

FROM POVERTY TO PROSPERITY

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The implementation of a consistent and targeted policy directed to the increase in the standard of living of the population requires a quantitative evaluation of the results of the reforms implemented in various fields.

The paper conducts a comparative analysis of the trends of the key components of the standard of living and prosperity of Armenia, Azerbaijan and Georgia. Armenia has managed to take a progressive position in relation to neighboring countries, mainly due to normative and legal regulations, meanwhile there has been a decline in some components of human development, particularly in education. In this regard, it is important to adjust the priorities based on the quantitative assessment of the reforms and implement a consistent policy, which will allow qualitative changes in the primary sectors of public life and economic development.

Prosperity is built when leaders make choices to develop a society that works for everyone - a society that is inclusive and has a strong social contract that protects the fundamental liberties and security of every individual¹. The notion of prosperity has different definitions by different economists. Both poverty and prosperity have traditionally been measured in terms of money, however the predominant view in modern well-being research is that societal well-being is essentially a complex,

¹ Source: The 2023 Legatum Prosperity Index, The Legatum Institute, Sixteenth Edition, February 2023, p. 7, https://docs.prosperity.com/9616/7756/5038/The_2023_Legatum_Prosperty_Index_report.pdf



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multidimensional construct, including both objective and subjective indicators, and accordingly a comprehensive assessment of well-being must also capture both these aspects. In this context prosperity should be measured “beyond GDP” (as average income per person or GDP per capita) and cover both wealth and well-being². The idea of well-being is more than economic growth or even material wealth, hence GDP is insufficient to measure life satisfaction³.

Prosperity is created by both economic wealth and social well-being working together in a relationship where each benefits and advances the other. In a prosperous society people live life free from poverty, have access to effective healthcare and high-quality education, human rights are protected, institutions are subject to the rule of law, infrastructures, regulations and policies are used to foster employment, productivity, entrepreneurship, competition, innovation and sustainable economic growth⁴.

The multidimensional approach to human well-being and prosperity still needs to answer the question of which dimensions should be included in the conceptualization of well-being. One of the first attempts to measure material and social prosperity via multiple dimensions was made by the United Nations Development Program (UNDP), when it introduced the Human Development Index (HDI) in 1990. Thus, a number of alternative approaches to the measurement of prosperity and well-being at the national level have been developed in recent years, in order to capture additional relevant aspects of human well-being not included in the HDI⁵.

The Legatum Prosperity Index, first

launched in 2007 measures prosperity for 167 nations by using about 300 indicators, and combines them in 12 pillars: Safety and Security, Personal Freedom, Investment Environment, Enterprise Conditions, Living Conditions, Health, Governance, Social Capital, Infrastructure and Market Access, Economic Quality, Education and Natural Environment⁶. The HDI and Legatum Prosperity Index are closely related and reliable measures, but although they share approximately 75% of their variance, it has been argued that the Legatum Prosperity Index is a more holistic and comprehensive measure than the HDI⁷.

The Legatum Prosperity Index is a tool for transformation, offering a unique insight into how prosperity is forming and evolving across the world. The Index has been developed as a practical tool to help identify what specific action needs to be taken to contribute to strengthening the pathways from poverty to prosperity and provide a roadmap as nations encounter increasing economic and political shocks⁸. Legatum Institute approaches prosperity as an integrity of inclusive society, open economy and empowered people:

✓ **Inclusive Societies** (*Pillars: Safety & Security, Personal Freedom, Governance, Social Capital*) are an essential requirement for prosperity, where social and legal institutions protect the fundamental freedom of individuals, and their ability to flourish. Areas within this domain range from the relationship of citizen and state, to the degree to which violence permeates societal norms, to the interaction of freedom of different groups and individuals, to the way in

² Source: The Legatum Prosperity Index 2016, Methodology Report, Page 1, https://www.prosperity.com/application/files/1914/7819/5146/Legatum_Pro Prosperity_Index_Methodology_Report.pdf

³ Source: Aisling Irwin, Prosperity is about more than money. But what else should count? 19 September 2019, <https://ec.europa.eu/research-and-innovation/en/horizon-magazine/prosperity-about-more-money-what-else-should-count>

⁴ Source: The 2023 Legatum Prosperity Index, The Legatum Institute, Sixteenth Edition, February 2023, p. 7, https://docs.prosperity.com/9616/7756/5038/The_2023_Legatum_Pro Prosperity_Index_report.pdf

⁵ Source: Mohsen Joshanloo, Veljko Jovanović, Tim Taylor, A multidimensional understanding of prosperity and well-being at country level: Data-driven explorations, 2019, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6785080/>

⁶ Source: The 2023 Legatum Prosperity Index, The Legatum Institute, Sixteenth Edition, February 2023, p. 20, https://docs.prosperity.com/9616/7756/5038/The_2023_Legatum_Pro Prosperity_Index_report.pdf

⁷ Source: Aisling Irwin, Prosperity is about more than money. But what else should count? 19 September 2019, <https://ec.europa.eu/research-and-innovation/en/horizon-magazine/prosperity-about-more-money-what-else-should-count>

⁸ Source: The 2023 Legatum Prosperity Index, The Legatum Institute, Sixteenth Edition, February 2023, p. 11, https://docs.prosperity.com/9616/7756/5038/The_2023_Legatum_Pro Prosperity_Index_report.pdf

which individuals interact with one another, their communities, institutions, and nations⁹.

- ✓ **Open Economies** (Pillars: *Investment Environment, Enterprise Conditions, Infrastructure & Market Access, Economic quality*) encourage innovation and investment, promote business and trade, and facilitate inclusive growth. This domain captures the extent to which the economies of each country embody these ideas¹⁰.
- ✓ **Empowered People** (Pillars: *Living Conditions, Health, Education, Natural Environment*) captures the quality of people's lived experiences and the features present that enable individuals to reach their full potential through autonomy and self-determination. This domain starts with the necessary resources required for a basic level of well-being, ranging from levels of material resources, to adequate nutrition, to basic health and education outcomes, access, and quality, and to a safe and clean environment¹¹.

According to Legatum Prosperity Index 2023, the most of the pillars such as Health, Education and Living Conditions have improved across the world. However, these improvements are built on unsteady foundations. While the overall prosperity of the bottom 40 has improved somewhat, the countries have not improved as fast as the middle and top groups of countries. In other words, prosperity has diverged. For instance, the bottom 40 countries have seen major improvements in these sectors and the prosperity has grown in the bottom 40. However, it has grown slowly in the middle 87 countries and top 40 countries¹². The reasons of this divergence lie in structural factors, such as institutional and economic pillars. In this context one of Legatum Institute's findings is that the current focus

on poverty reduction, rather than prosperity building, has not created the foundations needed to build prosperity. As political institutions are not improving at the same rate as Health, Education and Living Conditions, these fields are converging in unsustainable ways, blocking the pathway to true prosperity. Hence, the progress achieved in people's lived experience is unsustainable without a reform in the institutions and economies¹³.

Armenia was ranked the 61st across 167 countries by Legatum Prosperity Index 2023 and went down by 2 places compared to the previous year. In comparison, neighboring Georgia was ranked the 53rd, while Azerbaijan was ranked the 92nd. The leader in Eastern Europe is Estonia that was ranked the 21st (Chart 1).

It should be noted that neighbor countries overpass Armenia by Open Economy domain, that means that, unfortunately, efforts in these directions are not enough to harness ideas and talent to create sustainable pathways out of poverty (Chart 2).

Economic weakness has been preventing Armenia from achieving higher levels of prosperity. Armenia is the last among neighbor countries by Economic Quality, which means that our economic fundamentals are not sound and stable enough to increase wealth (productivity and competitiveness) and promote social well-being. It is vital that the indicators of Fiscal sustainability, such as Government budget balance, Government debt, Country credit rating and Country risk premium have deteriorated compared to 2013. Moreover, during these 10 years the Economic complexity (-0.24) and Patent applications (35.38 applications/1.000.000 population) indicators have continuously declined. Furthermore, Labour Force Engagement continues to be a huge issue: indicators such as Labour force participation, Unemployment indicators

¹⁰ Source: The 2023 Legatum Prosperity Index, The Legatum Institute, Sixteenth Edition, February 2023, page 67, https://docs.prosperity.com/9616/7756/5038/The_2023_Legatum_Pro Prosperity_Index_report.pdf

¹¹ The same place, page 79, https://docs.prosperity.com/9616/7756/5038/The_2023_Legatum_Pro Prosperity_Index_report.pdf

¹² The same place, page 26, https://docs.prosperity.com/9616/7756/5038/The_2023_Legatum_Pro Prosperity_Index_report.pdf

¹³ The same place, page 28, https://docs.prosperity.com/9616/7756/5038/The_2023_Legatum_Pro Prosperity_Index_report.pdf

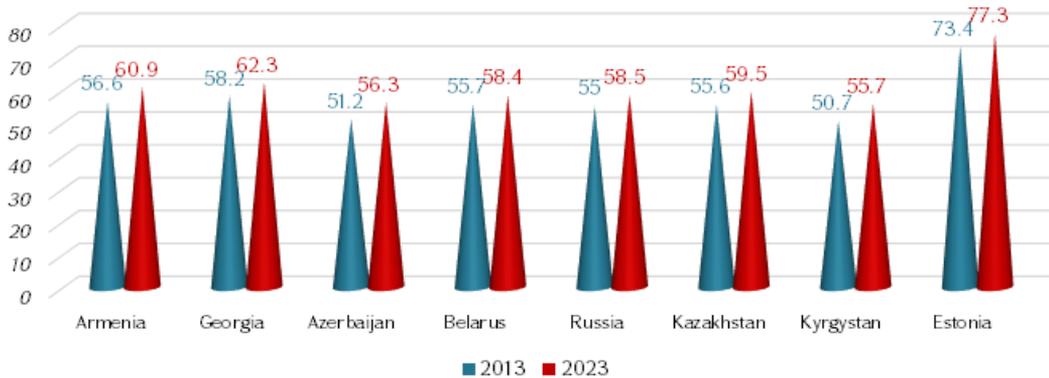


CHART 1

Legatum Prosperity Index score 2023¹⁴

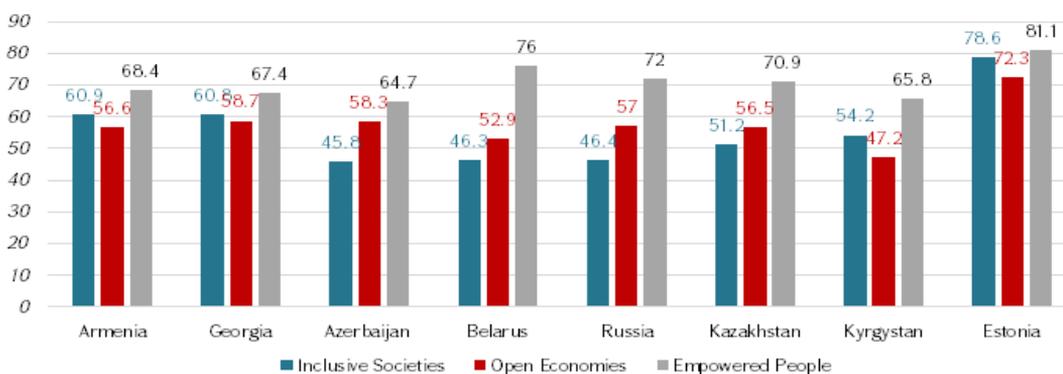


CHART 2

Legatum Prosperity Domains 2023¹⁵

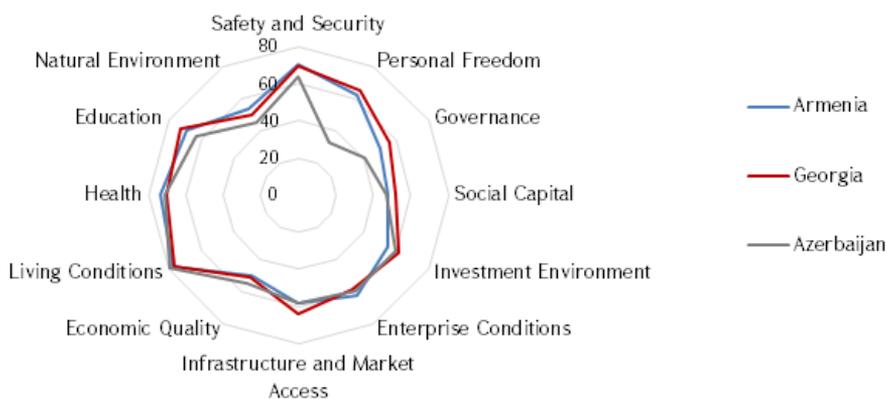


CHART 3

The pillars of Legatum Prosperity Index¹⁶

¹⁴ Source: <https://www.prosperity.com/globe>

¹⁵ Source: <https://prosperity.com/globe#ARM>, <https://prosperity.com/globe#GEO>, <https://prosperity.com/globe#AZE>, <https://prosperity.com/globe#RUS>, <https://prosperity.com/globe#BLR>, <https://prosperity.com/globe#KAZ>, <https://prosperity.com/globe#K-GZ>, <https://prosperity.com/globe#EST>

¹⁶ Source: Armenia country profile, https://docs.prosperity.com/9616/7689/4371/Armenia_2023_Picountryprofile.pdf, Georgia country profile, https://docs.prosperity.com/8716/7689/4727/Georgia_2023_Picountryprofile.pdf, Azerbaijan country profile, https://docs.prosperity.com/1816/7689/1749/Azerbaijan_2023_Picountryprofile.pdf

have deteriorated.

Armenia withdrew other neighbor countries by Investment Environment which means that compared to other neighbor countries investments are less protected adequately through the existence of property rights, investor protections and contract enforcement, and reveals that domestic and international capital is less available for investment¹⁷. Some indicators as Access to finance, Business impact of rules on FDI and Prevalence of foreign ownership of companies have deteriorated.

It should be noted that Armenia has the best performance among other indicators in Enterprise Conditions (44 among 167 countries). The burden of regulations in Armenia has improved over the last 10 years that enable businesses to start, compete and expand easily. However, some deteriorations have been noticed in Labour skill a business constraint, Labour market flexibility, Market-based competition and Ease of paying taxes.

As far as Infrastructure and Market Access are concerned, slight changes have been noticed. Armenia has continued to diverge with neighbor countries in Border Administration and Import Tariff Barriers indicators, Number of electrical outages in a typical month, Transport indicators such as Logistic performance, Quality of roads, Rail density.

When it comes to Inclusive Societies domain it should be noted that all the pillars of this component have been improved. According to the report the biggest improvement of Armenia compared to a decade ago came in Governance¹⁸. However, the indicators of Efficiency of government spending, Efficient use of assets, Regulatory Quality and Transparency of government policy have deteriorated. When it concerns Institutional Trust such indicators as Confidence in financial institutions and banks, judicial system and courts, national government and military have significantly

declined¹⁹.

Improvement in Social Capital were not so significant. Both Armenia and Azerbaijan provide their lowest score by Social capital, which measures the strength of personal and social relationships, social norms, civic participation in a country, and social tolerance. Especially for Armenia, Generalised interpersonal trust, Voter turnout, Volunteering indicators have deteriorated.

Finally, Armenia has the highest score by Empowered People domain surpassing neighbor countries. The results witness that both in Living Conditions, Health and Natural Environment we have improved and even exceeded Georgia and Azerbaijan by Natural Environment and Health. Improvement in basic services, material resources have been noticed, however the problems of dissatisfaction with public transportation, rural access to roads, housing deprivation still exist.

As far as Education is concerned, it should be noted, that efforts in this direction are not enough yet to make good achievements, particularly there was a decreasing enrolment in pre-primary and tertiary education. Moreover, access to quality education and secondary education quality have also reduced which witness that measures taken in education are not satisfactory.

Assessing the results of different transformations in different aspects of Prosperity it is getting vital to reveal the main directions of changes emphasizing both quantitative and qualitative aspects of those reforms. It is essential to mention that in most of the aspects we have had significant improvements such as Governance and Enterprise Conditions. However, those positive changes are mostly due to the improvements in regulations rather than qualitative reforms in perspective sectors that would cause solid and competitive economic fundamentals. In some directions

¹⁷ Source: The 2023 Legatum Prosperity Index, The Legatum Institute, Sixteenth Edition, February 2023, page 70, https://docs.prosperity.com/9616/7756/5038/The_2023_Legatum_Pro Prosperity_Index_report.pdf

¹⁸ Source: <https://prosperity.com/globe#ARM>

¹⁹ Source: Armenia country profile, page 5, https://docs.prosperity.com/9616/7689/4371/Armenia_2023_Picountryprofile.pdf

the enhancement is not so noticeable such as Investment Environment, Infrastructure and Market Access. Moreover, Armenia has diverged significantly in Economic Quality, Education and Social Capital during the last 10 years. Healthy, educated, high-trust societies with high social capital are essential for sustained economic development. While reviewing the main pathways of reforms we

can notice that efforts put in those sphere are mostly quantitative and are not enough to lift people out of poverty and build greater levels of social cohesion and trust. In the near perspective while paving our pathway out of poverty toward prosperity, efforts should be combined with adjusted priorities emphasizing the qualitative characteristics of well-being in the core.

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ԱՆԻ ԽԱՂԱՏՐՅԱՆ

«Ամբերդ» հեղափոխական կենտրոնի ավագ հեղափոխող, ՀՊՏՀ

ԱՌՅԻՆԱԿԱՆ ՔԱՂԱՔԱԿԱՆՈՒԹՅՈՒՆ

ԱՂՔԱՏՈՒԹՅՈՒՆԻՑ ԲԱՐԳԱՎԱՃՈՒՄ

Բնակչության կենսամակարդակի բարձրացմանն ուղղված հետևողական և նպատակային քաղաքականության իրականացումը պահանջում է տարբեր ոլորտներում իրականացրած բարեփոխումների արդյունքների քանակական գնահատում:

Հողվածում կատարվել է Հայաստանի, Ադրբեյջանի և Վրաստանի կենսամակարդակի և բարգավաճման առանցքային բաղադրիչների շարժընթացների համեմատական վերլուծություն: Հայաստանին հաջողվել է առավելապես նորմատիվափրավական կարգավորումների հաշվին առաջանցիկ դիրք գրավել հարևան երկրների նկատմամբ, մինչդեռ օրինակ մարդկային զարգացման տեսանկյունից առանցքային կրթության հենասյունով հետընթաց է արձանագրվել: Այս առումով, կարևոր նշանակություն ունի բարեփոխումների քանակական գնահատումից ելնելով գերակայությունների ճշգրտումը և գործնականում հետևողական քաղաքականության իրականացումը, որը թույլ կտա որակական տեղաշարժեր արձանագրել հասարակական կյանքի և տնտեսական զարգացման տեսանկյունից առաջնային ոլորտներում:

Հիմնաբառեր. *բարեկեցություն, կենսամակարդակ, Լեզաթում Բարգավաճման Համաթիվ, սոցիալական կապիտալ, մարդկային զարգացում*

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СОЦИАЛЬНАЯ ПОЛИТИКА

ОТ БЕДНОСТИ К ПРОЦВЕТАНИЮ

Реализация последовательной и целенаправленной политики, направленной на повышение уровня жизни населения, требует количественной оценки результатов реформ, реализуемых в различных сферах.

В статье произведен сравнительный анализ тенденций ключевых составляющих уровня жизни и благосостояния Армении, Азербайджана и Грузии. Армении удалось занять прогрессивную позицию по отношению к соседним странам, в основном благодаря нормативно-правовому регулированию, в то время как, например, с точки зрения человеческого развития, наблюдается упадок ключевого столпа образования. В связи с этим важно скорректировать приоритеты на основе количественной оценки реформ и реализовать на практике последовательную политику, которая позволит провести качественные изменения в первичных отраслях с точки зрения общественной жизни и экономического развития.

Key words: *процветание, благополучие, Индекс процветания Легатум, социальный капитал, человеческое развитие*