

REPUBLIC OF ARMENIA

PRSP Preparation Status Report

September 2, 2002

I. INTRODUCTION

1. Armenia's Interim Poverty Reduction Strategy Paper (I-PRSP) was adopted by the government of the Republic of Armenia in March 2001. It embraced a detailed schedule for finalizing the full-fledged PRSP by December 2001. Taking into account that more than a year has passed since the consideration of the I-PRSP by the Executive Boards of the IMF and the World Bank, the government has prepared a PRSP Preparation Status Report (henceforth, the report).
2. The report describes the main priorities of the poverty reduction strategy in Armenia and mechanisms and timetable for the development of the full-fledged PRSP. The preparation of the full document has taken longer than was originally envisaged. This is mainly due to the technical assistance requirements for creating an interrelated system of well-specified and prioritized public actions aimed at reducing poverty and ensuring participation of all the stakeholders, both from civil society and donor organizations. The full participation of all stakeholders is viewed as a prerequisite for the success of the PRSP.

II. PROGRESS WITH THE I-PRSP AGENDA

3. Since the Executive Boards of the World Bank and IMF meetings on the I-PRSP, the implementation of the measures envisaged under I-PRSP has been successful. Efforts carried out in the framework of the I-PRSP have played a significant role in promoting strong real economic growth, in line with the favorable macroeconomic scenario suggested by the government in the I-PRSP.
4. The government has taken serious steps towards implementing reforms in the areas of governance and anti-corruption. Parliament has adopted laws on civil service and on financial disclosure for high-level public officials. During the year the government has focused its efforts on sustainable human development by implementing programs in healthcare and education. Priority has been given to the development of a primary healthcare system. Thus, a system of family doctors was introduced, which will gradually replace the existing overstuffed system of polyclinics and dispensaries, and will thereby contribute to rationalizing the entire healthcare system. Government reforms in education will focus on improving the quality of teaching by increasing the salaries of teachers and school administrators.

III. PROGRESS IN DEVELOPING THE PRSP

A. Participation

5. One of the most important prerequisites for the successful preparation and implementation of the PRSP is an active involvement of all stakeholders of civil society. In order to organize and coordinate the preparation process of the full-fledged PRSP, a PRSP Steering Committee has been set up. To ensure the involvement of all the stakeholders, the PRSP Steering Committee was enlarged to include representatives of the government, standing committees of parliament, members of political parties represented in parliament, civil society, and the donor community.

6. The participatory process started in March 2002, when its essence and elements were first formulated. In May 2002, two organizations—the “Institute for Democracy and Human Rights,” a non-government organization, and the “Information-Analytical Center for Economic Reforms,” a closed joint-stock company under the government—were selected to ensure public participation and conduct a public awareness campaign on the PRSP elaboration process and its content. The main reasons for organizing the participatory process prior to preparing the first PRSP draft were to provide information, present and explain the separate parts of the PRSP to the stakeholders, and make known the suggestions and conclusions contributing to the PRSP preparation.

7. As a result of measures completed and discussions held with the stakeholders during the last several months, a number of suggestions have been prepared and presented to the PRSP expert groups for further study and discussion. Reflecting the efforts undertaken so far, the society is quite aware of the PRSP process. Once the draft PRSP has been completed, it will be presented to the public for discussion. The participatory process is intended to be finalized in November, once the final document, approved by the government, has been presented to the public.

B. Poverty Diagnosis

8. Armenia conducted its first census since gaining independence on October 10-19, 2001. The census results will allow for a more detailed picture of the demographic situation in the country, including migration snapshots and gender and employment features. Some data on human development in Armenia, particularly related to the availability of healthcare, education, social protection and other services for the poor and the very poor groups of the population, will be also made known. The main results of the census will shortly be made available for use by the PRSP expert groups. The household survey conducted by the National Statistical Service last year will also be important for poverty assessment. Preliminary results were made available to all expert groups in April 2002 and will be used in preparing the PRSP. According to the household survey, the main target of the I-PRSP, namely the reduction of the high level of poverty in Armenia, is being tackled: the share of the poor population was reduced from 55 percent in 1999 to 51 percent in 2001 while the share of the very poor population declined from 23 percent in

1999 to 16 percent in 2001. Other poverty and inequality indicators also show improvement over this time period: the poverty gap declined from 19 percent to 15 percent, and the severity of poverty declined from 9 to 6 percent.

C. Indicators and Monitoring

9. The system of PRSP monitoring and assessment should incorporate macroeconomic, economic activity, public administration, demographic, education, healthcare, utilities, social security, humanitarian aids and income from abroad, and poverty assessment indicators. The system of indicators to monitor the PRSP implementation process should be developed at the national, marz (regional), and community levels, as well as at urban and rural levels. Special consideration should be given to the development of such indicators that are specific, measurable, feasible, adequate, and time-consistent. In defining input and output indicators, priority should be on targets, while targeted ranges should prevail when defining output measurements.

10. In order to assess the progress in the areas of social and human development, the government, in cooperation with the United Nations Development Program and other international organizations, has set up an enhanced monitoring and early warning system. This system, which has been in place since the second half of 2001, will enable continuous monitoring of the development of social indicators by compilation and analysis of data and publication of the results on a semi-annual basis. The system will be updated later based on the indicators defined in the full PRSP.

D. Targets of the PRSP

11. The main objective of the PRSP, as stated in the PRSP Terms of Reference (TOR) is to overcome poverty in Armenia. The PRSP should include medium-term (three years) and long-term strategies as well as short-term objectives to overcome poverty. Based on the methodology of assessing poverty as a multidimensional phenomenon, the PRSP should present the level, nature, and trends of poverty in Armenia. Proceeding from the analysis of the current poverty situation, the factors influencing poverty, the mechanisms of their influence, and the capacity of the country, the PRSP should specify targets and priorities for overcoming poverty, with a description of ways to implement those tasks, as well as the legislative, political, economic, social, institutional, and other measures required in this respect.

E. Public Policy Priorities

12. The PRSP should specifically focus on important tools for overcoming poverty, such as human development, enhanced participation, reduction of the shadow economy and corruption, more efficient use of social tools, and improvement of public administration.

13. A special chapter should be devoted to clarifying the elaboration, adoption, and implementation phases, the timetable, the creation of a monitoring system, and detailed

actions plan with achievable deadlines, participants, and other resources (including financing available).

14. The full-fledged PRSP should become an essential tool when prioritizing and costing government actions. The forthcoming medium-term expenditure framework (MTEF) developed in collaboration with the World Bank and other donor organizations will become a major tool to support government policy measures, strengthen budget execution, and enhance public expenditure planning and management.

15. In order to assess the efficiency of public expenditures, the government has conducted a public expenditures review with the support of the World Bank, the results of which will contribute to a more accurate identification of government policy priorities.

IV. REVISED ROAD MAP FOR COMPLETION OF THE FULL-FLEDGED PRSP

16. The full-fledged PRSP had originally been scheduled to be finalized by December 2001. However, due to certain changes made in the PRSP TOR, the original schedule has been revised (Annex 1). Thus, the timeframe for completing the program was extended until August 2002. Since May 2002, in line with the schedule adopted by the Steering Committee, the following actions have been fulfilled:

- a) In July 2002 Task Forces presented the first draft of the PRSP. The draft was discussed during the seminar held in Tzakhkadzor on July 23–25, 2002.
- b) The PRSP draft was also discussed with the interested ministries and other governmental agencies in August 2002, according to the arrangement made by the PRSP Working Group.
- c) The PRSP Task Forces have discussed public policy priorities on poverty reduction with the working group elaborating the MTEF during the seminar held in Tzakhkadzor and during discussions organized in the Ministry of Finance and Economy in August 2002. The public policy priorities on poverty reduction agreed during these discussions will be taken into account in the state budget for 2003, as well as in the MTEF for 2003–05.

17. The PRSP draft is currently being reviewed and revised according to the suggestions and objections made during the public discussions. The PRSP elaboration process and discussions with the donor community as well as with civil society suggest that the PRSP draft will be completed by September 2002. The final document is expected to be finalized by the end of this year.

Timetable on PRSP Elaboration	02/02	03/02	04/02	05/02	06/02	07/02	08/02	09/02
Approval of the PRSP TOR and Task Force heads by the Steering Committee								
Formation of Task Forces								
Assurance of publicity and adequate participation in the process of the PRSP elaboration								
Approval of the work schedule and timetable for the PRSP Task Forces								
Elaboration of the PRSP by the Task Forces								
Discussions on the basic expenditure targets on poverty reduction between PRSP Task Forces and the working group elaborating the MTEF								
Submission of the draft PRSP to the PRSP Steering Committee's Working Group by Task Forces								
Review of the draft PRSP by the Working Group, finalization, and submission to the Steering Committee								
Organization of the public discourse on the draft PRSP								
Summarizing the results of public discourse on the draft PRSP								
Discussions, approval, and submission to the government the final draft PRSP by the Steering Committee								