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Poverty Reduction in Armenia: New Life with Old Standards

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1. Introduction

On average, the Armenian economy grew by 11.2% each year from 1999-2005 which resulted in cumulative growth of 88.7%. Such high growth rates justify the comparison of Armenia to South-East Asian economies – Asian tigers. About 1/3 of the growth was attributed to construction which implies that the poor could have chances to participate in the economic growth process. Nonetheless, the estimates of poverty and inequality reduction, according to the 2004 and 2005 Household Surveys, seem to be incredibly high. Poverty decreased by 47% during 1999-2005, while extreme poverty decreased by 78%. At the same time, Gini coefficients for income and consumption decreased by 40% and 15% respectively.

According to these statistics, more than 800 thousand people have overcome poverty including 500 thousand from extreme poverty. This occurred in a situation where employment and income increase for the poor is feasible only in construction, agriculture and a few other sectors. The redistribution function of the government is very limited¹. Inequality and polarization in incomes of Marzes is evident to everyone. Such a rapid poverty reduction pace still cannot be explained and justified by analysts.

Constraints on available data prohibit performing thorough analyses and assessing the impact of economic growth on poverty reduction. We attempted to estimate the role and importance of different income types in ensuring consumption. In general, we identified income types as direct and indirect in terms of their impact on poverty reduction and ensuring the expenses of the poor. This is crucial from the policy perspective. The immediate impact of economic growth refers to income that the poor earn, whilst the indirect impact to the increase in public and private domestic transfers.

According to studies, in comparison to other income types, salaries and wages are the largest source of income for low and middle income groups. Salaries and wages ensure that about 19%² of the lower-income half of the population is not poor and that 30%³ are above extreme poverty line. Nevertheless, even if the households in the first 5 deciles of the population did not earn any salaries in 2005, poverty would have decreased since 1998/99 anyway. This shows that poverty reduction and increase in spending among the poor are achieved through all types of income, and none of them is dominant to provide for non-poverty. However, other income types are nearly insignificant individually.

As for being above extreme poverty, individual types of income become much more important. After salaries, public social benefit transfers and income from agriculture had equal impacts on being out of extreme poverty. However, the role of solely benefits which are directly aimed at the poor is low. It is almost equal to that of private domestic transfers. Meanwhile, the share of private transfers from abroad is considerably higher: they exceed the self-employment income (see Figures 4-7).

Poverty reduction has significantly changed the socio-demographic breakdown of poor households. It has decreased equally among men and women (slightly higher among women). High reduction rates were recorded in the older groups. If the average reduction rate is 46.9%, the poverty reduction rate among the group of above 61 years is 52%. The highest reduction rate was recorded in households with only one member – 64.1%. It was considerably high among households with no children – 59%. This shows that pensions and other transfers, especially those paid to single pensioners, have significantly contributed to poverty reduction. Nevertheless, the impact of transfers is lower with respect to reducing poverty among young families with many children.

Analyses showed that employment and participation in the labor market are prerequisites for poverty reduction. The poverty reduction rate is higher among those who participate in the labor market in contrast to those who do not participate (see Table 6).

The calculation of the poverty line is essential to assessing poverty. The poverty line is very sensitive in Armenia: slight changes in the poverty line may result in huge deviations in incidence of poverty and extreme poverty. We believe that

¹ Armenia is known for very low share of taxes in the GDP. Taxes/GDP ratio tends to decrease along with economic growth.

² 9.6% of total population, see figure 2 (=39.4-29.8).

³ 14.6% of total population, see figure 2 (=19.2-4.6).

the poverty lines for 2004 (and therefore, for 2005)⁴ are underestimated. In real terms, both the poverty and extreme poverty lines are lower than the lines used in 1998/99. No justification can be found for this, since “tiger” growth rates and developments in the economy, services and equipment have obviously increased the minimum living standards and human needs. Therefore, old standards cannot be used for the stage of development surge in a society that itself has experienced huge shifts and changes. The poverty line should reflect the realities of current life; so, it should be higher now than in 1998/99. It is evident that poverty incidence will be much higher if estimated for a higher poverty line.

Our research and experience, as well as comparison of consumption and income indicators with macroeconomic indicators (National Accounts Statistics), incredibly slow rates of increase in consumption and income of the higher deciles, estimates of the average 1kCal consumed by households and limited access to the database (in case of access, errors and incompleteness in some sections) of the Household Survey (of the National Statistical Service) reduce our confidence in the surveys and studies carried out by the NSS. With the deepest respect and friendliness to the entire staff of the NSS, we have to express our doubts about the quality of field works and sufficient inclusion of households from all income groups in the survey samples.

2. “The Caucasian Tiger”

The severe economic recession in 1990s in Armenia was followed by high and continuous economic growth which has accelerated since 2001 and still remains at 2-digit levels. In 2004, the real aggregate income generated in Armenia exceeded the level of the last Soviet years. In 2005, real GDP was double of the level of 1997, while in 2006 it already exceeded the level of the 2000 GDP two times.

Such high economic growth rates remind many analysts of the economic boom of South-East Asian countries. In a 2006 WB paper⁵, Armenia was called the “Caucasian Tiger” for its continuous and remarkable growth rates which were similar to those of the Asian tigers.

The main source for economic growth is the inflow of foreign savings and income: both institutionalized and at private levels. It comes from international and donor organizations, foreign countries, old and new Diasporas, factor income from labor force working abroad and private transfers.

Finance centralized in hands of certain groups through redistribution of national wealth in recent years (often through corrupt and unfair governance) is a serious source for growth.

The high corruption level and its spread is a negative factor for a country's development. Nonetheless, it has played a positive role in the economic growth in recent years. Widespread corruption has simplified running a business in terms of planning, accounting, organization, etc. As a result, new small and micro businesses with limited experience and business capacities are enjoying a surrogate subsidy which, despite distortions, has contributed to the growth.

The reforms of the first generation intensively implemented in Armenia have significantly contributed to the growth. Liberalization of the economy and creation of economic infrastructure and institutions contributed to economic development and growth.

The economic growth is being recorded in all sectors of the economy led by construction, services, food processing, etc. Industry and agriculture have contributed to the growth almost equally (agriculture – slightly more). Nevertheless, the main factor for becoming a “tiger” can be attributed to construction growth that has provided for about 1/3 of the growth: more than industry and agriculture taken together.

The number of legal entities in 2005 grew by 73% in comparison to 1996 by increasing steadily at about 4% annually during the last years.

⁴ The calculation of poverty lines in 2005 is based on 2004 poverty lines. The methodology of poverty line calculations was changed in 2004.

⁵ “Armenia The Caucasian Tiger, (In Two Volumes), Volume 1: Policies to Sustain Growth”, by Saumya Mitra and others, Poverty Reduction and Economic Management Unit, The World Bank, 2006

As a result, the country which had more than 50% of the population below the poverty line and the highest inequality levels in the world in 1999 is now classified as a middle-income country.

3. Incomes of the Poor and Poverty

Reduction of poverty and inequality, i.e. increase in incomes of the poor, can be determined by a number of factors. First, it is the immediate impact of economic growth – increased incomes earned by the poor (salaries, income from self-employment and agriculture).

Additionally, incomes of the poor can increase due to increased public and private transfers: in particular, the public transfers - Family benefits and other social transfers – as well as private transfers through family networks – relatives, friends, household members, assistance from other regions of Armenia (private domestic transfers), financial support from abroad and factor income from labor (foreign transfers)⁶.

Immediate role of economic growth and generated income

The economic growth would have a more immediate impact on poverty reduction if the poor immediately participated in the growth process. This would create new employment for the poor as well as growth in self-employment. This would also increase incomes of already employed and self-employed poor as compared to previous periods.

In spite of the economic growth, unemployment in sectors not requiring highly-skilled labor is high. At the same time, in several sectors (although they are usually very small) that require high skills, the demand may exceed the supply of the labor force. If we consider that in reality there is no state regulation policy for the labor force and labor market (or it only nominally exists), we have to conclude that the prices in the labor market are largely dictated by employers. As a result, the real salaries' growth cannot be high in the industries requiring low-skilled labor. Meanwhile, the salary increase in high-skill industries is quite substantial.

Poor households and individuals usually do not have high skills, assets or qualified education. Therefore, the major economic resource for the poor is the privatized land plots and/or the low-skill labor force relative to the requirements of the labor market. From these pre-conditions, it can already be concluded that the poor cannot be included in high-skill industries. Basing on the assumption that only income from employment in high-skill industries has grown, the incomes of the employed poor could not increase considerably (does not apply to agriculture). Increase in employment of the poor and new incomes could take place only in agriculture and low-skill low-pay industries.

Sources of income for the poor are salaries, income from self-employment, and agriculture⁷. Let us analyze⁸ the 2005 Household Survey data in order to identify the roles of each of these income types in the total income of the population and their importance with respect to ensuring life above the national poverty line.

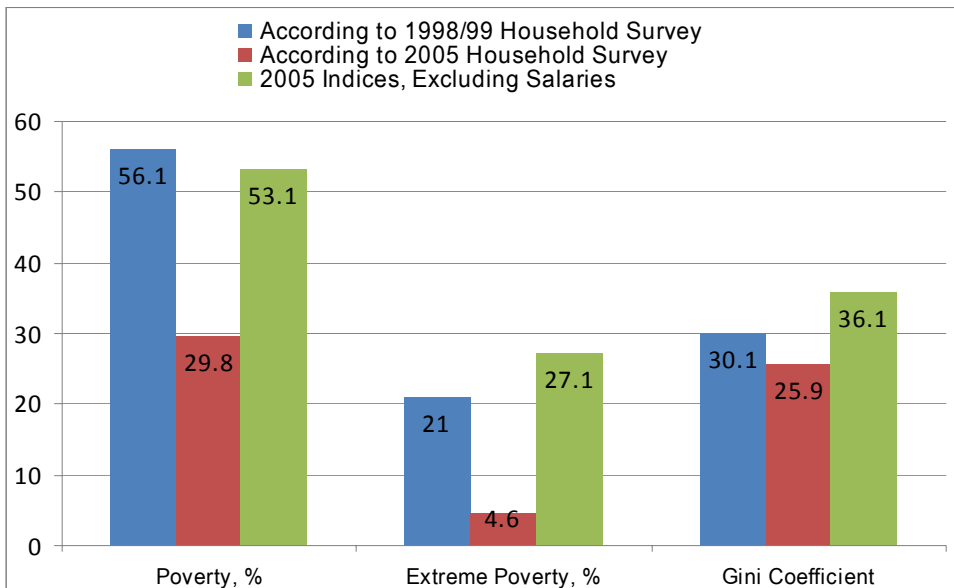
The figure below presents the potential estimates of poverty excluding salaries and alike. We took a simple assumption that these households' current consumption (in our case – consumption aggregate per 1 adult) would have been respectively lower if they had not earned their salaries. We assumed that there would be no other changes or differences. This is a very rough assumption; however, it will allow assessing the role of salaries and their increase in providing for consumption.

⁶ Transfers are unilateral payments not requiring services or goods instead. Payments from other countries include income earned by works, services and capital (factor income) and transfers. In the present paper, all types of incomes from abroad - transfers and earned income are viewed together, conditionally called external transfers.

⁷ Taking into account that the poor cannot possess capital and be founders of businesses (they would not be poor, otherwise) interest, rent and profit income are not considered sources of income for the poor. Small and micro entrepreneurship by the poor are covered by self-employment income.

⁸ For all analyses, the databases of Household Surveys available to the EDRC from official sources were used. Incompleteness of the 1998/99 database does not allow conducting in-depth and descriptive analyses, therefore, unfortunately, our analyses are limited to the available data.

Figure 1: Estimates of poverty and inequality: the role of salaries

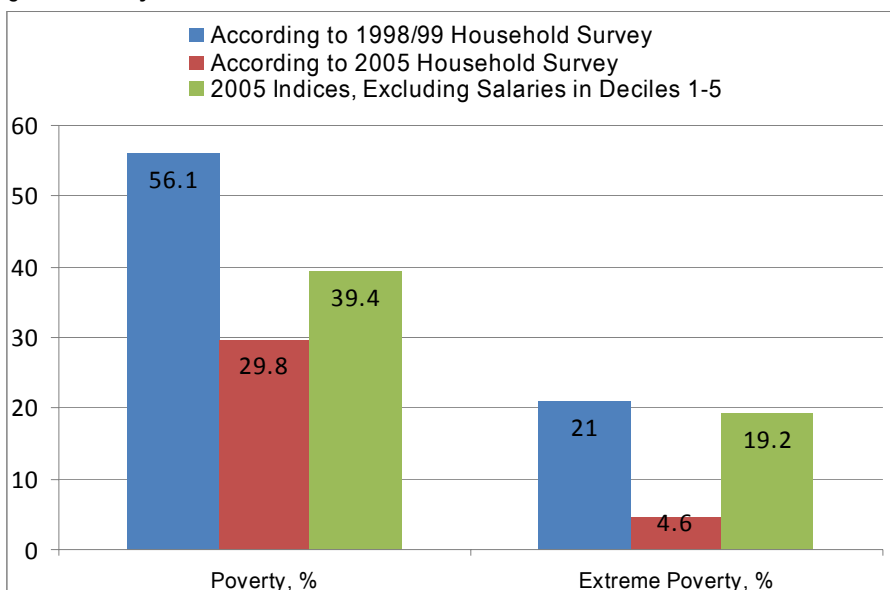


The figure shows that, if there were no salaries earned, poverty would be much higher in 2005 – 53%. This proves that salaries, as it could have been expected, are an important source of income. Salaries and wages are also crucial for some part of equality in income and expenditures. The figure also shows that the Gini coefficient (consumption inequality), without salaries, would be as high as 36.1%.

Nonetheless, salaries and increases thereof do not have the same significance with regard to poverty reduction. It is true that poverty would be much higher without salaries (53%); however, poverty would still be much lower than the actual estimate from 1998/99. In other words, even if there was no salary income earned in 2005, according to the Survey, poverty would decrease as compared to 1998/99.

In order to better see the role and significance of salaries for consumption by the poor and extremely poor, we did the same exercise for only the first 5 deciles: i.e. estimate the poverty in 2005 under the assumption that the poorest 50% of the population did not earn any salaries.

Figure 2: Poverty estimates: the role of salaries in deciles 1-5



If the low-income 50% of the population did not earn salaries, poverty would equal 39.4% (as compared to actual 29.8%), while the extreme poverty – 19.2% (as compared to actual 4.6%). Nonetheless, both poverty and extreme poverty in Armenia in 2005 would be less than in 1999.

Figure 3: Poverty Estimates, earned and transfer income in deciles 1-5



The figure above shows other potential estimates of poverty and extreme poverty. Along with the actual indicators for 1998/99 and 2005, we gave the changes in poverty in deciles 1-5 which occurred due to direct effects of economic growth and transfers. "Direct effects from economic growth" shows the level of poverty in 2005 under the assumption that the poorest 50% of households would earn salaries from employment, income from self-employment and agriculture without receiving any transfers (i.e. the consumption aggregate would be lower by the amount of transfers). The "Transfer Income" indicator shows the "assumed" poverty if the only income of the poorest half of households had to rely on transfers only (including foreign).

Thus, if no transfers were received by households, poverty would equal 38% in 2005 which is 18% lower than in 1998/99. If salaries and earned income were excluded, poverty would reach 43% (13% lower than in 1988/99).

In 1999, consumption expenditures for all of the lowest 5 deciles were below the poverty line, meaning that all of them were poor. If we assume that no one became poor since then in the country, we can state that about 3/5 of the same households still remain under the poverty line, while expenditures of the other 2/5 exceed the poverty line which implies that the latter are not poor. Data constraints do not allow for accurately assessing the impact of each of the above mentioned factors on poverty reduction. However, it is obvious that there is no single dominant factor that has contributed to the poverty reduction the most.

The figure below displays the significance of incomes from agriculture and self-employment in the structure of income and expenditures of the poor. They are much less important in comparison to salaries, while the role of self-employment in reducing inequality is insignificant.

Figure 4: Poverty and Inequality estimates: the role of income from agriculture and self-employment



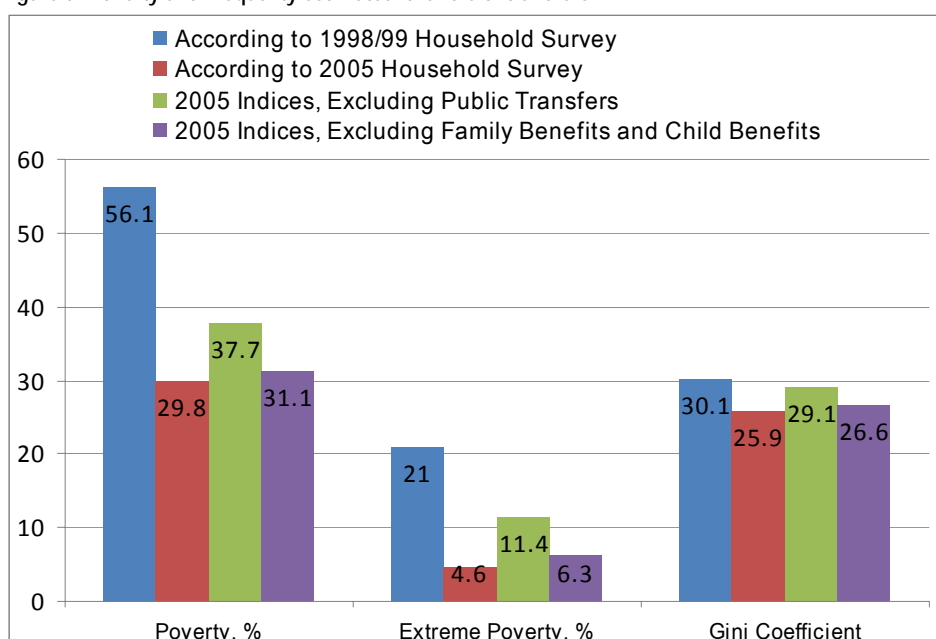
Public Transfers

Transfers are an important source of income for the poor and a crucial policy factor. In general, the impact of public transfers on poverty reduction can be addressed in three aspects: economic, policy-related and program-related. The first aspect implies that more resources are directed to social transfers and poverty reduction due to economic development. Policy aspect is the shift in priorities, i.e. more resources are spent on transfers and poverty reduction under the given level of budget revenues (at the expense of other donors). The third aspect refers to the increased efficiency of social programs under the same priorities and an unchanged level of available resources. Those three aspects, when used separately or in combination, can help with the reduction of poverty.

The main public social programs are monetary transfers. If insurance pensions are excluded (those are the largest transfers), the largest social assistance program is the Family benefit program. The Family benefit aims at distributing monthly financial assistance to poor households. Our past studies showed that Family benefits played a significant role in reducing poverty in 2004 despite not being well-targeted⁹. Both inclusion and non-inclusion errors are high.

The same conclusion can be drawn from the analyses of 2005 data. Social transfers, including pensions, played a significant role in reducing poverty. Without them, poverty would be as high as 37.7%, while extreme poverty – 11.4%.

Figure 5: Poverty and Inequality estimates: the role of transfers



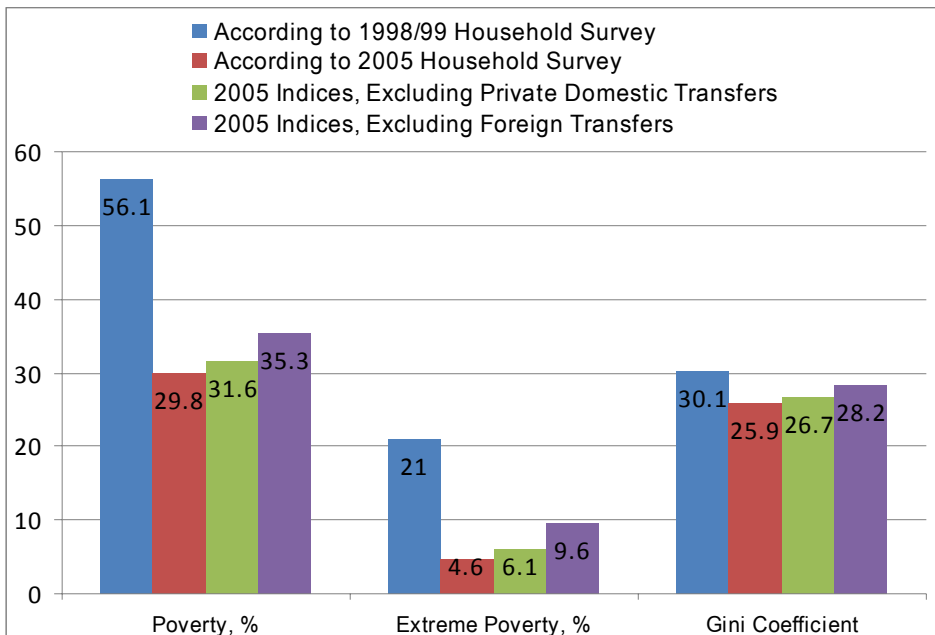
In spite of that, pensions and all social transfers together do have more significant impact on expenditures of the poor than income from agriculture. Nevertheless, the sole impact of Family benefits, as it was mentioned, is not significant. If no Family and child benefits were paid in 2005, poverty would be higher by only 1.3 percentage points, while extreme poverty – by 1.7 percentage points.

Private Domestic Transfers

Assistance from friends and relatives in Armenia is a significant source for expenditures and consumption of the poor. Economic growth directly contributes to the increase in such transfers and, thus, reduction of poverty. Namely, economic growth can bring an increase in the income of family nets (friends and relatives) of the poor, as a result of which the private domestic transfers may grow. The role of private domestic transfers in funding for the expenditures of the poor is higher than that of the Family benefits: almost the same is true for the extremely poor households.

⁹ See "Improving Targeting of Social Assistance in Armenia", EDRC, 2006

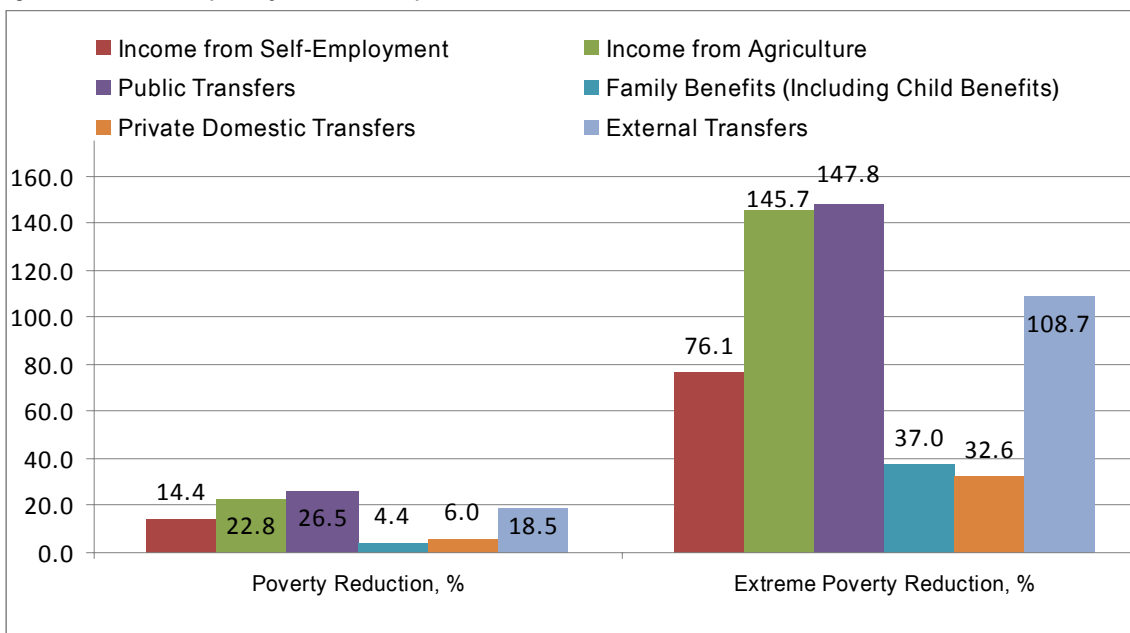
Figure 6: Poverty and Inequality estimates: the role of private transfers



Foreign Transfers

Our studies revealed that about 1/3 of the Armenian households receive assistance or income from abroad. This relates to both transfers and factor income (remuneration of labor force). Transfers from foreign countries are a large and extremely important source of income which has a significant impact on the reduction of extreme poverty. Without such transfers, poverty in 2005 would be as high as 35.3%, whilst extreme poverty – 9.6%. I. e. the number of extremely poor would be two times higher without foreign transfers. In examining the expenditures of the poor, external transfers are a greater source of income than income from self-employment and are slightly lower than income from agriculture and all types of social transfers and pensions.

Figure 7: Reduction in poverty (under assumption of no certain incomes were received) 2005



4. Poverty Reduction Progress

Factors resulting in the reduction of poverty should also cause changes in the poverty picture. If poverty was reduced fast and drastically under certain factors, the social and demographic breakdown of the poor should reflect that. Let us study the changes and shifts in the poverty picture in order to identify the factors that allowed for about half of the poor to get out of poverty.

The table below shows that poverty decreased considerably in all age groups, and there is no any gender bias visible. Poverty among women is slightly higher (almost equal, though) than among men.

Table 1: Poverty and its breakdown per age and sex groups

	1998/99	2005	Poverty Reduction
Total Poor	56.1	29.8	46.9
Women	56.3	29.7	47.2
Men	55.9	30.1	46.2
0-5 years	63.3	34.9	44.9
6-14 years	51.6	32.0	38.0
15-17 years	52.9	31.2	41.0
18-25 years	59.7	29.2	51.1
26-45 years	54.6	30.3	44.5
46-60 years	56.6	27.2	51.9
61 years and above	58.3	27.9	52.1

Reduction rates higher than the average reduction rate of 46.9% were recorded in the groups of above 46 years and in the group of 18-25 years. Poverty decreased significantly among people above 61 years: poverty among people of working age reduced less than in other groups (less than the average). This proves that the “monopoly” of poverty reduction does not belong to economic growth and employment. On the other hand, the efficiency of reducing poverty through age pensions is evident. The following tables speak about inefficient social targeting policies, in particular, Family benefits.

Table 2: Poverty and its breakdown per number of household members

	1998/99	2005	Poverty Reduction
Total Poor Households	56.1	29.8	46.9
1 member	43.7	15.7	64.1
2 members	49.8	18.7	62.4
3 members	49.0	18.9	61.4
4 members	50.1	25.0	50.1
5 members	54.1	34.8	35.7
6 members	63.1	34.0	46.1
7 members	63.8	46.8	26.6

In large households with children and elderly the poverty reduction rates were lower than the average rates.

Table 3: Poverty and its breakdown per number of children and elderly in a household

	1998/99	2005	Poverty Reduction
Total Poor Households	56.1	29.8	46.9
No children	54.2	22.2	59.0
1 child	55.6	29.6	46.8
2 children	56.9	32.1	43.6
3 children	55.8	37.4	33.0
4 children and more	58.5	43.9	25.0
No elderly	52.9	27.6	47.8
1 elderly	60.4	32.8	45.7
2 elderly and more	61.0	32.8	46.2

Breakdown of poverty per education levels shows the rewards from education, especially from higher education. Poverty decreased by about 66% among those who have a graduate degree, which is significantly higher than in other groups. This proves the hypothesis presented in the previous section that real salaries grew only in high-skill industries. Poverty reduction rates are relatively higher also in groups with elementary and lower levels of education. Mostly elderly have elementary education and below.

Table 4: Poverty and its breakdown per education levels*

	1998/99	2005	Reduction in poverty
Total Poor Households	56.4	28.9	48.8
Elementary and below	62.3	29.9	52.0
Incomplete Secondary	63.3	37.0	41.5
General Secondary	58.9	34.4	41.6
Secondary vocational	55.6	26.1	53.1
Higher Education	44.9	15.4	65.7

**For population above 16*

Employment does not guarantee exit from poverty. The table below does not provide any reasonable correlation between the number of working household members and reduction of poverty.

Table 5: Poverty and its breakdown per number of household members*

	1998/99	2005	Reduction in poverty
Total Poor Households	56.4	28.9	48.8
Nobody employed	68.9	35.2	48.9
1 working member	58.3	29.8	48.9
2 working members	48.8	23.9	51.0
3 and more working members	50.6	28.7	43.3

**For population above 16*

Moreover, the next table shows that the poverty reduction rate among those who participate in the labor market is much lower than among those who do not.

Table 6: Poverty and its breakdown for participation/non-participation in the labor market*

	1998/99	2005	Reduction in poverty
Total Poor Households	56.4	28.9	48.8
Participants	54.2	30.0	44.6
Employed	48.7	22.7	53.4
Self-employed	48.6	27.3	43.8
Other employed	45.6	-	-

Unemployed	69.5	46.9	32.5
Non-participants	59.9	27.5	54.1
Age pensioners	64.0	30.0	53.1
Students	49.1	14.8	69.9
Others	60.3	29.9	50.4

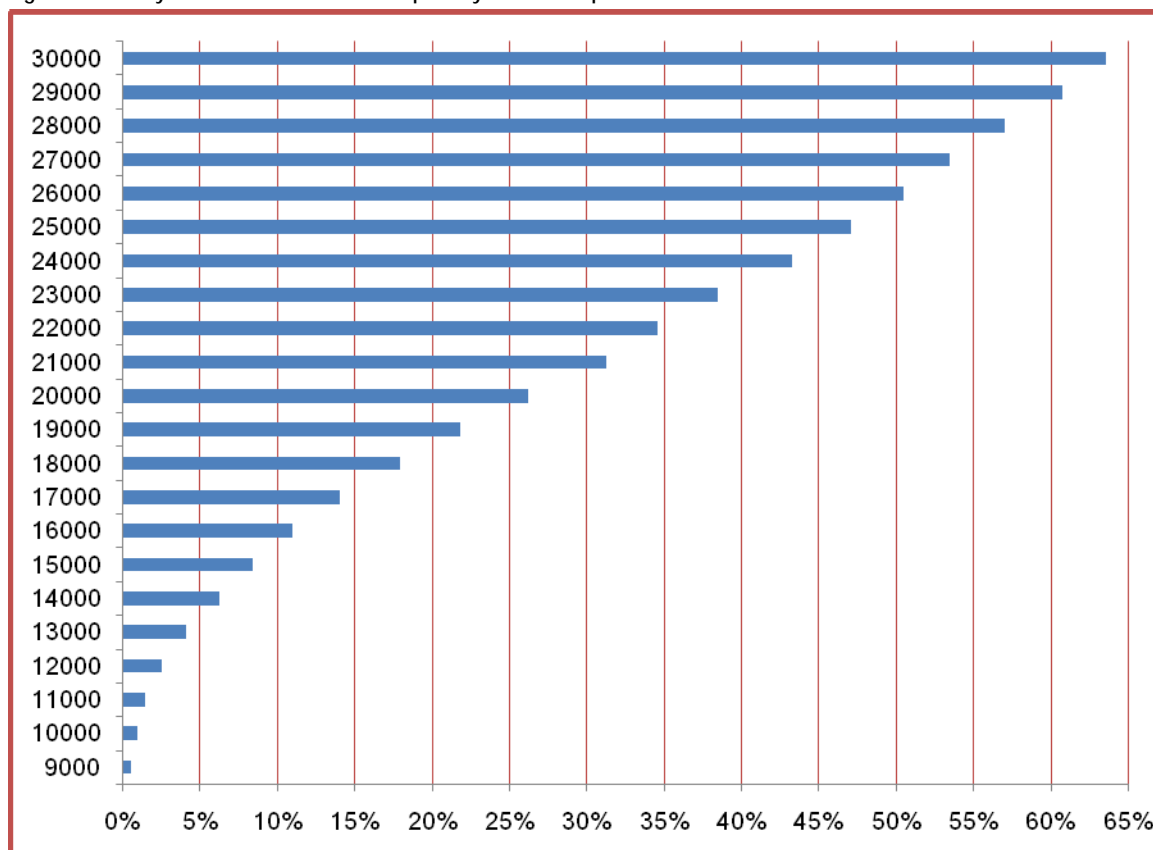
**For population above 16*

Poverty among age pensioners decreased by 53%, and by 70% - among students. An important role here was played by external transfers and age pensions. On the other hand, students in Armenia are a relatively better-off group.

5. New Life with Old Standards

Precise and accurate determination of the poverty line is crucial to assessing poverty and its reduction¹⁰. In 2005, the food poverty line was set at AMD 13,266, while the total national poverty line – at AMD 20,289. The figure below summarizes the poverty incidence rates in Armenia under different assumptions on the poverty line. For example, if the poverty line for 2005 equaled AMD 27,000, the poverty incidence rate would slightly exceed the level of 1998/99: the same would be true for the extreme poverty incidence rate if the extreme poverty line was set at AMD 18,000.

Figure 8: Poverty estimates under different poverty line assumptions



We compared the poverty lines for 2005 and 1998/99. It increased in nominal terms by 15% (extreme poverty line – by 18%), whereas the non-food basket increased by only 9% (see Table). If we attempt to deduct the impact of inflation, it can be seen that both food and non-food baskets decreased in real terms. This is not logical because economic growth has results in improvement of life quality and increase in needs.

Thus, by applying the official prices indices (Consumer Price Index (CPI) –for non-food basket and CPI food component for the extreme poverty line) the 2005 extreme poverty line equals AMD 10,955 in 1999 prices, as opposed to the

¹⁰ Methodology of poverty line calculation was modified since 2004. See also "Poverty Assessment Methodology in Armenia", EDRC, 2007.

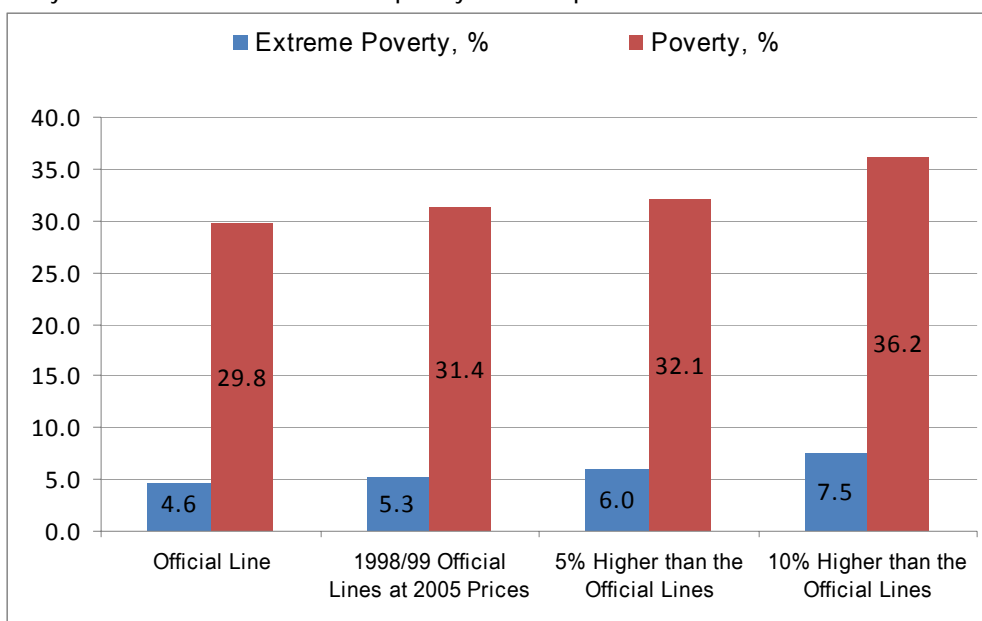
poverty line – AMD 16,982. This implies that the 2005 poverty line is underestimated by 2.3% as compared to 1998/99, while the total poverty line – by 4%.

Table 7: Nominal and real poverty lines: 1999-2005

	1998/99	2004	2005	2005/ 1999	2004	2005	2005/ 1999
	<i>Current prices</i>				<i>1999 prices</i>		
Poverty line, AMD	17,663	19,373	20,289	14.9%	16,329	16,982	-3.9%
Non-food products, AMD	6,453	6,906	7,023	8.8%	5,962	6,027	-6.6%
Extreme poverty line, AMD	11,210	12,467	13,266	18.3%	10,367	10,955	-2.3%

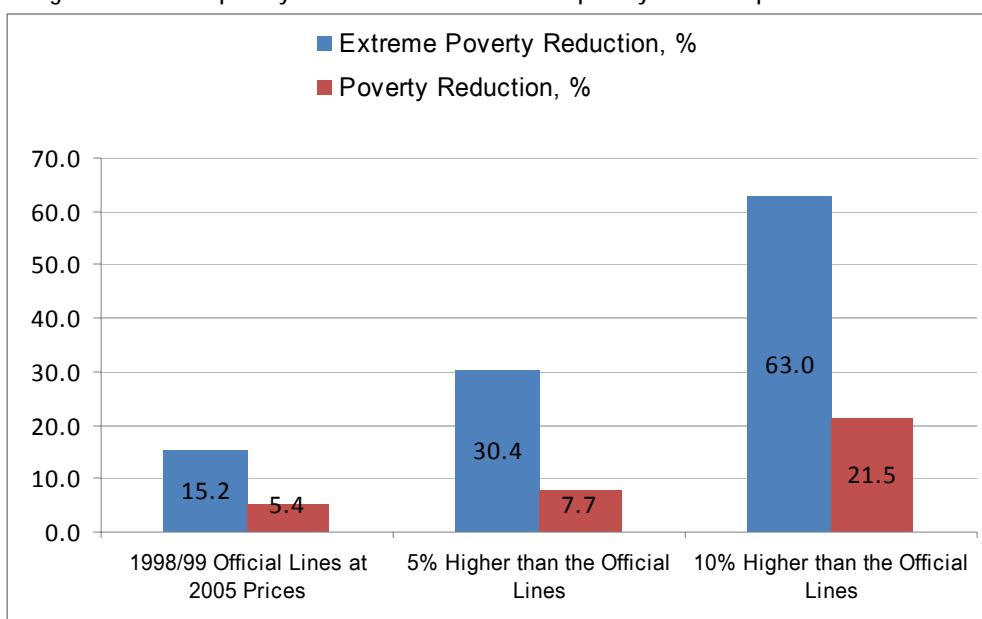
If the 1998/99 poverty line was applied in 2005 (adjusted for inflation) poverty in Armenia would be estimated at 31.4% (vs. official 29.8%), with extreme poverty of 5.3% (4.6% officially).

Figure 9: Poverty incidence estimates under various poverty line assumptions



Those are large deviations which imply that the official estimates of poverty incidence are underestimated: extreme poverty – by 15.2% and poverty – by 5.4%.

Figure 10: Change in 2005 official poverty incidence rate under different poverty line assumptions



If the extreme poverty line was set 5% higher (by AMD 663), the official extreme poverty would increase by 30.4% and equal as high as 6%. If it was set 10% higher (by AMD 1,327 to reach AMD 14,593), extreme poverty would increase by 63% and cover 7.5% of population (see figures).

Poverty is a relative concept and it is calculated for a given society in relation to its general norms and standards. Obviously, a household with certain social and life standards in one country (society) would be considered poor, while in another – non-poor. The same can be true for different regions in the same country.

“Tiger” growth and development rates, eventually, have led to a new quality of life and a change in standards. The society was deprived from basic utility services (electricity, heating, water supply, etc.) 15 years ago and lived in a different world of happiness and security concepts. Perhaps, AMD 11,210 monthly (AMD 374 daily) was sufficient for daily minimum food consumption and AMD 6,453 (AMD 215 daily) for non-food goods. However, this is not sufficient today. A massive group of the society which was poor only 10-15 years ago today lives on a qualitatively different planet: it lives a wealthy and luxurious life. A limited selection of consumption goods in the market were replaced by a large number and variety of goods and services. The preferences (for quality, quantity and structure) of consumption have developed, too. Therefore, the minimum requirements for not being considered poor have also changed.

Meanwhile, continuing speaking of development, poverty reduction is still measured according to old standards: basket consisting of potatoes, bread, and limited mobility/transportation reserve. Poverty, as a relative concept, requires using modern and adequate standards of the society. Therefore, the poverty line should respond to the change in the behavior of the society.

The poverty line is calculated on the basis of the poverty food basket (extreme poverty line). The food basket is based on the energy value of minimum food consumption. For the calculation of the monetary value of the food basket the minimum energy value of food is multiplied by the average price of 1kCal food. The latter is estimated based of data obtained through the recent Household Survey. According to our calculations (which are based on Household Survey data), the average consumed in Armenia cost AMD 178 in 2005. This price was used for the calculation of the food basket.

Food prices have definitely risen from 1999-2005. The minimum food line decreased in real terms since 1998/99 (see table) which is only feasible because the price for each 1kCal consumed decreased. This implies that the actual consumption by the total population and its quality has decreased since then. Otherwise, one needs to conclude that the data (samples) are simply not compatible.

Our major conclusions in this section are the following. Adequate determination of the poverty line is crucial since it significantly affects the assessment of poverty. The poverty lines in 2005 did not increase since 1999; they have actually decreased which is not justified by any reasonable factor in a developing society. Currently, poverty in Armenia is estimated using old standards (prior to the economic boom), i.e. the poverty lines do not reflect the current minimum needs. The average price estimated for 1kCal food consumed in Armenia is underestimated: this also speaks about low coverage of high-income groups of population or low quality of field work.

Appendices: Poverty and Increase in Income

Main Poverty Indicators *Source: RA NSS and EDRC calculations*

	1998/99	2004	2005	Growth rate for 2005/1999
Poverty incidence, %	56.1	34.6	29.8	-46.9
Extreme poverty (extremely poor), %	21.0	6.4	4.6	-78.1
Poverty gap, %	17.2	7.4	5.4	-68.6
Poverty severity, %	7.2	2.4	1.6	-77.8
Gini coefficient for income inequality	0.60	0.395	0.359	-39.9
Gini coefficient for consumption inequality	0.30	0.260	0.257	-14.6
Poverty incidence, %				
Yerevan	58.4	29.2	23.9	-59.1
Urban areas	62.1	36.4	30.7	-50.6
Urban areas excluding Yerevan	65.5	43.9	37.8	-42.3
Rural areas	48.2	31.7	28.3	-41.3
Extreme poverty, %				
Yerevan	24.8	6.1	3.6	-85.5
Urban areas	26.2	7.5	5.3	-79.8
Urban areas excluding Yerevan	27.4	9.2	7.2	-73.7
Rural areas	14.1	4.4	3.2	-77.3
National poverty line, (monthly average)				
AMD	17,663	19,373	20,289	14.9
USD	33.8	38.9	44.9	32.7
Extreme (food) poverty line, (monthly average)				
AMD	11,210	12,467	13,266	18.3
USD	21.5	25.0	29.3	36.7

Growth by Sectors of Economy *Source: RA NSS and EDRC calculations*

	GDP structure, 1999	Average annual growth rate, 1999/2005	2005 Real GDP at 1999 prices	Contribution to the 1999/2005 growth	
GDP	100	11.2	188.7	100	11.2
Industry	21.2	8.2	33.9	14.3	1.6
Agriculture	27	7.2	40.9	15.7	1.8
Construction	8.3	27.7	36.0	31.2	3.5
Services and other industries	43.5	10.2	77.9	38.7	4.3

Income and Consumption by National Accounts and Poverty Deficit *Source: RA NSS and EDRC calculations*

	1999, AMD bln	2005, AMD bln	Nominal growth rate, 2005/1999	As share in GDP, %
GNDI	1109.9	2451.8	120.9	109.3
GDP	987.4	2244.0	127.3	100.0
Net Factor income and transfers from abroad	122.5	207.8	69.5	9.3
Consolidated Budget Revenues and Official Transfers	226.5	449.9	98.6	20.0
Current Transfers of the Consolidated Budget	32.2	36.1	12.1	1.6
Disposable Income of Households	915.7	2038.0	122.6	90.8
Consumption of Households	948.4	1948.2	105.4	86.8
Poverty Line*	17663	20289	14.9	34.7
Poverty Deficit	116.7	42.1	-63.9	1.87

* Presents monthly per capita data in AMD. In the last column the per capita data are calculated as percent to monthly GDP (34.7%)

The Comparison of Income and Consumption Growth Indicators to the Data of ILCS for 1999-2005 *Source: RA NSS and authors calculations*

	<i>Nominal</i>		<i>Real</i>	
	Growth	Average annual growth rate	Growth	Average annual growth rate
GDP	127.3	14.7	88.7	11.2
Disposable Income of Households	122.6	14.3	84.6	10.8
Poverty line	14.9	2.3	-1.4	-0.2
Extreme poverty line	18.3	2.8	-2.3	-0.4
Consumption of Households*	105.4	12.7	76.3	9.9
Consumption Aggregate, 1 adult equivalent**	51.5	7.2	30.0	4.5
1 st decile	78.3	10.1	53.0	7.3
2 nd decile	70.7	9.3	46.5	6.6
3 rd decile	65.3	8.7	41.9	6.0
4 th decile	61.9	8.4	38.9	5.6
5 th decile	58.9	8.0	36.4	5.3
6 th decile	57.0	7.8	34.7	5.1
7 th decile	55.0	7.6	33.0	4.9
8 th decile	51.7	7.2	30.2	4.5
9 th decile	46.0	6.5	25.3	3.8
10 th decile	34.3	5.0	15.3	2.4
Poverty Deficit	-63.9	-15.6	-70.1	-18.2
Poverty Incidence	-46.9	-10.0	-	-
Extreme Poverty	-78.1	-22.4	-	-

* From the National Accounts System

** From the database of Integrated Living Conditions Survey of NSS (ILCS)