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ACKNOWLEDGEMENTS

The Armenia Child Welfare Note was prepared by Aleksandra Posarac, (Senior Economist, Team Leader) Human Development Sector Unit, Europe and Central Asia Region (ECSHD) and Hjalte Sederlof (Consultant). The team benefited greatly from discussions with Judita Reichenberg (UNICEF Geneva Office), Branislav Jekic (UNICEF Office, Yerevan), and Boris Tolstopiatov (UNICEF Regional Office for the South Caucasus). Razmik Martirosyan, the Minister of Social Security of Armenia, and his staff, as well as the staff of the Ministry of Education, the Ministry of Health and the State Department of Statistics provided valuable insights, information and support.
EXECUTIVE SUMMARY

The Armenia Child Welfare Note looks at child welfare developments and outcomes in Armenia during the 1990s. Children are future human capital, which has long been identified as one of the key determinants not only of individual welfare but also of overall socioeconomic growth and development. Developing highly educated and skilled labor force is crucial for Armenia’s future economic and social development—Armenia is a small, natural resources poor, landlocked country in the Caucuses. Its people are its most precious resource.

The Note was prepared in response to the needs for technical assistance expressed by the Ministry of Social Security of Armenia. The Ministry, whose institutional responsibilities include social assistance, social insurance, and labor market policies, is responsible for child protection policies as well. Jointly with the Ministry of Education and Ministry of Health, another two key players in the area of child welfare, the Ministry of Social Security is developing a child welfare strategy, which will feed into the Poverty Reduction Strategy that is currently being drafted by the Armenian Government. The purpose of the Note is to assist the preparation of the child welfare strategy by identifying major issues in family and child welfare, assessing efficiency and effectiveness of current policies and suggesting measures that would better ensure the well-being and future of Armenia’s children.

What happened to child welfare in Armenia during the 1990s? Over the 1990s Armenia went through dramatic political, economic and social changes. Some of them, especially prolonged economic hardship and extensive out-migration have had a critical impact on child welfare: they have weakened the capacity of Armenian families to manage risks, as well as the ability of the state to provide meaningful support.

Poverty risk is high. Poverty in Armenia is pervasive, deep and severe. More than half of Armenia’s one million children were poor in 1998/99, and of these, a quarter million were extremely poor. The poverty risk is particularly high for children from single parent and multi-child households, as well as for young children (0-5 years of age). Children are poor because parents have no jobs or the jobs they have do not provide sufficient income.

Low health and nutrition status. Armenian children have a relatively high risk of morbidity and mortality compared to the average for other transition economies. This reflects low access to basic health services, low nutritional status of many mothers and children, and high risk fertility behaviors (mothers too young or too old, a high share of unattended births).

Poor children have less access to education. While overall access to general education remains high, there is an increasing bias against children from poor families: early childhood education, particularly important for future success of poor children in the education system, has become less accessible to poor children, as pre-schools have closed, and fees have been imposed in existing ones; and poor families sometimes cannot afford the clothes and materials that are necessary for their children to be able to attend.
school. Moreover, quality of education may have deteriorated in poorer areas, because of lack of resources.

**The effects of migration.** Children face higher risk of living in a family where one parent (in most cases a father) has left the country to work elsewhere. While this practice may stabilize household income flows, it has been shown to place significant stress on the family life. In some cases, a migrated father “forgets” his family, which as a rule leads to substantial worsening of family and the child well being.

**Deprivation of family upbringing—the risk of joining an “underclass” of children has increased.** Children face an elevated risk of being deprived of family upbringing and placed in institutions if they are disabled, come from poor families or families that are dysfunctional. Institutionalized children are at a significant disadvantage in adapting to mainstream society once they graduate.

**What should be the Government’s response?** The Government will need to focus on a number of key issues in creating an environment that ensures family and child well-being and allows the child to grow up and integrate into mainstream society. First and foremost it has to create conditions for steady, inclusive economic growth and development, so that parents can gainfully participate in the labor market and provide for the material well-being of their families. It will also have to provide adequate support to families in need, so that they can sustain and care for their children. This includes facilitating access to adequate health care and education, especially for poor families; and it involves providing at-risk families (and substitute caregivers) with both family-level outreach and community-based services. On occasion, it will have to substitute for the family by providing family-based care arrangements, such as adoption and guardianship, or even institutional care.

In **health care,** more attention must be given to antenatal and postnatal care, as well as to reducing high risk behaviors among women—the rising number of unattended births that take place in the home, and birthing by mothers who are too young or too old. And efforts have to be made to more strongly address female morbidity, especially the occurrence of anemia among women of child-bearing age. While there may be little opportunity to significantly increase public resources going into health care, a more focused allocation of scarce public resources to deal with high risk fertility behavior and nutrition deficiencies might provide significant returns in terms of child well-being and longer terms opportunities of children to develop.

In **education,** attention needs to paid to addressing equity concerns in the general education system—by opening up early childhood education opportunities to poor children, and by seeking ways to overcome the costs that poor families face in sending their children to school, possibly by considering targeted stipends or conditional transfers. More generally, the Armenian education system lacks information that would allow the introduction of viable conventional performance and outcome monitoring indicators that would provide early signals on the performance of the system, and on rising inequities and the reasons for them.

The **social safety net** needs to be maintained and further improved to better support at-risk families. As public resources are constrained, improvements will mainly will have to be
qualitative. The child-focused benefits currently are the family benefit, targeted at poor families with children, the benefit for maternity leave, a one-time newborn allowance, and a child allowance to working mothers for children from birth to twenty-four months. The principal benefit is the family benefit. It is a well-targeted benefit that appears to have a significant poverty alleviating effect. It should be retained and continuously refined as the information base on the population improves. The other benefits play an important role in maintaining income streams and supporting the family at critical junctures, and they should also be retained.

De-institutionalization and the replacement of residential institutions with community- and family-based services should rank as a high priority in Armenian child welfare policy. Institutionalized children come from the most vulnerable families in Armenia: the poorest, with various forms of dysfunction and incapable of caring for their children without support and assistance. Institutions are ineffective and costly, they are run-down, providing a miserable environment for the residents and developing children who will have great difficulties in becoming productive members of society when they exit them. They are the least cost-effective way of providing for vulnerable individuals.

The number of children in institutions in Armenia is still relatively modest—12,000 (or 1.2 percent of all children under 18), of which a relatively minor 4,000 are permanently residential. However, the number has increased by some 70 percent over the 1995-2002 period and this trend is projected to continue. This fast increase in institutionalization requires urgent public action. Given that numbers are still relatively small, there is therefore ample opportunity for transforming this system. An appropriate strategy would include measures to reduce the inflow of children into institutions through the development of family and community support mechanisms, and through better gate-keeping in the assessment and placement of children; such a strategy would also include measures to re-insert current residents of institutions into their families, into substitute families, or into smaller, community-level facilities, as they are created. A starting point for such action is provided by ongoing pilot programs undertaken by donors and non-governmental organizations.
1. INTRODUCTION

This note looks at child welfare developments in Armenia during the 1990s. Why is child welfare important? Child welfare is important because child welfare outcomes reflect investment in children. Why should societies invest in children? Because they are future human capital, which has long been identified as one of the key determinants not only of individual welfare but also of overall socioeconomic growth and development. Developing highly educated and skilled human capital is crucial for Armenia's future economic and social development—Armenia is a small, natural resources poor, landlocked country in the Caucasus. Its people are its most precious resource.

What does investing in children achieve? Investing in children: (i) generates higher economic returns through increased productivity—both individually and overall; (ii) reduces social costs by increasing chances for an individual's participation in economic and social life and thus reducing the costs associated with adolescent and adult antisocial, self-destructive, and criminal behavior and decreasing the probability that the individual would become a burden on public health, public safety, or social services budgets; (iii) contributes to greater social equity and social cohesion. Access to human capital formation is particularly important for poor and disadvantaged children, who otherwise may have no chance to break the cycle of poverty, deprivation, and social exclusion; (iv) increases the efficacy of individual social sector programs. An increased desire and ability to learn, along with better health and nutrition status, contribute to higher completion rates and academic achievement, thus increasing the efficiency and effectiveness of public spending on education, as well as the efficacy of investing in children's health and nutrition, and (v) contributes to greater labor force participation of mothers. Safe child care programs and regular school attendance allow women to continue their education, learn new skills, and participate in the labor market, thus improving the welfare of their families.

What happened to child welfare in Armenia during the 1990s? Child welfare in Armenia deteriorated significantly during the 1990s. Armenian children face high risk of being poor, particularly if they are from multi-child or single parent families. They have a relatively high risk of morbidity and mortality, and their access to health services has deteriorated. This is especially the case for poor children. Access to education remains high, but is showing increasing bias, especially against children from poor families. The quality and market relevance of education has deteriorated. Children face higher risk of living in a family where one parent (in most of the cases a father) has left the country to work elsewhere, visiting his family only once in a while, which puts a significant stress on the family life. Children also face an elevated risk of being deprived of birth family upbringing and placed in an institution, particularly if they are disabled, from a single female-headed family, from a poor family with many children, or if their family is assessed as dysfunctional. These developments, if not addressed, indicate likely human capital loss, increased individual and social costs, and ultimately an economic performance that falls far short of the country's potential. Given intense out migration of the
population during the 1990s, and corresponding drain of human capital, Armenia should pay a special attention to safeguarding and investing in its human capital resources.

2. ECONOMIC AND SOCIAL DEVELOPMENTS IN ARMENIA DURING THE 1990S

The 1990s—a decade of radical changes. The 1990s brought about sweeping changes into the Armenian economic, social and political landscape, dramatically changing everyone's life. These changes, particularly the prolonged economic hardship and intense out-migration have had a critical impact on child welfare developments and outcomes as well. They have weakened the capacity of Armenian families to manage risks, as well as the capacity of the state to provide meaningful support. In this section, we briefly review major economic, social and demographic developments during the 1990s and their impact on child welfare.

2.1 Macroeconomic and labor market developments

Macroeconomic developments. The level of income and equality in its distribution are key determinants of the well-being of the population. During the first half of the 90s, Armenia simultaneously experienced a sharp decline in real incomes (by 1993 its GDP fell by some 60 percent) and increase in inequality in the distribution of income, leading to a significant rise in the incidence, depth and severity of poverty. Although the economy stabilized and resumed growing in 1994 and has averaged annual growth rates of around 5.5 since then, output in 2001 was still only at 72 percent of its 1990 level,¹ and inequality and poverty remained high. In 1998/99, income inequality measured by the Gini coefficient was estimated at 0.57, one of the highest among the ECA countries² (World Bank, 2000).

Depressed labor markets. A smaller economy and high income inequality translate into high unemployment and low wages, affecting capacity of many Armenian families to adequately provide for their children. A closure and restructuring of inefficient pre-transition enterprises and slow private sector development have caused a scarcity of jobs in Armenia. In 1998/99, the Integrated Living Conditions Survey (ILSC) unemployment rate was estimated at 24.4 percent (ILO definition), with urban unemployment as high as 42.7 percent of the urban labor force. Unemployment affected most prime age working people (19-45), who also tend to have children. Also, young workers were over-represented among the unemployed, suggesting difficulties in absorbing the new labor market entrants. This translates into a range of other social and economic problems among the youth—from delays in family formation to anti-social behavior.

¹ In 2001, Armenia's nominal per capita GDP was US$ 707 (calculated using the population from the preliminary results of the 2001 Population Census—3,02 million). If the official population estimate is used (3,8 million), then per capita GDP falls to US$ 550. In terms of the current parity purchasing power dollars, Armenian per capita GDP in 2000 was estimated at PPP$ 2,559. It was higher than in Moldova (2,109), similar to Georgia (2,664) and Kyrgyz Republic (2,711), and lower than in Azerbaijan 2,936 and other ECA countries. In comparison, the average for the transitional economies of Europe and Central Asia was PPP$ 6,794 (see World Development Indicators 2002).

² On the other hand, Armenia had relatively low inequality in consumption (Gini at 0.29), even when compared to countries with similar per capita incomes. While extremely high income households were driving the large income inequality, consumption is less dispersed suggesting self-protection mechanisms at the bottom of the distribution and/or satiation at the top (World Bank, 2002).
Recently conducted Armenia Demographic and Health Survey (ADHS) 2000, found very low employment among women 15-49 years of—32 percent. As many as 67 percent had not worked within the 12 months immediately preceding the survey. The situation among men was better (indicating that the man is a main bread winner in the family in Armenia), but not satisfactory: while 46.7 percent of men 15-54 years of age were employed at the time of the survey, still high percentage—21.4 percent—were looking for a job (Table 1).

<table>
<thead>
<tr>
<th>Age</th>
<th>Currently employed</th>
<th>Worked in past 12 months</th>
<th>Was going to school, studying</th>
<th>Was looking for work</th>
<th>Was inactive</th>
<th>Could not work, disabled</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19</td>
<td>8.7</td>
<td>1.8</td>
<td>66.7</td>
<td>15.7</td>
<td>3.3</td>
<td>3.0</td>
<td>0.7</td>
</tr>
<tr>
<td>20-24</td>
<td>37.1</td>
<td>9.8</td>
<td>8.3</td>
<td>30.6</td>
<td>9.2</td>
<td>2.1</td>
<td>2.9</td>
</tr>
<tr>
<td>25-29</td>
<td>54.1</td>
<td>13.9</td>
<td>1.3</td>
<td>22.7</td>
<td>7.4</td>
<td>0.6</td>
<td>0.0</td>
</tr>
<tr>
<td>30-34</td>
<td>53.0</td>
<td>15.9</td>
<td>0.0</td>
<td>22.4</td>
<td>7.5</td>
<td>1.1</td>
<td>0.0</td>
</tr>
<tr>
<td>35-39</td>
<td>58.0</td>
<td>11.1</td>
<td>0.0</td>
<td>19.3</td>
<td>8.9</td>
<td>1.6</td>
<td>1.1</td>
</tr>
<tr>
<td>40-44</td>
<td>55.1</td>
<td>10.5</td>
<td>0.5</td>
<td>21.8</td>
<td>8.3</td>
<td>3.7</td>
<td>0.0</td>
</tr>
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<td>45-49</td>
<td>63.5</td>
<td>4.7</td>
<td>0.0</td>
<td>16.2</td>
<td>10.9</td>
<td>4.6</td>
<td>0.0</td>
</tr>
<tr>
<td>50-54</td>
<td>53.7</td>
<td>5.3</td>
<td>0.0</td>
<td>25.8</td>
<td>9.8</td>
<td>4.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Urban</td>
<td>42.6</td>
<td>7.8</td>
<td>12.9</td>
<td>23.6</td>
<td>9.9</td>
<td>2.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Rural</td>
<td>52.6</td>
<td>11.2</td>
<td>9.4</td>
<td>18.3</td>
<td>5.2</td>
<td>2.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Total</td>
<td>46.7</td>
<td>9.1</td>
<td>11.5</td>
<td>21.4</td>
<td>8.0</td>
<td>2.6</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: ADHS 2000, p. 32, Table 3.4.2.

# Box 1: Non participation and unemployment are closely associated with poverty.

The findings of the Armenia Poverty Update (World Bank, 2002) suggest that poverty incidence varies significantly with the type of individuals' participation in the labor market. Overall, the non-participants in the labor market face positive relative risk over the national average of 9.5 percent. Among the participants, the relative poverty risk is the highest for the unemployed (+27.1 percent over the average). Other labor force participants, regardless of the type of participation, face lower than the average poverty risks, even those seasonally or temporarily unemployed. Looking across households, the poverty incidence among the population that lives with a non-participant household head is almost 64 percent, only lower than the incidence of those living with an unemployed head.

Formal wages in Armenia are low. However, in the period between 1995 and 2001, the average nominal wage expressed in current US$ more than doubled: in 1995, was US$ 46 (US$ 27 in budgetary and US$ 59 in non-budgetary sector). In comparison, in 1995 it was US$ 20 (US$ 11 in budgetary and US$ 27 in non-budgetary sector).

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3 The percentage of the employed increased with age, so that, for instance, for the 25-29 cohort it was 30.8 percent, and for the 45-49 years of age cohort it was 47.3 percent.

4 In the period between 1996 and 2001, the nominal average wage increased by 153 percent, well above the inflation rate.
More and better paid jobs are crucial for improvements in the material well-being of Armenian families and the decrease in poverty among Armenian children. Despite the steady growth since 1994, scarcity of jobs and their often low pay when available remain the major causes of Armenian poverty (Box 1). Pre-transition firms have continued to restructure and shed labor, while entry of new, labor-intensive small and medium size enterprises has been slow and insufficient to absorb surplus labor. The lack of job opportunities has resulted in the creation of low productivity jobs through self-employment. (World Bank, 2001). Therefore, creating an environment conducive to private sector development that would in turn provide employment opportunities should be one of the crucial elements of the Armenian poverty reduction strategy—more better paid jobs are essential for poverty reduction in Armenia. This strategy is highly relevant for improvements in the material well-being of Armenian families with children—by gainfully participating in the labor market, parents will be able to adequately provide for their children. And not only that. The youth will be able to contribute to their birth families welfare and/or form their own families.

2.2 The demographic and social change

Strong traditional family. Anecdotal evidence, as well as recent research indicate that Armenian is still a traditional society (ADHS, 2001; Bertmar, 1998), where family is valued highly, and single parenthood, or family dysfunction is mostly not viewed keenly. Stable families and strong extended family ties have been the base for the informal support network and social capital that have played an extremely important role in coping with very difficult and challenging years at the beginning of the 1990s.

Stable marriages. According to the ADHS, approximately two thirds of the population surveyed in Armenia in 2000 (women 15-49 and men 15-54 years of age) were married. Seven percent of women were divorced, separated or widowed, as opposed to 2 percent of men. Marriages in Armenia appear stable: Armenia has one of the lowest crude divorce rates (divorces per hundred marriages) in the Europe and Central Asia Region—10.1 in 1999. Only Macedonia, Bosnia and Herzegovina, Albania and Uzbekistan had lower rates. The highest crude divorce rate was in Estonia: 81.6 divorces per hundred marriages (UNICEF, 2001). In Armenia, in the period between 1997 and 2000, both the number of marriages and divorces declined: the number of marriages dropped by 31 percent (from 15,911 to 10,986), while the number of divorces decreased by 51 percent (from 2,744 to 1,343). Over the 1990s the crude marriage rate (marriages per thousand mid-year population)5 dropped from 8.0 in 1990 to 3.3 in 1999 (among the lowest in the ECA Region). Similarly, the crude divorce rate (divorces per thousand mid-year population) declined from 1.2 to 0.3 over the same period (UNICEF, 2001).

Less children. In Armenia, similarly to other countries in the Region, crude birth rate decreased over the 1990s: from 22.5 live births per thousand population in 1990 to 9.6 in 1999. This means that while in 1990 there were 79,900 live births, their number dropped to 36,500 in 1999.

5 All the rates are official data, calculated based on the official estimate of the population in Armenia. Given that preliminary results of the Census of the Population (conducted in October 2001) indicate that the estimates were at least 20 percent higher than the actual population, the rates will have to be revised. However, the recalculation is not going to significantly change the trend.
Among the developments that could have had a negative impact on child welfare over the 1990s are an increase in the share of non-marital births and intense migration of the population.

A growing share of births outside formalized marriages. According to the official statistics, in the period between 1995 and 2000, the percentage of children born out of wedlock increased from 9.3 to 14.6 of the total number of live births (13.7 in 1999). Despite the increase, the percentage of non-marital births was among the lowest in the Region (UNICEF, 2001). Moreover, this relative increase is mostly due to the decrease in the total number of births: the absolute number of children borne out of wedlock remained stable at about 5,000 through most of the period. It is not known to what extent non-marital births resulted in single-parenthood, that is how many of the children were borne to a mother only. Nonetheless, given the stigma attached to single parenthood (particularly if a child is born out of wedlock), as well as high poverty among single parent families (especially if they are multi children families as well), children borne to single mothers face a substantial poverty risk, as well as risk of being deprived of birth parental care (see section on institutionalization of vulnerable children).

Box 2: Migration and family welfare—one example

A boy is living with his uncle’s family in Stepanavan. He used to live with his mother, father and sister in Yerevan, where he attended general school. After his father had left to Russia on business and failed to return or contact his family, the mother could not afford to care for him and sent him to his uncle. Since moving to Stepanavan, his study results have gotten worse and after being asked to repeat a class, he was transferred to a special school. “The boy is aware of his fault as he received poor results. Both my husband and I were not hard on him as he is not ours,” the boy’s aunt explains. The boy calls his mother every week to ask whether his father has returned. It has been three years since they last heard from him.


Migration puts significant stress on family life. Armenia has a long history of migration. The 1990s have seen intensified out-migration flows—it is estimated that at least 800,000 people have left Armenia since the end of the 1980s. In many cases, the out-migration starts with one parent (most often a father) or both parents leaving Armenia. Once he/she or they settle, the children follow. In the mean time the remaining parent, or grandparents take care of the children. Although in most of the cases, a migrated parent sends the money back and regularly visits his/her family, his or her absence may cause emotional deprivation in children and harm their well-being. In extreme cases, as anecdotal evidence suggests (Box 2), a migrated parent “forgets” his or her family, which often leads to substantial worsening of the children’s well being.

In 2000, according to ADHS, 89.9 percent of Armenian children lived with both parents. Eleven percent, or over 110,000 children were living in single parent families: 4.6 percent lived with mother, but father was alive, 4.9 percent lived with widowed mother, 0.5 percent lived with father, but mother was alive and 0.5 percent lived with widowed father. About 0.7 percent
(about 7,500 children) did not live with either parent (National Statistical Service et al., 2001, p. 14, Table 2.3).

3. Material well-being

Poverty in Armenia was widespread and deep during the 1990s. Poverty in Armenia during the 1990s was pervasive, deep and severe. The latest Poverty Update for Armenia (World Bank, 2002) estimates that at the end of the 1990s—in 1998/99—the overall poverty incidence was 53.7 percent, and extreme poverty (based on the food poverty line) was 25.4 percent. The shortfall between the consumption of the poor and the poverty line was fairly deep at 29 percent for overall poverty and 22.4 and 19.2 percent for urban and rural extreme poverty respectively.

<table>
<thead>
<tr>
<th>Table 2: Armenia: Poverty by Age Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head count</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>Children 0-5</td>
</tr>
<tr>
<td>Aged 6-14</td>
</tr>
<tr>
<td>Aged 15-18</td>
</tr>
<tr>
<td>Aged 19-25</td>
</tr>
<tr>
<td>Aged 26-45</td>
</tr>
<tr>
<td>Aged 46-60</td>
</tr>
<tr>
<td>Aged 61+</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: ILCS 98/99.

Note: Poverty risk is measured as the percentage increase in the poverty headcount for each group compared to the national average. For instance, for children 0-5 the relative poverty risk is 60.2/53.7-1.

More than half of the Armenian children—over 550,000—were poor in 1998/99. Table 2 presents poverty head count ratios and relative poverty risks for different age groups. The poverty incidence for children up to five years of age was particularly high: 60 percent of them (134,000 children) were poor—they were facing the highest relative poverty risk among all age-groups. Likewise, they had the biggest poverty gap. They made one tenth of the population in poverty. The poverty head count ratios among children 6-14 and 15-18 years of age were also high (although below the national average): 49 and 51 percent, respectively.

A quarter of a million Armenian children were extremely poor in 1998/9; the youngest were affected the most. Table 3 presents extreme poverty head count ratios and relative extreme poverty risk for different age groups. Overall, almost one fourth of Armenian children—or a quarter million—were exposed to the extreme poverty in 1998/99. Children up to five years of age alongside with the elderly (aged 61 and more) were most affected by the extreme poverty in

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6 The Armenia Poverty Update uses two poverty lines: the extreme poverty line, or minimum food consumption basket whose cost was estimated at 8,730 drams per month per adult equivalent. It also uses a complete poverty line, estimated at 12,306 drams per month per adult equivalent (World Bank 2002).
Armenia—facing a poverty risk 13.3 percent higher than the average risk of extreme poverty. Although lower than in other age cohorts, extreme poverty in the 6-14 and 15-18 years of age children was high at 20.6 and 23.6 percent respectively.

<table>
<thead>
<tr>
<th>Table 3: Armenia: Extreme Poverty by Age Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head count %</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Children 0-5</td>
</tr>
<tr>
<td>Aged 6-14</td>
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<tr>
<td>Aged 15-18</td>
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<td>Aged 46-60</td>
</tr>
<tr>
<td>Aged 61+</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: ILCS 98/99.

According to the Poverty Update, a typical extremely poor household had one child under 5, two or more children under 18 and comprised about 6 members. Such households are evenly distributed across urban and rural areas. One out of five heads of extremely poor households was a female, and 38 percent of extremely poor household heads had completed secondary education. Twenty-six percent had only primary or incomplete secondary education. About 12 percent of the heads were unemployed and 28 percent were not participating in the labor market. Working heads were mainly involved in self-employment including agriculture (34 percent) or salaried work (21 percent). The effects of unemployment were stronger because of the larger household size, resulting in a poverty incidence of 59 percent among such households.⁷

<table>
<thead>
<tr>
<th>Table 4: Armenia: Poverty Measures by Household Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household type</td>
</tr>
<tr>
<td>single member households</td>
</tr>
<tr>
<td>2 adults, 2 children</td>
</tr>
<tr>
<td>2 adults, 2 children, 1 elderly</td>
</tr>
<tr>
<td>1 adult, with children</td>
</tr>
<tr>
<td>1 adult, 1 elderly, with children</td>
</tr>
<tr>
<td>2 elderly, no children</td>
</tr>
<tr>
<td>2 elderly, 2 children</td>
</tr>
<tr>
<td>Female head, no children</td>
</tr>
<tr>
<td>Female head, with children</td>
</tr>
</tbody>
</table>

Source: ILCS 98/99.

Note: Children are individuals up to 18 years of age. The elderly are defined as 60 and over.

⁷ Poverty incidence for children 0 to 5 shown in Table 1 is larger because of disproportionately larger number of children 0-5 in these households.
Children living with a single parent or grandparents were facing very high poverty risk. Looking across households (Table 4), only children living in two parent families had a poverty incidence below the average: a two children-two parent family had a poverty incidence of 43 percent (20 percent below the average); and a two children-two parent-one elderly family had a poverty incidence of just below 50 percent (8 percent lower than the average). However, although below the average, the poverty incidence of 43.0 and 46.9 percent, respectively was still very high. All other children had higher than average poverty risk: children living in single parent families—one adult with children, had a poverty incidence of 60.9 percent; children living in a family comprising one adult and one elderly were the worst off, with a poverty incidence of 70.5 percent. Similarly, children living with another child and two elderly, which would be a typical situation where both parents have migrated for economic reasons and left the children behind with the grandparents, had a high poverty incidence of 67.6 percent. A female-headed household increased the poverty risk for children by 13 percent.

Alleviating poverty among children should be a key component of the poverty reduction strategy. Given that so many children in Armenia are poor or extremely poor, alleviating poverty among them should therefore be an important element of Armenia’s goal of alleviating poverty for the country as a whole. However, constrained budget resources offer limited opportunity for further raising the economic status of at-risk families with children on a sustainable basis through social assistance. This can only be done by maintaining and strengthening policies that promote rapid growth and creation of job opportunities, including targeted labor market policies that facilitate insertion and skills upgrading, so that parents can work and earn sufficient income to adequately provide for their children. The concomitant distributional policies that support families with children in critical areas are provision of adequate opportunities for health care and education. When it comes to social assistance, the current programs should be maintained; the targeting formula and administration of the cash poverty family benefit should continue to be improved and the programs funding should at least be preserved in real terms.

4. HEALTH AND NUTRITION

Health status. Good health—of children as well as their caregivers—is an integral element of children’s well-being. In Armenia, according to official statistics, health indicators, especially those related to mortality, have gradually improved over the decade, and in many instances they are better than average for transition countries as a whole. These developments have occurred despite severe economic shock and pervasive poverty during the period, as well as falling public spending on health care, deteriorating services and lower utilization, especially among the poor who often find health and medical services unaffordable. However, a little is known about the mortality and morbidity distribution across socioeconomic groups.

Mortality rates in Armenia have remained relatively stable during the 1990s, as crude death rate rose in the early years of the decade from 6.2 per thousand population in 1990 to 7.4 in

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8 Data on trends in mortality are drawn from UNICEF (2001). The data must be interpreted with caution, as it is believed that there is underreporting of births and especially deaths, particularly in rural areas, and consequently the mortality rates and their actual trend may be less favorable than the official data indicates. Mortality rates based on
1993, and then gradually fell to 6.3 in 1999, possibly partly reflecting the effects of improved economic performance in the later years of the decade. This rate compares favorably with an average rate of 10.0 in transition countries as a whole. Likewise life expectancy at birth has remained high (it has actually increased for men) and in 1999 it was estimated at 70.7 for men and 75.5 for women. Again, this compares favorably with life expectancies at birth of 66.2 and 74.8 years, respectively, for all transition countries.

Table 5: Armenia: Health status indicators 1995-1999

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy at birth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- female</td>
<td>75.2</td>
<td>74.4</td>
<td>78.1</td>
<td>75.5</td>
<td>77</td>
</tr>
<tr>
<td>- male</td>
<td>68.4</td>
<td>67.9</td>
<td>70.8</td>
<td>70.7</td>
<td>71</td>
</tr>
<tr>
<td>Mortality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- maternal</td>
<td>40.1</td>
<td>27.1</td>
<td>25.4</td>
<td>32.9</td>
<td>35</td>
</tr>
<tr>
<td>- infant</td>
<td>18.5</td>
<td>17.1</td>
<td>14.2</td>
<td>15.4</td>
<td>15</td>
</tr>
<tr>
<td>- under five</td>
<td>23.8</td>
<td>24.2</td>
<td>18.4</td>
<td>19.2</td>
<td>17</td>
</tr>
</tbody>
</table>


Notes: Maternal mortality rate per one hundred thousand live births. Infant and under-five mortality per thousand live births.

Although maternal, infant and under-five mortality have declined over the decade as well, here Armenia has performed worse than the average transition country. In 1999, maternal mortality rate was 32.9 per hundred thousand live births, while infant and under-five mortality rates were 15.4 and 19.2 deaths per thousand live births, respectively. This is higher than corresponding average rates for transition countries: 26.6, 13.9 and 18.4, respectively. While in Armenia, over the decade, the rates declined 18, 17 and 19 percent respectively, the regional rates declined more—25 to 30 percent.

Rural infant and under-five mortality rates are higher than urban. This may reflect the fact that an increasing number of births are occurring in the home in rural areas, as well as less access to health care in the countryside. More generally, early childhood mortality may reflect high-risk fertility behavior—risk of early childhood mortality is greater for mothers who are too young or too old when giving birth. It may also reflect limited access to affordable health services by the poor, as well as the inadequacy of services as a result of insufficient resources. (See discussion below.)

From an epidemiological standpoint, Armenia has a disadvantageous disease burden with features of both developed and developing countries. The major causes of adult deaths are similar to those in industrial countries: cardiovascular disease, hypertension and accidents. At

the ADHS show for instance much higher infant and under 5 mortality rates for 1996-2000: 36 infants per 1,000 and 39 children under 5 per 1,000 (live births). These estimates, however, represent improvements over the first part of the nineties (1991-1995) when infant and under-five mortality reached peaks of 51 and 55 per 1,000, respectively (National Statistical Service, et al., 2001).

9 Unweighted average.

10 Unweighted average.

11 The ADHS notes that some 72 percent of Armenian women fall into the category of high-risk fertility behavior (National Statistical Service et al., 2001).
the same time, while infectious diseases currently account for a relatively low percentage of overall mortality, generally less than 20 percent, their incidence has been steadily increasing, which in part may reflect a rising incidence of tuberculosis and malaria. HIV/AIDS is gradually increasing, with some 161 cases registered between 1988 and 2001, and 28 diagnosed with AIDS. The number of HIV infected cases reported over the last two and a half years exceeds the number of cases registered during the whole previous period of registration.

Children constitute two percent of the total number of HIV-infected individuals in Armenia. Acute respiratory infections and childhood diarrheal disease have become the main causes of children’s death, despite relatively successful Government programs in case management of these diseases. At the same time, increases in child morbidity for diseases such as TB, mumps and oncological diseases have been observed. On the other hand, vaccination coverage of children is almost universal—over 90 percent receive the standard vaccination program.

Nutritional status. Among women, anemia, especially iron-deficiency anemia, is a major threat to maternal and child health, contributing to low birth weight, lower resistance to infection and poor cognitive development of the child; and it increases morbidity from infections among mothers and children because it adversely affects the body’s immune response. It is estimated that some twelve percent of Armenian women suffer from some degree of anemia. Higher rates of anemia are found among women residing in rural areas than among urban women.

Regarding nutritional status among children, the ADHS estimates that some 12 percent of children under five years of age are stunted (i.e. short for their age), and some four percent are wasted (i.e. thin).

Health sector developments. A sharp decline in GDP over the early years of the decade was reflected in an even faster decline in public spending on health care that brought the health sector in Armenia almost to a collapse. In 1997, the share of public health expenditures in GDP was 1.3 percent (US$ 6.6 per capita). Since then, the situation has gradually improved and in both 2000 and 2001 that share was 1.6 percent (US$ 10.3 per capita). This percentage compares with average health care expenditures of 6 to 10 percent of GDP in most developed countries.

Faced with a collapsing health care system, Armenia in 1997 took major steps to restructure health care with the intent to redirect resources to the primary health care sector; and introduced a free-of-charge basic benefit package targeted at particularly vulnerable groups. However, the unpredictability of public resources for health care caused financing routinely to fall short not only of budget allocations, but also of the requirements of the free-of-charge system. Shortages severely hampered the good intentions of the reform, limited access to health care and reduced the quality of services, resulting in higher morbidity and mortality than might otherwise have been the case. For instance, in 2000, the health care system received less than half of its predicted budget.

Inadequate resources led not only to deteriorating health care facilities, but also to a sharp decrease in utilization, especially among the poor, who increasingly could not afford the health
The free-of-charge basic benefit package was too limited to have any marked effect on health status. The patterns of health care utilization confirm that the poor face access and/or cost constraints when seeking health care. According to the Armenia Poverty Update (World Bank, 2002), only 26 percent of those reporting sickness in the bottom consumption quintile received some type of health care, compared to more than 51 percent among those in the top quintile. At the same time, public resources appear to be unequally distributed, as individuals in the lowest quintile benefited from only 13 percent of total public expenditures, compared to those in the richest quintile that captured almost 40 percent. In part this may be explained by more frequent utilization of health care services by the better-off, and the greater emphasis on tertiary care among that population group.

In summary, key health indicators for child welfare—maternal and child morbidity and mortality—have been slowly improving over the 1990s, but they are still at modest levels. While many factors play a role in determining health outcomes, there are some features of maternal health in Armenia that, if focused on, could have a significant impact on improving the health and well-being of Armenian children, especially in poor families. First, more attention might be given to reducing high risk behaviors among women—the rising number of unattended births that take place in the home, and birthing by mothers who are too young or too old. And second, efforts might be made to more strongly address female morbidity, especially the occurrence of anemia among women of child-bearing age. Both features are believed to be particularly prevalent in the countryside, and may be significant contributing factors to the high rural infant and under-five mortality rates. While there may be little opportunity to significantly increase public resources going into health care, a more focused allocation of scarce public resources to deal with high risk fertility behavior and nutrition deficiencies might provide significant returns in terms of child well-being and longer terms opportunities of children to develop. More generally, giving priority to strategies that improve access for the poor to health care, especially preventive and primary care services, should be a most cost-effective strategy to move ahead in broadly improving health status among the population, including children.

In that sense, the Government decision to extend eligibility for the health basic benefit package to the recipients of the poverty family benefit (including about 222,000 children) as of January 2001 is a step in the right direction.

5. Education

The future opportunities of today’s children depend crucially on attitudes towards education and how the education system performs in shaping human capital. Traditionally, education is highly valued in Armenia, and popular expectations of an accessible education system that delivers a quality schooling experience are high. Strategically, the country counts on its human capital as key to its social and economic development.

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12 Inadequate public health financing appears to have led to a rise in informal payments in cash or kind to care providers.
An overview. Over the 1990s, the Armenian education system has faced enormous challenges. The economic hardship brought a substantial cut in public spending on education, so that in 1997, it made only 2.2 percent of a much smaller GDP. Since then the situation improved—to 3.0 percent of GDP in 2000. In comparative terms, the current share of GDP allocated to education in Armenia is well below the OECD average (5.3 percent in 1998). Scarce resources have affected the quality of education and its market relevance is increasingly becoming an important issue to address. In addition, the sector is plagued with inefficiencies (World Bank, 2002b).

The decline in public funding for general education has been compensated in part by private spending. According to the 1998/99 household survey, Armenian households were spending on education on average 6.5 percent of their total expenditures (ranging between 4.5 percent in the bottom and 7.5 percent in the top consumption quintile).

Access to education. The evidence from administrative sources and the ILCS 1998/99 indicates that Armenia might have started losing its broad access to education, even at the primary level. Similarly, fewer children, particularly boys, are enrolled in upper secondary and higher education.

Chart 1: Net enrollment rates by age and consumption quintiles

According to the 1998/99 ILCS (World Bank, 2002), although net enrolment in compulsory education is still high in Armenia, significant differences appear across socioeconomic levels (Chart 1). Among those in primary school age (7-14), enrolment is close to the universal (97 percent) and no significant differences between boys and girls are observed. However, the children in the poorest quintile record lower enrolment rate—around 93 percent, with enrolment of girls being slightly higher than that of boys. Anecdotal evidence suggests that children from the poorest families often do not go to school for reasons such as lack of shoes, decent clothing, or lack of money to buy school material.
Enrollment in grades 9 and 10 shows a decrease, particularly among boys (83 percent) and the children from the poorest families. A gender gap that favors females is observed in high school enrolment and it is particularly large among the poorest population.\(^\text{13}\)

What is happening? Are male teenagers dropping out of school because they are leaving Armenia for Russia or other countries to earn income and/or avoid military service? Are they dropping out of education and staying in Armenia for reasons such as low school achievement, poverty, employment, lack of motivation? The estimates based on the 1998/99 ILCS (World Bank 2002) indicate that one third of almost 30 percent difference in the girls-to-boys enrollment in upper secondary education can be explained by boys being absent from Armenia. The rest is explained by boys dropping out of education and staying in the country. Therefore, poor economic conditions are driving boys not only out of school but also out of Armenia.

Inequity in access to education and gender differences further increase at the higher education level, where 43 percent of the females are studying compared to only 25 percent of males. Enrolment rates for those in the poorest quintiles are almost one half that of those in better off households, reflecting differential access to higher education.

Inequity in educational opportunity (and in particular performance) may be exacerbated by the developments in pre-school education. Pre-school education is important for educational attainment later on, especially children from poorer families seem to gain from pre-school, it socializes children and enables mothers to participate in the labor market. As the general budget has come to (appropriately) emphasize primary and secondary education, responsibility for pre-school education has been transferred to local governments with often negligible fiscal capacity, leading to closure of many pre-schools. The introduction of relatively high fees for public pre-school participation has also had the effect of a decline in demand, especially among poor families, and further reduced access to pre-schooling (limiting mothers' chances to participate in the labor market) (Bertmar, 1998).

The increased private spending on public and private education services may have additional elements of inequity. As pointed out above, private spending on education varies greatly across socioeconomic levels. On average, in absolute terms, the richest households spend almost six times as much on education as the poorest households. For households with children in primary school age, the richest households on average spend about twice as much on education as the poorest households (World Bank 2002).

Efficiency of the system. As far as the student population is concerned, efficiency considerations focus on student progress through the system (internal efficiency), and how well the education being provided positions students for a modernizing economy (external efficiency). Available data offer little information on either account beyond enrollment ratios, which are, as discussed above, high. Anecdotal evidence suggest high attendance in general, but less so for

\(^{13}\) One of peculiarities of school enrollment is in Armenia is that boys drop out of school noticeably more than girls. For the academic year 1999/2000, the gender composition of enrollment was uniform for the first few grades. After that, the fraction of girls gradually increases till grades 9 and 10 when the difference became substantial. In grades 9-10 there were 25 percent more girls than boys (National Statistical Service, 2001).
poor children, particularly during winter. ADHS indicates very low drop-out and repetition rates (National Statistical Service *et al.*, 2001)

The external efficiency of the education system is measured by the learning performance of its students (usually relative to students of other countries) and how well it positions its graduates to obtain jobs at wages that support families. Unfortunately, Armenia does not know the learning performance of its students relative to students in other countries with which Armenia will eventually compete and cooperate. Unlike many of its neighbors in the region, Armenia has not participated in any of the several international assessments of learning. Likewise, there are no surveys to determine whether the skills and knowledge of the education system’s graduates meet the needs of the market.

*In summary*, while the demand for education in Armenia continues to be strong, and the education system on the face of it seems to serve all Armenians, inequities are arising in access to general education by children from poorer households. This is most tangibly reflected in lower enrollment rates for such children. While reasons for this trend need to be more closely examined, anecdotal evidence indicates that poverty—incapability of parents to provide their children with school supplies, shoes and appropriate clothing negatively influences attendance, especially during the winter months. Moreover, the decline in access to pre-school education, as the number of pre-schools have diminished and existing pre-school fees have become unaffordable to many families, may have adversely affected educational performance of children from poor families.

Unfortunately, the Armenian education system seems to lack viable information on either equity or efficiency aspects of the education system. Without such information, any analysis of the performance of the system—for the better off as well as the poor—becomes difficult, and policymaking in education will be uncertain. Under the circumstances, major priorities in the education sector would seem to be (i) the development of a viable information system and data base that would allow the introduction of viable conventional performance and outcome monitoring indicators, and (ii) addressing equity concerns, especially ways of enhancing educational opportunities for the poor, which will enable them to compete more equally in the marketplace. If current trends continue, there is an increasing likelihood of segmentation of the student population, as opportunities for poor students to succeed in the school and subsequently in the marketplace, will be reduced by the education system itself.

6. **SAFETY NETS**

Safety nets are public and private interventions that assist individuals, households and communities manage economic and social risk. Private safety nets are mostly informal family and community solidarity actions, as well as activities by non-governmental and charitable organizations.\(^4\) Public ones usually take the form of social insurance and social assistance programs, as well as measures that improve labor market and earnings opportunities for at-risk

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\(^4\) Migration—by the family or by family members—is also a risk management measure that occurs at the family level, although it sometimes may have consequences that lead to family dysfunction and increased risk for families where it occurs.
families. Interventions can assist in reducing the likelihood of risk, for instance by enhancing earnings capacity; they can mitigate the effects of future risk through insurance arrangements; and they can assist in coping with the effects of risks when they occur.

6.1 Background

The public social protection system in Armenia comprises: (i) social insurance that provides old-age, disability and survivor’s pensions, as well as sickness, maternity, and unemployment benefits; (ii) social assistance programs, including a family poverty benefit, a social pension\(^\text{15}\), a newborn grant, a child care allowance, unemployment assistance, and public works (including “food for work” type of programs); (iii) social care services to certain categories of the population, including institutional care for vulnerable individuals, in particular children; and (iv) price-discounts mostly for veterans of WW II.

The most important programs in terms of resources and beneficiaries are the poverty family benefit and pensions. Approximately 900,000 Armenians or 30 percent of the population receive at least one social protection benefit. The total public spending on social protection accounts for 5.2 percent of GDP\(^\text{16}\) (2001), of which 67 percent (3.5 percent of GDP) were expenditures on social insurance, social pensions and military related pensions. The rest, 1.7 percent of GDP or 20 billion dram, were expenditures on various social assistance programs, the most important of which was the poverty family benefit (16.1 billion dram or 80.5 percent).

Table 6 presents an attempt to account for the social protection programs in Armenia that have a direct impact on family welfare. Labor pensions, unemployment benefits and most of the social pensions are excluded. In addition to the cash programs, Table 6 also contains an attempt to evaluate the cost of residential care for children. The estimate ranges from 0.3 to 0.8 percent of GDP, depending on the assumptions. It should be noted that most of the funding for residential institutions comes through the Ministry of Education and thus it is this not included in the above mentioned public spending on social protection.

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\(^\text{15}\) Social pension is a regular monthly payment to selected categories of the population. The program was inherited from former Soviet Union. The term “pension” is confusing, because the program is non-contributory and the benefit is paid to the categories of citizens that supposedly were among the most vulnerable during the Soviet times: those who have never been employed and thus have fallen out of the social insurance coverage or to their descendents incapable of supporting themselves, and invalids since childhood. As such, although administered and funded by the Armenia State Social Insurance Fund, the program essentially belongs to the social assistance, not the social insurance domain of the social protection.

\(^\text{16}\) The social protection is funded by the state budget (social assistance, except for the social pensions, child care leave, new-borne grant, unemployment assistance, social welfare services, and military retirement benefits) and the Armenia State Social Insurance Fund (ASSIF) (labor pensions, unemployment compensation, maternity and sick leave benefits, as well as the social pensions) mostly through payroll taxes. There is significant international donors’ participation, particularly in funding of the public works, social assistance programs and residential institutions for children.
<table>
<thead>
<tr>
<th>Short program description</th>
<th>Number of beneficiaries</th>
<th>Expenditures (Dram million)</th>
<th>% share in the total</th>
<th>% share in GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Cash benefits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty family benefit</td>
<td>173,000 families with about 675,000 members</td>
<td>16,097.0</td>
<td>90.5</td>
<td>1.37</td>
</tr>
<tr>
<td>Maternity leave</td>
<td>7,000</td>
<td>570.0</td>
<td>3.2</td>
<td>0.048</td>
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<tr>
<td>Child care leave</td>
<td>22,000</td>
<td>581.0**</td>
<td>3.3</td>
<td>0.049</td>
</tr>
<tr>
<td>Grant to new born children</td>
<td>42,000</td>
<td>248.0</td>
<td>1.4</td>
<td>0.021</td>
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<tr>
<td>Social pension for children with disabilities up to 16 certified as child &quot;invalids&quot;</td>
<td>8,000</td>
<td>296.0*</td>
<td>1.7</td>
<td>0.025</td>
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<tr>
<td><strong>CASH TOTAL</strong></td>
<td></td>
<td>17,792.0</td>
<td>100.0</td>
<td>1.51</td>
</tr>
<tr>
<td><strong>B. Social services-residential care for vulnerable children</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutions for orphans, poor children, children with disabilities, etc</td>
<td>12,000*</td>
<td>(i) 3.78</td>
<td>(ii) 7.20</td>
<td>(iii) 9.50</td>
</tr>
<tr>
<td><strong>TOTAL: A+B</strong></td>
<td></td>
<td>21,572-27,292</td>
<td>100.0</td>
<td>1.83-2.32</td>
</tr>
</tbody>
</table>

Source: Compiled based on various administrative sources.

Notes: 1/ Assuming that the average monthly benefit per beneficiary was 2,200 dram. 2/ The average monthly benefit estimated at 3080 dram. 3/ Given the lack of reliable data (or even tentative estimates), the cost of residential care institutions for vulnerable children is estimated in three variants: (i) 7,000 employees, average monthly salary 15,000 dram, labor cost make 1/3 of the total cost; (ii) a monthly cost per child is 50,000 dram – the Ministry of Social Security estimate; (iii) a monthly cost per child is 66,000 dram—US$ 4 per day, as estimated by the director of one of the children's homes visited by the task team. It should be noted that most of the residential institutions for children are under the Ministry of Education and are thus funded by it (not included in the social protection budget discussed above).
In Armenia, social protection programs, in particular the cash poverty family benefit, are found to have played a significant role in providing social support to the population and alleviating the extreme poverty. According to the 1998/99 ILCS, social transfers (mostly pensions and poverty family benefit) played an important role as a source of family income, particularly for the low income families—they made 13.3 and 15.3 percent of the income of the two bottom quintiles respectively. Their role as a household income source was more important in urban (12.2 percent share on average; 16.6 and 19.6 percent in the case of the first and the second bottom quintile respectively), than in rural households (5.3, 11.0 and 9.1 percent respectively).

In this section, we look more closely at the role of the non-labor pension safety net programs in achieving its objective of protecting the poor and other vulnerable groups. Whenever available data allow, we do so for poor and vulnerable children as well.

6.2 Cash benefits

Poverty family benefit—an overview of the system. In Armenia, the most important social assistance program in terms of coverage, resources and poverty impact is the poverty family benefit. It provides regular cash income to 147,000 families with about 520,000 members or 17.3 percent of the Armenian population. On average, beneficiary families receive 6,500 drams per month (Table 7). It is estimated that approximately 222,000 or over one fifth of the Armenian children are living in families receiving the benefit. It is well administered and targeted program.

<table>
<thead>
<tr>
<th>Table 7: Armenia: Poverty family benefit 1999-2002</th>
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<tr>
<td>Beneficiary households in thousand</td>
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<tr>
<td>Average monthly benefit in drams</td>
</tr>
<tr>
<td>Spending as % of the state budget</td>
</tr>
<tr>
<td>Spending as percent of GDP</td>
</tr>
</tbody>
</table>

Notes: (1) The GDP for 2002 is calculated assuming 6 percent growth and 2.5 percent inflation.

The current system was introduced in January 1999 when numerous categorical benefits were consolidated into a single cash family poverty benefit targeted at 28 percent of households that were estimated to be extremely poor. The new system introduced a proxy means-tested targeting mechanism, where households are ranked based on a single-index formula that includes individual and household indicators that are strongly correlated with poverty. The use of the targeting mechanism based on proxies, not income, was motivated by the highly informal nature of the economic activities in Armenia.

17 The data refer to May 2002.
Each family that qualifies for the benefit receives a basic monthly benefit. The benefit amount has varied over time as a function of available resources. It is currently 4,000 drams per month. In addition, each family member of the eligible household is awarded 1,500 drams. As of beginning of 2002, and as a result of further budget constraints, only children up to 18 in eligible families receive the additional benefit.

When the new benefit was introduced, more than 230,000 families were receiving the benefit. As screening has improved and benefit administration become more rigorous, the number of recipient families has declined, and in May 2002, some 147,000 families were eligible. Each family that qualifies for the benefit receives a basic monthly benefit. The benefit amount has varied over time as a function of available resources. It is currently 4,000 drams per month. In addition, each family member of the eligible household is awarded 1,500 drams. As of beginning of 2002, and as a result of further budget constraints, only children up to 18 in eligible families receive the additional benefit.

Table 8: Armenia: Changes in distribution of cash social assistance: 1998-1999

<table>
<thead>
<tr>
<th></th>
<th>Fraction of the social assistance budget captured by each consumption quintile</th>
<th>Total Budget (billion dram)</th>
<th>Concentration Index</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Before reform</td>
<td>15.6%</td>
<td>30.5%</td>
<td>25.8%</td>
</tr>
<tr>
<td>After reform</td>
<td>31.8%</td>
<td>33.8%</td>
<td>14.6%</td>
</tr>
</tbody>
</table>


Note: the Survey notion of “social assistance benefits” includes child benefits, single mother benefits and other benefits. Compensation instead of privileges, unemployment benefits, scholarships, and pensions are not included as social assistance. The survey instrument design was not adjusted to reflect the reform of the social assistance that happened in the middle of the Survey period. However, given that poverty family benefits replaced other social assistance benefits, it is captured properly by adding up the sources indicated above. Before denotes the incidence for those households surveyed from July 1998 to December 1998. After denotes the incidence for those households surveyed from January 1999 to June 1999.

Poverty family benefit targeting efficiency. Poverty Update for Armenia (World Bank, 2002) estimates that the social assistance reform in Armenia was well justified: the new targeting mechanism improved targeting efficiency (Table 8). Prior to reform, the poorest consumption quintile received 16 percent of social assistance benefits (including child, single mother and other benefits, and excluding pensions). After the reform its share doubled—it received almost one third of the transfers. These improvements are reflected in the significant change in the concentration index, from an almost neutral −0.07 to a very progressive −0.27 after the reform. Hence, in 1999, the family poverty benefit was well targeted, although there was a scope for improvements in targeting, since the non-poor (top 40 percent) still captured one fifth of the transfers (Table 8).

18 The budget allocated to social assistance was initially increased from 13.4 to 21.1 billion drams in 1999 (a 48 percent increase in US dollars). Since then it decreased and the 2002 allocation is 14.8 billion drams. This figure includes also the payments due for November and December 2000, which totals 2.3 billion dram, so only 12.5 billion drams are available for current payments of family benefits in 2002.

19 Unfortunately, there are no household survey data for the second half on 1999 and 2000 that would enable the
Families with children and the family poverty benefit. Table 9 provides information on families that applied for the family poverty benefit, as well as those receiving the benefit as of June 2002. The numbers indicate that children, and in particular children from single parent families make a significant fraction of the benefit recipients. Families with children that applied for the family poverty benefit made 56 percent of the total number of applicant families, of which approximately one third were single parent families and the rest were two-parent families. At the same time, their share in the families receiving the benefit was 62.6 percent. Among them, the fraction of single parent families was 39 percent. Slightly over 22 percent of the Armenian children (222,078) were receiving the poverty family benefit, of which 27.2 percent were coming from the single parent families.

Table 9: Armenia: The family poverty benefit system—applicants and recipients, June 2002

<table>
<thead>
<tr>
<th></th>
<th>Total number of</th>
<th>Families with children</th>
<th>Families without children</th>
<th>Single-parent families</th>
<th>Two-parent families</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Applied for the benefit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Families</td>
<td>223,769</td>
<td>125,939</td>
<td>97,830</td>
<td>39,546</td>
<td>86,393</td>
</tr>
<tr>
<td>Family members</td>
<td>767,402</td>
<td>602,596</td>
<td>164,806</td>
<td>152,511</td>
<td>450,085</td>
</tr>
<tr>
<td>Of which children</td>
<td>290,637</td>
<td>290,637</td>
<td>-</td>
<td>65,254</td>
<td>225,383</td>
</tr>
<tr>
<td><strong>B. Receiving the benefit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Families</td>
<td>146,770</td>
<td>91,942</td>
<td>54,828</td>
<td>35,531</td>
<td>56,411</td>
</tr>
<tr>
<td>Family members</td>
<td>518,985</td>
<td>438,344</td>
<td>80,641</td>
<td>137,027</td>
<td>301,317</td>
</tr>
<tr>
<td>Of which children</td>
<td>222,078</td>
<td>222,078</td>
<td>-</td>
<td>60,381</td>
<td>161,697</td>
</tr>
</tbody>
</table>


Therefore, the share of children receiving the poverty family benefit was higher than their share in the population (42.8 percent versus one third). Also, while 11 percent of the Armenian children were living in single parent families, their share in the number of children receiving the benefit was 27.2 percent.

Developments related to the family poverty benefit 1999-2002. Since its introduction in January 1999, the following major developments could be observed in relation to the family poverty benefit:

(i) the benefit has been paid regularly, except for a short period in 2000, when it was not paid for two months. The arrears have been cleared at the beginning of 2002 and the payment of the benefit is current;

(ii) the spending on benefit has continuously declined: from 2.0 percent of GDP in 1999 to planned 1.16 percent of GDP for 2002. The Government has explained the decrease by poor fiscal performance, on one hand, and high economic growth recorded in Armenia since 1999, on the other, which presumably has resulted in the decrease in both extreme and overall poverty. However, this decrease, as well as changes in other poverty measurement indicators can only be analysis of the targeting efficiency and effectiveness of the family benefit and its impact on poverty in Armenia. Such analysis would be possible for the year 2001, once the data base is released by the National Statistical Service.
confirmed by the household survey data. While it may be the case that spending 2 percent of GDP on family poverty benefit is unaffordable for a low income country such as Armenia (it is difficult to find a similar example in the ECA Region), spending too little may compromise the Government’s efforts to alleviate poverty among the extremely poor;

(iii) the Ministry of Social Security has made significant efforts to compensate for the decrease in spending on the family poverty benefit by decreasing the number of households receiving the benefit through: (1) a better screening of the households (so as to decrease the error of inclusion through better and more thorough eligibility checking procedures, including visits paid to the applicant families); (2) adjustments in the proxy formula (so as to decrease the error of exclusion), and (3) a decrease in the benefit amount (currently, the average benefit is more than 20 percent lower than in 2001). The adjustments in formula have been based on the analysis of the 1998/99 ILCS data and corresponding development of the new proxy targeting formula using the data, a beneficiary assessment of the poverty benefit (Spring 2001) and the new proxy formula piloting experience (Fall 2001).

Recommendations. Based on: (a) the importance of the poverty family benefit for poverty alleviation among the extremely poor in Armenia; (b) positive experience in its implementation; and (c) a high probability that extreme poverty (as well as overall poverty) is going to remain an issue in the medium term, the following is recommended:

(i) the cash poverty family benefit program should be maintained and efforts to improve the targeting mechanism should be continued. Based on the 2001 ILSC, a new formula should be developed. Also, the adequacy of the benefit amount should be evaluated based on the 2001 poverty measurement results;

(ii) efforts to improve the benefit administration should continue through training of the benefit administrators, improved eligibility testing procedures, strengthening the role of the local authorities and communities in benefit delivery, etc.;

(iii) the family poverty benefit impact on poverty should be evaluated regularly.

How much should be spend on the poverty family benefit? Table 10 provides an assessment of the resources needed to significantly alleviate extreme poverty in Armenia. The key parameters are the extreme poverty incidence, poverty shortfall, and the leakage of the resources to non-targeted population. The estimate is based on the results of the Poverty Update based on the 1998/99 ILCS (World Bank, 2002). The estimates indicate that the budget for the family poverty benefit has to be kept at the minimum of 1.4 percent of GDP, if a significant extreme poverty alleviation is to be achieved.

Maternity leave is granted to employed mothers for 70 calendar days prior to delivery and 70 calendar days after the delivery (85 days if the delivery is complicated; 110 days if more than one child is borne). The compensation amounts to 100 percent of the average wage in the period of three months preceding the leave. In 2001, approximately 6,000 women were receiving the maternity leave compensation. The benefit is administered and funded by the ASSIF. The maternity leave provision in Armenia is typical for most of the countries (both industrialized and countries in transition).
Table 10: Armenia: Resources needed for the extreme poverty alleviation—three scenarios

<table>
<thead>
<tr>
<th>Extreme poverty incidence</th>
<th>Poverty shortfall</th>
<th>Poverty shortfall in AMD</th>
<th>Resources needed (perfect targeting)</th>
<th>Leakage</th>
<th>Resources needed bill AMD</th>
<th>Resources Needed % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>25%</td>
<td>2,183</td>
<td>15.8</td>
<td>20 percent to the non-poor and 30 percent to other poor</td>
<td>23.7</td>
<td>2.4</td>
</tr>
<tr>
<td>15%</td>
<td>25%</td>
<td>2,183</td>
<td>11.9</td>
<td>10 percent to the non-poor and 30 percent to other poor</td>
<td>16.7</td>
<td>1.7</td>
</tr>
<tr>
<td>15%</td>
<td>20%</td>
<td>1,745</td>
<td>9.5</td>
<td>40 percent to other poor</td>
<td>13.3</td>
<td>1.35</td>
</tr>
</tbody>
</table>

Memo items: Prices 1999. Food poverty line per adult equivalent AMD 8,730 (World Bank 2002). GDP for 1999 is estimated at 987.1 billion dram.

**Child benefits.** There are in Armenia two types of cash benefits targeted at children. One is a one time payment to new born babies. It amounts to 5,900 drams and its objective is to help families with the expenses when a new baby is born (in 1999 there were 36,500 new born babies). The other is a child care allowance, which is paid to employed mothers after the maternity leave has expired. It is a regular monthly benefit paid until a child is two years old. The benefit ranges between 2,300 and 3,500 drams. In 2001, there were about 22,000 beneficiaries. Both benefits are funded by the state budget and their primary objective is to stimulate families have more children. There is no information to assess the poverty impact of these two benefits. However, given the fact that: (i) majority of the children in Armenia are borne to unemployed mothers; (ii) the families with unemployed members tend to be affected by the poverty more than the average, and (iii) the importance of the adequate provision for young children for their physical and cognitive development, both benefits should be maintained. Hence, the new borne allowance should be increased to provide a meaningful assistance to families with a new borne baby. As far as the child care leave is concerned, it is longer than in other countries (in most of the CIS countries it lasts till a child is 18 months old). Given high poverty rate among the children 0-5 years of age, on one hand, and constrained budget on the other, the Government should consider shortening the benefit duration for 6 months, while increasing its amount.

6.3 Residential care for vulnerable children

Armenian social protection system still relies on expensive and ineffective institutionalization of vulnerable individuals including children. Similarly, the education system continues to operate a number of boarding schools both for children with and without disabilities. To a large extent continued institutionalization reflects absence of social work and family centered community based social services aimed at strengthening the capacity of families to take care of their children. In the case of children with disabilities it reflects a traditional approach to disability that stigmatizes and isolates children with disabilities from the mainstream society. In this section we discuss the institutionalization of children in Armenia.

The extent of institutionalization. Institutionalization of children is still not an overwhelming problem in Armenia, but it is a growing one. While the numbers are relatively
modest—some 1.2 percent of all children under 18 are dependent on children’s institutions, either as full-time boarders or day students—their number has increased by some 70 percent over the 1995-2002 period, reaching 12,000 in 2002. These children include ones from socially vulnerable families, they may be mentally and/or physically disabled, abandoned or orphaned, “difficult” children, as well as fully functional and healthy children. Approximately, 4,000 of these children are full-time residents in institutions. The numbers are tentative estimates, because no-one knows for sure how many children are placed in residential care. Sporadic checks and anecdotal evidence suggest that the numbers may be inflated—institutions are funded per student, which creates incentives for increasing the numbers in order to get more resources.

Background. Armenia inherited a social support system shaped by the ideology, institutions, and economic and social needs of the Soviet regime. To a large extent this is still reflected in attitudes and approaches to the care and upbringing of children at risk in Armenia. In the former Soviet Union, both for reasons of ideology and in order to cope with successive waves of biological and social orphans, the practice of institutionalization came to play an important role. Institutional solutions were aimed at children deprived of parental care, children with disabilities, children of war invalids and single mothers, as well as children whose parents were absent owing to job demands, children in unhealthy living conditions, and more generally, children of parents who were deemed unable/unfit to take care of them. Institutions were assumed to be the best way to bring up and educate children, far superior to a family environment, and they were systematically promoted as such, not only for children deprived of parental care, but for other children, too. Hence, institutions admitted children from regular families as well as at-risk children. Generations of pedagogues, teachers, physicians and other professionals working with children were educated to regard institutions as indispensable to good “social” upbringing and education.

The system gave rise to a broad typology of institutions: (i) infant homes for very young children, both with and without parents; (ii) children’s homes and boarding schools of various types for children up to 18, mainly ones deprived of parental care, although they would also admit other children on a temporary basis, for instance because of difficult family circumstances; (iii) special education boarding schools for children with disabilities; (iv) special homes (internats) for children with severe disabilities; (v) general education boarding schools for gifted children, children from families in “difficult circumstances”, etc.; and (vi) special corrective closed institutions for delinquent children. In Russia, for instance, these have largely remained intact through the collapse of the Soviet Union and despite increasing public awareness and discussion about the disadvantages of institutionalizing children (World Bank 2002c).

In Armenia, the situation is different: the collapse of the old regime led to the disintegration of the orderly structure of institutionalization—while facilities persist, distinctions have eroded and it is possible to find all kinds of children in any facility—a boarding school may house regular children, orphans, disabled, and vice versa for an internat. Likewise, the debate on institutionalization and de-institutionalization reached Armenia relatively late—only in the late 1990s has public discourse turned to questioning the meaningfulness of institutionalization—in part driven by informed individuals in the government and in the non-governmental sector, in part simply as a result of the disorder of the system and lack of financial resources. Only in 1997 did the Government of Armenia introduce strategic orientations
regarding reform of child welfare institutions, but even at that stage de-institutionalization was not signaled as an explicit objective. A new initiative this year—a commendable forward-looking national program of actions for the protection of children's rights, covering the next ten years—addresses children's issues on a broad front. However, although it has "preventing placement of children in boarding schools and assuring their return to the family" as one of its objectives, it essentially does not raise de-institutionalization as an explicit objective, neither it specifies measures to be taken to "prevent placement of children in boarding schools and assure their return to the family".

**Reasons for institutionalization.** A number of factors have led to the increase in institutionalization in Armenia:

a) *Tradition.* In the former Soviet Union, institutions were assumed to be the best way to bring up and educate children, superior to a family environment, and they were promoted as such for all children. Only in the late 1980s did institutionalization, its costs, ineffectiveness and detrimental impact on children become part of the public policy debate, but it is only recently that concern about institutionalization has become a focus of government policy in Armenia.

b) *Poverty.* With over half of the population in poverty, the placement of children in institutions where they are housed, fed and educated for free has become an attractive alternative to raising children at home. This is not only limited to placing children in residential care, but a large number of families enroll their children in residential institutions on a day-school basis. It is estimated that of the 12,000 children that frequent residential institutions, some two thirds do so on a day school basis.

c) *Family dysfunction.* The economic difficulties that families have been facing have translated into further difficulties in the family, such as conflict, criminality, alcoholism and psychological and physical illness. While family dysfunction and asocial behavior may have been less pervasive in Armenia because of strong family and kinship structures, it is still an important correlate of poverty, which drives the rise in the number of Armenian children in institutional care.

d) *Attitudes towards disability.* Disability continues to be stigmatized by society, and families prefer to keep their disabled children out of sight, preferably placing them in institutions.

e) *Systemic problems.* (i) *An inadequate safety net.* Vulnerability increased dramatically with economic hardship, and at the same time the Soviet system of extensive social support collapsed. Whatever remained of the safety net, including the reformed targeted cash social assistance, although significant, was insufficient to cope with the overwhelming numbers of poor people. Moreover, preventive social work and care services have remained absent. For many families, institutionalization became an only alternative for safeguarding their children's future. (ii) *National policy.* A comprehensive national child welfare strategy with de-institutionalization and promotion of family-based and community care as an explicit objective has been absent. This has been reflected in inadequate operational guidelines and decision-making procedures with non-existent case management practice; absence of clear lines of accountability and monitoring, including the absence of regular reviews of
residential institutions; and insufficient focus on promoting, developing and supporting family-type substitute care arrangements and introducing community based social work and care services. (iii) Inadequate financial resources. Inadequate financial resources in the face of much need have severely hampered any actions towards systemic improvement.

Types of institutions. In Armenia, there are currently the following types of residential institutions for children at risk: (a) homes for children deprived of birth parental care due to biological or social reasons (termination or restriction of parental rights, parental illness, imprisonment, etc.). School age children from such institutions attend nearby schools. It is estimated that there are about 1,000 such children permanently in institutions; (b) internats for children with severe disabilities; (c) institutions for “unruly” children; (d) special education boarding schools for children with mental and physical disabilities; approximately 4,000 children with disabilities attend such schools; and (d) general education boarding schools have some 7,000 children; most of which stay there only during the day.

There are 55 such institutions. Orphanages (eight public and three private ones are overseen by the Ministry of Social Security (with the exception of one orphanage, which is overseen by the Ministry of Education), ten kindergartens for children with disabilities are the responsibility of the Ministry of Education, 39 special and general education boarding schools are the direct responsibility of the marz (regional) education departments, one institution, a center for assessing children in conflict with the law, is under the Ministry of Interior. Distinctions between the institutions are blurred, as a mix of different categories of children can be found in any residential institution: in many instances institutions may present a blend of orphans, children placed by their parents and children with disabilities: for instance, biological orphans constitute a minority of children in orphanages. Differentiation between institutions therefore is not particularly meaningful. Except for biological orphans, little information is available on reasons for placement in residential institutions. Limited surveys indicate that reasons mainly are poverty-related and reflect the increasing costs of raising a child and inability of the family to take care of children for various reasons—poverty is one of them, although not all poor families put their children into institutions.

The treatment of so-called socially vulnerable children may be the source of at least some of the confusion. It is estimated that they may constitute between 20 and 80 percent of children in an institution, and they can be found in some 60 percent of residential institutions. Mainly, they appear to be placed together with children who have mental deficiencies, and are visually and speech impaired. There is currently no precise definition of socially vulnerable children, but the majority appear to be orphans, children from extremely poor families, single-parent households, or from families who are incapable of providing adequate care for reasons of sickness, work, mental disorder, immoral conduct, etc. However, such criteria apply to many children with disabilities, most children in orphanages, street children, beggars and juveniles in

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20 The number of children with disabilities in Armenia is unknown. There are approximately 8,000 children up to 16 years of age certified as “child invalids” for the purpose of receiving the social pension. They may not necessarily overlap with children placed in special boarding schools, because the placement is decided on by a separate system. It is unknown to what extent the two cohorts overlap. In any case, anecdotal evidence suggest much higher number of children with disabilities than 8,000.

21 The data are estimates gathered from interviewed government officials.
conflict with the law, as well as many children who are turned away. Social vulnerability is a vague diagnosis—it lumps together children with vastly different social and psychological needs and provides no guidance on how to deal with them. To the extent that such children end up in institutions for the mentally disabled, which offer only a special education syllabus for children with mental disability, their development will be seriously hampered by lack of educational opportunities, as they only can participate in a syllabus that teaches fourth grade level knowledge and skills over an eight-year period.

**Admission into institutions.** While the overall responsibility for admission into and operation of institutions is assigned to the three central ministries and the marzes, entry into residential care in principle occurs through one of three commissions, who have gate-keeping functions in deciding on eligibility of children for placement because they may have learning difficulties, be abandoned or orphaned, delinquent, or come from poor or dysfunctional families that are unable to take care of their children:

a) **Medical, Pedagogical and Psychological Commissions** operate at the Marz level, and determine learning disability and placement in special education facilities, usually residential ones. Guidelines for assessing suitability for residential placement appear uncertain and seem to vary from commission to commission. In some instances, commission members even seem to be uncertain about what criteria apply to determine institutionalization.

A separate system of commissions assesses eligibility for disability pensions, including for children. Different criteria are used by these commissions to determine disability, both with regard to the medical commissions, and between each other. The unfortunate result may be extensive horizontal inefficiency\(^2\) and many de facto eligible children being left without a pension. This may be especially unfortunate, since families with disabled children are more likely to be poor than many other families.

b) **Commissions on Adoption, Guardianship and Trusteeship** operate at regional (marz) and local government (hamayk) levels. In some instances, they decide on placement of orphans, including in orphanages. In other instances, mayors and councils of elders decide on placement. Again, there appears to be little structure for decision-making.

c) **Commission for Minors.** The Commission for Minors reports to the Ministry of Interior and is usually represented by a local policeman who makes decisions on children who are committing crimes or who are ‘delinquent’—child prostitutes, street children and beggars. The majority of these children ends up either in the children’s prison run by the Ministry of Interior or may go to one of the few institutions specialized on street children. Often, the need to find quick solutions may lead to children being improperly referred.

Placement appears to lack strict guidelines, and while institutions collaborate with authorities when children are referred, there are considerable differences in practice between local referral procedures, and some admissions fall completely outside the referral system. Normally documentation is required for admission into a residential institution, and the characteristics (problem) of the child are supposed to correspond to the function of the

\(^{22}\) That is benefits do not go to those who deserve them.
institution. Practice often seems to be different: in many cases the admissions process is an unregulated, informal process that is managed by the directors of the residential institutions. Often, children are accepted upon the application of the parents, without any other formal procedure. Increasingly, admissions are based on family poverty.

Most institutions for disabled children have an in-house admissions committee that usually consists of the director and one representative of each rehabilitation profession working in the institution. The committee assesses a child before acceptance, but standard assessment tools are rarely used. Instead, weight is given to the primary medical diagnoses provided by polyclinics, or to rough educational and social diagnoses provided by the referring authorities, including the medical, pedagogical and psychological commissions. Only a small percentage (about 10 percent) of assessments are undertaken by external professional assessment teams. This reflects the fact that there are only four qualified assessment teams in the country; under the circumstances, professional assessment cannot be insisted on, and moreover, the teams are rarely sought out by families seeking placement of their children. In the absence of professional assessment, rehabilitation programs are not tailored to the requirements of the individual child, nor does the admitting institution have any solid technical basis on which to decide when the goals of rehabilitation have been reached and children can be discharged. As a result, there is risk that the majority of institutionalized children spend their remaining childhood years there, once they have been accepted. A child’s chances of discharge at any time are, moreover, jeopardized by the difficult social and economic condition of many families.

Costs of institutionalization. Residential care institutions for children are funded by the state budget though the budgets of the respective in-line ministries. The allocations are largely insufficient to meet basic operating needs of institutions. Resources are currently limited to the payment of salaries and procurement of food. In most cases, funds are provided with significant delays—salary arrears range from two to eight months, and most institutions buy food on credit. Mostly, building maintenance, furniture and equipment, clothes and medical supplies, and materials have not been provided for some time, and institutions are in bad physical shape, in some instances barely fit for human habitation.

Not much is actually known about actual budget management in institutions—data on budget allocations and actual expenditures that would allow good analysis, is not collected. Informal discussions with directors of institutions indicate that a minimum of four dollars per student per day would allow institutions to adequately meet at least the wage bill, and food and basic materials requirements. This adds up to 9.5 billion dram per year ($17.3 million), or 0.8 percent of GDP. Similarly, the Ministry of Social Security estimates monthly cost per child in institutions under its supervision at 50,000 dram. If this were the cost per each institutionalized child, then the total cost would amount to about 0.6 percent of GDP (Table 6). The lowest estimate presented in Table 6 based on the assumption that there were 7,000 employees in residential and boarding institutions for children earning 15,000 dram per month on average and that the labor cost was one third of the total cost, is 3.78 billion dram, or 0.32 percent of GDP (45,000 dram per month per child—about US$ 80). Even the lowest estimate indicates how costly (and unaffordable) the institutionalization in Armenia is. In comparison, the total allocation towards the family poverty benefit in 2002 is 14.8 billion dram, assisting 150,000
families with about 600,000 members. Furthermore, the average wage in Armenia in 2001 was US$ 46.

The institutional environment. The chronic shortages of financial resources have resulted in deteriorating and under-equipped facilities and uncertain service provision, with institutions increasingly dependent on external donors and humanitarian aid. Most institutions display an impressive ability to counteract the lack of basic supplies by rationing available foodstuff and other resources, organizing donations through personal friends, finding private donors and approaching international agencies for contributions. They promote self-help initiatives among the staff, particularly with regard to the maintenance of equipment, furniture and buildings. However, when such resources are exhausted, the institutions face acute shortcomings. In such instances, it is mostly foreign and international NGOs and UN agencies that have prevented serious emergency situations to arise in the institutions.

The ratio of staff to students varies, but mostly appears to be at or around one staff member per two children, which should be sufficient when measured by the children’s needs for care and education. Surveys of residential institutions generally find a dedicated management and staff, and at the same time a lack of training and specialized skills. There appears to be widespread awareness among staff of the special care and protection needs that children in institutions have, due to the separation from their families as well as the specific stress factors that accompany disability and severe social and economic family problems. They try to respond sensitively to the children’s psychological needs, but are handicapped by the need for training and the shortage of specialized staff—social workers as well as therapists. All staff needs upgrading of professional knowledge and skills through training, as there have been no systematic training programs for many years, except for occasional courses provided by UNICEF and international NGOs. Still, a recent UNICEF survey (José Salem-Pickartz et al., 2000) indicates that staff is committed to their work and care for the children. They recognize their responsibility not to abandon them, even in the face of low salaries often paid with significant arrears.

Technical support is only provided by the Special Education Department of the Ministry of Education, and teachers participate in the Ministry’s general teachers’ improvement program. Collaboration with the public psychological services and health services is in some cases good, yet the quantity of the provided services is insufficient. Although the majority of institutions are under local authority, there does not appear to be any regular mode of supervision of residential institutions.

The case against institutionalization. In Armenia, as in other Eastern European countries, children living in institutions are among the most vulnerable: the negative effects of institutionalization on child development are well known, and many children living in institutions suffer mental and/or physical disabilities as a result of being institutionalized for many years. These children grow up separately from mainstream society in partial or full isolation from their families and communities and once they are adults find it difficult to fully integrate into mainstream society. In some instances, they remain institutionalized their entire lives.
With the declining level of services, including education, in residential institutions, as well as the stigma of being an institutionalized child, children from institutions are less likely to have equal opportunity in adult life than children who attend general schools. The current trend is creating an underclass of children, who are marked by poverty, stigmatization, lack of proper care and education, and who are likely to lack opportunity as adults. While unemployment is high among all young people in Armenia, children exiting from institutions find it particularly difficult to procure a job—they come from families that have access to neither community ties or cash, two elements that are considered essential in finding a job in Armenia.

At the same time, institutionalization is the least efficient way to address problems of children at risk. It is costly—a recent estimate for Russia sets the cost of institutionalizing a child at three times higher than local and family-based alternatives—not counting the damaging effects on the overall development of the child (World Bank, 2002c). Experience from developed countries confirms that the best programs are family and community-based. In the case of vulnerable children, such programs include family-based substitute care arrangements (adoption, placement with relatives, non-kinship guardian/trustee/foster care), community-based group homes, and programs aimed at integrating at-risk individuals into the community. So far, family and community-based programs have been few in Armenia. They are largely limited to adoption and kinship care, as well as selected pilot programs run in collaboration with international donors. They should be the unique focus in the future for caring for children at risk—experience with family and community-based programs indicate not only their superiority over institutions, but also their affordability. In an environment of very scarce resources, which is that of Armenia, there is no question that the resources that are currently allocated to institutions would be much better spent, and serve more adequately, in an environment of family and community care.

**Government policy on institutionalization.** Although Armenia ratified the Convention on the Rights of the Child in 1992 and passed the Law of the Republic of Armenia on the Rights of the Child in 1996, a high degree of unfamiliarity with the law prevails in official State bodies, institutions and among the general population, and a comprehensive and efficient implementation mechanism for these laws has not yet been created. With regards to securing the rights of children with special protection needs, including children with disabilities, children separated from their parents or with one parent only, children in conflict with the law, street children, working children and refugee children, the following initiatives have been put into place:

(A) In 1997, the Ministry of Education issued a reform strategy paper targeting residential institutions in the education network of the Republic of Armenia. The strategy paper was developed on the basis of the following guidelines:

(a) Organization of the child’s education without isolating him/her from the family, and the responsibility of society to ensure the child’s natural development,

(b) Equal rights of all children to choose their institution of education and to study the state compulsory curriculum,

(c) Equal rights of all children to have access to special education, health care, psychological care, social and other services, independent of the type of educational institution they might choose, and
(d) Consequent adjustment of the residential institutions by improving their financial and management mechanisms; development of more adequate entrance guidelines, and decentralization of the schools’ services.

(B) The same year, a Special Education System Improvement Plan was issued, which included in particular the following provisions:

(a) Creation of a legislative basis and regulations for Special Education,
(b) Reactivation of the Medico-Psychological-Pedagogical Commissions,
(c) Improvement of the diagnostic and admission system,
(d) Modernization of Special Education methodology and teaching resources,
(e) Qualification of professional educators and training of teachers,
(f) Development of individualized educational plans for all children with Special Educational Needs,
(g) Creation of social services for children with Special Education Needs and their families, and
(h) Promotion of a positive public attitude towards them.

In 1997-1998, the Ministry of Social Security coordinated a working group to study the situation of street children in Armenia, and support the development of legislation to support family-based alternative care system.

The Government has recently drafted a broad national program of actions for the protection of children’s rights. The program, which covers the period 2002 to 2012, sets the agenda for child-focused strategies in the areas of health, education and social protection. It correctly identifies the main concerns in these areas and calls for development of strategies and action plans to deal with the identified issues—improving maternal and child health trends, strengthening the quality of education, with a particular focus on enhancing the opportunities of poor children, and in social protection focusing on addressing emerging issues of children deprived of parental care and outside the home, as well as the particular demands of increasing numbers of children in need of special care.

The Government initiatives so far have not brought about results on the ground, except for a few pilot exercises that have been undertaken in collaboration with UNICEF and international NGOs, i.e. no substantial improvement in service provision has occurred over the last few years. This does not necessarily reflect a lack of goodwill on the part of the Government, but rather the severe and chronic lack of public resources that have hampered action on either improving or transforming institutions, or reducing the inflow into them. The new national program promises to bring a new dynamic to child welfare in Armenia, and it can be expected that it will serve as an important and useful springboard for launching well-targeted and well-designed initiatives in a coherent manner.

Family and community reintegration. In many instances, residential institutions make efforts to facilitate contacts between the children and their families, as well as the wider community. Some institutions have initiated an open-door policy and allow the children to socialize freely with the community. Others have parents’ committees that invite parents to social events and information sessions on subjects related to handling their disabled children.
Possibilities for actual reintegration of children into their families depend on the socio-economic status of families, parents' behavior and parenting skills, and parents' social status in their extended family and community. For children born to unmarried mothers, conservative traditions of Armenian society make it nearly impossible for the children to return to their families.

Some institutions have an active strategy of promoting the integration of children with disabilities into regular schools. They offer preparatory classes or inclusive preschool education, which enable socially vulnerable children with developmental delay to "normalize" and then shift to regular schools; and periodic assessments of the educational and rehabilitation progress of students during the year aiming at transfer. Either strategy is usually dependent on the institution's assessment of the social, psychological and economic situation of the children's families. Still, the majority of institutions see their contribution to integration of the child as primarily the provision of an education and vocational training in the institution that will enable the child to earn a living after discharge.

While many institutions support the principle of de-institutionalization, they also express reservations—about the ability of parents to financially cope with a returning child, about community attitudes towards returning children with special needs, and about the preparedness of the regular education system, and of parents and the child themselves to deal with the issue of special needs. Currently, the apparent non-existence of de-institutionalization or reintegration programs beyond occasional initiatives at the level of an individual institution, would seem to speak against the likelihood of rapid de-institutionalization, as would the absence of staff with the competence to conduct thorough assessments of the families' social and economic resources that would offer the kind of guidance about the social-psychological support many parents might need.

From institutionalization to family-based care. The care of children at risk in Armenia—poor, socially vulnerable, unruly, disabled, orphans—has to changed, if the objective of successfully blending them into mainstream society is to be achieved. First and foremost, it requires the introduction of strategies that will reverse the trend towards institutionalization in favor of family-based care. Institutionalization reduces opportunity, and it is too costly. Change will require a series of initiatives that will gradually reduce the role of institutions to a minimum necessary for extreme cases of vulnerability which cannot be handled in a family or community setting, and replace institutions by family and community-based care. Recognizing that management and operations of institutions may be several times costlier than a good system of family-based care, resources released from a transformation of the current institutional system should allow for an effective and efficient family-based system to operate well, and in fact reduce real expenditures over time as children at risk increasingly remain in the home.

An initiative that aims at family-based care would include the following general actions:

1. The Government will have to make de-institutionalization and family-based care an explicit public policy objective and part of the government program;
2. It will have to elaborate a strategy to move towards family-based care. That strategy will have to address the following issues:

a. It will have to map the current situation, i.e. create a baseline of information on target groups (needs and risk and vulnerability assessment), existing institutions (public and private) operating in the area of family support and child care, and available resources—human and financial; as well as assess current skills of the human resource base. It will also have to create a database on children currently placed in residential and boarding institutions;

b. It will have to draw up the parameters of a family care-based system: governance and institutional structures, skill requirements, training needs, and costs and sources of financing for investments as well as recurrent expenditures. In doing so, it should (i) draw on experiences from any ongoing pilot schemes, and (ii) develop its own pilot schemes;

c. It will have to introduce measures that discourage the inflow and encourage the outflow of children from current institutions. Measures that discourage inflow of children into institutions and guide them towards family-based care should involve:

(1) A reform of the procedures for assessing at-risk children with disabilities, involving the upgrading of current commissions through the introduction of new guidelines and protocols, and explicit criteria for staffing them with professionals trained in modern assessment methods and techniques. The commissions should be accountable for their work, and a capacity for continuous monitoring and periodic evaluation of their work should be introduced, as well as a neutral appeals process. The primary function of an assessment committee should not be to assess for institutionalization, but for the most appropriate case management option. Children with disabilities should be mainstreamed into regular education and into their communities. Institutionalization should be seen as recourse of last resort. Children should be admitted into the appropriate institution only based on an assessment by a commission; exceptions would only arise through the appeals process.

(2) A reform of the admissions process of children at risk into institutions: in all instances (disabled children and other at-risk children) it should be based on the recommendations of commissions, who make the determination about institutionalization as a last resort; there should be no other alternative routes into institutionalized care. In the particular instances of children deprived of parental care—either biological or social orphans, determination of commissions should be focused on adoption, guardianship arrangements, or other family-type situations. Only in cases where such arrangements are not feasible, should institutionalization be considered, and even then only on a temporary basis;
Introduction and development of preventive social work and care services to families and children at risk aimed at strengthening the capacity of the family to take care of its children. Gradually a menu of services—from psycho-social support and counseling, legal counseling, etc., to dysfunctional families to rehabilitation services and respite care for children with disabilities—should be introduced. A coordination between different service providers: health, education, social work and care services, social assistance, etc., and different stakeholders (government, NGOs, parents), so as to provide for a functioning range of services should be re-instated and developed.

d. Measures that encourage outflow of children from institutions should involve:

1. Introduction of a mandatory annual review of placements, starting with a review of all current placements, aiming at assessing the potential for returning children to their families (in case of children residing in institutions), or transferring them to regular schools in case of children who only attending boarding schools;

2. Introduction of a reintegration process, in part drawing on the experience of residential institutions that already are attempting it, in part drawing on national and international expertise. The relevance and quality of services (care, education, family/community outreach) provided by residential institutions should be assessed from the perspective of such strategies, and transformation plans for each institution drawn up—including changes in programs (transformation into family support centers, rehabilitation centers, day care centers, etc.), program management, staff training needs, specialized staffing needs. In view of the shortages of specialized technical staff, local and national twinning arrangements between institutions should form part of their normal operating procedures in order to maximize use of scarce expertise. Appropriate reporting should be introduced in transformed institutions, and regular monitoring/supervision of their activities by competent authorities. Initially, a modest supervisory capacity might be located in a central administration, possibly drawing on the expertise in central ministries;

3. Reporting requirements of institutions should be designed to feed into a national information system on the care of children at risk. The current information base is inadequate for judging performance, or for policy analysis and policy making. Monitoring indicators and evaluation criteria should be developed that allow authorities at all levels of the system to continuously monitor and periodically assess system performance—of institutions, managers and staff, of policies and programs, and of their effects on the families and children at risk.

4. To create a more receptive environment for care in outside institutions—in families and in community-based services—promotion of family based care and substitute care through better information, including public
information targeted at families and communities; and through outreach support to families, possibly drawing on human resources in residential institutions as well as local authorities—teachers, community social workers, etc.; identification and registration of children at risk by local authorities.

(5) That should be accompanied by public information and education programs aimed at shaping attitudes about children in institutions, children with disabilities and children at risk more generally, and at development, promotion, and support for family placement alternatives more generally.

e. The support of international donors and NGOs should be solicited to engage in pilot programs aimed at community and outreach services targeted at children at risk. These should be carefully monitored and assessed with regard to outcomes on child welfare and with regard to affordability (i.e. recurrent cost implications), with the longer term objective of increasingly emphasizing such care approaches in dealing with children at risk, and reducing dependence on more expensive institutional care. In such longer term transformation, the possibility should be kept in mind of increasingly involving, transferring and integrating institutional staff in community level approaches.

f. As new programs start to be applied, advantage should be taken of experiences by means of systematic dissemination of positive experiences, through national and regional conferences, workshops, seminars, newsletters, publications, etc.

7. SUMMARY OF MAJOR RECOMMENDATIONS AIMED AT IMPROVING CHILDREN’S WELL-BEING

Poverty reduction

- Provide employment opportunities, through creating an environment conducive to private sector development. By gainfully participating in the labor market, parents will be able to adequately provide for their children. And not only that. The youth will be able to contribute to their birth families welfare and/or form their own families.

Health care and nutrition

- Give priority to strategies that improve access for the poor to health care, especially preventive and primary care services. In doing so, pay particular attention to:
  o antenatal and postnatal care,
  o reducing high risk behaviors among women—the rising number of unattended births that take place in the home, and birthing by mothers who are too young or too old,
  o focus on female morbidity, especially the occurrence of anemia among women of child-bearing age,
  o eliminate micronutrients deficiency.
Education

- Give priority to strategies that maintain access to general education for poor people, and introduce mechanisms that will provide feedback on the efficiency of education:
  - Make pre-school education accessible to poor children;
  - Support poor families with benefits in cash and kind that promote children’s school attendance; consider introduction of conditional transfers to children currently not enrolled/attending school;
  - Develop an information system that allows monitoring student progress and performance through the education system,
  - Undertake tracer studies to monitor labor market outcomes for exiting students,
  - Participate in international comparative education to measure relative performance of Armenian education.

Social protection

* Poverty family benefit

- Give priority to the poverty family benefit, which is successful in alleviating poverty among the extremely poor. In doing so:
  - Maintain efforts to continuously improve the targeting mechanism; monitor the adequacy of the benefit amount,
  - Continue efforts to improve the benefit administration, through training of the benefit administrators, improved eligibility testing procedures, strengthening the role of the local authorities and communities in benefit delivery, etc.,
  - Evaluate regularly the poverty benefit impact.

* Institutionalization

- Give priority to de-institutionalization and family-based care; view institutionalization as a recourse of last resort. In doing so:
  - Map the current situation, i.e. creating a baseline of information on needs, current resources and ongoing child care initiatives; and draw up the parameters of a family care-based system;
  - Introduce measures that discourage the inflow and encourage the outflow of children from current institutions. Measures that discourage inflow of children into institutions and guide them towards family-based care should focus on the gate-keeping function and involve:
    - Reforming procedures for assessing and placing at-risk children, with a focus on changing the primary function of gate-keeping from referral to institutions to one of case management that aims at finding the optimal care situation for the child. Institutionalization should be a recourse of last resort
    - Reform the admissions process into institutions: in all instances should it be based on the recommendations of assessing bodies that make the determination about institutionalization as a last resort measure;
    - Introduce preventive social work and care services to families and children at risk.
o Measures that encourage outflow of children from institutions should involve:
  \- introduction of a reintegration process, in part drawing on the experience of residential institutions that already are attempting it, in part drawing on national and international expertise.
  \- active promotion of family-based care in order to create a more receptive environment for care outside institutions;
  \- public information and education programs aimed at shaping attitudes about children in institutions, children with disabilities and children at risk.
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ANNEX 2:
REPUBLIC OF ARMENIA
A DRAFT NATIONAL PROGRAM OF ACTIONS FOR PROTECTION OF CHILDREN’S RIGHTS: 2002-2012

A list of the program goals

The Draft National Program of Actions for Protection of Children’s Rights was prepared by a commission, comprising representatives of various government agencies, as well as representatives of the NGOs active in the field of child rights and child welfare. The Program sets the goals, some of which can be related to the Millennium Development Goals. This Annex provides a list of goals as they are set in the Draft Program.

I. Legislative framework

Joining international conventions related to children’s rights
Establishment of a juvenile justice system
Further improvement of the Legislation of the Republic of Armenia in terms of children’s rights.

II. Health care

Reduction in the infant mortality rate by one fourth: it should not be higher than 12 per thousand live births
Reduction in the maternal mortality rate: it should not be higher than 15 per hundred thousand deliveries
Reduction in the number of under-weight newborns by 3 times: it should not be higher than 7 percent
Ensuring breast-feeding of at least 65 percent of children up to the age of 4 months
Assuring at least 90 percent coverage of vaccination programs; elimination of poliomyelitis by 2003; elimination of local cases of diphtheria by 2007; and elimination of rubella in 2010
Assuring involvement of 75 percent of disabled children in individual rehabilitation programs
Reinforcement of collaboration between public and private sectors for elimination of iodine deficiency - in 2005; and vitamin A and iron deficiency and related anemia in 2010.

III. Social security

Stabilization and further improvements in the situation of children
Further creation of preconditions for child survival
Overcoming the negative tendencies in the children’s social conduct during transition
Protection of children in difficult circumstances
Full realization of the children’s right to physical, mental, moral, intellectual and social development in accordance with the norms of the Constitution of the Republic of Armenia and with its international obligations
Reinforcement of the children’s legal protection—conformation of the relevant legislation of the Republic of Armenia to the Revised European Charter and other international treaties.

IV. Education

Assuring maximum involvement of school-age children in educational institutions
Establishment of necessary conditions for effective activities of general education institutions.
Reforming contents of education so as to meet requirements of civil society and market economy
Preventing placement of children in boarding schools and assuring their return to the family.
Improving the quality of preschool education and care.
Developing a system fully meeting educational requirements of children.

V. Leisure and extracurricular activities

Free access to programs in musical, fine arts and arts schools
Preservation of the present network of educational institutions, improvement of material resources
Taking actions to ensure interesting pastime activities for children
Elaboration of teaching and educational programs for children on radio and television
Preservation of the present network of children’s libraries, replenishment of the libraries’ stock, introduction of up-to-date information technology and resources (Internet)
Development of fiction literature, children’s press
Development of children’s films production
Adoption of the Concept for physical education of children and youth
Establishment of a database of gifted and talented children
Supporting gifted and talented children for their continued education
Organization of republican and international musical, fine arts and arts festivals and exhibitions.
Involvement of disabled children in cultural and sports activities
Involvement of parentless and vagrant children in cultural, sports and educational programs
Teaching professions in the field of culture and arts in special institutions for delinquent juveniles
Creation of necessary conditions for the children’s summer holidays.