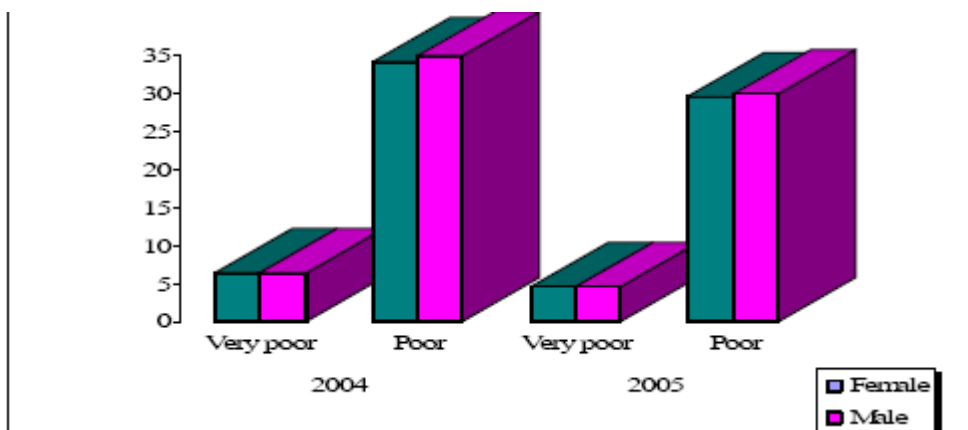
Other urban	9.2	43.9	30.6	10.3	3.5	7.2	37.8	30.9	8.0	2.6
Rural	4.4	31.7	37.6	5.7	1.6	3.2	28.3	36.5	4.6	1.2
Total	6.4	34.6	100.0	7.4	2.4	4.6	29.8	100.0	5.4	1.6

Source: National Statistical Service, 2006b

In spite of decrease in poverty, it still remains an important issue in Armenia as 29.8 percent of the population—about 960,000 people are poor and among them about 150,000 very poor. Poverty continues to be higher in urban areas other than Yerevan city, while the capital city of Yerevan has benefited the most from economic growth.

Thus, even with some definite reduction in poverty and inequality, it still remains widespread in Armenia and the income concentration Gini coefficient persists higher than 0.5. According to National Statistical Service (2006b) the poverty profile did not change much during 2004-2005: a) there were no significant gender differences in poverty between male and female (see figure 1),

Figure1. Armenia: Poverty Incidence by gender in 2004 and 2005



Source: National Statistical Service, 2006b

b) Children lesser than five were more affected by extreme and overall poverty than other age groups (see table 2)

Table 3 Armenia: Poverty measures by gender and age groups, 2004 and 2005 (in %)

	2004		2005			
	Very poor	Poor	Very poor	Poor	Share in the population	Share in the population
Gender						
Female	6.4	34.3	4.6	29.7	53.5	53.8
Male	6.4	35.0	4.5	30.1	46.5	46.2
Age groups						
Children 0-5	8.0	41.9	5.1	34.9	8.1	6.9
Children 6-14	7.2	36.6	5.3	32.0	14.8	13.8
Children 15-17	6.4	35.7	4.7	31.2	6.2	6.0
Aged 18-25	6.3	35.3	5.4	29.2	13.4	13.7
Aged 26-45	6.7	35.7	4.5	30.3	27.1	26.7
Aged 46-60	5.4	29.8	4.1	27.2	15.7	17.2
Aged 61+	5.5	31.2	3.5	27.9	14.7	15.7
Total	6.4	34.6	4.6	29.8	100	100

Source: National Statistical Service, 2006b

c) Labor market developments played an important role in poverty reduction. Though the level of poverty has reduced among the households with no employed members compared to 2004, these group continue facing higher poverty risk (18 percent over the national average - Table 3). Unemployed have higher risk to be in extreme poverty, and the probability for being very poor among households with no employed members is 40% higher over the national average

Table 4: Armenia: Poverty by the number of the employed in the household, 2004 and 2005 (in %)

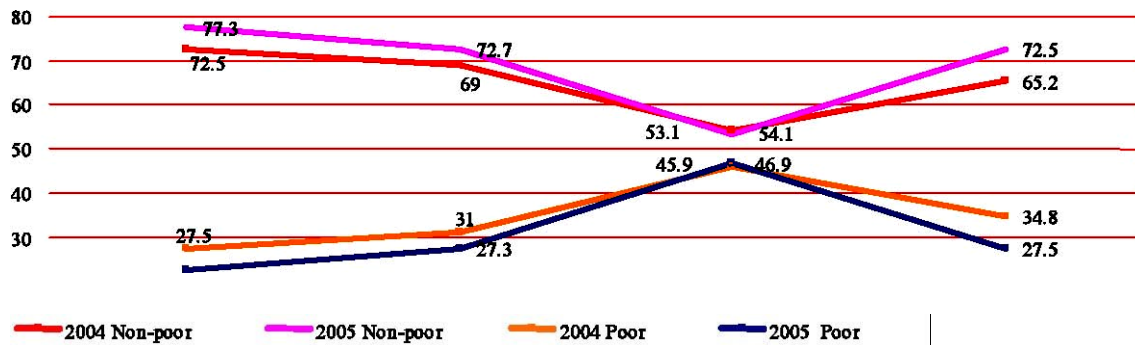
	2004		2005			
	Very poor	Poor	Very poor	Poor	Share in the population (reference population)	Share in reference population
Nobody is employed	9.8	38.0	7.5	35.2	23.75	19.51
1 member is employed	6.9	35.0	4.7	29.8	34.25	33.26
2 members are employed	4.5	29.9	2.7	23.9	24.2	29.31
3 and more members are employed	4.5	33.2	3.1	28.7	17.8	17.91
Total	6.1	33.5	4.4	28.9	100.0	100.0

Source: National Statistical Service, 2006b

Thus, Labor provides income and reduced the poverty risk. A majority of the poor were either unmoving or unemployed, while a majority of the non-poor were employed (Figure 2). During 2004-2005, there was 10% decline in poverty among inactive and unemployed, which is due to

increased social transfers (pensions, family poverty benefits and others) and remittances (National Statistical Service, 2006b).

Figure 2: Armenia: Composition of the poor and non-poor by labor market status in 2004 and 2005 (population 16 and over, in %)



Source: National Statistical Service, 2006b

The cut-off level of poverty in Armenia has shifted from year to year, since, the higher the incomes of the population, the higher is the defined threshold of the poverty line. Unfortunately, Armenia reflects all the “types” of poverty mentioned in previous chapters of this work, such as food poverty, human or absolute poverty, etc. Since food poverty still persists in some households of the country, the Table below includes it within the statistically defined poverty line. The main assumption is that the population has poor and very poor portions, which in turn include subcategories of that categorization. Statistically, those whose per capita incomes exceed food poverty line, but are below poverty line are considered to be poor. On the other hand, those whose per capita incomes are below food poverty line are rated as very poor. The graphical illustration of that is the following:

Table 5: Poverty Line in Armenia (thousand AMD)

	1998/99	2001	2002	2003	2004
Food Poverty Line	11,210	10,246	10,441	11,662	12,467
Poverty Line	17,663	16,989	17,299	18,541	19,373

* **Poor** – monthly expenditures per capita are exceeding the food line, but they are below the poverty line;

***Very poor** – monthly expenditure per capita is below the food line.

Source: Statistical Yearbook of Armenia 2006, p. 96.

Thus, unemployment and poverty are tightly interconnected. According to Mitra et al. (2007), only the World Bank's Integrated Living Conditions Survey (ILCS) has recorded some increase in the employment rate among the population. Though registered unemployment is about 10% of the labor force, survey data point much higher rates.

Agriculture: Rural Poverty

According to PRSP (2003) the level of poverty in rural areas was lower, than the national average in 1996-2001. In 2001, 48.7% of the rural population was poor, comprising 11.3% extremely poor population compared with the national average of 50.9% for the poor and 16% for extremely poor (see table 1). On the other hand, compared to the national average, the inequality is much higher in rural areas. Here, the Gini coefficient for income inequality was 0.583 in 2001, compared to the national 0.535 and 0.466 for urban areas (see table 1). The main reason for such result is that about 50% of the total income is generated through farming and the received incomes are distributed very unequally. Moreover, one of the characteristics of Armenian agriculture is that a lot of people are employed in this sector. In 2001, there were 334.000 farms in the country, with 550.000 workers (43.5%). In 2002, 44.4% of the total number

of the employed where those working in the agricultural sector. However, the statistic is somehow misleading, because elasticity of growth to poverty is low. Such low elasticity of growth to poverty can be explained by two factors: changes in average income of the rural households and misleading statistical data. These factors are also interlinked with other sub-factors, such as business concentration in urban areas, unequal income distribution and establishment of non-farm workplaces in rural sectors.

From the perspective of aggregate economic expansion, the Armenian situation was that the latter was not broad-based in its nature and was “concentrated” in a few clusters². Moreover, the relative centralization of businesses in urban areas means that most income is concentrated in that sector. Such an implication may draw an assumption that total economic expansion lacks the potential of ensuring the utilization of available gains by the poor.

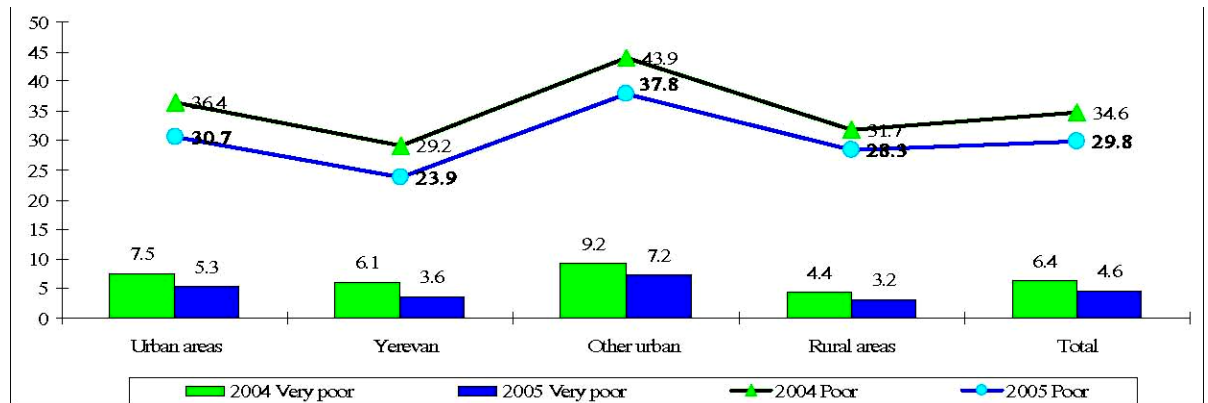
Misleading employment statistics in Armenian rural areas further deepens economic growth poverty reduction gap. The point is that statistical data do not entail shadow employment and self-employment, which is more characteristic to rural sector. This, indeed, will substantially overestimate employment rate in agricultural sector, by calculating it as the number of rural household members. Moreover, among rural population there are households that have land parcels other than the ones that are near their houses. Statistically they are considered as employed, however, in many cases they actually have the land, but cannot afford the expenses to utilize it. On the other hand, the overemployed rural sector mainly performs subsistence-based agricultural activities, which have very low potential for increasing the productivity.

The absence of an official policy for creating rural non-farm workplaces in the agricultural sector further limits the income generating capability of the rural population. Above-stated implications state that aggregate economic expansion is not targeted purposefully to poor.

² For example, huge investments in construction or expenses in diamond processing.

Further, according to National Statistical Service, 2006b, during 2004 and 2005, rural poverty declined by 10.7%. Actually, the level of poverty in rural areas remains lower than the national average. In 2005, 28.3% of the rural population was poor, compared with 29.8% in Armenia as a whole; but it was 18.4% higher than in Yerevan.

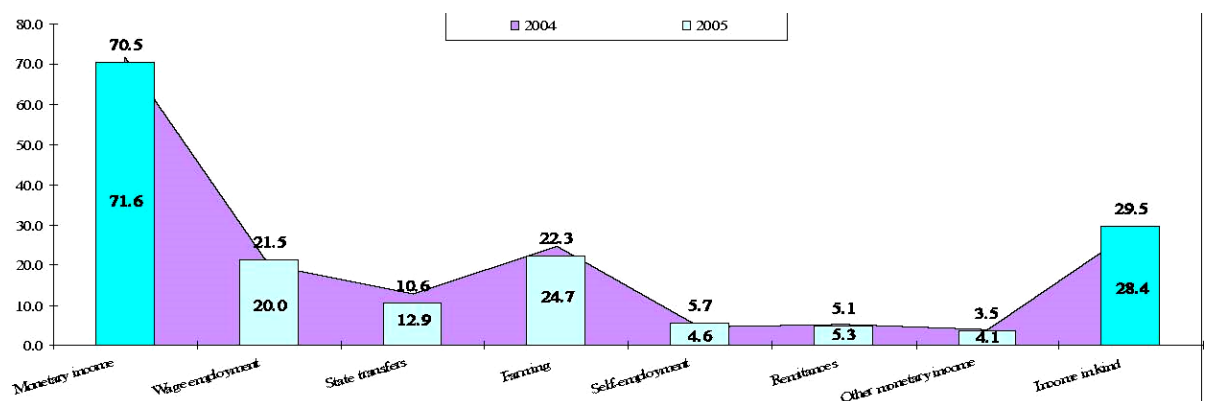
Figure 3: Armenia: Poverty incidence by economic regions in 2004 and 2005 (in %)



Source: National Statistical Service, 2006b

In 2004-2005, average income of rural households increased by 22%. Farming is the most essential source of income for rural households: in 2005, 78.8 percent of rural households that had land or livestock received income from farm activity (vs.79.6 percent in 2004). On the other hand, in 2005, farming gave 51% of the total income of rural households vs. 56% in 2004 (National Statistical Service, 2006b).

Figure 4: Armenia. Income sources of rural households in 2004 and 2005 (in %)



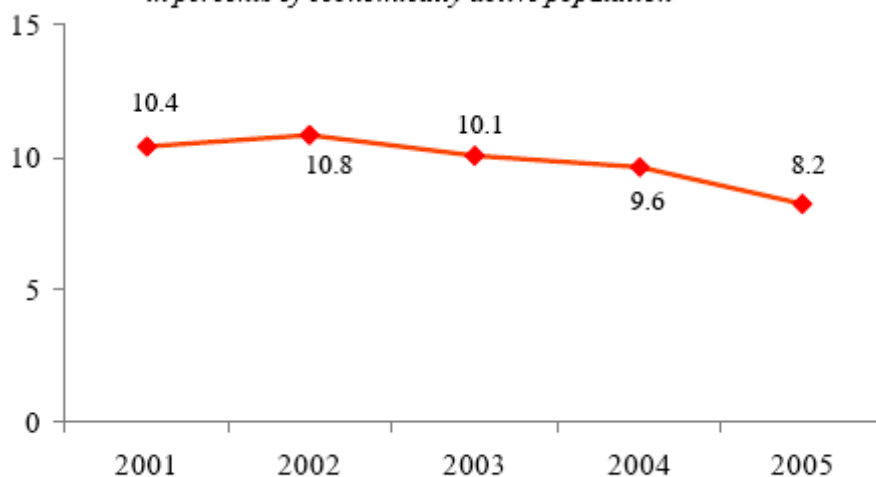
Source: National Statistical Service, 2006b

Thus, farming is the most important source of income for rural households. Those households, residing in higher altitude zones; landless; with no or little agricultural equipment and no access to financing, are likely to be poor (National Statistical Service, 2006b).

Labor Market Regulations: Securing Non-farm Workplaces in Rural Areas

During the early years of transition, Armenia was facing higher rates of unemployment in all sectors of economy. Most of public jobs were destructed, leaving huge numbers of population unemployed. According to PRSP (2003), in 1991-1992, 645,000 jobs were cut in all sectors of the economy except agricultural. On the other hand, the number of jobs increased almost twice in agriculture. Overall, the total unemployment fell from 11.2 percent in 1990 to 10 percent in 2004 (Gelbard et al., 2005). Moreover, according to the Statistical Yearbook of Armenia (2005), the unemployment in Armenia fell even more than that in 2004 and constituted 8.2 percent of economically active population (See Figure 1).

Figure 5: *REGISTERED UNEMPLOYMENT RATE*
in percents of economically active population



Source: Statistical Yearbook of Armenia, 2005

The result of such declining trends in unemployment rates can be the development of private sector, which has very high potential of employing workers than any other. As it was stated above, in the period from 2003 to 2004, the SME sector created 21,000 workplaces, which is a significant shift in this sector compared to 1990s.

The economic reforms in labor market also reflected positively the incomes of households from wages as a share of their total income. In 1997, only 26 percent of household income came from salaries as opposed to 76 percent in 1985 (Khechoyan, 2000).

Table 6: The Structure of Household Incomes in 1996 (in %)

	Per household	Per capita
Principal income	59.4	54.9
including		
Employment income	13.1	11.0
Income from self-employment	13.3	12.3
Production and sale of agricultural products	30.2	28.1
Income from property	2.8	3.5
Additional income	40.6	45.1
including		
Public benefits	6.1	6.7
Transfers	34.5	38.4
Total incomes	100.0	100.0

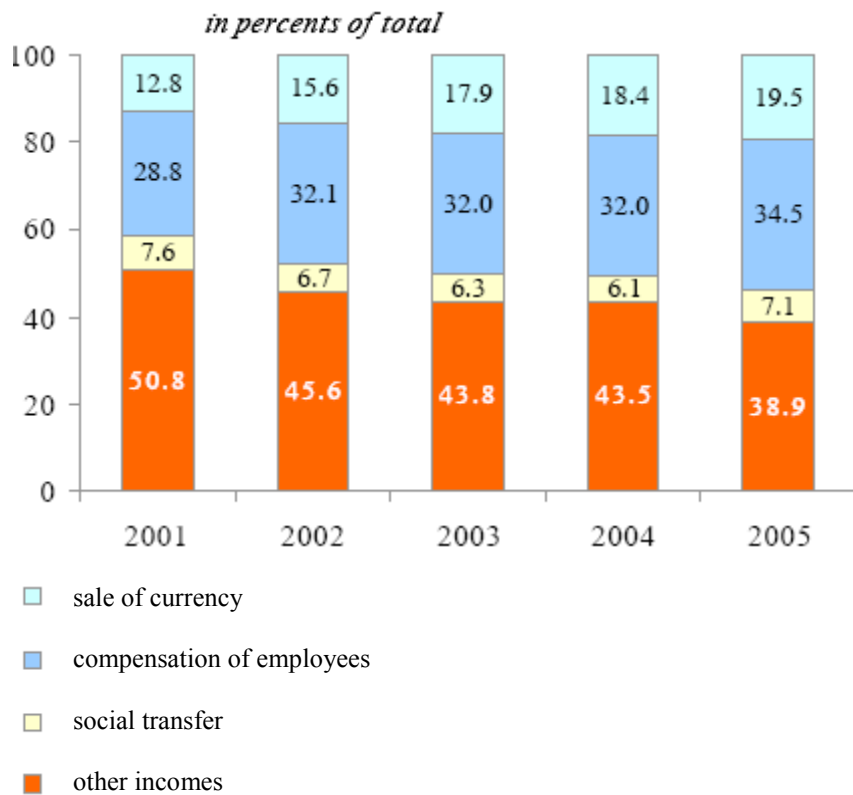
Source: National Report, Republic of Armenia: Social Snapshot and Poverty

In 2001, household income structure composed 29% of revenues obtained on formal employment (2.5 times decline from the beginning of transition), and only 38% in sum with self-employment incomes (PRSP, 2003).

However, currently the structure of incomes is somewhat different and the share of social transfers in total incomes of households has dramatically decreased. As a part of economic reform it is successful, since it will allow the government to allocate more financial resources in other sectors of economy, such as, developing non-farm employment in agricultural sector.

According to Statistical Yearbook of Armenia (2006), the structure of household incomes now is the following:

Figure 6: STRUCTURE OF MONEY INCOMES OF POPULATION



Source: Statistical Yearbook of Armenia, 2006

From the figure above it is clear that the share of income from employment increased by about 6 percent from 2001 and is very close to the category ‘other incomes.’ This category may include remittances, income form property, etc. The major achievement is that the public’s reliance on social transfers decreased.

For poverty eradication, positive changes also were made in the sizes of wages, social transfers and pensions. Though they increased compared to previous years (1990s), generally the size of their coverage is low and still needs improvements.

Table 7: Fixed Minimal Size of Wages

Drams per month				
Years	January	April	July	October
1996	720	720	720	830
1997	1,000	1,000	1,000	1,000
1998	1,000	1,000	1,000	1,000
1999	5,000	5,000	5,000	5,000

Source: Statistical Yearbook of Armenia (2001).

Table 8: Fixed Minimal Size of Wages

Drams per month				
Years	January	April	July	October
2000	5,000	5,000	5,000	5,000
2001	5,000	5,000	5,000	5,000
2002	5,000	5,000	5,000	5,000
2003	5,000	5,000	5,000	5,000
2004	13,000	13,000	13,000	13,000
2005	13,000	13,000	13,000	13,000

Source: Statistical Yearbook of Armenia (2005).

From the Tables 7 and 8 it becomes obvious that from 1996 to 1999, the minimum wage increased by more than 5 times and from 1996 to 2005 by about 18 times. This is a tremendous increase when viewed as a reform, since on average it equals an increase of twice a year. However, when minimum consumer basket is AMD 19,000, the minimum wage size, even so much increased, will not cover even basic food needs. In practice, indeed, there is no such salary in any sphere, which makes minimum wage as a legally set floor for public and private sector.

Moreover, its potential to reduce poverty is very low, since it will benefit more to the non-poor than poor. The point is that if people are already employed, labor market regulations in terms of increasing the minimum wage base will have no benefit on rural population, where the largest portion of the very poor is concentrated. This is so, since there are scarce non-farm

workplaces in rural areas and the beneficiaries of the wage increase will be those who are almost non-poor. Essential changes were also made in the size of average monthly wages, which is closer to what is paid in practice.

Table 9a: Average Monthly Nominal Wages Per Worker

Years	Drams	In % of Previous Year
1995	7,060	403.9
1996	9,469	134.1
1997	13,581	143.4
1998	18,000	132.5

Source: Statistical Yearbook of Armenia (2001).

Table 9b : Average Monthly Nominal Wages Per Worker

Years	Drams	In % of Previous Year
2000	22,706	112.6
2001	24,483	107.8
2002	27,324	111.6
2003	34,783	127.3
2004	43,445	124.9
2005	52,060	119.8

Source: Statistical Yearbook of Armenia (2005).

In table 8a it is stated that only from 1994 to 1995, the average monthly wage increased by about 300 percent. From 1995 to 1998, the increasing rates of average wage are higher from year to year, which then slows down from 2000 to 2005. Nevertheless, the average wage more than doubled from 2000 to 2005, which, if continued in the same pace, will be enough for employees to secure not only food but also other needs by the end of PRSP project in 2015.

After the collapse of the Soviet Union and following land privatization, the main source of income was coming from agricultural output. According to PRSP (2003) assessments in 2002, 44.4% of the total number of employed, were working in agricultural sector. Productivity, at that time, was 1.9 times lower than the average and 3.1 times lower than the productivity in industry.

Thus, the largest portion of the population is employed in agriculture, which is a shocking result for Armenia, since the production in this sector is very low and most part of those employed perform subsistence-based agricultural activities.

Table 10: Average annual number of employed in the economy by the economy branches

	1000 persons			Compared to the total, %		
	2002	2003	2004	2002	2003	2004
Total	1106.4	1107.6	1081.7	100	100	100
Industry	143.1	138.8	132.0	12.9	12.5	12.2
Agriculture	500.8	509.0	507.1	45.3	46.0	46.9
Construction	36.1	37.2	33.3	3.3	3.4	3.1
Transport and Communication	40.2	41.8	46.5	3.6	3.8	4.3
Trade	99.6	105.0	103.8	9.0	9.5	9.6

Source: Statistical Yearbook of Armenia (2005).

Entrepreneurship: Small and Medium Enterprises (SME) Sector

Land privatization was a successful step towards reforming the economy. During the early transition period, the agricultural sector absorbed most of the workforce, thus decreasing the rates of poverty in the country. Land reforms, as McKinley states, largely encouraged the private sector production in rural areas and made it dominant. If in 1990 the private sector accounted for 35 percent of agricultural output, after land privatization it accounted for about 98 per cent (quoted in UNDP Poverty Report, 2002). McKinley further mentions, that since 1993, the growth of output has been accompanied by an increase in the share of employment emerging in the private sector. From 1996 to 1998, as a result of large scale privatization of state-owned enterprises, the share of the private sector in employment rapidly increased from 57 percent to 76 percent. Hence, privatization rather than rapid expansion of small private firms brought such

results. In 1998, there were about 50,000 self-employed workers in urban areas. There were also about 5,000 entrepreneurs whose firms hired 20,000 workers (quoted in UNDP Poverty Report, 2002).

The potential of Small and Medium Enterprises' (SME) sector in employing workers is substantially high in Armenia. From this perspective, the economic reforms in the country directed to the development of the SME sector are successful. According to the World Bank (2006) constructed indices concerning business development in 170 countries, Armenia is ranked 34 in ease of doing business, 36 in dealing with licenses and 41 in employing workers. In 2003, there were 48,069 registered commercial enterprises in Armenia (PRSP, 2003). Whereas in 2004, the share of SME sector in GDP constituted 40 percent, which comprised of 8,500 newly registered SMEs with 21,000 new workplaces in them (MFE, 2005).

Thus, increase in employment is due to SME sector, as many Armenian firms continue hiring new workers. Firms which increased employment are mostly privatized; of medium to large size and either young or mature. For example, in the last three years, those firms, which are on the market up to 5 years, increased their employment on average by 17 workers, while firms which are on the market for 6 to 10 years, increased employment by less than two workers. In contrary, "mature" firms increased employment by about 30 workers (National Statistical Service, ed.1, 2006).

In spite of all positive impacts that the development of SME sector may have on total employment and equality rates, its growth in Armenia is limited. In 2001 the number of registered commercial organizations increased by 2,818 or 4.7 percent, in 2002 it increased by 2,613 or 4.1 percent in combination with economic growth rates of 9.6 and 12.9 percent respectively. Thus, the growth patterns of SME sector are far behind economic growth rates (PRSP, 2003).

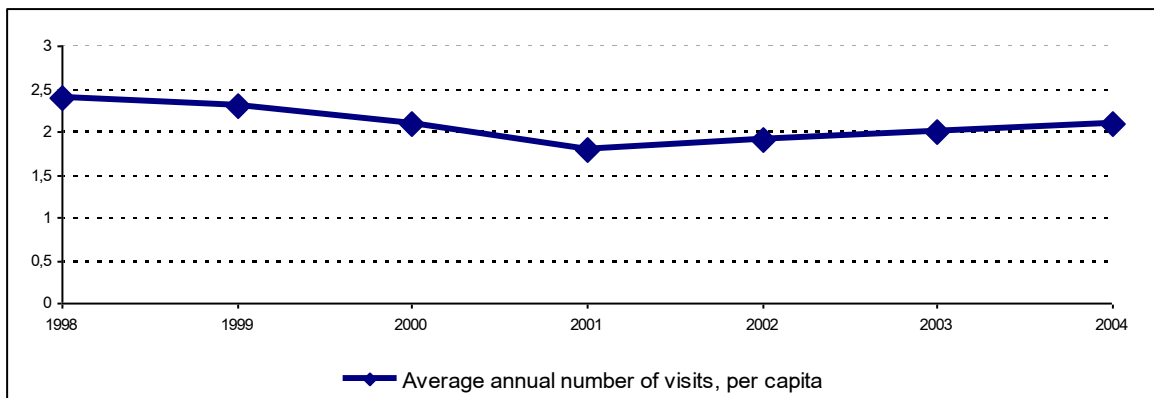
Moreover, the main obstacles for firm's growth are high taxes, high cost of financing and corruption. All these factors make doing business more difficult in the formal sector, and affect negatively job creation. According to Business Environment and Enterprise Performance Survey (BEEPS), conducted by the European Bank for Reconstruction and Development-World Bank, for improving Armenian business environment, three issues are important: a) *governance*- tax administration and burdensome inspections, business related laws and regulations, endless power at the hands of bureaucrats, and corruption; b) *access to financing*- chiefly for small firms, credit is difficult and costly to obtain; and c) *access to land is difficult* (National Statistical Service, 2006a).

In sum, in the early stages of privatization, the private sector brought to significant advantages for the development of private sector. However, many shortcomings still persist and need further improvements in order to make the growth inclination of the SME sector more stable. Moreover, Armenian firms are less competitive, as they do not have complete access to modern infrastructure, predominantly to information and communication technology. Thus, for improving the investment climate, existing obstacles to firm operation and growth should be removed (National Statistical Service, 2006a, b).

Healthcare: Accessibility of the Poor

One of the fundamental and most important components of poverty reduction is the ensuring of healthy generation. Recent researches support that depending on the type of service, certain groups of population cannot afford the expenses of health care system. The integrated household survey conducted in 1998-1999 showed that in 1999, the consumption of health services by the richest 20 percent of the population is 3 times higher than the consumption of the poorest 20 percent (PRSP, 2003). In 1998, the per capita budget allocation towards population's health care needs was 3.6 thousand drams; in 2000, it lessened to 2.5 thousand drams and in 2003, it increased up to 5.9 thousand drams. These allocations show a wisely increasing trend, comprising of the AMD 7.8 thousand per capita budget allocations to health care in 2004, and around 10.0 thousand drams in 2005 (MFE, 2005).

Figure 7: Average Annual Number of Ambulatory-Polyclinic Visits (Per Capita)



Source: MFE, 2005

However, expenditures from the state budget on the health sector are very low (see table above). The highest indicator was in 1998-2002, which amounted to 1.4% of GDP (PRSP, 2003).

Table 11: Public Expenditures in Health Sector

	1998	1999	2000	2001	2002
Total, in billion drams	13.7	13.6	9.8	15.7	16.0
% of GDP	1.43	1.38	0.95	1.34	1.18
% of state budget expenditures	6.7	5.6	4.4	6.4	6.0
Per capita of population, in US Dollars	8.9	8.4	6.1	9.4	9.3

Source: PRSP, 2003

According to PRSP (2003) assessments, one of the priorities in improving the situation and enlarging the accessibility of the poor to this infrastructure is to increase public expenditure for health care sector. Throughout the program period, the growth rate of public expenditures in the health sector will be more than the growth rates of total public expenditures. Moreover, it is projected to increase the share of primary health care in total health expenditures to 40% in 2006, in 2008 to 45% and to 50% in 2015.

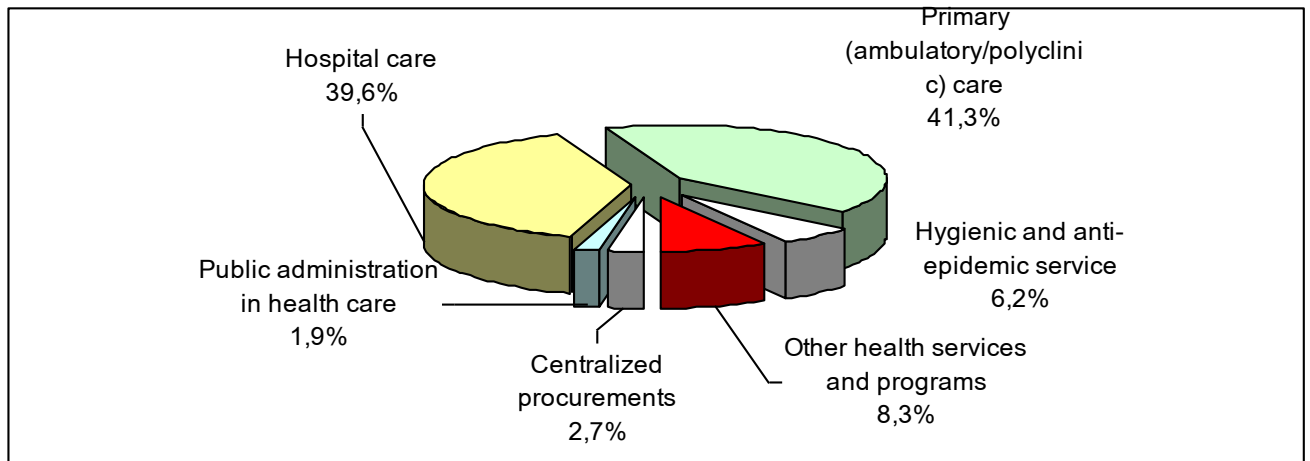
Table 12: Program Indicators of State Budget Expenditures in the Health Sector

	2003	2004	2005	2006	2009	2012	2015
Total, billion drams	21.0	24.9	30.8	35.5	52.7	73.3	101.1
<i>Of which: Current expenditures, % of total</i>	95.3	93.9	92.0	92.0	94.0	94.0	94.0
<i>Capital expenditures, % of total</i>	4.7	6.1	8.0	8.0	6.0	6.0	6.0
% of GDP	1.4	1.5	1.8	1.9	2.1	2.3	2.5
% of state budget expenditures	6.5	7.6	8.6	9.2	10.2	10.9	11.9
Year-on-year % change	31.2	18.6	23.5	15.4	12.4	11.5	11.2

Source: PRSP, 2003

In 2006, expenditures in hospital care will increase by 791.2 million drams, compared with 2005, including 15.4% of the total increase and 39.6% of the total health care expenditures in 2006, 37.9% in 2007 and 35.0% in 2008 (MFE, 2005).

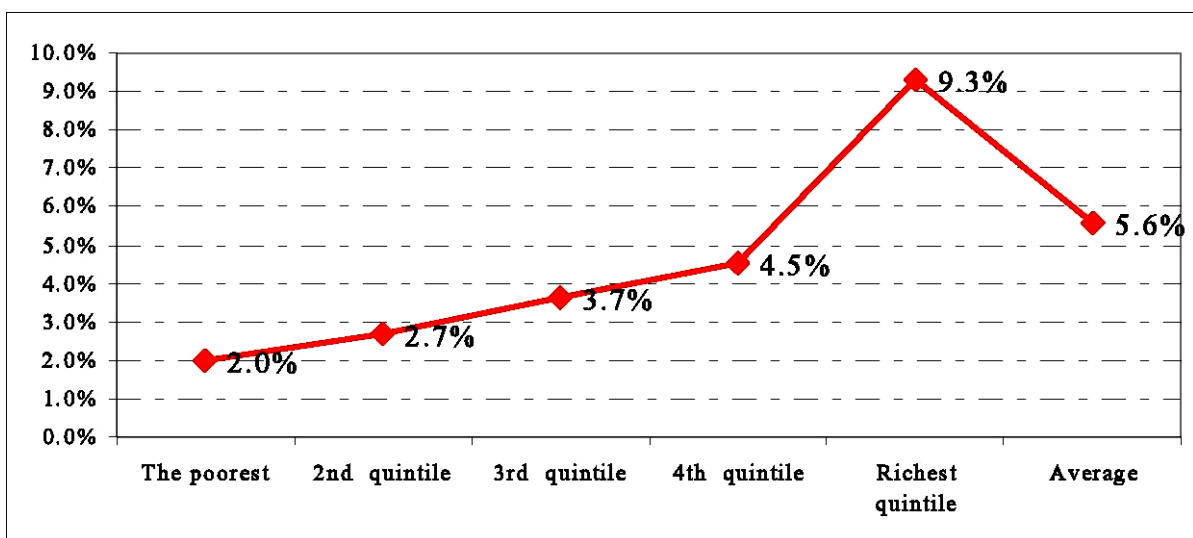
Figure 8: Structure of Health Care Expenditure over 2006, by Subgroups (Percent)



Source: MFE, 2005

Furthermore, according to ILCS (National Statistical Service, 2006b), households having a sick member usually consider themselves as poor than similar households with no sick member. There are massive inequalities in the utilization of the health services across socio-economic groups. Only 60% of the poor sick population applies to a doctor as compared with 93% of the top quintile. The poorest portion of the population used to apply to polyclinics, where the treatment was cheaper (as of January 2006, it is “out of charge”).

Figure 9: Utilization of health services by quintile groups, 2005



Source: National Statistical Service, 2006b

Despite recent improvements, access of the poor and the rural population to health services continues to be low and even with recent budgetary increases, the system of healthcare remains under-funded. Thus, there are massive inequalities in the utilization of the health services across socio-economic groups

Education: Accessibility of the Poor

Article 5 of Constitution of the Republic of Armenia adopted in 1995 claims that all citizens of Armenia have the right to education; vocational or higher education in state educational institutions on competitive basis (quoted in the World Bank, 2006, p.1).

One of the highest priorities for the Armenian people is education. Before the collapse of the Soviet Union, Armenia enjoyed one of the best standards of education. Unfortunately, since independence, with the break-up of budgetary funding, Armenia faces an extremely difficult challenge to ensure universal access and high quality of general education. Enrollment rates are considerably high, but the quality of education and attendance rates has endured. It is clear that children from vulnerable families suffer mostly, because they can not afford payments for necessary clothing, shoes, and fees for education. In general, increasing the quality and access of education sector are good preconditions for securing stable economic growth and extensive poverty and inequality reductions in future (WB, 2000).

According to PRSP (2003) assessments, there is a direct correlation between the level of education and exposure to poverty. For example, it is much easier to find jobs for people with higher education than for people with elementary or secondary education. People with less or no education appear to be in the poorest quintile of the population. Hence, for reducing the rates of unemployment and poverty, participation of poor in education should be increased.

Table 13: Poverty by education in 1999 and 2001, in percents*

	Higher		Secondary vocational		Secondary		Elementary	
	1999	2001	1999	2001	1999	2001	1999	2001
Non-poor	56.7	65.5	47.1	50.9	42.7	46.1	42.9	41.8
Poor	29.4	25.2	32.9	34.2	32.3	37.6	32.3	43.0
<i>Poverty Risk</i>	-8.4	-27.7	+2.49	-2.0	+0.62	+7.73	+0.62	+23.2
Very poor	13.9	9.3	20.0	14.9	25.0	16.3	24.8	15.2
<i>Poverty Risk</i>	-39.3	-41.8	-12.6	-6.8	+9.1	+1.8	+8.2	-5

* 18 years old and above.

Source: PRSP, 2003

Furthermore, in order to improve the general situation, public financing in this sector also should be increased. According to PRSP (2003), from 2004 to 2015 educational expenditures of the consolidated budget considered to increase by an average of 13.5% annually.

Table 14: Program indicators of the consolidated budget expenditures in education sector

	2003	2004	2005	2006	2009	2012	2015
Total, in billion drams	35.2	42.8	52.0	59.0	88.7	118.8	158.7
<i>Including: Current expenditures as % of total expenditures</i>	92.5	92.2	91.8	92.2	92.0	92.0	92.0
<i>Capital expenditures as % of total expenditures</i>	7.5	7.8	8.2	7.8	8.0	8.0	8.0
<i>% of GDP</i>	2.4	2.7	3.0	3.1	3.6	3.8	4.0
<i>% of consolidated budget expenditures</i>	9.4	11.0	12.3	12.8	14.4	14.9	15.7
<i>Year-on-year % change</i>	21.5	21.6	21.4	13.6	10.8	10.2	10.1
<i>Memorandum items:</i>							
Expenditures of state budget in education sector, in billion drams	32.0	39.4	47.9	54.8	83.5	112.1	150.1
<i>% of GDP</i>	2.2	2.4	2.7	2.9	3.4	3.6	3.8
<i>% of state budget expenditures</i>	10.0	12.0	13.4	14.1	16.2	16.7	17.6

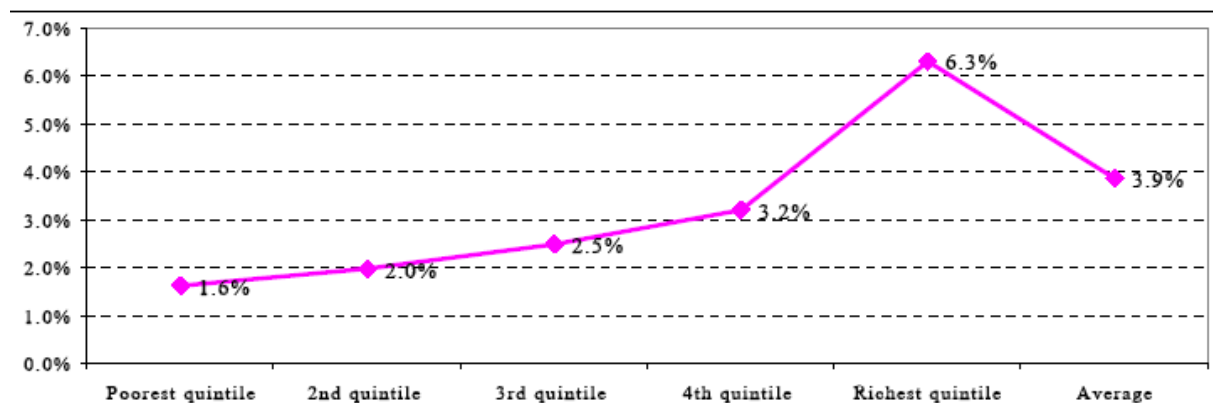
Source: PRSP, 2003

Such positive changes in the allocation of public spending on education shows that Government tries to direct more financial resources to the sector's improvement and development, aiming to make it more pro-poor. In 2005, public expenditures on education constituted about 13.2 percent of the total Government spending. The sectoral composition of expenditures has been changing as well, focusing mainly on basic education. Almost three

quarters of public educational spending was directed to basic education, including reconstruction of schools, establishment of new heating systems, increasing teachers' salaries. For example, the teachers' average salary in 2005 was 50,500 AMD (National Statistical Service, 2006b).

The figure below shows expenses on education services in total consumption of population by quintile groups. From the figure it is clear that average consumption of education services of the poorest quintile were lower by 39% than the average consumption of education services among better-off households. On the other hand, the consumption of education services of the top quintile was higher by 40% than the average consumption (National Statistical Service, 2006b).

Figure 10: Use of Education Services by quintile groups in 2005



Source: National Statistical Service, 2006b

To sum up, improvements in educational sector can be considered as one of the most successful reforms. However, the consumption of education services of the poor quintiles is very low.

Social Security: the Structure and Level of Coverage

A well-designed social security system is very important for Armenia, because the main coping mechanisms for poverty in the country are child allowances, governmental transfers, and pensions (Gelbard et.al, 2005). According to Statistical Analytical Report (ed.1, 2006), if social transfers were eliminated and households were not able to compensate their losses, overall poverty would rise up to 44.8% and poverty would become much profound and more ruthless. Thus, one of the main priorities for Armenia is to further develop the social security system and to enlarge its scope of coverage and competence in poverty reduction.

In 2004, total spending on social transfers in Armenia was 4.45 percent of GDP. The largest social transfer program in Armenia is Pensions, which also include labor and social pensions, which comprised of 3.3 percent of GDP. The second largest social transfer program in Armenia is family poverty benefit program, which comprises 0.85 percent of GDP.

In 2004, social transfers made up 11.3 percent of total average income of the Armenian households. For the lowest quintile it comprised 16.7%; and for the top quintile it was 7.4%. According to ILCS 2004, social transfer system, though low in GDP, is very important component in total poverty reduction structure. It further states that the family benefits were the main sources of income for 14.3% of households, child care allowances for 1.2% of households and unemployment benefits for 0.7%. The remaining 4.4% of households received other type of social assistance, such as monetary compensation for benefits (Statistical Analytical Report, 2006a).

Table 15: Poverty Reduction impact of social Transfers

	Poor			Very poor		
	Incidence %	Poverty gap (P1/P0); %	Poverty Severity (P2/P0) %	Incidence %	Poverty gap (P1/P0); %	Poverty Severity (P2/P0) %
Post-transfers (post pensions and social assistance)	29.8	18.1	5.4	4.6	14.9	4.0
Pre-transfers (pre pensions and social assistance)	39.8	28.6	12.6	13.6	27.6	13.1
Pre-pension (pre pensions; post social assistance)	38.1	25.3	9.7	10.6	23.6	10.1
Pre social assistance (pre PFB and other social assistance; post pension)	31.9	21.4	6.8	7.4	19.1	6.7
Pre-PFB (pre PFB; post pensions and other social assistance)	31.7	21.0	7.3	7.1	18.3	6.0

Source: National Statistical Service, 2006b

Having the largest share in total transfers, pension play more important role in poverty reduction than social assistance. The table above shows pre- and post-transfer poverty indicators only for those households who receive social transfers (Statistical Analytical Report, ed.1, 2006).

Table 16: Poverty reduction impact of social transfers on households reporting receiving pensions and/or social assistance, 2005

	Very poor (%)	Poor (%)	Poverty gap (P1/P0)	Poverty severity
<i>Households who receive pensions</i>				
Post-pensions	5.2	33.3	17.7	5.3
Pre-pension	17.6	50.4	29.1	12.4
<i>Households who receive social assistance</i>				
Post-social assistance	7.6	41.6	20.6	6.6
Pre-social assistance	24.1	53.6	31.2	13.7
<i>Households who receive PFB</i>				
Post-PFB	7.9	46.0	14.7	3.7
Pre-PFB	26.9	59.5	21.5	7.9

Source: National Statistical Service, 2006b

Thus, despite their low coverage rates, Armenian system of social security is, by and large, well defined. Economic reforms in this sphere succeeded in terms of making great contribution to poverty reduction. As compared to previous years, in 2004 and in 2005, the family benefits increased by 26.3 and 25.5 percent respectively. Due to an increase in the volume of social transfers, the share of very poor households decreased by 45 percent, composing a

reduction from 22.9 to 16 percent (PRSP, 2003). Nevertheless, the coverage and targeting of social transfers is still low (See Table 20).

Table 17: Size of Social Transfers of the Population

In AMD	2000	2001	2002	2003	2004
Minimal Pension	2,900	3,000	3,000	3,000	3,000
Average Unemployment Benefits	3,164	3,307	3,260	3,217	3,332
Allowances for children under 2 years	10,490	9,226	7,721	7,610	7,171
Minimal Size of Monthly Grants	4,000	4,000	5,000	5,000	5,000

Source: PRSP, 2003

In conclusion, Armenia is taking decisive steps and employs tough policy towards poverty reduction. The country has steadily growing GDP rates, which serve as a signal for sound macroeconomic developments and stable economic performance. On the other hand, these positive trends are weakly reflected in poverty reduction profile of the country. This assumes low potential of effective income distribution and further dependence of Armenia on international assistance in terms of grants and concessional loans.

Rural population is in the most vulnerable condition of all the groups, since poverty still persists at higher rates in these areas, especially in remote areas. The major part of the rural population participates in farming employment, which continues to have very low productivity potential. Therefore, elasticity of growth to poverty is still very low in the country, because still there is no official policy to create additional non-farm workplaces and increase labor income in the agricultural sector from those activities.

The situation is somewhat different in the SME sector. Armenia is considered to be successful in easing procedures for starting a business. However, administrative barriers and widespread corruption limit the growing potential of this sector. Currently, the SME sector has low rates of employment despite its higher productivity and employment potential, which are the consequences of high administrative barriers and corruption.

Like SME sector, the total development and regulation of the labor market is also a strategic tool for alleviating poverty and making growth more pro-poor. There were some positive shifts in terms of the share of labor income in total income of the households. Yet, unemployment rates are still very high in Armenia and wage increases will benefit only those that are employed and will make no sense for rural population that virtually have no other income than from farming. However, since there are higher rates of poverty among employed, improvements in wage earning capacity of the population can be considered as pro-poor policies.

Inefficient labor market regulations further deepen the dependence of the unemployed population on social transfers. This, in turn, limits the fiscal capabilities of the government to address the poorest quintiles of the population. Moreover, the social transfer system's targeting is highly inefficient and the coverage is very low. Nevertheless, the total system of social transfers is designed very successful and if enough resources were generated, the coverage and targeting features of the system would be improved, by serving as a strong mechanism for pooling people out of poverty.

Human capital development is another means for achieving higher rates of poverty reduction, which, unfortunately Armenia lacks. Educational and health care sectors are the most important ones in this regard. These infrastructures are the foundation for healthy and literate population, who will maintain growing economic trends in future. However, poor population lacks accessibility to these sectors of the economy, causing widespread illiteracy and higher mortality rates especially in rural areas. In health care sector of the Armenian economy, the utilization of the service varies in different groups depending on the type of the particular service. Thus, there can be services or treatments that the poor may never have access.

The same picture is in educational service. Because of the lack of governmental financing, most of the poor children cannot afford basic needs for school attendance. This is mostly

concentrated in rural areas. Another characteristic of the educational sector is that inefficient framework for ensuring compulsory education. The unpromising situation in school buildings and destructed heating systems in the schools or higher education instances are other shortcomings that Armenian educational system faces. Nonetheless, the latter condition is somehow improved in urban areas, which cannot be said for rural areas.

Corruption is another issue that can be generalized for these two sectors, and not only. In educational and health care sectors, corruption causes high out-of-pocket expenses, which cannot be afforded by lower income quintiles. Hence, it highly limits the consumption capability of those services by poor, which is the main reason for low or non-existing accessibility.

Combating Poverty: Domestic Efforts and International Assistance, PRSP

From 2000 on, with the assistance of the World Bank and other international organizations, the Government of Armenia prepared an interim PRSP putting forward a program for redirecting public resources toward fighting poverty. The Government initiated the consultation process within the donor international organizations (NGOs, trade unions, etc.) to finalize the Poverty Reduction Strategy Paper. In August 2003, the Poverty Reduction Strategy Paper was approved by the Order of the Government of Armenia N994-N (Gelbard et al., 2005). Moreover, it was one of the main achievements of the WB in the due course of designing poverty reduction policies in Armenia. PRSP provided more comprehensive and structured approach to the fiscal policies of Armenia and allowed to spend financial resources more to the purpose and avoid overlaps.

The PRSP is a 190 page long policy paper, which encompasses development projects for all socio-economic spheres of Armenian economy. It comprises of five Sections and 13 Chapters, which cover a broad range of estimations and projections starting from various poverty

definitions ending with PRSP monitoring and regulation systems for participating parties. The PRSP working group employed various surveys and subsequent analyses regarding aggregate economic performance in Armenia and derived estimations for that purpose to coordinate the interrelationship between public expenditures and public needs.

Section 1 of the PRSP contains 2 Chapters, which mainly focus on the provision of descriptive information on what the poverty is and how it is reflected in Armenia. The discussion further refers to the early years of Armenia's independence and economic performance within it. It provides statistical data for the country's development trends with detailed macroeconomic evaluation on clarifying the link between economic growth → inequality reduction → poverty reduction cycle.

One of the main priorities of the PRSP is to meet Millennium Development Goal objectives as closer as possible. The systematic approach for designing projects and regulating their future performance is mainly based on that assumption. Therefore, in Section 2 the discussion focuses on PRSP goals and main policy priorities. In this section, it clarifies the circumstances regarding poverty and inequality reduction from the PRSP perspective and underlines main policy priorities for eradicating poverty, inequality and human poverty in Armenia.

As it was stated above, the PRSP is not just a paper, which is narrow in scope and describes only some general characteristics of poverty and policies that should be employed for reducing poverty in the country. Rather, it provides a very broad macroeconomic framework that touches all the sectors of economy and has elaborated policy performance strategies for all of them. Indeed, it could not be in other way, since all the sectors of economy are interlinked like a chain and unless all the rings in that chain are closely tied it will breach from time to time from different parts and will consequently reduce gains from economic expansion. That is why, the third Section of the PRSP refers to the poverty reduction strategies in all sectors of the economy.

It is the largest section in the Paper, which concentrates on the terms for securing economic growth accompanied with poverty reduction and designs policy projects for reforming all the sectors of economy. Among the main focusing areas it can be mentioned the reforming of rural sector, improvements in business environment, reforms in tax policy, investments in human capital, reforming pension and social protection systems, infrastructure development, etc. For all the above-stated spheres the PRSP provides information on what the situation is and has designed policy priorities and financial forecasts till the year 2015.

Earlier in this paper, it was stated that PRSP provided an unique opportunity for Armenian government to design more comprehensive approach to the system of public expenditures and their distribution. For this purpose, Section 4 of the PRSP proposes techniques for increasing income generation capabilities of the consolidated budget and increasing targeting features of public expenditures. It thoroughly underlines existing budget deficit and sources of future public financing. To make its implementation more realistic, in Section 4 it is mentioned the relationship between the PRSP and MTEF (Medium Term Expenditure Framework), since the efficiency of the PRSP largely depends on the extent of its incorporation to the state budget and public policy implementation processes (PRSP, 2003).

The last Section of the PRSP refers to the systematization of its implementation, monitoring and regulation. The aim is to include in the PRSP implementation process all the members of the society, Government and international organizations. Such an approach increases the performance efficiency of the PRSP by designing a common strategic reference to its implementation (PRSP, 2003).

The strategy encompasses five key policy objectives:

- Sustain high economic growth by deepening market-oriented reforms, paying particular attention to the business environment for small and medium-sized enterprises;
- Ensure high levels of public investment. The strategy recognizes rural roads, water supply, and irrigation as priority areas;

- Strengthen the social safety net by increasing expenditures on health, education, and social welfare;
- Maintain macroeconomic stability through sound monetary and fiscal policies. The program reconciles this objective with the higher public expenditures by progressively increasing tax collection by about 0.4 percentage points of GDP per year;
- Improve governance at all levels of government and in the judiciary (Gelbard et al., 2005, p. 15).

Thus, PRSP measures, from the theoretical perspective, guarantee sustainable pro-poor economic growth. By the same token, the implementation of social protection policies is expected to reduce poverty at the following rates: to 41% in 2005; to 29.1% in 2010; and to 19.7% in 2015, compared with the 50.9% of 2001. Simultaneously, the population of the very poor will frame 14.2% in 2005, 10.6% in 2010 and 4.1% in 2015, compared with 16% of 2001 (PRSP, 2003).

Table 18: Main benchmark indicators of poverty reduction under the PRSP

	2001	2003	2004	2006	2009	2012	2015
GDP per capita, thousand drams 1	391.5	489.1	532.8	631.5	808.3	1005.7	1244.2
GDP per capita, USD 1	704.8	834.2	904.2	1061.0	1338.0	1639.9	1998.6
GDP per capita, PPP USD 2	2	2	3	3	4	5	6
	382.1	819.5	056.2	586.1	522.3	542.8	755.4
Number of poor, % of total population	50.9	46.2	43.7	37.9	30.8	26.3	19.7
<i>Including number of very poor, % of total population</i>	16.0	15.2	14.7	13.5	11.4	8.6	4.1
Number of population having less than 1 USD income per day , % of total population	29.4	23.7	17.9	10.0	4.3	3.4	2.7
Number of population having less than 2 USD income per day 3 , % of total population	58.6	52.0	43.4	31.9	24.3	14.1	6.8
Number of population having less than 4 USD income per day 3 , % of total population	81.5	76.6	72.8	64.0	52.5	33.5	27.6
Number of under-weight children, % of total number of children below the age of 5 (2000)	3.0	2.9	2.8	2.7	2.3	1.8	1.4
Number of under-height children, % of total number of children below the age of 5 (2000)	13.0	12.5	12.0	11.5	9.5	8.0	6.0
Memorandum Item							
<i>Number of de facto population 4, thousand people</i>	3 002.6	3 013.8	3 020.5	3 038.1	3 074.2	3 125.7	3 196.0

Source: PRSP, 2003

According to PRSP (2003) assessments, the inequality will also decrease in this period.

The Gini coefficient of income concentration will be 0.491 in 2005, 0.466 in 2010 and 0.446 in 2015, compared with 0.535 in 2001 (see table 11).

Table 19: PRSP main indicators of inequality reduction

	2001	2003	2004	2006	2009	2012	2015
Gini coefficient of income inequality	0.535	0.510	0.498	0.483	0.469	0.458	0.446
<i>Including: for employment incomes</i>	<i>0.446</i>	<i>0.443</i>	<i>0.441</i>	<i>0.438</i>	<i>0.433</i>	<i>0.428</i>	<i>0.423</i>
<i>for social transfers</i>	<i>0.161</i>	<i>0.074</i>	<i>0.068</i>	<i>0.076</i>	<i>0.086</i>	<i>0.082</i>	<i>0.080</i>
Annual income of the 20% poorest population, thousand drams	55.4	85.0	101.4	140.3	192.3	242.7	311.0
Annual incomes of the second 20% population, thousand drams	120.1	159.4	184.8	239.7	339.2	453.1	603.5
Annual incomes of the third 20% population, thousand drams	195.4	242.0	278.5	359.1	510.9	681.1	903.3
Annual incomes of the fourth 20% population, thousand drams	318.3	361.9	408.7	526.2	834.6	1102.2	1443.1
Annual incomes of the richest 20% population, thousand drams	945.5	1235.6	1362.9	1668.7	2207.5	2751.6	3416.9
Incomes of the poorest population, % of incomes of the richest strata	5.9	6.9	7.4	8.4	8.7	8.8	9.1

Source: PRSP, 2003

Moreover, one of the major priorities of the PRSP is human poverty reduction. For example, the main goal for the education sector is to improve the quality of education and make accessible for everyone. In the similar vain, the main goals for the health sectors are to improve the quality of and enhance the access of health services (PRSP, 2003).

Table 20: Main target indicators of human poverty reduction

	2001	2003	2006	2009	2012	2015
EDUCATION						
School-Life Expectancy, years*		11.6	11.8	12.0	12.1	12.3
General school completion rate, %	63	67	69	77	80	85
Consolidated budget expenditures in education sector,% of GDP	2.5	2.4	3.1	3.6	3.8	4.0
HEALTH						
Child mortality rate per 1000 live births	18.8	15.6	14.4	13.0	11.5	10.0
1 to 5-year old child mortality rate per 1000 live births	18.5	17.1	15.0	14.0	13.0	12.0

Mother mortality rate per 100 000 live births**	40.8	27	22.0	15.5	13.0	10.0
Consolidated budget expenditures in health sector, % of GDP	1.3	1.4	1.9	2.1	2.3	2.5

Source: PRSP, 2003

* Aged between 6 and 21 years old

** Three-year average

Furthermore, as PRSP first was successful, the authorities of the Republic of Armenia and the Bank staff are preparing the second poverty reduction strategy paper (PRSP II), which will include the period of 2008-2020. The final document will be approved by the government in December, 2007. The PRSP II recognizes that macroeconomic stability is essential for continued high rates of growth and consequent poverty reduction. It contains complete poverty reduction program and covers general poverty analysis for the period of 2003-2006 (WB, 2007c, Draft PRSC IV).

Financing Essential Infrastructure: the Role of the World Bank in Combating Poverty

Our work in more than 100 countries is challenging, but our mission is simple – to help reduce poverty... Today, countries themselves are coming to us with their own plans for helping poor people, and we have adopted new ways of working with them” (quoted in The World Bank, Things You Never Know about the World Bank, p.1, 2004).

Armenia became a member of the World Bank in September 1992, and the Yerevan Office of the World Bank opened its doors in 1994. The first country strategy put emphasis on: a) stabilizing economy and institution building, b) poverty reduction and support for better objectives of social protection, c) infrastructure rehabilitation and d) structural reforms, which helped finalize the transition to a market economy and endorse private sector development and economic growth. Later, in 2001, definite goals and objectives were: a) developing private sector for the creation of workplaces; b) improving governance and public sector services; and c) rebuilding human capital (World Bank, 2004).

Furthermore, poverty alleviation is at the heart of the Bank's Country Strategy. According to the World Bank (2000) assessments, the building blocks of the Country Assistance Strategy (CAS) are:

- helping to maintain sound macroeconomic management essential for rapid, sustainable economic growth which is a precondition for poverty reduction;
- promoting a competitive private sector as the engine of growth and employment;
- promoting better public-sector management and better public services accessibility by the poor;
- accelerating sustainable agricultural growth and rural development where the vast majority of the poor live
- promoting faster and fairer human development by improving social, health and education sectors (p. 6).

Moreover, the voices of people are very important for the World Bank. Thus, the poverty related strategies and policies are mainly based on the experiences, reflections, priorities and aspiration of the poor people themselves. In other words, the World Bank uses "*the Voices of the Poor*" as a basis for deciding major country assistance strategies and programs, such as policies directed to poverty reduction by accelerating economic growth, promoting private investment, developing supporting infrastructure and providing basic health and education services (World Bank, 2000). Here are some interesting messages from household surveys:

- A parent in Gumri struggling to balance her children's medical and educational needs said: "My salary is 6,000 drams. I have a child who has had a stomach operation twice. I scarcely can manage to buy him the medicines. I've told my (other three) children that I am unable to help them. They will have to stop studying.
- At a round table discussion on poverty strategy in Norashen, a farmer observed that "until we don't have the rule of law, democracy can't flourish and development won't occur. High officials have a dual approach to law – whenever it suits them, they apply a socialist framework, and whenever it suits them otherwise, they adopt the capitalist legal system".

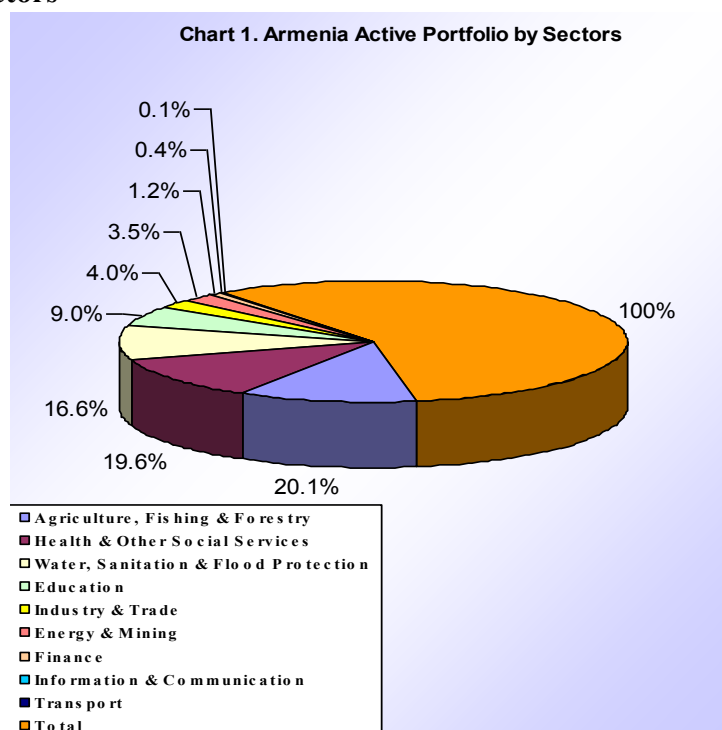
- A family of five children, living in the storage room at the local post office in Stepanavan, chose to send three children to the mentally handicapped school, so that the children could spend the night there “because at least they get fed there”.
- On health services, a doctor noted “nowadays we treat people, but do not cure them” (quoted in the World Bank, 2000, p. 5).

Thus, the World Bank’s mission in Armenia is to fight poverty with passion and professionalism for lasting results, to promote the recovery of equitable growth, reduce the social impact of reforms... (World Bank, 2000). Moreover, since the inception of the World Bank’s program in Armenia, 49 projects with a total amount of US \$1,029.5 million have been approved by the Board of Directors, of which US\$873.4 million were disbursed (data as of 31, July, 2007). As of August 31, 2007 the Bank’s active portfolio consists of 17 projects, including twelve Specific Investment Loans, three Adaptable Program Lending, one Sector Investment and Maintenance Loans, one Emergency Recovery Loans totaling US \$291.9 million (inclusive of two GEF operations), of which US \$164.6mln were not disbursed.

Project Performance Ratings: Armenia's portfolio performance remains at low risk. The sector distribution of portfolio is given in the table below (also in Appendix 1). In terms of net commitments, the largest share of the Bank’s operations is in Law, Justice & Public Administration (25.4%) sectors, Agriculture, Fishing & Forestry (20.1%) and in, Health & Other Social Services (19.6%).

Figure 11: Portfolio Distribution by Sectors

SECTORS	NET COMMITMENT	SHARE %
Law, Justice & Public Administration	72	25.4%
Agriculture, Fishing & Forestry	57	20.1%
Health & Other Social Services	56	19.6%
Water, Sanitation & Flood Protection	47	16.6%
Education	25	9.0%
Industry & Trade	11	4.0%
Energy & Mining	10	3.5%
Finance	3	1.2%
Information & Communication	1	0.4%
Transport	0	0.1%



Total	286	100%
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Source: WB,2007

With its large-scope financial projects the World Bank assisted Armenia much in elaborating and performing various programs for developing particular sectors of the economy. This policy paper will focus on some of them, which are essential for implementing poverty reduction policies in the country. Thus, in terms of Health Care sector, the Bank supported Armenian Government's health reform program with a Health Financing and Primary Health Care Development Project (HFPCD). Moreover, it developed Health System Modernization Projects, which is composed of two parts. The first one started in 2004 and will reach its target in 2009. The main objective of this Phase is *“to expand access to qualified primary health care; improve the quality and efficiency of selected hospital networks; and lay ground work for effective sector policy making and monitoring”* (WB, 2007a, p.13). The second one started in February 2007, and will end in 2012. The development objective of the Phase II Project is to ensure the Ministry of Health's aptitude for more strong and effective system of governance, to improve the medical education system, to strengthen healthcare service delivery in marzes, and, in general, provide more accessible, qualified and sustainable health care services to the population (WB, 2007a).

The World Bank also clearly recognizes that one of the best ways for reducing poverty and raising living standards of the population is, investing in people through education. Thus, for improving the quality and efficiency of the compulsory general education from 1997, the Bank initiated the Education and Financing and Management Reform Project. From the very beginning of the EFMR Project, the Bank's financing has been used to purchase textbooks and teacher's manuals. As a result, the quality of the books has been improved and costs have been decreased. Moreover, the goal of the project was not only to meet the country's short-term needs

for textbooks, but also to ensure the purchase of the new books after the project was closed. The EFMR Project, by and large reached its outmost goal (WB, 2000).

The World Bank initiated Poverty Reduction Support Credits (I, II, II, IV), in which education issues constitute one of the major parts. Under PRSC I and II early childhood education and tertiary strategy education were initiated and adopted. Under PRSC III standards for early childhood education were approved and the plan for tertiary education reforms was adopted, including sustainable financing. Under the PRSC-supported reforms, a considerable increase in the public spending in education becomes apparent, which is mainly directed to the general education sector. For example, teacher's salaries rose by 19.4 percent in 2007, following a rise of 16.0% and of 65% in 2005. Moreover, a new law on Pre-school Education was passed and a strategy on early childhood development and pre-school education for 2007-2010 was approved (WB, 2007c, Draft PRSC IV).

The World Bank also addressed the issue of social system administration. For example, one of the important goals of PRSC reforms is actual increase in the size of benefits. Moreover, it is clear that the current pension system generates very small income. That is why a strategy that investigates a diversified pension system was introduced. The reformed pension system contains four pillars: a "zero" pillar for all those who for various reasons will not participate in the new system (to be financed by the state budget); a "first" pillar for all participants in the new system (to be financed from the state budget), a "second" funded pillar, and a voluntary pension pillar (WB, Draft PRSC IV, 2007c, p. 32). Furthermore, the World Bank started Social Protection Administration Project in 2004, which will reach its target at the end of 2007.

However, in spite of generally positive trends, there are some criticisms about the World Bank activities. One of them is an ongoing process which started in 2004 with a Parliamentary

Commission study into a World Bank financed project in the Republic of Armenia. It aims to persuade the Bank's watchdog organization, the Department of Institutional Integrity (INT) to initiate an investigation of fraud, corruption and embezzlement in the WB activities. Bruce Tasker in his report "Blowing the World Bank Whistle" claims the WB in corruption, fraud associated with Bank's Municipal Development Project. Mr. Aristomene Varoudakis, the Bank's recently appointed Armenia Country Manager, in connection with these claim, said "*the World Bank did not have evidence of deception or inadequate management with respect to the Yerevan water supply program, and as far as the Bank was concerned, the matter was closed*" (Tasker, p. 1, 2007).

Conclusion

By and large, Armenia has steadily growing GDP rates. Economic growth in the country increased the living standards of the greatest portion of the population. However, it has some relativity in its meaning. The point is that those living in rural areas, border and earthquake zones are still bearing the hardships of poverty. Economic growth is necessary for the country's aggregate development and the steadily growing GDP rates is a result of performed sound macroeconomic policies in Armenia. However, the macroeconomic policies would have been sounder, if the gains from that growth were distributed equally among different groups of the population.

Armenia will continue to face poverty and unemployment at higher rates unless clearly defined strategies are employed for redirecting gains from aggregate economic expansion to the most vulnerable groups of the population. The noteworthy point in this regard is that the country's various economic sectors have the potential to cope with the issue of poverty. For example, the SME sector has very high potential in employing people. Another sector is construction, which share in GDP is substantially increasing. Public authorities, indeed, realize

those potentials and are amply continuing to reform all the sectors of the economy. Whatsoever, the issue of inequality still persists in the country at higher rates.

Such factors as are weak tax administration, shadow economy and excessive bureaucracy highly interfere the country's goal to eradicate poverty and cut unemployment. Shadow economy is about 50% in Armenia, which highly reduces income generating capacity of the country. The excessive bureaucracy makes the entrance into the SME sector very complicated. Accessibility to credits is also very low for those employed in the SME sector, which turns out to be a vulnerable issue, since the largest part of the population is employed in that sphere and they need periodical financing.

Such undesirable developments also repulse foreign direct investment in Armenia, the encouragement of which is a crucial strategy for reducing unemployment and generating incomes in terms of taxes. These conditions undermine the positive impact of reforms and increase Armenia's dependence on foreign assistance and loans, which made the country's external debt portfolio almost equal to its budget.

Thus far, the World Bank is of those international financial institutions that took part in the process of Armenia's transition from the early years of its independence. With its advisory opinions, designed projects and financial resources, it assisted the country's authorities much during the elaboration of strategies for integrating into the international community and markets. The main achievement in this regard was the preparation and adoption of the PRSP. It opened large opportunities to increase the targeting features in socio-economic spheres of Armenia. As it was stated earlier in this paper, the poverty and unemployment decreased substantially from 2003 on. Indeed, this was the result of the PRSP adoption, which provided more comprehensive and structured approach to the fiscal policies of Armenia and allowed to spend financial resources more to the purpose and avoid overlaps.

Seen in these terms, the World Bank now puts emphasis on making the growth in all member countries pro-poor. By various policy implementation models and programs, the Bank assists Armenian government to redistribute incomes and make the gains from economic expansion to reach more to the poor than to non-poor. PRSP II can serve as the main ingredient for that purpose. It has designed projects for all infrastructures of the Armenian economy and the fundamental point in them is poverty reduction.

Thus, it could be inferred that the policy projects and programs of the World Bank are pro-poor, since they are directed to make the poor better-off and pull them out of poverty. The scope of enrollment of the poor and the targeting of poverty reduction programs of the World Bank are highly effective and clearly defined. Such features of reference to the poor draw an assumption that the approach is pro-poor. However, the aggregate situation in Armenia is higher rates of poverty and inequality.

To sum up, economic growth in Armenia is not pro-poor, because: a) it still faces higher rates of poverty and inequality; b) tax collection is weak and shadow economy is high; c) the structure of social transfers are well defined, but the targeting and the coverage are low; d) the poor still lack full access to essential infrastructures; e) the country still faces excessive bureaucracy, which interferes the development of the SME sector; f) labor market regulations are weakly defined; g) there is no official policy for creating rural non-farm workplaces; h) rural population and those living in border and earthquake zones gain very little from aggregate economic expansion.

From the perspective of domestic and international efforts for combating poverty it could be summarized that: a) despite inefficient domestic efforts towards making growth more pro-poor, international efforts for this concern are pro-poor; b) the main joint achievement in fighting poverty by mutual cooperation and efforts is the adoption of the PRSP plan; c) domestic efforts for adopting the PRSP were highly efficient; since it produced, d) more structured approach to

fiscal policies, better targeting capacity for social assistance and avoidance from overlaps in public spending; f) the nature of PRSP-designed policies and expenditure planning can be judged as being pro-poor; on the other hand, g) public awareness on the activities of the WB is low and it needs to be more transparent in his activities; j) it will be highly efficient to include NGO's in discussions of the PRSP.

Recommendations

Economic growth in the country increased the living standards of the greatest portion of the population. However, unless almost all the policies are not directed and promoted more to the poor than non poor, the future growth will reduce poverty very slowly.

1. Hence, all the children from poor families should be ensured to have an equal access to pre-school and basic education. There should be an increase in expenditures on both education and healthcare as proportion of GDP. Investments in education will increase employment and real wages, at the same time decrease inequality and poverty.
2. Accessibility of the poor to healthcare services should be ensured. This will decrease mortality rates, make equality in service utilization and increase value of human capital as a strategic tool for future development.
3. SME sector has higher productivity rates and can considerably improve living standards of most poor people. Unfortunately, Governmental subsidization and protection of SME sector is very low. Thus, in order to decrease agricultural employment and increase productivity, growth in SME sector should be ensured.
4. Increase public awareness among the poorer groups of population about the World Bank activities. In other words, develop and introduce techniques

specifically addressing the poor, which will ensure them the whole benefit. For example, there are small grant programs, which are directed to poverty reduction (grants to schools, hospitals, orphanages) and a very few people can benefit from that because of the lack of awareness. As a result, those people who live in regions are mostly lacking access to those services. Thus, having a good PR is a crucial tool in combating poverty.

Annex

	PROJECT I	PROJECT NAME	CREDIT AMOUNT	APPROVAL DATE	CLOSING DA
1	P073974	Health System Modernizations	19.0	06/10/2004	06/30/2009
2	P074503	Education Quality & Relevance	19.0	01/20/2004	11/30/2008
3	P087620	Social Protection Administration	5.2	06/10/2004	12/31/2007
4	P094225	Social Investment Fund III	25.0	10/26/2006	06/30/2011
5	P104467	Health System Modernization (APL2)	22.0	03/08/2007	12/31/2012
6	P055022	Irrigation Development	29.9	08/30/2001	03/31/2007
7	P057847	Natural Recourses Management	8.3	06/04/2002	07/31/2008
8	P057880	Urban Heat	15.0	07/12/2005	06/30/2010
9	P063398	Municipal Water & Wastewater	23.0	05/04/2004	02/28/2009
10	P064879	Irrigation Dam Safety I	26.6	06/24/1999	03/31/2005
-	P069917	Natural Recourses Mgmt Projects (GEF)	5.1	06/04/2002	07/31/2008
11	P083352	Renewable Energy	5.0	03/29/2006	12/31/2010
12	P087011	Rural Enterprise and Agriculture	20.0	07/07/2005	05/31/2010
13	P087641	Yerevan Water & Wastewater	20.0	02/24/2005	02/28/2011
14	P088499	Irrigation Dam Safety II	6.8	06/10/2001	03/31/2009
-	P090058	Renewable Energy (GEF)	3.0	03/29/2006	12/31/2010
15	P099832	Avian Flu-AM	6.3	06/02/2006	07/31/2009
16	P060786	Public Sector Modernization	10.2	05/04/2004	03/31/2009
17	P099630	Judicial Reform	22.5	03/08/2007	12/31/2012
		TOTAL ACTIVE PROJECTS:	291.9		
1	P008278	Institution Building	12.00	03/30/93	11/30/97
2	P008280	Earthquake Rehabilitation	28.00	02/01/94	06/30/97
3	P035757	Power Maintenance	13.70	12/08/94	06/30/99
4	P008275	Economic Rehabilitation	60.00	02/28/95	06/30/96
5	P042793	SAC	60.00	02/29/96	12/31/97
6	P044796	SAC II	60.00	08/26/97	06/30/99
7	P044387	SATAC	3.80	02/29/96	06/30/00
8	P035768	Social Investment Fund I	12.00	11/09/95	12/31/00
9	P035765	Highway (w/supplt.)	31.00	09/14/95	12/31/00
10	P008277	Irrigation Rehabilitation	43.00	12/08/94	05/31/01
11	P051171	SAC III	65.00	12/22/98	06/30/01
12	P008279	Enterprise Development	16.75	12/24/96	07/01/02
13	P051026	SATAC II	5.00	08/26/97	06/30/02
14	P008281	Education	15.00	11/20/97	12/31/02
15	P065189	SAC IV	50.00	05/22/01	03/31/02
16	P050140	Health	10.00	07/29/97	12/30/03
17	P075758	SAC V	40.00	03/13/03	06/30/04
18	P057560	Title Registration	8.00	10/13/98	09/30/04
19	P044829	Transport	40.00	06/08/00	12/31/04
20	P078673	PRSC	20.00	11/18/04	31/12/05
21	P035806	Agriculture Reform Support (w/supplt)	16.30	01/27/98	06/30/05
22	P035805	Municipal Development	30.00	06/11/98	04/30/05
23	P057952	Social Investment Fund II	20.00	05/11/00	12/31/05
24	P008276	Electricity Transmission.& Distribution	21.00	03/04/99	12/31/04
25	P064879	Irrigation Dam Safety	26.60	06/24/99	03/31/05
26	P057838	Judicial Reform	11.40	09/14/00	12/31/04
27	P055022	Irrigation Development	24.90	08/30/01	03/31/07
28	P044852	Enterprise Incubator LIL	5.00	11/29/01	06/30/05
29	P076543	FIEF LIL	1.00	04/16/02	12/31/05
		TOTAL CLOSED PROJECTS	749.45		

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