



BUDGET POLICIES AND WELFARE OF POPULATION.

SHIRAK, LORI, TAVUSH

Community Poverty Reduction “Know How”

SUMMARY AND MAIN FINDINGS

Within the frame of “Community Poverty Reduction “Know How”” programme implemented with the support of the European Union, in 2021-2022 the EDRC conducted a study of state budget programmes aimed at reduction of multidimensional poverty and their impacts in Shirak, Lori and Tavush marzes of Armenia. Namely, the scope of strategic and budgetary policies with a potential direct impact on multidimensional poverty as well as their effects were studied, the main needs of the population of beneficiary marzes and the public services aimed to address those needs, their accessibility and the level of consumption were reviewed. The findings are introduced in separate sections, and below you can find them summarized and grouped according to the main directions.

Overview of Strategic and Budget Policy Framework

- The policies aimed at reduction of multidimensional poverty are laid down in number of social, economic and infrastructure development policy papers, i.e., strategies, concept papers and programmes, as well as in the RA Government Programme for 2021-2026. They are reflected also in budget programmes implemented by public agencies regulating relevant sectors.
- In 2022, financing of budgetary programmes/measures with a direct impact on multidimensional poverty will make up 17.2 % of the RA state budget or 382.0 billion AMD. Resources allocated to education and basic needs of the population prevail in the structure these programmes.

Amount of budget financing with a potential to have an impact on multidimensional poverty

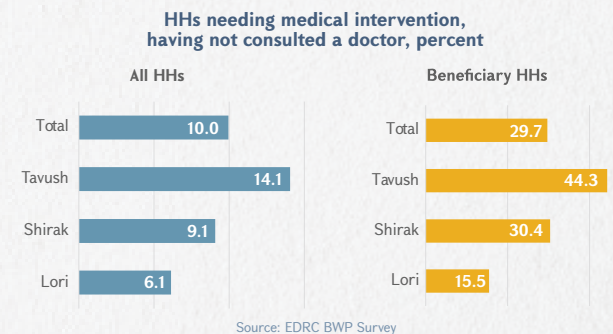
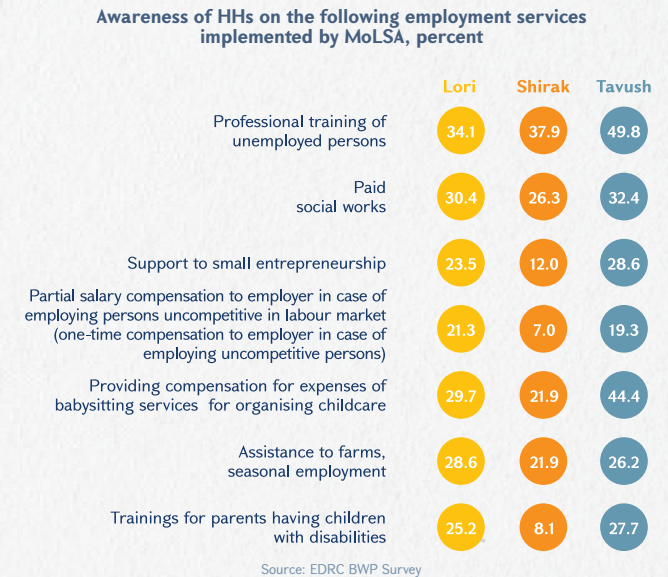
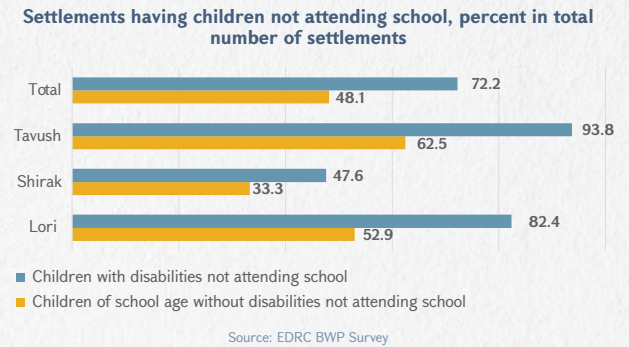


Total
382,017
mln AMD

Total
17.2%
mln AMD

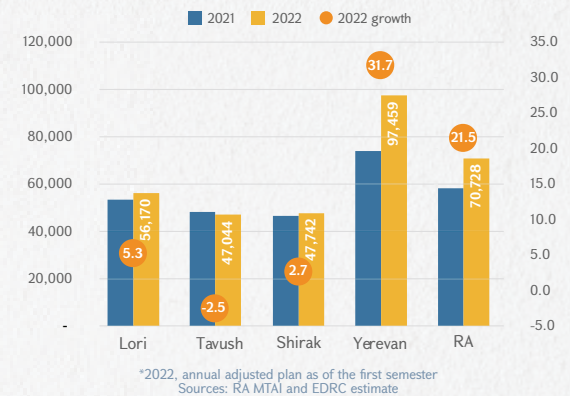
2022, Annual revised plan for a nine months period

- The financial means earmarked for the main budgetary programmes aimed at improvement of education accessibility will increase significantly (by 25.9 billion drams). As a result, it is envisaged that the indicators of school enrollment system and physical accessibility of educational facilities will improve. Significant increase in quality and availability of educational services is targeted for 2024: 99% enrollment in the compulsory education system, 70 % enrollment in pre-school institutions, provision of sustainable school feeding to all preschool and primary school students in the marzes.
- The funds provided for state interventions addressing the basic needs of the population will also increase by 8.3 billion AMD, leading to a sharp increase in the number of families and individuals receiving support under these programmes.
- As a result of programmes targeting the improvement of housing conditions of the population, more than 16,000 families will receive housing support, which is twice as many as last year. Remarkable growth of the number of beneficiaries is attributed to the increase in the number of beneficiaries of state housing support programme for families with children.
- The Employment programme is targeting labor and employment needs. The purpose of the programme is to create relevant conditions for ensuring long-term or temporary employment opportunities for the population. Public funds spent to this end are rather modest and are estimated at mere 1.9 billion AMD. It is planned to channel more than 45.5% of programme resources to the provision of assistance for engagement of persons uncompetitive in labor market in cattle breeding as well as to provision of nannies' services for mothers to combine child care and work.
- Allocations from the state budget to healthcare needs have increased as compared to the previous year. The growth is mostly attributed to the increase of resources channeled to provision of healthcare services to vulnerable and special groups as well as to maternal and child healthcare. The number of doctors sent to work in marzes has also increased from 9 to 50 as compared to the previous year.

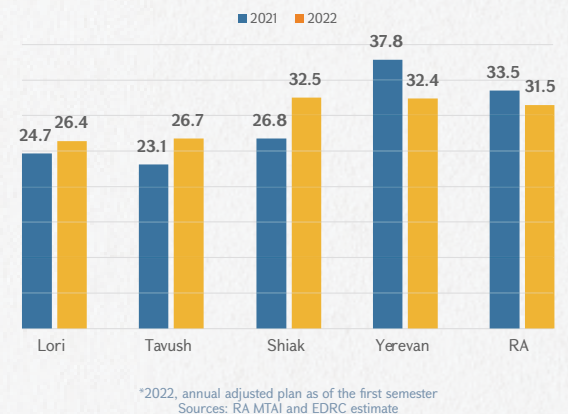


- The level of community budget revenues in beneficiary marzes, their dynamics and structure suggest that these communities are characterized by low economic potential in income generating. In general, Tavush and Shirak marzes are among those generating the lowest per capita income. The share of own income has shown a rising trend as compared with the previous year in all three beneficiary marzes, however those marzes, in particular Lori and Tavush are still characterized by low level of own income.
- Communities' capacity to raise funds and to benefit from various development resources is very low. The majority of grants, more than 97.6%, are internal grants, i.e., government donations and subventions extended from the state budget to community budgets. The level of external grants is insignificant.
- According to the subvention programmes approved by the government, the number of subventions in beneficiary marzes for 2022 are well below the average annual amount of 2019-2021.
- The implemented subvention programmes, at their core, have the potential of reducing multidimensional poverty. It is necessary to note, that in all three marzes, the share of projects aimed at construction and repair of community roads is high. Next in queue are the projects aimed at construction and rehabilitation of street lighting network, drinking water supply and sewerage systems.
- The expenses on community administration maintenance and employees' wages still account for a large share of the total communities' spending, even though this indicator has generally shown a decreasing trend in recent years. This is followed by functional areas of "Education", "Housing Construction and Utilities" and "Economic Relations".
- The major part of education expenses, viz. about 70.4 percent, are channeled to pre-school education. Budgetary resources for implementation of social programmes make up around 1%, while almost no healthcare programmes are implemented by the communities.
- Though the range of strategic policies sets goals of different levels for the policies in the areas concerned, however, it often fails to set appropriate

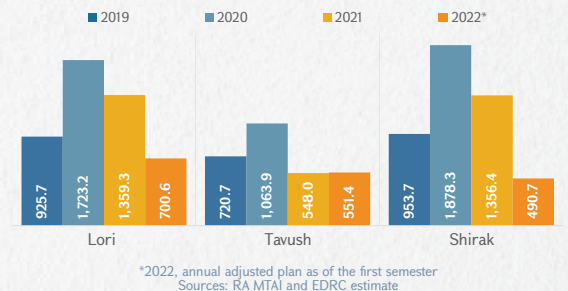
Per capita total community revenues



Share of community own-source revenues in the structure of total community revenues



Comparison of state subvention financing for 2019-2022, AMD mln



indicators, target levels and timeframes for measuring and achieving the defined goals. This allows to evade or to be impersistent in achievement of outcomes.

- The implemented budget programmes do not always include the goals and outcomes set by relevant policies and not in every instance contribute to their achievement.
- Regular evaluation of budget programmes compliance with the policies, control over the implementation of policies, sense of ownership/responsibility are the main issues in ensuring the viability and sustainability of strategic policies, and even though these challenges are not neglected and there are certain requirements set by the government, however they still remain unaddressed. The public dialogue on the content of strategic and budget policies is not of adequate quality. The role and importance of active involvement of CSOs, both in the monitoring as well as evaluation of budget programmes and policies is gradually increasing.

Subvention programmes implemented in beneficiary marzes, 2022, AMD mln

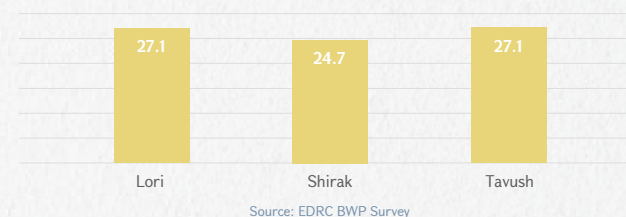
	Lori	Shirak	Tavush
Construction/renovation of street lighting systems	102.1	172.6	39.6
Construction/ rehabilitation of roads	194.5	328.5	376.1
Construction and rehabilitation of drinking water supply and sanitation systems	168.4	25.8	16.7
Rehabilitation of common shared ownership parts of multi-apartment buildings and increasing energy efficiency	50.4	24.6	-
Gasification of apartments	43.0	-	13.0
Construction and rehabilitation of kindergartens	78.3	-	-
Other	63.8	-	45.3
Total	700.6	551.4	490.7

*2022, annual adjusted plan as of the first semester
Sources: RA MTAI and EDRC estimate

Consumption, accessibility and the need for public services

- Shirak marz stands out among the beneficiary regions for its high level of education. Moreover, the educational level of women in all three marzes is higher than that of men.
- The unemployment rate is the lowest in the rural settlements of Shirak - 16.7%, and it is the highest in the urban settlements of Lori - 37.7 %. The unemployment rate for women and men is 35.7 and 14.4 %, respectively. The highest rate of female unemployment was recorded in Tavush, and the lowest rate of male unemployment was recorded in Shirak.
- The share of those employed in their own farms and state/community institutions is high amounting to 35.2% and 30.5 %, respectively. Moreover, employment rate in own farms is especially high in Lori region, self-employment rate is relatively high in Shirak, while employment in state/community institutions as well as private sector is high in Tavush.

Unemployment rates per beneficiary marzes, percent



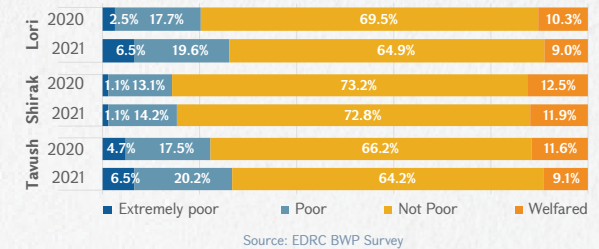
Unemployment rate per certain groups of population, percent (the standard error is indicated in brackets)

	Lori	Shirak	Tavush
Village	19.1 (± 2.41)	16.7 (± 2.30)	25.3 (± 2.18)
Town	37.7 (± 2.58)	35.7 (± 2.58)	29.4 (± 2.38)
Male	16.7 (± 2.57)	12.0 (± 2.48)	14.7 (± 2.32)
Female	34.5 (± 2.42)	34.0 (± 2.39)	38.3 (± 2.23)
Higher	23.9 (± 4.89)	19.6 (± 4.23)	24.6 (± 4.40)
Vocational	26.8 (± 4.42)	25.1 (± 4.29)	25.6 (± 3.64)
Secondary	28.6 (± 2.71)	27.7 (± 2.74)	29.7 (± 2.68)

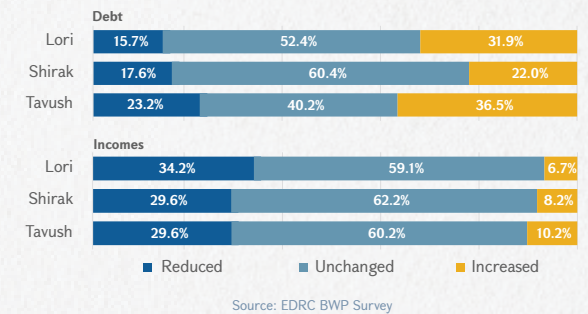
Source: EDRC BWP Survey

- According to household (hereafter - HH) estimates, in 2021 the poverty has deepened in all three marzes. The share of HHs assessing themselves to be poor or extremely poor has increased by 5.8 percentage points in Lori, 1.0 percentage point in Shirak, and 4.5 percentage points in Tavush. At the same time, the HHs who consider themselves to be “wellfared” decreased by 1.3 percentage points in Lori, 0.6 percentage points in Shirak, and 2.5 percentage points in Tavush.
- In general, the population of Lori, Tavush and Shirak marzes is deemed to be burdened with debt. 65.6% of households have loan or other debt obligations. Moreover, the average amount of debt obligation per HH is amounting to around 1.9 million AMD. The current debt servicing burden is assessed to be heavier in Lori region.
- About 29% of HHs in beneficiary marzes are malnourished. The situation is more critical in Lori marz, where 37.6 % of HHs in rural communities and 35.9 % of HHs in urban areas are unable to cover the food expenses “at all” or “hardly” can bear the food costs.
- 51% of HHs in beneficiary marzes is unable to cover health expenses.
- Kindergarten services are the most accessible among childcare and social support services. 43.5% of children aged 2-6 in beneficiary marzes take advantage of these services. 37.7 % of children aged 2-6 or 43.6 % of HHs with children of appropriate age do not avail any preschool and school education services.
- In 72 % of communities under survey there was at least one child with disability out-of- school, and in 48% there was at least one non-disabled school-age child not enrolled in school.
- The level of beneficiaries’ awareness on policies aimed at child care and improvement of demographic situation in the country is rather high. The most popular policies include the “One-off Childbirth Allowance” policy with 85 % of HHs being well-informed on it and “Provision of Monthly Allowance of 50,000 AMD for the Third or Subsequent Child up to the Age of 6” of which 75.5% is aware. The impact of implemented policies on the decision to have children in HHs is low.

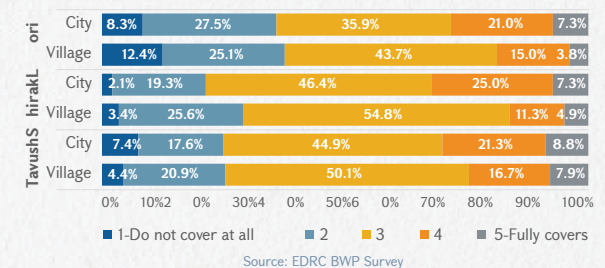
Subjective self-assessment of HHs living standards, percent



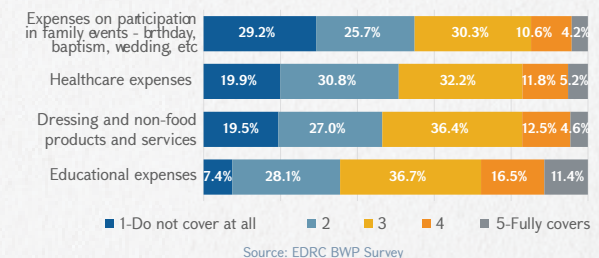
Assessment of HHs incomes and debt, percent



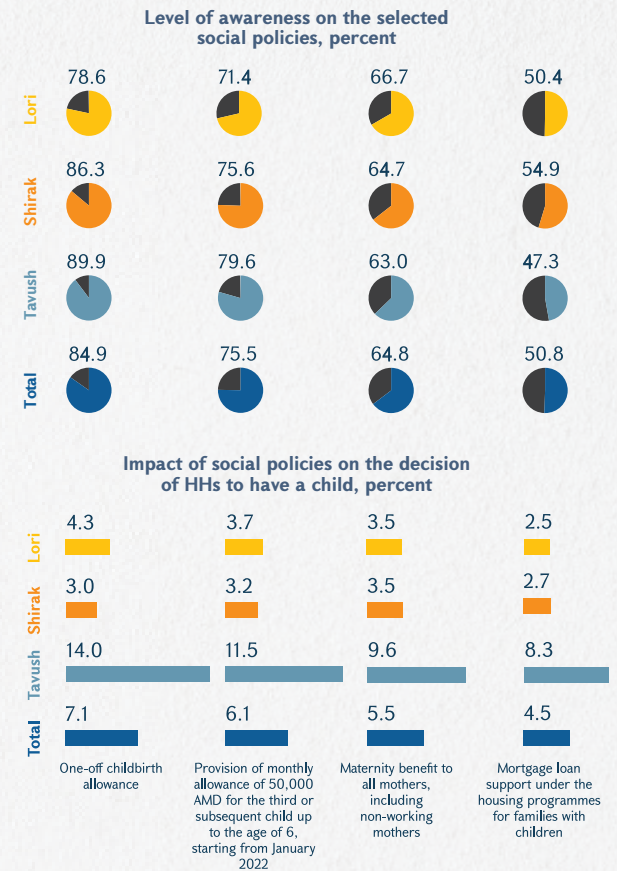
Assessment of coverage of food expenses, percent



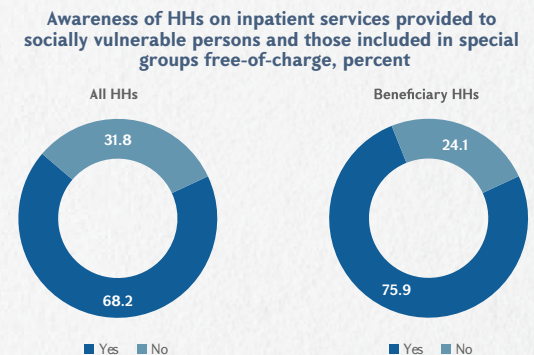
Assessment of coverage of selected expenses, percent



- The level of awareness on “Maternity Benefits to Non-Working Mothers” and “Mortgage Loan Support Under the Housing Programmes for Families with Children” is low. In general, the number of beneficiaries of state-supported housing programmes in beneficiary marzes is small.
- The level of both, awareness and use of various employment programmes implemented by the RA Ministry of Labor and Social Affairs is low among the general population as well as among persons with disabilities. Only 3.5 % of disabled persons in beneficiary marzes has ever used the job placement services provided to disabled persons.
- The level of awareness of beneficiary population on state-funded medical services is not high. 68.2% of HHs and 75.9% of beneficiary HHs are aware of free-of charge medical care services provided to the socially vulnerable persons and those included in special groups.
- In general, the level of awareness on state budget programmes implemented in beneficiary marzes is low. It is relatively high in Tavush region.
- Within the 12 months period, preceding the survey, in 10% of all HHs in beneficiary marzes and in 29.7 % of beneficiary HHs, at least one HH member needed medical intervention and medical services, but did not consult a doctor. The main reason for not consulting a doctor in 70% of HHs is financial, in 8 % of cases it is due to the lack of trust in doctors, and in 4 percent - it is the remoteness of the medical facility from their settlement
- The level of benefitting from state programmes on medical assistance and rehabilitation by persons with disabilities is not high. Mere 32.1 % of population with disabilities in beneficiary marzes has ever benefited from budget programmes. 47.8 % of persons with disabilities in need of medicines has used free medicine or reduced-cost-prescription drugs.
- According to beneficiaries, lack of employment opportunities, inadequate level of healthcare services and poor condition of community roads are among the three major problems that community population still faces.



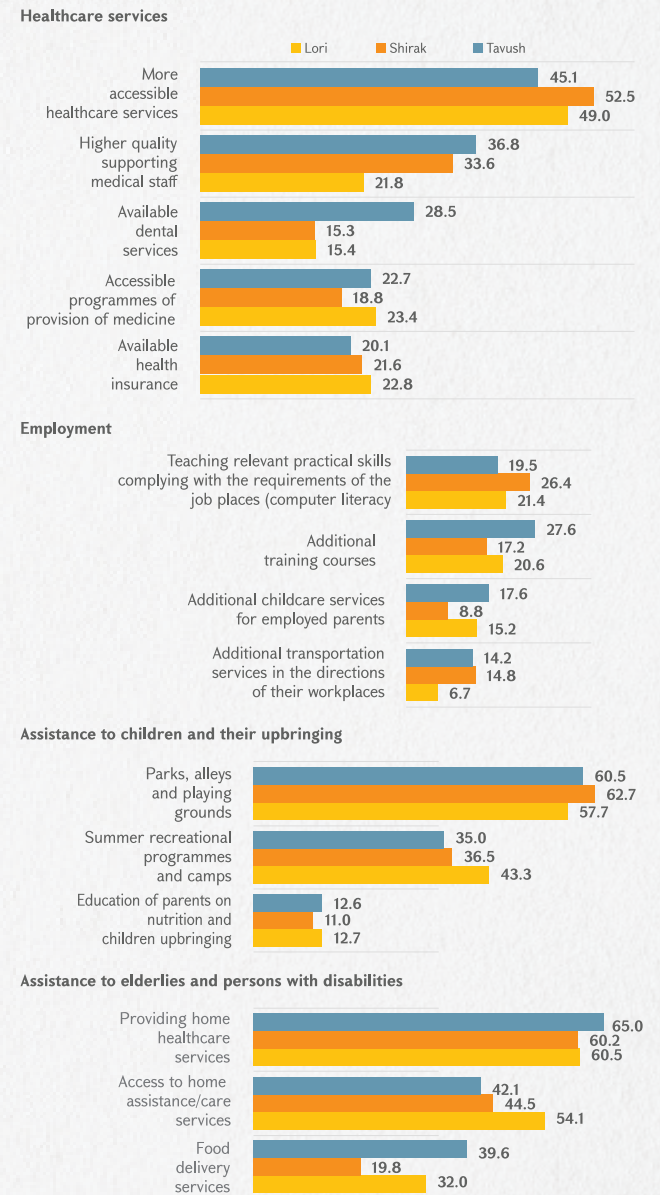
Source: EDRC BWP Survey



Source: EDRC BWP Survey

- The need of population for selected social services in beneficiary marzes is assessed to be high, especially, when it comes to quality medical services, affordable medicines, employment of youth and elderly persons, as well as social services provided to elderly.
- In the context of improvement of healthcare services quality, the HHs, on the one hand prioritize the accessibility and affordability of medical services, and on the other hand, the availability of more qualified medical personnel providing healthcare services in marzes.
- The population associates the opportunities for employment promotion mostly with the creation of additional job places (around 86%). It is noteworthy that over 20% of the population sees the possibilities of employment promotion for their communities' population in the development of practical skills in compliance with job requirements and participation in additional trainings. If in the context of employment growth, the urban population prioritizes creation of additional care services for children of working parents, then availability of additional transportation/transportation services for employees is deemed to be essential for the rural population.
- In the context of child support and child-rearing practices improvement availability of parks, public gardens and playgrounds, as well as summer leisure programmes and camps, in all three marzes is prioritized.
- Opportunities for occupation of elderlies and provision of social services to seniors were especially prioritized by the rural settlement HHs of Lori region. Moreover, provision of home health care as well as domiciliary services was considered to be essential in all three marzes. Food supply services were also considered to be of high importance in Lori and Tavush.
- Among the community services relatively higher importance is given to the condition of community roads, street lighting and timely garbage collection services. No great importance is attached to the information as well as support provided to the population by the LSGs.
- 40% of HHs involved in the survey believe, that the problems in their community can be solved only through the involvement of the government.

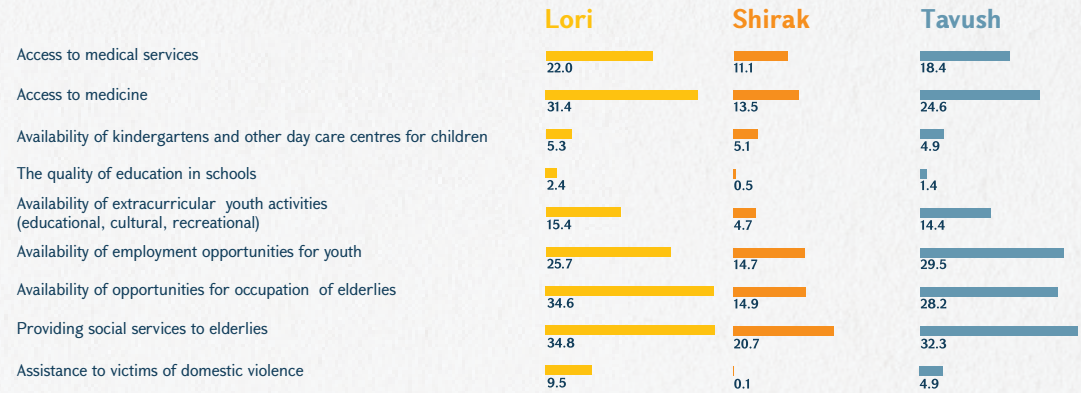
Opportunities for improving public services for community population



Source: EDRC BWP Survey

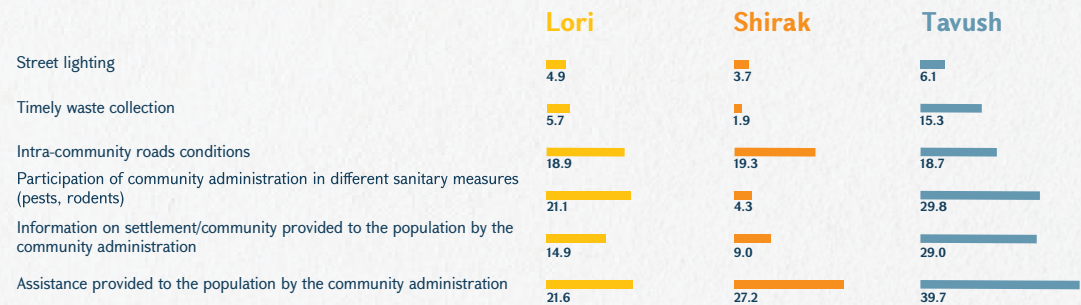
- The level of awareness on programmes implemented in the communities is low, with 4.1% of the households, on average, being informed. Around 47% of the population found it difficult to answer the question related to organization of public hearings on community programmes by the community administration, and 25 % stated that no such events were organized.
- 41% of HHs surveyed argued that the opinion and wishes of the population are not taken into account when making decisions on budget expenditures.
- Among the services characteristic for the environment of selected communities, in Tavush marz relatively high is the demand for availability of banks/ATMs (26%), the need for opportunities to start a small business in the community (23%) and the necessity to use speed cameras in the community (23%).
- In Shirak Marz, mostly in rural areas, HHs point out the need for entertainment places (cafes/bars/restaurants/clubs) – (20%). The households in Lori marz have relatively higher demand for availability of banks/ATMs in the communities and improvement of public transport- with 22% and 19%, respectively. The need for parks and recreational facilities is high in all three marzes.

Assessment of need for community services, percent in all HHs



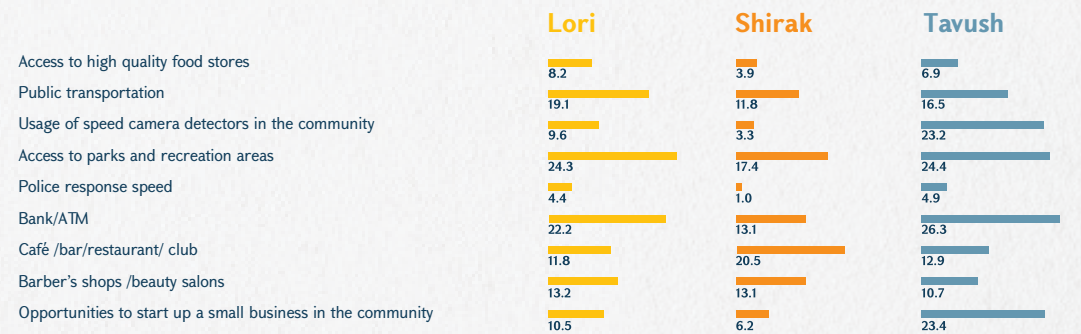
Source: EDRC BWP Survey

Assessment of need for community services, percent in all HHs



Source: EDRC BWP Survey

Assessment of need for services characterizing the community environment, percent in all HHs



Source: EDRC BWP Survey

Main Conclusions

- The main results and findings are of no surprise. Although the main trends persist, however, there are qualitatively new developments under way.
- The level of income of the population is low, while debt obligations and debt burden are very high. Moreover, according to the population surveyed, the situation has deteriorated in recent years. Of particular concern is the high level of malnutrition.
- The level of satisfaction of the population with the quality and accessibility of education is not low. However, in majority of beneficiary settlements, there are children left out of the educational system. Preschool education and extracurricular activities, which are inaccessible for the majority of HHs is increasingly in demand. Importance is attached to organization of summer holidays for children and access to summer camps.
- Especially high is the level of dissatisfaction with the quality of healthcare services. Affordability of high -quality medical care, lack of experienced and qualified specialists remains a major challenge.
- Though in general, access to work and provision of employment opportunities is considered to be a priority, however the population emphasizes the need for trainings, acquisition of new knowledge, enhancement of the level of financial literacy.
- Noteworthy is the increasing demand for improvement of the quality of community life and environment. In particular, many have noted and emphasized the importance of the quality of roads, street maintenance and lighting, availability of parks, public gardens and playgrounds, places of entertainment and social facilities (restaurants, cafes and clubs) in rural and small urban communities. Such demands are gaining an increasing priority, this suggesting growing demands on the life quality.
- The community resources and potential are still low to target the demands and benchmarks set by the population. The population expects changes not from their community administration, but rather from the government. However, at the community level, special importance is attached to the participation in the decisions on budgetary and other programmes.

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- Due to promotion of subvention programmes, measures aimed at improvement of the community life have gained a larger share within the budget structure.
- Though people still remain poorly-informed and less-knowledgeable, however the awareness, education and civic engagement are assuming an increasing importance in recent years.
- The level of awareness on employment programmes and state-funded health care services is rather low. People are better informed about the existing demographic programmes, although they are believed to have little or no influence on decision whether to have other children in the family or no, and on birth rate in general.
- High priority is given to the issues of occupation of elderly persons, as well to the demand for care and food supply services for seniors.
- Measures to prevent domestic violence receive little publicity, or rather, hardly any importance is given to them. Instead, measures aimed at providing opportunities for employment, self-actualization and development to youth, as well as at maintenance of physical and mental health become a basic necessity.
- Thus, the phenomenon of multidimensional poverty involves several aspects. The study proves that the indicators of poverty measured on the basis of income, nowadays cannot provide a full and comprehensive picture of the current needs of population and the quality of their life. The community life is undergoing certain developments, giving rise to new demands on quality of life.
- The public and community budget resources allocated for reduction of multidimensional poverty are limited and scarce, despite the growing demand.
- The link between the strategic and budget programmes is not sufficiently clear: it is rather weak, this being attributed both, to the scarcity of resources as well as to the lack of consistency among policy developers and implementing parties. On the other hand, despite the growing demand, the level of general public development as well as the civil society institutional enhancement do not ensure adequate and efficient level of public demand, dialogue, participation and control over the policies.



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