

## **Armenia: Economic Division Widens**

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The poor get poorer and the rich get richer in Armenia's corruption-ridden society

Margaret Khachatrian lives with her three children on the outskirts of Yerevan. She recently lost her job but helps out at the market to support her family.

Her husband is unable to assist because of ill health and receives no state support. So he sells a few vegetables around the neighbourhood to earn enough for a kilo of bread.

"My husband and I manage somehow to survive," she said. "A piece of bread and a glass of milk is quite enough for us. But what to do with our three children?"

She despairs over her eldest who wants to go to medical school but for whom she cannot even afford tutoring.

Tens of thousands of people like her endure similar hardships - over 50 per cent of the population live below the poverty line - while a small but growing elite enrich themselves on the proceeds of corruption.

"The rich get richer and the poor, poorer," said Stepan Alaverdian, an elderly former teacher in Yerevan who now roots around in the capital's garbage cans for food and clothes.

Central Yerevan looks better day-by-day as hotels, town houses and office blocks go up and more and more Mercedes and four-wheel drives cruise the streets.

But look to the margins of society and you'll find people who are struggling to survive. Ordinary people have little stake in the economy - many are supported by relatives working abroad rather than by gainful employment or social benefits.

At the heart of the problem lies a culture of graft and financial mismanagement which international financial organisations are urging Yerevan to deal with.

But despite urgings from the IMF, World Bank and other financial organisations, there seems no easy solution to eradicating a black economy which brings in as much as the country's official GDP of 3.4 billion US dollars.

In its 2001 annual report, the US-based think-tank The Heritage Foundation concluded that "bribery is widespread and the most common form of corruption". The report goes on to detail how just about everything, from political office to land deals, can be bought.

"These practices," said the report, "promote protectionism, the creation of monopolies or oligopolies, hinder competition and undermine private sector growth."

Former finance minister and chairman of the body monitoring the Armenian stock exchange, Edward Sandoian, says that 95 per cent of businesses operate in the black economy.

The World Bank has earmarked 300,000 dollar for an anti-corruption programme, but few take this seriously as the officials singled out to run the campaign are those at the very heart of the problem.

"Few of the major institutions of the state - whether the government, the parliament, or the judicial system - are presently immune from excessive pressures from vested interests, " said the World Bank's John Odling-Smee in a speech at the University of Armenia earlier this year.

While powerful elites profit from graft, ordinary Armenians grow ever more desperate. With a quarter of the working population unemployed, people are increasingly giving up on their country. An estimated one third of the population has emigrated in the last ten years.

Ashot Sarkisian was one of many businessmen to leave. He returned to Armenia after six years away from his family in Ukraine. Just two months back, he is once more considering packing up again and leaving.

He blames his failure on having to work within the parameters of what he describes as legalised extortion. In Ukraine, he said, at least he only has to deal with one local official who protected him from other racketeers.

"Here, bribes are demanded almost every day by militia, tax officials, the fire and hygiene department, and the list goes on," said Ashot.

Many businessmen are following his example and leaving for CIS and other countries.

The government is all too aware of the negative impact of stalled reform and the drain of Armenian labour and expertise. The authorities' reassuring words and pledges to improve things, notably Prime Minister Andranik Markarian's promise to create 40,000 new jobs by the end of the year, seem somewhat unrealistic.

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**Location:** [Armenia](#)

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