## *Tools are being used in Armenia to estimate the impact of policy reform*

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## The Integrated Living Conditions Survey

- The Integrated Living Conditions Survey (ILCS) is one of the main tools, that NSS RA is using to estimate the impact of policy reform. ILCS is conducting annually by the NSS RA and forming the basis for most of the empirical analyses in the statistical analytical report entitled "Social Snapshot and Poverty in Armenia".
- ILCS comprises comprehensive and valuable data on the welfare of households and separate individuals which affords the NSS an opportunity to provide the public with up to date information on the population's income, expenditures, the level of poverty and the other changes in living standards on an annual basis.

## Introduction: Measuring poverty and inequality in Armenia

- NSS RA measures poverty by different approaches:
  absolute (basic approach),
  Multidimensional Poverty,
  Internationally Comparable Poverty Rates by PPP of US dollar,
  subjective poverty,
  relative poverty,
  Multiple Overlapping Deprivation Analysis (MODA) ,
  Social exclusions.
- Armenian household survey data inform about the trends and patterns of inequality and are useful to design policies. NSSRA measures inequality, using Gini coefficient by consumption and by income.

## Analytics: Looking behind the numbers and describing patterns of poverty and inequality

- There are multiple dimensions of inequality: between households, within households, between regions and across regions.
- Poverty map uses information from the census and the household ILCS to show differences in living conditions – including poverty and other characteristics (education) - across regions.
- Labor market profiles show endowment of individuals and explain why some households lack behind whereas others continue to grow – which often explains trends in inequality.

## Analytics: Looking behind the numbers and describing patterns of poverty and inequality

**Armenia: Consumption Growth Curve, 2008-2015**

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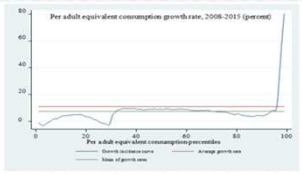
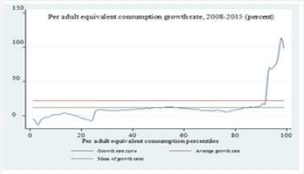
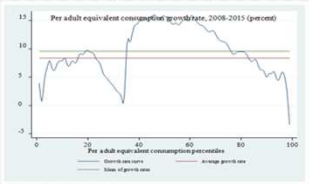


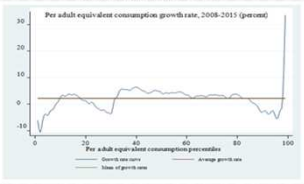
Armenia: Consumption Growth Curve in Yerevan, 2008-2015



Armenia: Consumption Growth Curve in Other Urban Communities, 2008-2015



Armenia: Consumption Growth Curve in Rural Communities, 2008-2015



**Source:** *ILCS 2008-2015*

## Examples: Using welfare analytics for evidence-based policies

- Fiscal incidence analysis illustrates how taxes and transfers in a country support poverty reduction and closes gaps between households in the country. The results of this analysis "The distributional Impact of taxes and transfers: Evidence from Eight Developing Countries" was recently published by WB (2017, 24 August).
- One of eight developing countries, presented in analysis, was Armenia. In case of Armenia findings from the analysis helped to design the tax code in 2016 which in the end also promoted the idea of equity and social sustainability.

## Examples: Using welfare analytics for evidence-based policies

- ***Social transfers impact on poverty reduction.*** The impact of social protection programs on poverty in the country is assessed by NSS RA since 2004 through the Integrated Living Conditions Survey. Although expenditures on social transfers from the consolidated budget increase every year, they still remain at a rather limited level as a share of GDP (7.8% in 2015).
- Nonetheless, social transfers considerably contribute to the reduction of poverty. If payments of social transfers were to be terminated and households were not able to compensate for this loss from other sources, poverty rate would significantly increase for the whole population.

## Examples: Using welfare analytics for evidence-based policies

Implications of Social Transfers on Poverty Mitigation, 2015(%)

| | Poor | | | Extremely Poor | | |
|---|---|---|---|---|---|---|
| | Poverty Level | Poverty Gap | Poverty Severity | Poverty Level | Poverty Gap | Poverty Severity |
| Post-transfer level (post-pension and post-social assistance) | 29.8 | 4.7 | 1.3 | 2.0 | 0.2 | 0.0 |
| Pre-transfer level (pre-pension and pre-social assistance) | 43.7 | 17.6 | 11.3 | 18.2 | 8.5 | 7.6 |
| Before payment of pensions (pre-pension and post-social assistance) | 41.9 | 15.5 | 9.3 | 15.3 | 6.7 | 5.7 |
| Prior to total social assistance payments (pre-FB and other social assistance, post-pension) | 31.3 | 6.4 | 2.3 | 4.3 | 0.9 | 0.3 |
| Prior to FB payment (pre-FB, post-pension and other social assistance) | 31.1 | 6.3 | 2.2 | 4.2 | 0.9 | 0.3 |

## Examples: Using welfare analytics for evidence-based policies

In comparison with monetary social assistance, pensions, as a larger component of social transfers, have more significant impact on poverty reduction. However, the role of monetary social assistance, and particularly that of the family benefit, should not be diminished as well. Although the limited coverage of the family benefit system, it has rather good targeting since 77% of all beneficiaries receiving 76% of funds allocated to the program belong to the two bottom consumption quintiles. Notwithstanding the positive performance in terms of the coverage of the family benefit system, there is still a need for further improvement of program targeting, since some 47% of the poorest 20% of the population is not covered by monetary assistance programs.

## Examples: Using welfare analytics for evidence-based policies

Distribution of Family Benefit and Other Social Assistance Recipients and Paid Amounts by "Pre-FB" Consumption Quintiles, 2015 (%)

| | Quintiles | | | | |
|---|---|---|---|---|---|
| | **Lower** | **2nd** | **3rd** | **4th** | **Higher** |
| ***Family Benefit*** | | | | | |
| Beneficiaries | 56.1 | 21.3 | 10.9 | 7.1 | 4.6 |
| Amounts | 52.9 | 22.8 | 11.2 | 7.5 | 5.6 |
| ***Social assistance (including FB)*** | | | | | |
| Beneficiaries | 24.4 | 21.7 | 19.1 | 17.1 | 17.7 |
| Amounts | 48.7 | 22.6 | 12.0 | 8.6 | 8.1 |