

**PART 1 - ARMENIA:  
POVERTY PROFILE IN 2008-2015**

## Chapter 1: Demographics and Migration

The negative demographic developments observed in Armenia over the 1990's, which were driven by decreasing fertility rates, increasing mortality rates, as well as out-migration of population, somehow slowed down in 2000's. The results of the Census 2011 conducted as of October 12 showed that, in comparison with 2001 (Census data), the number of permanent population decreased by around 195 thousand or 6%. In the period between two censuses (2001-2011) natural growth of population constituted around 126 thousand and the estimated net out-migration – around -320 thousand.

### 1.1. Population Trends

Current estimates of population are achieved through the number of permanent population<sup>1</sup>, based on the results of the most recent Census 2011, and are updated on quarterly basis. As of January 1, 2016, permanent population of Armenia was 2 998.6 thousand. When compared with the same indicator as of the beginning of 2015, the number of population decreased by 12.0 thousand ([Table 1.1](#)) reflecting the natural population growth and the (estimated<sup>2</sup>) migration balance.

Within permanent population as of the beginning of 2016, the share of urban residents constituted 63.6% and that of rural residents constituted 36.4%, as compared to the indicators of Census 2001 at 64.3% and 35.7%, respectively.

As of the beginning of 2016, permanent population in Armenia comprised 47.7% males and 52.3% females. At that, the average age of the population was 35.9 years, with a significant gap between the two gender, 34.1 years for males and 37.6 for females.

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<sup>1</sup>According to the results of Census 2011 (October 12-21, 2011), the number of permanent (*de jure*) population was 3 018 854, and that of current (*de facto*) population was 2 871 771.

<sup>2</sup> The estimates have been revised (adjusted) on basis of the findings of the Integrated Living Conditions Survey for the previous year and reflect the impact of migration processes; for detailed methodological clarifications please see <http://www.armstat.am/am/?nid=82&id=1547>.

**Table 1.1 – Armenia: Permanent population, 1990-2016**

*(as of the beginning of year)*

Years	Total population (in thousands)	Share in total population, percent	
		Urban	Rural
1990	3 514.9	68.8	31.2
1993	3 463.7	68.1	31.9
1996	3 248.8	66.2	33.8
1999	3 232.1	65.3	34.7
2001*	3 213.0	64.3	35.7
2011*	3 018.9	63.3	36.7
2014	3 021.4	63.3	36.7
2013	3 026.9	63.3	36.7
2014	3 017.1	63.4	36.6
2015	3 010.6	63.5	36.5
2016	2 998.6	63.6	36.4

**Source:** *NSS RA*

**Note:** \*) *Results of population censuses*

***Natural movement of population*** Economic, social, and political uncertainties in Armenia have impacted in the population’s reproductive behavior. In 2015 the total birthrate was 13.9 per mille (per 1.000 residents), as compared to that indicator in 2014 at 14.3 per mille and in 1990 at 22.5 per mille.

**Total Fertility rate** (aggregate birthrate) in 2015 was 1.645 children per 1.000 females of fertile age (15-49), as compared to that indicator at 1.651 in 2014. This was significantly lower than the indicator of 2.150 children needed for mere replacement of population<sup>31</sup>. In 2015, the **gross** reproduction rate of population (the average number of daughters that would be born to a female in fertile age, provided that the birthrate for the given year remained unchanged) constituted 0.801, whereas the **net** reproduction rate (the average number of daughters that would be born to a female and live until the age of their mother at the moment of giving birth to them, provided that the female passed through her lifetime conforming to age-specific fertility and mortality rates of the given years) comprised 0.77.

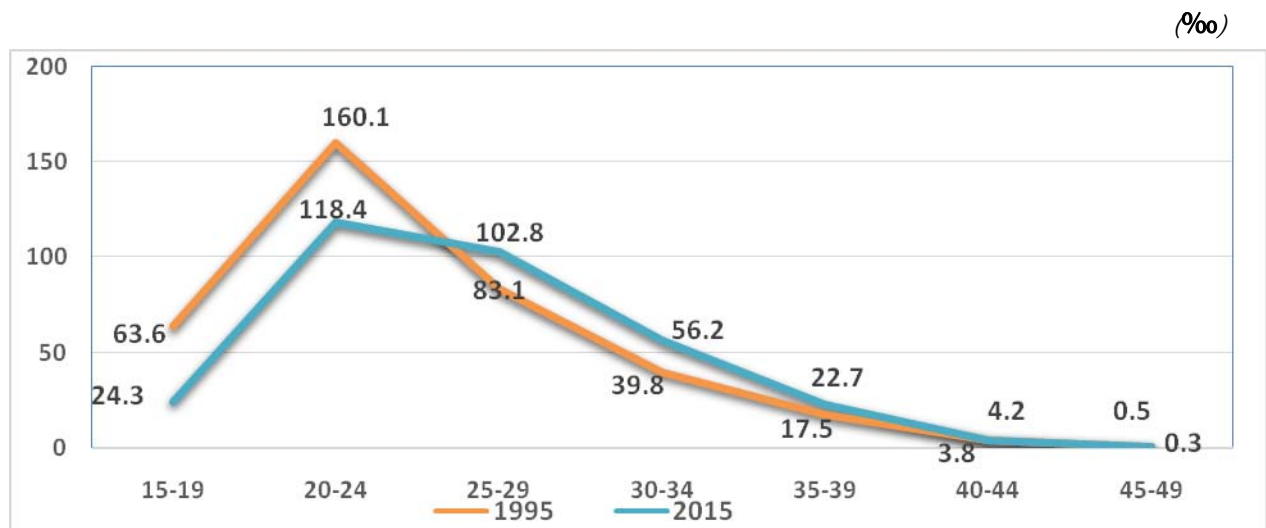
<sup>1</sup> In case of mere replacement, cohort of children replacing parents and cohort of parents are equal in their absolute numbers.

**Table 1.2 – Armenia: Fertility Rates by Age Groups, 2012-2015**

Years	Average number of births, per 1 000 women of relevant age							
	15-19	20-24	25-29	30-34	35-59	40-44	45-49	15-49
<b>Total 2012</b>	<b>26.0</b>	<b>120.3</b>	<b>98.3</b>	<b>50.6</b>	<b>18.0</b>	<b>3.2</b>	<b>0.2</b>	<b>51.9</b>
Urban	20.6	111.9	103.8	55.7	21.4	3.9	0.3	52.1
Rural	33.5	133.9	88.1	40.2	11.3	1.9	0.1	51.7
<b>Total 2013</b>	<b>22.7</b>	<b>118.3</b>	<b>97.1</b>	<b>52.5</b>	<b>20.2</b>	<b>3.4</b>	<b>0.3</b>	<b>51.8</b>
Urban	17.7	110.2	102.6	58.6	23.6	4.1	0.4	52.2
Rural	29.7	131.1	87.1	40.1	13.4	2.2	0.1	51.0
<b>Total 2014</b>	<b>23.4</b>	<b>122.3</b>	<b>102.3</b>	<b>56.5</b>	<b>21.7</b>	<b>3.8</b>	<b>0.3</b>	<b>54.2</b>
Urban	18.1	115.1	109.9	63.2	25.4	4.6	0.4	55.2
Rural	30.6	133.2	88.7	43.0	14.2	2.3	0.1	52.5
<b>Total 2015</b>	<b>24.3</b>	<b>118.4</b>	<b>102.8</b>	<b>56.2</b>	<b>22.7</b>	<b>4.2</b>	<b>0.3</b>	<b>53.4</b>
Urban	18.5	112.1	111.1	63.0	26.9	5.1	0.4	54.5
Rural	32.6	127.9	88.5	42.6	14.2	2.4	0.2	51.5

Source: RA NSS

**Graph 1.1 – Armenia: Dynamics of Fertility Rates by Age Groups, 1995-2015**



Source: RA NSS

In 2015, the average age of mother at childbirth was 26.4 years; that at the first childbirth was 24.4 years, as compared to the same indicators in 2014 at 26.1 and 24.3 years, respectively.

By the sequence of birth, in 2015 the third and subsequent births comprised 19.0% of the total number of live births in the country, which was an increase of 1.7 percentage points as compared to the previous year (Table 1.3).

**Table 1.3 – Armenia: Birth Distribution by Sequence**

*(person)*

Year	Total births	Including, by sequence of birth				
		<i>First</i>	<i>Second</i>	<i>Third</i>	<i>Fourth</i>	<i>Fifth and more</i>
1990	79 882	29 996	25 660	18 005	4 681	1 540
1995	48 960	19 408	18 058	8 058	2 465	971
2000	34 276	15 637	11 155	5 085	1 167	762
2005	37 499	19 286	12 953	4 014	858	388
2010	44 825	21 954	15 881	5 683	929	378
2011	43 340	21 344	15 377	5 369	899	351
2012	42 480	20 453	15 481	5 352	874	320
2013	41 790	19 466	15 651	5 477	852	344
2014	43 031	19 548	16 051	6 171	929	332
2015	41 763	17 971	15 850	6 498	1 059	385

Source: RA NSS

Some 33.7% of births in 2015 were from non-registered marriages (including extra-marital births); the respective indicator was 15.3% in 1994 and 36.4% in 2004).

In 2015, the number of deaths increased by 0.6% as compared to the previous year, and the total mortality rate increased by 0.1 up to 9.3 per mille. At that, the total mortality rate was the same in urban and rural communities.

**Table 1.4 – Armenia: Births and Deaths, 1990-2015**

	Birth						Death					
	In thousands			Per 1.000 residents			In thousands			Per 1.000 residents		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
1990	79.9	50.2	29.7	22.5	20.5	27.0	22.0	14.7	7.3	6.2	6.0	6.7
1995	48.9	29.1	19.8	15.0	13.5	18.1	24.8	16.7	8.1	7.6	7.8	7.4
2000	34.3	21.4	12.9	10.6	10.3	11.4	24.0	15.7	8.3	7.5	7.5	7.3
2005*	37.5	23.8	13.7	11.9	11.8	12.1	26.4	17.1	9.3	8.4	8.5	8.2
2006*	37.6	23.8	13.8	12.0	11.9	12.2	27.2	17.7	9.5	8.7	8.9	8.4
2007*	40.1	25.5	14.6	12.9	12.9	13.0	26.8	17.2	9.6	8.6	8.7	8.6
2008*	41.2	26.2	15.0	13.3	13.3	13.4	27.4	17.9	9.9	8.9	8.9	8.9
2009*	44.4	28.3	16.1	14.5	14.5	14.5	27.6	17.5	10.1	9.0	8.9	9.1
2010*	44.8	28.2	16.6	14.7	14.6	14.9	27.9	17.8	10.1	9.2	9.2	9.1
2011*	43.3	27.6	15.7	14.3	14.4	14.2	28.0	17.8	10.2	9.2	9.3	9.1
2012	42.5	27.1	15.4	14.0	14.2	13.8	27.6	17.6	10.0	9.1	9.2	9.0
2013	41.8	26.8	15.0	13.8	14.0	13.6	27.2	17.4	9.8	9.0	9.1	8.9
2014	43.0	27.8	15.2	14.3	14.6	13.8	27.7	17.6	10.1	9.2	9.2	9.2
2015	41.7	27.1	14.6	13.9	14.2	13.4	27.9	17.7	10.1	9.3	9.3	9.3

**Source:** RA NSS

**Note:** For natural population movements by regions see Table A1.1 in the Statistical Annex.

\*) For 2005-2011, rates are adjusted as per revised estimates of permanent population based on the results of the Census 2011.

Among the total number of deaths recorded in 2015, the same as recorded in 2014 51.3% were males and 48.7% were females, as compared to respective indicators of 2013 at 50.8% and 49.2%. Given the difference in mortality rates between males and females, their average life expectancy years also differed. In 2015, the average life expectancy was 71.7 years for males and 78.2 years for females. The corresponding figures were 71.9 for males and 78.3 for females among urban population, and 71.2 and 77.9 years among rural population.

**Main causes of mortality:** Diseases related to blood circulatory system and malignant tumor accounting for more than 68.5% of death record dominated in the structure of mortality.

**Table 1.5 – Armenia: Mortality Rates, by Main Reason of Death, 2015**

Reason of death	Total number of deaths (person)		Mortality rate, per 100 000 residents	
	Male	Female	Male	Female
<b>Number of deaths</b>	<b>14 302</b>	<b>13 576</b>	<b>997.3</b>	<b>864.4</b>
<i>Of which, by causes:</i>				
Blood circulatory system diseases	6 164	6 653	429.8	423.6
Malignant tumor	3 360	2 709	234.3	172.5
Endocrine system diseases	496	827	34.6	52.6
Exogenous reasons (accident, intoxication, injury etc.)	989	366	69.0	23.3
Respiratory system diseases	1 041	1 085	72.6	69.1
Digestive system diseases	870	782	60.7	49.8
Urogenital system diseases	432	410	30.1	26.1
Infectious and parasitic diseases	223	86	15.5	5.5
Other diseases	727	658	50.7	41.9

**Source:** RA NSS

The difference between the number of births and deaths comprised the natural growth of population, which was 13.9 thousand in 2015 as compared to 15.3 thousand in 2014 (24.1 thousand in 1995 and 11.1 thousand in 2005). The natural growth of population in 2015 totaled 4.6 per mille constituting a 0.5 per mille point decrease compared to the previous year.

**Migration:** According to ILCS 2015, some 5.3% of households had members of the age 15 years and above were involved in external and internal migration processes over the period of 2012-2015; these comprised 9.5% of household members of that age group. Among household members of the age 15 years and above, who were involved in migration processes over the period of 2012-2015, some 55.6% (around 130 thousand persons) were still absent from the household as of 2015 and resided either in other regions of the country, in Yerevan, in other communities within their region, or in other countries, 41.0% (96 thousand persons) had returned home, and 3.4% (7.7 thousand persons) had arrived at the given location for the first time.

**Table 1.6 – Armenia: Household Members of Age 15 and Above Involved in Migration Processes over 2012-2015, by Yerevan/ Regions and by Involvement Status**

(percent)

	Involvement in migration processes			Total
	Have migrated and have not returned	Have migrated and returned	Arrived at the location for the first time	
Yerevan	16.1	28.3	62.9	21.3
Aragatsotn	7.2	0.5	0.0	4.4
Ararat	7.2	10.0	12.1	8.4
Armavir	7.7	1.0	0.0	4.8
Gegharkunik	8.8	14.7	0.0	11.3
Lori	16.2	12.0	7.8	14.4
Kotayk	9.0	13.4	12.9	10.9
Shirak	18.5	10.3	0.0	15.0
Syunik	2.4	0.3	0.0	1.5
Vayotz Dzor	2.7	2.5	0.7	2.6
Tavush	4.2	7.0	3.6	5.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2015*

Among households with members of the age 15 years and above, who were involved in external and internal migration processes over that period, in 2015 some 11.0% were in internal migration (in Yerevan, regions), 10.5% in NKR and another 78.5% were in interstate migration, with the overwhelming 89.3% majority having migrated to the Russian Federation (Table 1.7). Most of respondents with household members having migrated to/returned from Russian Federation or other countries specified the need to work, including seasonal work, and the search for work as the main reason for migration.



**Table 1.7 – Armenia: Household Members of Age 15 and Above Involved in Migration Processes over 2012-2015, by Reasons for Migrating/Returning, and by Destination/ Departure Point, 2015**  
(percent)

Main reason for migrating/ returning	Destination/ departure point						
	Yerevan	Regions in Armenia	NKR	Russian Federation	Other CIS country	Other	Total
1. Need to/ search for work	1.7	1.2	1.0	91.5	2.1	2.5	100
2. Family circumstances	3.4	10.5	1.5	74.6	1.0	9.0	100
3. Residence	16.1	12.3	0.0	49.7	2.8	19.1	100
4. Visit friends/ relatives	2.5	0.7	1.1	68.4	7.9	19.4	100
5. Tourism	43.5	0.0	7.7	27.8	2.1	18.9	100
6. Study and training	45.2	30.7	2.9	12.4	0.0	8.8	100
7. Finished working	0	0	0	97.7	1.1	1.2	100
8. Medical treatment/ health	0	6.1	0.0	74.5	14.1	5.3	100
9. Other	2.4	26.1	54.0	5.0	0.0	12.5	100
<b>Total</b>	<b>3.7</b>	<b>7.3</b>	<b>10.5</b>	<b>70.1</b>	<b>2.0</b>	<b>6.4</b>	<b>100</b>

Source: *ILCS 2015*

**Table 1.8 – Armenia: Household Members of Age 15 and Above Involved in Migration Processes over 2012-2015 and Having Returned as of 2015, by Reasons for Returning and by Duration of Absence**  
(percent)

Main reason for returning	Duration of absence			Total
	≤3months	4 -11months	≥ 12 months	
1. Need to/ search for work	19.7	27.7	12.6	22.3
2. Family circumstances	12.8	8.5	11.7	10.2
3. Residence	0.0	1.6	6.3	2.4
4. Visit friends/ relatives	33.8	8.4	8.1	13.3
5. Tourism	5.1	0.3	4.8	2.4
6. Study and training	8.1	0.7	1.2	2.3
7. Finished working	10.5	46.9	12.1	30.9
8. Medical treatment/ health	8.1	3.0	1.6	3.7
9. Other	1.9	2.9	41.6	12.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2015*

Among household members involved in migration processes and having returned home, some 74.8% were absent for less than one year (including 19.8% who were absent for three months and less), and 25.2% were absent for one year and more. At that, 72.6% returned from the Russian Federation.

**Table 1.9 – Armenia: Household Members of Age 15 and Above Involved in Migration Processes over 2012-2015 and Having Not Returned as of 2015, by Duration of Absence**

(percent)

Main reason for migrating	Duration of absence			Total
	≤3months	4 -11months	≥ 12 months	
1. Need to work	71.5	74.5	59.3	68.2
2. Search for work	6.5	3.5	0.9	2.8
3. Family circumstances	3.0	2.4	5.0	3.5
4. Residence	0.8	0.2	5.1	2.2
5. Visit friends/relatives	1.2	0.4	0.4	0.5
6. Study and training	10.0	2.9	0.9	2.8
7. Business	0.0	0.3	0.0	0.1
8. Medical treatment/ health	0.0	0.3	0.9	0.5
9. Other	6.9	17.5	27.4	19.3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2015*

Among household members of age 15 and above, who left their place of permanent residence over the period of 2012-2015 and had not returned as of 2015, some 9.7% were absent for 3 months and less, 53.1% – 4-12 months, and 37.2% – for one year and more.

**Table 1.10 – Armenia: Household Members of Age 15 and Above Involved in Migration Processes over 2012-2015 for Three Months and More and Having Not Returned as of 2015, by Reasons for Migrating and by Destination Point**

(percent)

Main reason for migrating	Destination point								Total
	Yerevan	Regions in Armenia	NKR	Russian Federation	Other CIS country	European country	USA and Canada	Other	
1. Need to work	1.7	1.2	1.1	93.4	0.8	1.2	0.5	0.0	100
2. Search for work	0.0	0.0	0.0	93.8	0.0	0.0	0.0	6.2	100
3. Family circumstances	0.0	7.6	0.0	87.6	0.0	4.8	0.0	0.0	100
4. Residence	13.3	0.0	0.0	73.7	0.0	13.0	0.0	0.0	100
5. Study and training	59.9	6.1	0.0	13.5	0.0	13.7	0.0	6.8	100
6. Medical treatment/ health	0.0	0.0	0.0	65.7	0.0	34.3	0.0	0.0	100
7. Other	3.2	32.7	62.3	1.8	0.0	0.0	0.0	0.0	100
<b>Total</b>	<b>3.4</b>	<b>8.1</b>	<b>13.8</b>	<b>71.6</b>	<b>0.5</b>	<b>1.8</b>	<b>0.4</b>	<b>0.3</b>	<b>100</b>

Source: *ILCS 2015*

Among household members of age 15 and above, who left the place of their permanent residence over the period of 2012-2015 for 3 months and more and had not returned as of 2015, some 11.9% resided within the country (in Yerevan and regions), 13.0% in NKR, and 75.1% in other countries, predominantly in the Russian Federation.

Household members of age 15 and above, who were involved in external migration processes (excluding intra-country movements) over the period of 2012-2015 for 3 months and more and had not returned as of 2015, around 56.4% were absent from the country for 4-12 months, and 43.6% – for one year and more.

According to the UN methodology, within the reporting period (2012-2015) external migrants constituted 74.4% (around 87.5 thousand persons) of those household members who, by the record date, were absent from (had not returned to) the country for a period of three months and more. Among them, short-term migrants with a duration of absence for 4-12 months (except for those having left for recreation, visits to friends/relatives, holidays, business trips, medical treatment or religious pilgrimage) comprised 51%, and long-term migrants with a duration of absence for one year and more comprised 49%.

According to survey findings, the average annual estimated number of household members of the age 15 years and above, who were involved in migration processes over the period of 2012-2015 for 3 months and more and had not returned as of 2015, totaled around 22 thousand. Moreover, survey findings showed that in 2015 surveyed households also had around 5.6 thousand members of the age 0-15 years, who were absent (for three months and more).

More than 55% of migrant household members of the age 15 years and above sent money and/or goods to their families and/or friends/relatives within the 12 months preceding the survey.

## **1.2. Age Structure and Household Composition**

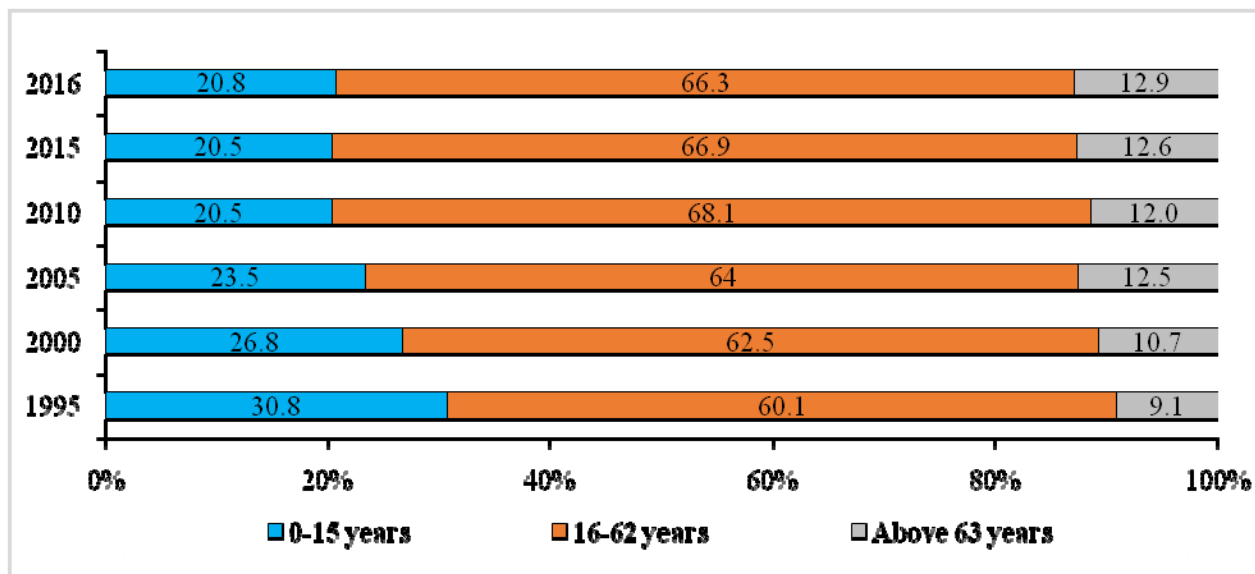
The age structure of the population has undergone significant changes over the period of 1995-2015 due to both decreased birthrates, relatively high life expectancy at birth for both males and females, as well as by the expressly male-dominated out-migration processes characteristic for Armenia (Graph 1.2).

The share of children below 16 years of age dropped from 31.3% in 1995 to 26.3% as per Census 2001 and 20.2% as per Census 2011. The share of working age population changed from 59.9% in 1994 to 60.0% in 2001 and 67.8% in 2011, while that of population above the working age changed from 8.1% to 13.7% and 12.0%, respectively.

According to current records on the number of permanent population based on the results of Census 2011, as of the beginning of 2016 working age population (16-62 years) constituted 66.3%, those below the working age (0-15 years) – 20.8%, and those above the working age (63 years and more) – 12.9% of population. In Armenia, the share of the elderly and underage individuals constituted 509 per 1.000 working age residents.

**Graph 1.2 – Armenia: Age Structure of Population 1995-2016<sup>1</sup>**

*(as of Beginning of Year)*



<sup>1)</sup> To ensure comparability, the indicators were calculated by currently defined pension age groups.

Source: RA NSS

According to survey findings, in 2015 the average number of household members was 3.7 per permanent population; with 3.5 in urban communities and 4.1 in rural communities, and the corresponding figures per present population were 3.5, 3.3, and 3.8, respectively.

In 2015, the share of households with three and less members was 44.1%, as compared to 42.0% in 2012 and 38.2% in 2010 (Table 1.11). Large households (with six and more members) were mainly rural residents comprising 27.2%, as compared to urban residents comprising 16.9%.

In Armenia, the majority of urban households had four and less members, and the share of such households was 71% in urban communities and 57.3% in rural communities.

**Table 1.11 – Armenia: Households by Composition  
(per Permanent Population) in 2004 and 2010-2015**

Household composition	Percent of total						
	2004	2010	2011	2012	2013	2014	2015
1 member	10.9	10.0	11.5	10.9	12.5	12.9	14.1
2 members	16.5	14.0	16.2	16.1	16.7	17.1	17.7
3 members	14.6	14.2	14.3	15.0	15.2	14.1	15.2
4 members	21.6	21.0	20.5	20.6	19.0	19.8	19.2
5 members	17.2	18.0	17.9	16.5	16.1	15.7	15.4
6 and more members	19.2	22.8	19.6	20.9	20.5	20.4	18.4

Source: *ILCS 2004 and 2010-2015*

In 2015, the share of households without children below 16 years of age was 57.1%, as compared to 45.3% in 2004 and 53.4% in 2010. The share of households with one and two children decreased, and the share of households with three children accounted for 5.2%, as compared to 4.4% in the previous year (Table 1.12).

**Table 1.12 – Armenia: Households with Children below 16 Years of Age  
(per Permanent Population) in 2004 and 2010-2015**

Household composition	Percent of total						
	2004	2010	2011	2012	2013	2014	2015
1 child	22.2	19.9	19.2	18.5	18.3	18.1	17.3
2 children	22.9	20.0	18.8	18.2	19.0	18.5	20.3
3 children	7.2	5.3	4.1	5.0	4.4	5.2	4.4
4 children	1.8	1.0	0.6	0.7	0.8	0.8	0.7
5 and more children	0.6	0.4	0.1	0.4	0.3	0.2	0.2
No children	45.3	53.4	57.2	57.2	57.2	57.2	57.1

Source: *ILCS 2004 and 2010-2015*

The Majority of households in the country were male-headed (65.7%); female-headed households comprised 34.3% (37.7% in urban and 27.8% in rural communities).

On average, each female-headed household reported 0.33 children below 16 years, and each male-headed household 0.48 children below 16 years in 2015.

In 2015, the number of registered marriages was 17603, as compared to 18912 in 2014 and 18 363 in 2013. In comparison with the previous year, the number of divorces in 2015 decreased by 18.4% down to 3670 cases, whereas the total divorce rate constituted 1.2‰ as compared to 1.5‰ in the previous year.

The average age of registered marriage in 2015 was 30.7 years for males and 27.1 years for females<sup>41</sup>, as compared to, respectively, 30.8 years and 27.3 years in 2014, while the average age of the first marriage was 29.4 years for males and 26.2 years for females, as compared to, respectively, 29.4 years and 26.3 years in 2014.

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<sup>1</sup> It is worth of mentioning that both the average age of marriage and the age of the first marriage are higher than the average age of mother at childbirth (26.4 years) and at the first childbirth (24.4 years). This reflects the fact that the estimates are based on the number of registered marriages, whereas registration itself occurs with certain delay after the child is born, and there are cases of second and further marriages registered at later ages.

## Chapter 2: Overview of Economic Developments in Armenia over 2008-2015

### 2.1. Macroeconomic Environment

During the early 2000's Armenia experienced sustainable economic growth which led to significant poverty reduction. Before the crisis, stable economic growth supported Armenia's transition into the group of middle income economies. Economic growth had brought about stabilization of employment rates, increases in real wages and consolidated budget spending on social sectors. All of this, combined with a growing inflow of private transfers, had contributed to significant reduction of poverty rates in Armenia.

However, in 2008 the global economic crisis hit the Armenian economy . Whereas the sound macroeconomic environment, including low levels of national debt, increasing level of savings and prudent fiscal positions protected the economy against the initial influence of the global economic crisis, the impact of the decline in external demand and capital inflows became visible since the fourth quarter of 2008, when the country experienced a 5.9% economic recession and a 6.9% annual GDP growth, as opposed to the two-digit growth of GDP at 13.7% back in 2007. Investments shrunk and domestic construction was the first sector which suffered because of an abrupt deterioration of the economic environment. Economic indicators show a deep recession of the economy in 2009. A 14.1% downturn of GDP was followed by a slow recovery since 2010 (in comparison with the previous year, GDP grew by 2.2% in 2010 and by 4.7% in 2011). There was a rather significant 7.2% growth of GDP in 2012; however, it still was not sufficient for achieving the level of 2008.

In 2013<sup>1</sup>, similar trends of economic development were observed, however at a slower pace mainly due to the recession in the construction sector.

In 2014<sup>1</sup>, economic growth further accelerated in the first three quarters but then slowed down to the end of the year, which then translated into an annual growth of 3.6%. The economic situation in 2015 was heavily influenced by slower growth in external demand, exchange rate devaluation, and slower increases of disposable income due to decreasing inflows of remittances from Russia.

A promotion of agricultural supply, investments in industrial enterprises, moderation of the tax policy, deferral of the payment of value added tax, and increases in salaries led to substantial changes in the structure of the GDP.

**Table 2.1 – Armenia: GDP Structure, Real Volume Indexes, and GDP Growth Contribution Shares through Production Method, by Large Groups of Economic Activity Classification (NACE, rev. 2), 2012-2015<sup>1</sup>**

Code under NACE, rev.2		GDP structure, percent				Real volume indexes relative to previous year, percent			GDP growth contribution share, percentage point		
		2012	2013	2014	2015 <sup>1</sup>	2013	2014	2015 <sup>1</sup>	2013	2014	2015 <sup>1</sup>
	Domestic product (gross, at market prices)	100.0	100.0	100.0	100.0	103.3	103.6	103.0	3.3	3.6	3.0
	Taxes on products (less subsidies)	10.7	11.1	11.3	10.6	103.6	101.8	94.9	0.4	0.2	-0.6
	Added value (gross, at basic prices)	89.3	88.9	88.7	89.4	103.2	103.9	104.0	2.9	3.4	3.6
	Indirectly measured financial intermediation services	-2.2	-2.0	-2.1	-1.8	95.8	106.0	87.4	0.1	-0.1	0.3
A	Agriculture, hunting and forestry, fishing, fish breeding	17.9	18.4	18.1	17.3	107.6	106.1	113.2	1.1	1.1	2.4
B + C + D + E	Industry, including energy sector	16.1	16.2	16.0	16.3	106.3	99.1	107.6	1.0	-0.1	1.2
F	Construction	11.7	10.5	9.3	9.5	92.6	95.5	96.9	-0.9	-0.5	-0.3
G + H + I + J + K + L + M + N + O + P + Q + R + S + T	Trade and services	45.7	45.7	47.4	48.1	102.8	106.7	100.0	1.3	3.0	0.0

<sup>1</sup> Calculated in accordance with the SNA 2008

<sup>2</sup> Preliminary data

Source: NSS RA RA

Between 2004 and 2008 strong economic growth in all sectors of the economy had contributed to substantial changes in the structure of the economy. Growth rates were particularly high in the construction sector, which secured 39.1% of GDP growth in 2008, thus increasing its share in GDP to 25.3%. In contrast, the sizeable downturn of construction in 2009 (41.6%) accounted for 74.5% of GDP reduction, thus reducing its share in GDP to 18.6%. In 2010 the growth rate in the construction sector as compared with the previous year constituted 3.3%. Nevertheless, given its substantial diminutions by 12.2% in 2011, 7.4% in 2013, 4.5% in 2014 and 3.1 in 2015, the share of construction within the GDP as of 2015 went down to 9.3% in 2014 and 9.5% in 2015 (Table 2.1). In 2013, the economic growth in the industrial sector constituted 6.3% with a contribution to GDP growth at 1.0 percentage points, which resulted in a 16.2% share of that sector in GDP. However, this was followed by a 0.8% recession in 2014 mainly due to deteriorated performance in activities such as the supply of electricity, natural gas, steam and improved air, shaft and open-pit mining. Due to unfavorable climatic conditions in 2010, a 12% reduction was recorded in agriculture, including the sectors of forestry, fishing and fish breeding, followed by certain growth over 2013-2014 at 7.6% and 6.1%, respectively, which resulted in an increased share of the sector in GDP at 18.1% in 2014.



Along with the economic growth over 2012-2013, there was a noticeable increase in the level of final consumption in the economy relative to the GDP at an average 98.1% in 2012 and 99.1% in 2013; however, this indicator slowed down in subsequent years to 97.6% in 2014 and 91.2% in 2015.

Over the period of 2008-2014, the Armenian national currency depreciated relative to the US dollar and other foreign currencies, which reflected the reduction of private transfers and direct foreign investments.

**Table 2.2 – Armenia: Macroeconomic Indicators, 2012-2015**

	2012	2013	2014	2015
Nominal GDP (AMD billion) <sup>1</sup>	4 266.5	4 555.6	4 828.6	5 032.1
Nominal GDP (USD million) <sup>1</sup>	10 619.4	11 121.3	11 609.5	10 529.1
Real GDP growth (annual percentage change) <sup>1</sup>	...	3.3	3.6	3.0
Real GDP growth relative to 2008 (percentage change) <sup>1</sup>	100.0	3.3	7.0	10.2
USD/ AMD exchange rate (period average)	401.76	409.63	415.92	477.92
Unemployment rate (percent)	17.3	16.2	17.6	18.5
Average monthly nominal wages (AMD)	113 163 140 739*	146 524*	158 580	171 615
Inflation (average annual)	2.6	5.8	3.0	3.7
Consolidated budget expenditures (percent of GDP)	24.3	25.7	26.3	28.7
Consolidated budget deficit (percent of GDP)	-1.4	-1.5	-1.9	-4.8

<sup>1</sup> Calculated in accordance with the SNA 2008

\* The indicator has been calculated in accordance with the Republic of Armenia Law on Income Tax (HO-246) which entered into force on January 1, 2014 defining that, since the enactment of the law, mandatory social security payments made by employers are to be included into the calculation of wages and other payments equaled to them. Due to the mentioned legislative amendment, in order to provide for comparability of 2012-2013 wage indicators, the relevant data for 2012 have been re-calculated using the current methodology, i.e. (conditionally) applying calculation rates of mandatory social security payments made by employers.

Source: NSS RA

Consolidated budget revenues in absolute figures have been increasing since 2010.

**Table 2.3 – Armenia: Aggregate Indicators of Consolidated Budget, 2008-2015**

	<i>(percent of GDP<sup>1</sup>)</i>							
	2008	2009	2010	2011	2012	2013	2014	2015
Total revenues and official transfers	22.5	22.7	23.2	24.0	22.9◇	24.2◇	24.4	23.9
Of which, taxes and duties	20.7	20.5	20.8	21.1	21.1	22.4	22.5	21.7
Total expenditures	23.2	30.2	28.2	26.8	24.3◇	25.7◇	26.3	28.7
Deficit	-0.7	-7.5	-5.0	-2.8	-1.4◇	-1.5◇	-1.9	-4.8

Source: NSS RA

<sup>1</sup> GDP 2012-2015, calculated in accordance with the SNA 2008

◇ It's adjusted

During the boom period between 2004 and 2008, fiscal restructuring and economic growth had improved fiscal performance, enabling the Government to channel more resources to social sectors and thus to better align state budget expenditures with poverty reduction strategy priorities. Access to primary health care, general education and social services has been particularly important for the improvement of living conditions of the poor population.

In 2008, the share of social sectors in total consolidated budget expenditures constituted 47.9%. Over 2009-2010, this share declined to 46.9% and 46.3%, respectively. In 2011, the share of social sectors in total consolidated budget expenditures raised to the level of 2008 (47.9%), further increased in 2012 to 50.3%, decreased in 2013 to 44.9%, went up in 2014 to 47.6% and down to 46.7% in 2015 (Table 2.4).

**Table 2.4 – Armenia: Actual Spending from Consolidated Budget on Social Sectors\*, 2008-2015**

*(percent of total consolidated budget expenditures)*

	2008	2009	2010	2011	2012	2013	2014	2015
Education	13.7	12.8	13.0	13.3	12.9	11.5	11.9	11.2
Health	6	6	5.8	6.3	6.2	5.5	6.1	6.0
Culture, information, sport, religion	2.4	2.2	2.2	2.9	2.8	2.2	2.3	2.7
Pensions**	18.8	18.9	18.5	18.7	19.8	17.6	19.4	20.0
Pensions, as percent of GDP	4.4	5.8	5.2	5.0	4.8	4.5	5.1	5.7
Other social programs	7	7.0	6.8	6.7	8.6	8.1	7.9	6.8
Total actual spending from consolidated budget on social sectors	47.9	46.9	46.3	47.9	50.3	44.9	47.6	46.7

*Source: NSS RA*

**Notes:**

\* Includes expenditure on social sectors from both state and local community budgets.

\*\* Includes health, disability, age and survivors' pensions

2.2 Economic Growth/ Recession and Poverty

## 2.2. Economic Growth/ Recession and Poverty

The global economic crisis seriously jeopardized the positive developments in terms of economic growth and poverty reduction achieved in Armenia prior to the crisis. However, the economic growth over the last years has had certain positive impact on the poverty level in the country.

Poverty-to-GDP elasticity has been used to demonstrate the micro/macro linkages between macroeconomic changes and trends in poverty reduction.

Starting from 2015, the NSS calculates the GDP in accordance with the System of National Accounts (SNA 2008) international standard, also revising the 2013-2014 GDP figures accordingly. In this report, data on the 2013-2015 GDP and economic growth are calculated in accordance with the SNA 2008.

The economic growth between 2013 and 2015 created conditions for improved living conditions and reduced poverty rate. GDP increased by 10.23% and poverty decreased by 8.03% in 2015, as compared to 2013, thus producing a negative poverty-to-GDP elasticity coefficient over the 2013-2015 period. The poverty-to-GDP growth elasticity implies that during this time period for each percentage point of economic growth the total poverty rate decreased by 0.78 percentage points (Table 2.5). The elasticity coefficient over the period 2012-2015 was the higher in other urban communities.

**Table 2.5 – Armenia: Poverty-to-GDP\* Elasticity Estimates, 2013-2015**

*(percentage point)*

	<b>2013-2015</b>
Total poverty reduction-to-GDP elasticity	-0.78
a) Urban poverty reduction-to-GDP elasticity	-0.93
1) Yerevan poverty reduction-to-GDP elasticity	-0.23
2) Other urban poverty reduction-to-GDP elasticity	-1.41
b) Rural poverty reduction-to-GDP elasticity	-0.52
c) Rural poverty reduction-to-agriculture value added elasticity	-0.18

**Source:** NSS RA, ILCS

\* Calculated in accordance with the System of National Accounts (SNA 2008) international standard

## Chapter 3: Poverty Profile in Armenia over 2008-2015

### 3.1. Introduction

In 2015 the year-on-year economic growth of 3.0% was not sufficient to support further reduction of poverty. Statistically, the poverty rate in 2015 did not change; poverty fell by only 0.2 percentage points from 30.0% to 29.8 %. Similar to the dynamics over the last six years, the poverty rate in Armenia in the year 2015 was still higher before the global economic crisis hit the country in 2009.

This report presents poverty profile in Armenia for both 2015 and 2008. The adjusted methodology providing for the assessment of consumption aggregate and poverty lines (by means of more detailed components and a three-tier method of poverty assessment) was used for 2008-2015 with the technical assistance of the World Bank.

#### 3.1.1. Main Concepts

A key indicator used to estimate the welfare and living standards of the population is poverty rate. Poverty is manifested in different ways and touches upon various aspects of life: consumption, food safety, health, education, rights, including the right to vote, security, life and work of dignity. Similar to previous reports, changes of population welfare dynamics are described both in terms of material and non-material poverty.

Indicators of non-material poverty are poor health, low level of education or illiteracy, social disregard or banishment, vulnerability, inability to exercise rights and freedoms, i.e. practical impossibility to signal about one's problems. The main way to overcome non-material poverty is to upgrade access to educational, health care and social services through better targeting of free assistance and higher ability to benefit from paid services.

This report evaluates poverty by means of material (monetary) indicators. In that context, according to the World Bank definition, **“poverty is the inability to ensure an acceptable minimum of certain living conditions.”** For the first time, this chapter also presents findings from the national Multidimensional Poverty Index which focuses on non-material poverty (see Section 3.9).

*Consumption aggregate* is used as a welfare measure for assessing poverty in Armenia. International practice shows that consumption – in comparison with income – provides more accurate information and is less sensitive to short-term fluctuations, particularly in transition economies. Income is less reliable, since interviewees often tend to hide or underreport income, and it is characterized by substantial seasonality.

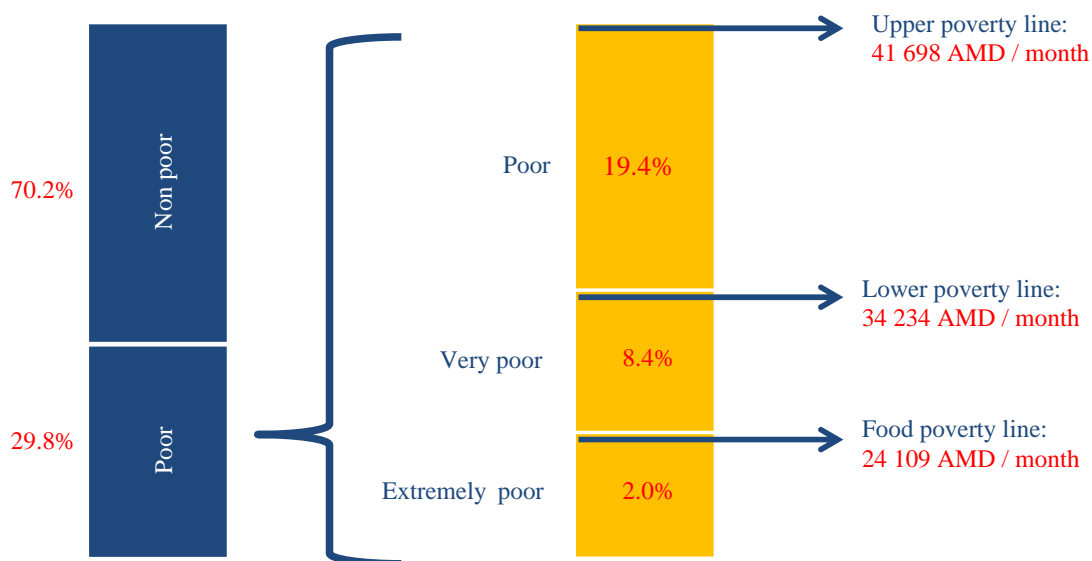
**Consumption aggregate** includes the following components: (a) cost of consumed food and non-food goods, including own production, aid from charitable organizations and other sources, and (b) estimated cost of durable goods.

The concept of **absolute poverty** is used for assessing monetary poverty in Armenia. The population is classified into the poor and the non-poor, based on their living conditions. The poor, in turn, comprise the very poor and, among them, the extremely poor.

Poverty in Armenia has been assessed since 1996. Starting from 2009, the country has used a revised methodology developed with the assistance of the World Bank (poverty indicators estimated using three different methodologies are presented in Table A3.6 of Annex 2 and are not comparable). The **poor** are defined as those with consumption per adult equivalent below the upper total poverty line; the **very poor** are defined as those with consumption per adult equivalent below the lower total poverty line, whereas the **extremely poor** or the **undernourished** are defined as those with consumption per adult equivalent below the food poverty line. In 2015, poverty rate was 29.8% with only 0.2 percentage point reduction from its 2014 level. This means that every third person in the country were below the upper poverty line of AMD 41,698.

The graph below shows the three poverty lines using the 2009 Methodology in 2015 prices.

**Graph 3.1 – Armenia: Poverty Rate and Poverty Lines, 2015**



Source: ILCS 2015

Although the poverty rate is one of the indicators most often used (referred) for assessing poverty, it does not take into account the intensity of poverty, meaning that it is not sensitive to poverty gap.

The **poverty gap** calculated with regard to poor population indicates *poverty shortfall*, i.e. it shows the extent to which the average income<sup>1</sup> (or consumption) of the poor falls below the poverty line. The poverty gap (4.7% in 2015) also indicates that, if the country would be able to mobilize resources from each household in the country equivalent to 4.7% of the poverty line and these resources would be allocated to the poor, poverty theoretically would be eliminated, assuming that the assistance aimed for the poor would fully reach them.

The **severity of poverty** is used to measure the inequality of consumption among the poor. It reflects the fact that in terms of consumption some poor people are further away from the poverty line, while some others are much closer to it. In 2015, the severity of poverty was 1.3%.

In 2015 the estimated poverty gap was 4.7%, and the estimated severity of poverty was 1.3%. The poverty gap and poverty severity in 2015 were still at a higher level than in 2008 (5.5% and 1.5% versus, respectively, 5.1% and 1.4%).

### 3.2. Poverty Indicators and Trends

**Poverty trends:** In 2015, poverty rate in Armenia was 29.8% as compared to 27.6% recorded in 2008. The share of the very poor in 2015 was 10.4% as compared to 12.6% observed in 2008, and declined by 2.2 percentage points. The share of the extremely poor in 2015 was 2.0% as compared to 1.6% observed in 2008 (Table 3.1).

The number of the poor in 2015 was around 900 thousand (per resident population<sup>2</sup>), of whom around 310 thousand were very poor (including the extremely poor), and of the latter around 60 thousand were extremely poor. As shown in Graph 3.1, among the total 29.8% share of poor population, 8.4% are very poor (excluding the extremely poor) and 2.0% are extremely poor, while the remaining 19.4% are just poor.

In 2015, poverty rate differed insignificantly by urban (29.4%) and rural (30.4%) communities. Nonetheless, that difference is quite significant between Yerevan (25.0%) and other urban communities (34.4%).

The estimated poverty gap in 2015 was 4.7% as compared to 5.1% in 2008 (a decrease of 0.4 percentage points), whereas the estimated poverty severity was 1.3% as compared to 1.4% in 2008 (a decrease of 0.1 percentage points).

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<sup>1</sup> In case of Armenia, consumption.

<sup>2</sup> According to the 2015 average annual indicator of resident population.

The *average shortfall of additional consumption needed for the poor* relative to the poverty line, in percentage expression, amounted to 15.9%.

Poverty lines used in the calculation of poverty indicators are provided in Table 3.3. Poverty line in 2015 was computed using the factual (or empirically determined) minimum food basket and the estimated share of non-food products for 2009 (see the *Methodological Clarifications*).

**Table 3.1 – Armenia: Basic Poverty Indicators, 2008, 2014 and 2015**

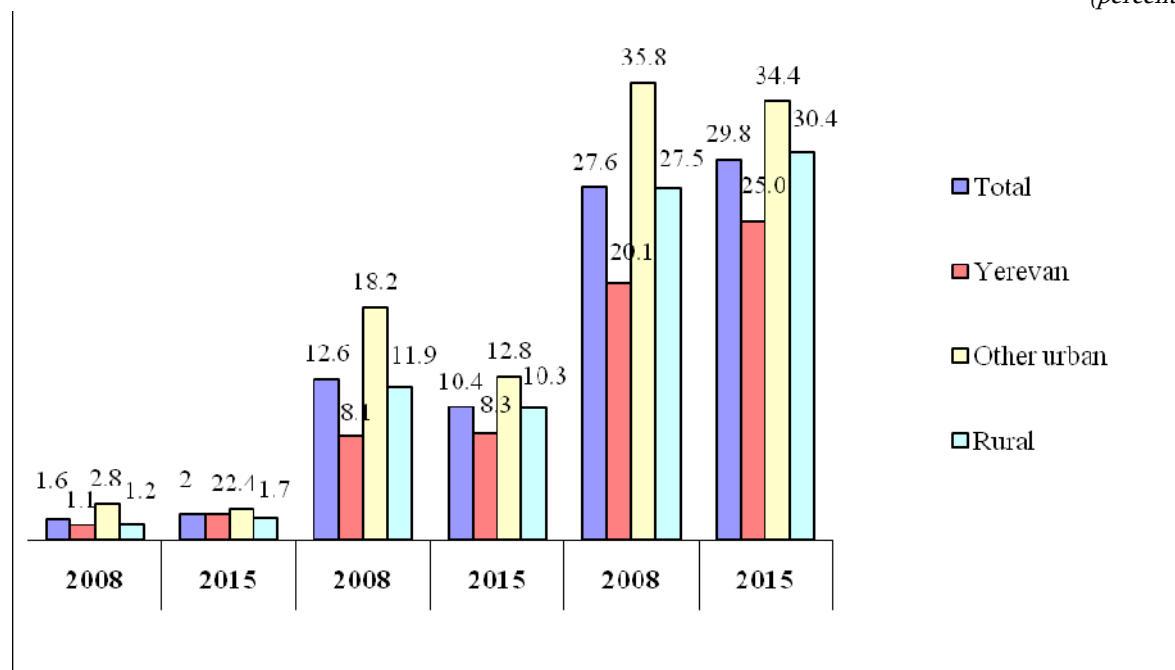
(percent)

	2008			2014			2015					
	Extremel y poor	Very poor	Poor	Extremel y poor	Very poor	Poor	Extremel y poor	Very poor	Poor	Percent, poor population	Poverty gap	Poverty severity
Urban	1.9	13.0	27.6	2.4	11.2	30.0	2.2	10.4	29.4	61.5	4.7	1.3
Yerevan	1.1	8.1	20.1	2.0	9.0	25.2	2.0	8.3	25.0	27.4	3.9	1.1
Other urban	2.8	18.2	35.8	2.9	13.6	35.1	2.4	12.8	34.4	34.1	5.5	1.5
Rural	1.2	11.9	27.5	2.0	10.4	29.9	1.7	10.3	30.4	38.5	4.9	1.3
<b>Total</b>	<b>1.6</b>	<b>12.6</b>	<b>27.6</b>	<b>2.3</b>	<b>10.9</b>	<b>30.0</b>	<b>2.0</b>	<b>10.4</b>	<b>29.8</b>	<b>100</b>	<b>4.7</b>	<b>1.3</b>

Source: ILCS 2008, 2014 and 2015

**Graph 3.2 – Armenia: Poverty Indicators by Urban/Rural Communities, 2008 and 2015**

(percent)



Source: ILCS 2008 and 2015

**Table 3.2 – Armenia: Dynamics of Poverty Rate Indicators, 2004-2015**  
(Using 2009 Methodology)

(percent)

Year	Non-poor	Poor		
			Including, very poor	
				Including, extremely poor
2004	46.5	53.5	32.6	4.4
2005	59.9	40.1	19.6	3.3
2006	69.8	30.2	14.2	2.3
2007	73.6	26.4	14.5	2.0
2008	72.4	27.6	12.6	1.6
2009	65.9	34.1	20.1	3.6
2010	64.2	35.8	21.3	3.0
2011	65.0	35.0	19.9	3.7
2012	67.6	32.4	13.5	2.8
2013	68.0	32.0	13.3	2.7
2014	70.0	30.0	10.9	2.3
2015	70.2	29.8	10.4	2.0

Source: *ILCS 2004-2015*

Over the period of 2004-2015, poverty rate declined by 44%, from around 54% to 30%, and extreme poverty rate declined by 55%, from 4.4% to 2.0%.

Poverty lines for 2004-2015 have been adjusted for inflation to enable comparison with the consumption aggregate computed at current prices<sup>1</sup>.

**Table 3.3 – Armenia: Dynamics of Nominal Poverty Lines, 2008-2015**  
(per Adult Equivalent, per Month) (Using 2009 Methodology)

(AMD)

Poverty lines	2008	2009	2010	2011	2012	2013	2014	2015
Food or <b>extreme</b> poverty line	17 644	17 483	19 126	21 306	21 732	22 993	23 384	24 109
<b>Lower</b> total poverty line	24 388	25 217	27 410	29 856	30 547	32 318	33 101	34 234
<b>Upper</b> total poverty line	29 903	30 920	33 517	36 158	37 044	39 193	40 264	41 698

Source: *ILCS 2008-2015*

In 2015, the total – both upper and lower – and the extreme poverty lines per adult equivalent per month were estimated to be AMD 41698 (or USD 87.2), AMD 34234 (or USD 71.6) and AMD 24109 (or USD 50.4), respectively.

The *actual* (or empirically determined) poverty line derived from ILCS data should not be confused with the *standard* poverty line, which is developed for administrative rather than statistical purposes based on minimum standard health and social requirements.

It is worth mentioning that poverty lines in Table 3.3 are calculated at national average annual prices derived from ILCS 2015, which include both in urban and rural prices. At the same time, the same minimum consumption basket presented in Box 3.1 is calculated at the prices provided by the Price Statistics and International Reviews Division of the RA NSS, which incorporate current prices recorded in 2015 in urban communities only. This is the main reason underlying the difference in the monetary value of the two poverty lines.

<sup>1</sup> For details see the section *Methodological Clarifications*.



**Box 3.1**

**Value of Minimum Consumption Basket in 2015**  
*(in Average Current Prices in Urban Communities, per Capita, per Month)*

Computed in accordance with the 2009 World Bank methodology, based on factual consumption data of the Integrated Living Condition Survey conducted in 2009 by the NSS with the involvement of 7872 households.

	<i>Food category</i>	<i>Actual daily per capita consumption; gram</i>	<i>Daily per capita caloric value; kcal</i>	<i>Cost of per capita monthly food consumption; AMD</i>	<i>Cost of monthly food consumption per adult equivalent; AMD</i>
1.	Bakery products	461.1	1 355.0	7 889.6	8 785.7
2.	Meat products	48.3	87.6	2 791.4	3 108.4
3.	Fish products	2.5	2.4	509.4	567.2
4.	Dairy products		144.3	3 282.5	3 655.4
5.	Eggs (unit)	18.6	27.2	735.2	818.8
6.	Oil and ghee	30.5	229.9	1 765.1	1 965.6
7.	Fruits	113.9	47.7	1 066.0	1 187.1
8.	Vegetables	203.7	76.0	4 142.7	4 613.2
9.	Potato	145.6	109.2	875.1	974.5
10.	Sugar	24.4	94.4	271.8	302.6
11.	Non-alcoholic drinks	4.2	1.1	43.1	48.0
12.	Other food	35.6	57.2	1 886.1	2 100.3
	<b>Total</b>		<b>2 232.0</b>	<b>25 258.0</b>	<b>28 126.8</b>

<b>Monthly value of food basket</b>	<b>25 258.0</b>	<b>28 126.8</b>
<b>Monthly value of minimum consumption basket</b>	<b>44 706.7</b>	<b>49 784.4</b> <b>(1.77 coefficient)</b>

**Factors behind poverty increase:** Over 2008-2015, the key factor behind the increase in the poverty rate was the deep recession of the economy in 2009. According to the international standard System of National Accounts 2008 (SNA 2008), the Armenian economy has grown by 3.3% in 2013 compared to 2012, by 3.6% in 2014 compared to 2013, and by 3.0% in 2015 compared to 2014. ILCS 2015 results show that the average monthly real consumption of the entire population increased by 11.1% compared to 2008, and such increase was observed in all quintiles of consumption.

In this report, the poverty rate will be presented in terms of upper poverty line indicators, and extreme poverty rate will be defined in terms of the indicators on population with consumption below the food poverty line.

**Poverty by urban/rural communities:** Over 2008-2015, poverty rate in urban and rural communities increased by 1.8 and 2.9 percentage points, respectively (Table 3.1). The capital city Yerevan had the lowest poverty rate in the country (25.0%), which was 1.4 times lower than in other urban communities. The comparison of 2008 and 2015 data shows that poverty in Yerevan increased by 4.9 percentage points, while in other urban communities which had the highest poverty rate it declined by 1.4 percentage points. In terms of urban/rural differences of welfare, majority of the poor (61.5%) were urban residents.

Extreme poverty in urban and rural communities increased by 0.3 and 0.5 percentage points, respectively (Table 3.1) over 2008-2015. Extreme poverty was the lowest in rural communities (1.7%) and the highest in other urban communities (2.4%). Comparison of 2008 and 2015 data shows that extreme poverty in Yerevan increased by 0.9 percentage points, while in other urban communities which had the highest poverty rate it declined by 0.4 percentage points. In terms of urban/rural differences of welfare, majority of the extremely poor (67.3%) were urban residents.

***Poverty by regions and in Yerevan:*** Administrative division of Armenia comprises 10 regions and the city of Yerevan. Table 3.4 presents the basic poverty indicators by regions and in Yerevan for 2015, as well as the dynamics of poverty indicators over 2008-2015. The results of the Integrated Living Condition Survey conducted by the NSS RA in 2008-2015 provide for minimum representativeness by regions and in Yerevan. Bearing in mind that poverty rate indicators are characterized by minimum representativeness, they should be considered by taking into account standard deviation and confidence interval.

In 2015, poverty rates differ by regions and in Yerevan. The poverty rate in Shirak, Lori, Kotayk, Tavush and Gegharkunik regions was higher than the country average. With 45% of the population below the poverty line, Shirak region was still the poorest in Armenia.

Over the period of 2008-2015, the poverty rate increased countrywide, both in Yerevan and in all regions except for Aragatsotn, Ararat, Kotayk and Vayotz Dzor regions. In Gegharkunik region the poverty rate in 2015 was equal to that in 2008. Nonetheless, some of the regions saw faster of growth of poverty, among them Tavush region – by 1.5 times, as well as Yerevan, Armavir region and Syunik region – by 1.2 times.

Over the same period, extreme poverty also increased countrywide, both in Yerevan and in all regions except for Aragatsotn, Ararat, Shirak, Syunik and Vayotz Dzor regions. Nevertheless, the increase in extreme poverty was the highest in Shirak (3.9%), Lori (2.8%), as well as Kotayk (2.3%) regions.

**Table 3.4 – Armenia: Basic Poverty Indicators, by Regions and in Yerevan, 2008 and 2015 (95% Confidence Interval in Curly Brackets)**

(percent)

	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor population	Percent, total present population
Yerevan	1.1 {0.3;1.9}	20.1 {17.3;22.9}	2.0 {0.7 ; 3.2}	25.0 {21.1 ; 28.8}	27.4	32.7
Aragatsotn	0.5 {-0.3;1.3}	20.3 {13.9;26.7}	0.4 {-0.2 ; 1.0}	16.1 {13.0 ; 19.3}	2.1	3.9
Ararat	1.6 {0.2;3.0}	31.3 {25.5;37.1}	1.3 {-0.1 ; 2.7}	27.3 {23.4 ; 31.2}	8.1	8.8
Armavir	0.7 {0.1;1.3}	24.5 {19.7;29.3}	2.1 {-0.8 ; 5.1}	29.6 {23.8 ; 35.3}	9.2	9.3
Gegharkunik	0.4 {0.2;0.6}	32 {25.8;38.2}	1.3 {-0.6 ; 3.2}	32.1 {26.0 ; 38.2}	7.4	6.8
Lori	2.8 {1.2;4.4}	34.2 {29.2;39.2}	2.8 {0.3 ; 5.3}	36.2 {30.1 ; 42.3}	11.5	9.5
Kotayk	2.1 {0.7;3.5}	39.5 {34.7;44.3}	2.3 {0.5 ; 4.1}	35.9 {29.8 ; 42.1}	12.2	10.1
Shirak	4.6 {2.0;7.2}	42.4 {37.2;47.6}	3.9 {1.2 ; 6.7}	45.3 {41.4 ; 49.2}	11.8	7.7
Syunik	1.3 {0.5;2.1}	20.3 {14.3;26.3}	0.7 {-0.5 ; 1.8}	24.5 {16.4 ; 32.6}	3.7	4.5
Vayotz Dzor	1.9 {0.1;3.7}	21.1 {14.9;27.3}	1.0 {-0.6 ; 2.7}	16.9 {9.0 ; 24.8}	1.1	2.0
Tavush	1.7 {0.3;3.1}	23.2 {18.0;28.4}	2.0 {0.1 ; 3.9}	35.3 {28.2 ; 42.4}	5.5	4.7
<b>Total</b>	<b>1.6</b> <b>{1.2;2.0}</b>	<b>27.6</b> <b>{26.0;29.2}</b>	<b>2.0</b> <b>{1.4 ; 2.5}</b>	<b>29.8</b> <b>{28.6 ; 31.0}</b>	<b>100</b>	<b>100</b>

Source: ILCS 2008 and 2015

*Poverty rate sensitivity to changes in poverty line.* In comparison with total poverty rate, the extreme poverty rate appears to be more sensitive to the changes in poverty line, which indicates a higher concentration of population around extreme poverty line compared to that around total poverty line. Table 3.5 presents the changes in poverty rate indicators relative to the changes in the poverty line. A 5% increase in poverty line would result in an increase of extreme poverty by 15% and an increase of total poverty by around 1% only. The changes in poverty rate are statistically significant (at 1% significance level), when poverty line decreases or increases by 5%, 10%, or 20%.

**Table 3.5 – Armenia: Changes in Poverty Rate with Respect to Changes in Poverty Line, 2015**

Changes in poverty line	(percent)	
	Extremely poor	Poor
Unchanged, 0%	2.0	29.8
+5%	2.3	30.0
-5%	1.1	22.4
+10%	3.3	30.9
-10%	0.8	16.5
+20%	4.5	36.1
-20%	0.2	9.2

Source: *ILCS 2015*

*Poverty by consumption and income indicators.* Table 3.6 illustrates comparisons between consumption and income poverty in Armenia over 2008-2015. Income-based poverty estimates were lower than those based on consumption as welfare measure. At the same time, income-based extreme poverty was 3.3 times higher than consumption-based extreme poverty. The difference is mostly explained by higher inequality in income than consumption distribution.

**Table 3.6 – Armenia: Poverty Rate, by Consumption and Income Indicators, 2008-2015**

	2008	2009	2010	2011	2012	2013	2014	2015
Monthly consumption per adult equivalent (AMD, in average national prices of 2008)	42 870.2	40 250.2	39 459.3	40 296.9	45 583.0	44 751.4	47 622.0	47 620.0
Monthly income per adult equivalent (AMD, in average national prices of 2008)	42 484.4	43 824.7	44 887.4	45 326.1	49 285.9	48 418.2	54 476.9	56 692.5
Income/consumption ratio	0.99	1.09	1.14	1.12	1.08	1.08	1.15	1.19
<b>Consumption-based poor (percent)</b>								

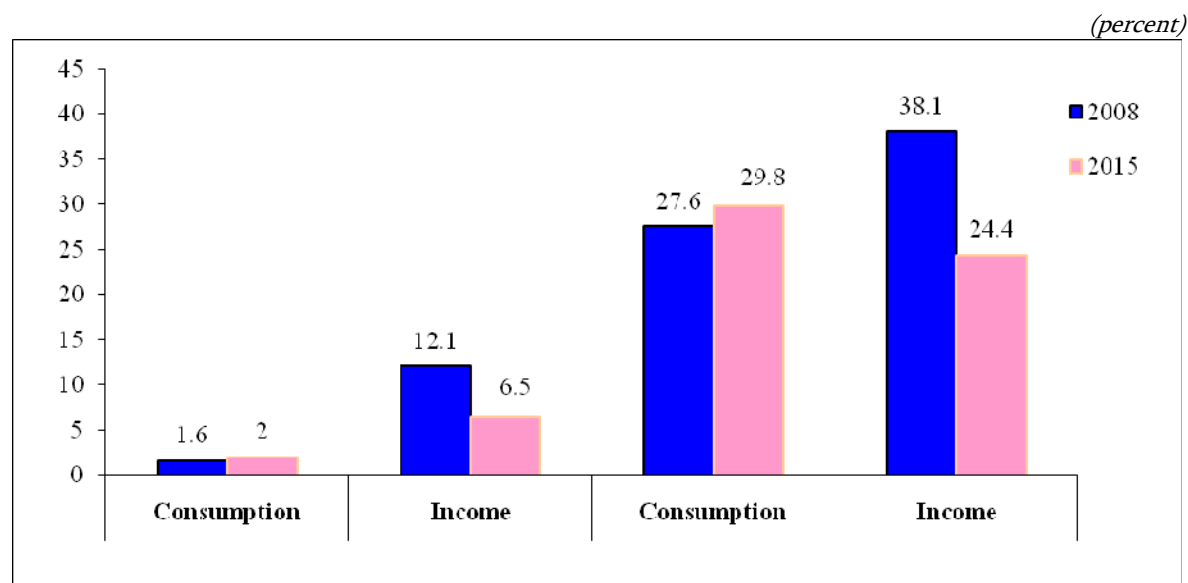
	2008	2009	2010	2011	2012	2013	2014	2015
Extremely poor	1.6	3.6	3.0	3.7	2.8	2.7	2.3	2.0
Poor	27.6	34.1	35.8	35.0	32.4	32.0	30.0	29.8
<b>Income-based poor (percent)</b>								
Extremely poor	12.1	12.2	12.1	13.2	11.5	11.5	8.8	6.5
Poor	38.1	38.2	38.4	37.1	32.8	32.7	26.9	24.4

Source: ILCS 2008-2015

Note: Income is defined as total disposable income and includes monetary income, monetary value of consumption in kind, and consumed savings.

Cross comparison of indicators on consumption and income poverty in 2015 showed that around half of individuals with their income below poverty line had consumption above it (49.2%). Among those assessed as income poor and extremely poor, only 50.8% and 10.4%, respectively, were assessed as consumption poor and extremely poor. Considering those assessed as consumption poor and extremely poor, 43.4% and 35.3%, respectively were assessed as income poor and extremely poor. In 2015, average monthly income per adult equivalent exceeded consumption by 19.1%, while in 2008 it was below consumption by 0.9%.

**Graph 3.3 – Armenia: Poverty Rate, by Consumption and Income Indicators, 2008 and 2015**



Source: ILCS 2008 and 2015

*What would be the cost of overcoming poverty in 2015?* To overcome poverty, Armenia would need AMD 71.4 billion, or an amount equal to 1.4% of GDP, in addition to the resources already allocated to social assistance, assuming that such assistance would be efficiently targeted to the poor only (Table 3.7).

Eradiation of extreme poverty would require around AMD 1.8 billion, or 0.04% of GDP, in addition to social assistance already channeled to the extremely poor and assuming efficient targeting.

International experience suggests that perfect targeting of social assistance is highly unlikely; therefore, the actual resources needed to overcome poverty would be significantly larger.

**Table 3.7 – Armenia: Monetary Cost of Overcoming Poverty, 2015**

	<b>Extremely poor</b>	<b>Poor</b>
Average consumption by the poor (AMD, per adult equivalent, per month)	21 652	35 054
Poverty line (AMD, per adult equivalent, per month)	24 109	41 698
Additional consumption for the poor (AMD, per month)	2 457	6 644
Shortfall, percent of poverty line needed for the poor	10.2	15.9
GDP (AMD billion)		5 032.1
Required budget (AMD billion)	1.8*	71.4*
Required budget (percent of GDP)	0.04	1.4

Source: RA NSS and ILCs 2015

Note: \* This figure is calculated by multiplying the average annual number of resident population with the poverty rate and the additional annual consumption for the poor (Table 3.7 provides the additional monthly consumption for the poor).

### 3.3. Poverty and Economic Growth/ Recession Linkages

Overall, changes in the poverty rate are driven by changes in the consumption aggregate measuring living conditions of population, and by the inequality of its distribution (see the methodology developed by Datt and Ravallion (1992)). The first component, that is consumption, shows the impact of the change in consumption on poverty provided that inequality of distribution remains unchanged, while the second component, that is consumption redistribution, shows the impact of distributional changes on poverty provided that consumption remains unchanged. Results of the analysis suggest that in Armenia, 2.24 percentage points growth of total poverty over 2008-2015 was driven by both the consumption and redistribution components. In particular, the growth of the first component, i.e. the average consumption resulted in 27.69 percentage points decline of poverty, whereas the growth of inequality underlying the second component, i.e. the redistribution resulted in 29.93 percentage points increase of poverty. In other words, if consumption of all Armenian households were to grow at the same pace, in 2015 poverty would lower than in 2008 by

27.69 percentage points. In contrast, slower growth in consumption of poor households at an unequal growth rate over time resulted in only 2.24 percentage point decline of poverty. Hence, these two components jointly brought about an increase in the poverty rate. (Table A3.7).

**Table 3.8 – Armenia: Annual Consumption Growth Rates, by Urban/Rural Communities, 2008-2015**

	<i>(percent)</i>			
<b>Annual growth rate</b>	<b>Total</b>	<b>Yerevan</b>	<b>Other urban</b>	<b>Rural</b>
Average growth rate (regular growth rate)	1.5	2.9	1.2	0.3
Average percentage growth rate	1.0	1.7	1.3	0.3
Average growth rate in the lowest quintile	0.3	-0.1	0.9	0.0
Average growth rate for P(0), extreme poverty line	-0.1	-0.6	0.3	-0.9
Average growth rate for P(0), general poverty line	0.3	-0.2	0.9	-0.1

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

**Note:** *Growth rates refer to the increase in consumption; P (0) denotes poverty rate (Foster, Green and Thorbecke, 1984)*

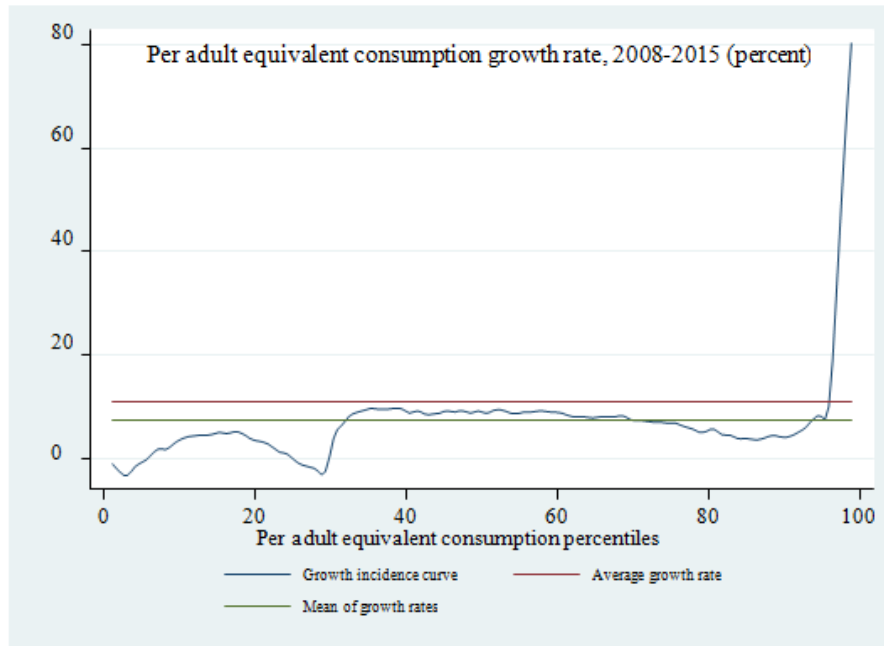
Economic growth in Armenia can be measured through the increase of average consumption by various components (Ravallion and Cheng, 2002). In 2015, similar to the previous year, economic growth in Armenia was not focused on the poor. Table 3.8 shows that overall consumption grew faster than consumption of the poor (respectively, 1.5% and 0.3% per annum). Consumption of the extremely poor, unlike to that of the poor, decreased (respectively, -0.1% and 0.3% per annum). Hence, in 2015 poverty rate increased by 8% and extreme poverty rate increased by 25% relative to 2008.

From the standpoint of urban/ rural distinction (Table 3.8), over 2008-2015 annual consumption of the poor increased (0.3%), but it decreased by 0.2% in Yerevan and increased faster in urban communities other than Yerevan (respectively, 0.9% and 0.3% per annum), when compared with overall consumption of the poor. In the same period, consumption by the poor in rural communities decreased by 0.1%.

As illustrated by the growth rate curves presented below, over 2008-2015 at national level the poorest first decile had no growth of consumption, and the seventh decile had an insignificant growth (0.1% over seven years). In the same period, all other deciles had certain growth of consumption with the tenth decile having the highest growth rate (15.2%).

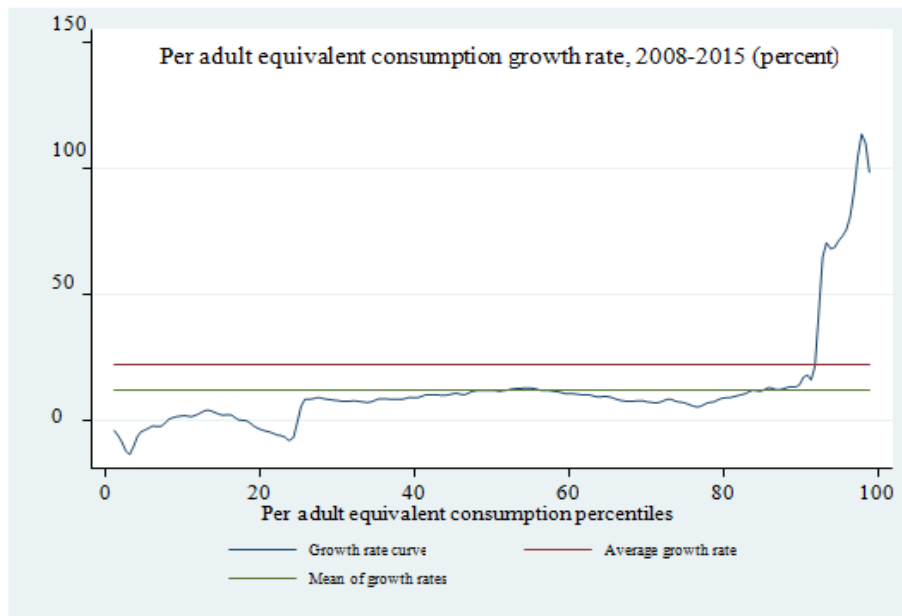
The poorest first decile in Yerevan, as well as in rural communities suffered the most because of the recession (2.6% and 1.8% decline, respectively), whereas the richest tenth decile benefited the most in Yerevan and, to a lesser extent, in other urban communities (Graphs 3.4 to 3.7).

**Graph 3.4 – Armenia: Consumption Growth Curve, 2008-2015**



Source: *ILCS 2008-2015*

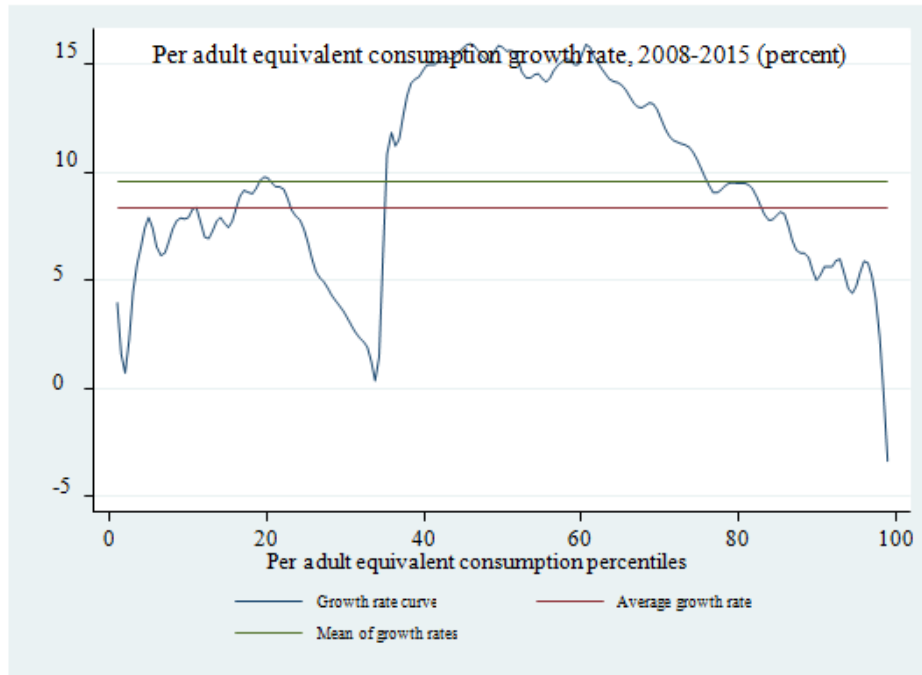
**Graph 3.5 – Armenia: Consumption Growth Curve in Yerevan, 2008-2015**



Source: *ILCS 2008-2015*

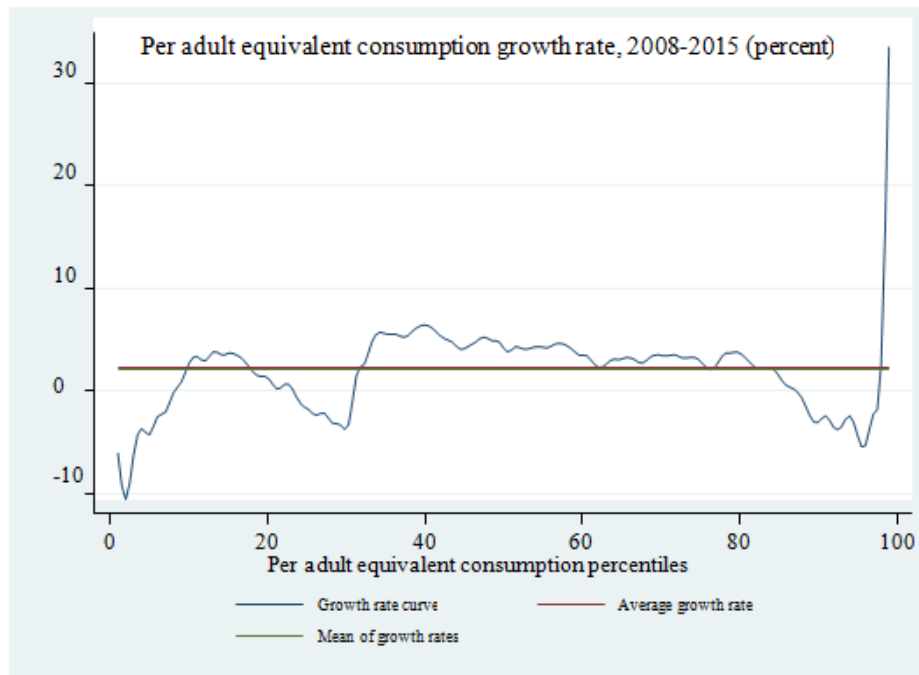


**Graph 3.6 – Armenia: Consumption Growth Curve in Other Urban Communities, 2008-2015**



Source: *ILCS 2008-2015*

**Graph 3.7 – Armenia: Consumption Growth Curve in Rural Communities, 2008-2015**



Source: *ILCS 2008-2015*

### 3.4. Structural Profile and Dynamics of Poverty over 2008-2015

The structure of poverty has not changed significantly over 2008-2015:

- (a) There were no significant differences in the share of females and males among the poor both in 2008 and 2015 (there is a difference in poverty rate by household head's gender as shown in Table 3.13);
- (b) Poverty rate in children age groups of 0-5 and 15-17 years was higher than in other age groups. Poverty rate in 2015 was the lowest in the age group of 60-64 years (Table 3.9).

**Table 3.9 – Armenia: Poverty Rate, by Gender and Age Groups, 2008 and 2015**

*(percent)*

Gender and age group	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor population	Percent, total population
<b>Gender</b>						
Females	1.7	27.3	2.2	29.5	44.5	45.0
Males	1.6	27.8	1.9	30.1	55.5	55.0
<b>Age groups (year)</b>						
0-5 (children)	1.9	32.0	2.2	34.4	9.9	8.5
6-9	1.8	30.3	2.8	33.4	5.8	5.2
10-14	1.5	29.7	2.8	31.4	6.7	6.4
15-17	2.3	32.4	2.3	36.8	4.5	3.7
18-19	0.7	26.1	2.9	34.3	2.2	1.9
20-24	1.3	26.0	1.4	30.5	7.1	6.9
25-29	2.1	27.0	1.7	26.6	7.0	7.9
30-34	1.1	25.7	1.9	30.1	7.7	7.6
35-39	1.9	27.6	2.3	32.3	6.8	6.3
40-44	1.9	29.3	2.2	27.2	5.0	5.5
45-49	1.9	25.7	1.9	26.3	5.0	5.7
50-54	1.2	22.2	2.0	27.9	6.1	6.5
55-59	0.7	21.7	1.7	28.2	7.3	7.6
60-64	1.3	24.8	1.8	25.4	5.2	6.1
65+	2.0	29.5	1.5	28.8	13.7	14.2
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>2.0</b>	<b>29.8</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2008 and 2015*

- (c) Larger households with children were exposed to a higher poverty risk. The relative risk of poverty appears to be in direct and positive proportion to the household size (Table 3.10). An important factor behind poverty is the dependency ratio in large households. Larger households have more children and, therefore, a lower ratio of income earners as compared to smaller households, which causes their consumption levels to be lower.

**Table 3.10 – Armenia: Poverty Rate, by Household Size, 2008 and 2015***(percent)*

Household size	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor population	Percent, total population
<b>Number of household members</b>						
1	0.9	17.2	0.8	11.5	1.8	4.6
2	0.8	19.0	1.5	20.1	7.9	11.8
3	1.0	18.8	1.4	22.7	11.5	15.1
4	0.9	23.6	1.1	27.5	19.2	20.8
5	1.9	30.3	2.0	29.8	19.4	19.3
6	2.8	34.7	1.7	38.0	20.4	16.0
7 and more	2.4	38.2	5.4	47.6	19.8	12.4
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>2.0</b>	<b>29.8</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2008 and 2015*

(d) In Armenia, households with three or more children below 6 years of age are exposed to a poverty risk (59.0%) around 2 times higher than the national average (29.8%) and higher than the risk pertinent to households with fewer children – for example, more than 1.8 times higher than households with 1 child. In case of households with 2 children poverty rate is higher by around 1.5 times (Table 3.11). Nevertheless, these results should be treated with certain caution since they largely depend on assumptions regarding equivalence scales and economies of scale (Lanjouw and Ravallion, 1995).

(e)

**Table 3.11 – Armenia: Poverty Rate, by Number of Children (under 6 years of age) and of Elderly (over 60 years of age), 2008 and 2015***(percent)*

Number of children and elderly	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor population	Percent, total population
<b>Number of children</b>						
0	1.5	25.4	1.8	27.1	59.8	65.7
1	1.9	31.3	2.2	31.9	25.2	23.6
2	1.6	34.4	3.1	38.1	11.3	8.8
3 and more	5.3	34.8	2.1	59.0	3.7	1.9
<b>Number of elderly</b>						
0	1.3	24.7	2.1	26.9	46.2	51.2
1	1.6	30.0	1.7	32.0	34.0	31.6
2 and more	3.0	33.9	2.3	34.5	19.8	17.2
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>2.0</b>	<b>29.8</b>	<b>100.0</b>	<b>100.0</b>

Source: *ILCS 2008 and 2015*

(f) What is the impact of the elderly members (over 60 years of age) within a household on poverty rate? A household consisting of two adults and two children below 6 years of age is exposed to a poverty risk close to the national average (29.4% and 29.8%, respectively). Adding one elderly member into that household would increase the poverty risk by 9%, and adding two elderly members – by 22% relative to the national average (Table 3.12). At the same time, households consisting solely of elderly people have a poverty rate 32% lower than the national average.

**Table 3.12 – Armenia: Poverty Rate, by Household Composition, 2008 and 2015***(percent)*

Household composition*	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor population	Percent, total population
1 adult, no children	1.5	18.7	2.3	18.4	2.1	3.4
1 adult, with children	3.8	21.0	2.6	44.9	1.3	0.9
2 adults, no children	0.9	20.5	1.8	17.8	7.1	11.8
2 adults, 2 children	-	25.4	-	29.4	1.3	1.3
2 adults, 2 children, 1 elderly	-	37.8	0.6	32.4	1.2	1.1
2 adults, 2 children, 2 elderly	0.4	47.2	-	36.4	0.6	0.5
1 elderly, no children, no adults	1.1	23.4	0.9	20.2	4.8	7.1
3 adults	1.6	25.9	2.0	33.9	24.4	21.4
4 adults	1.0	28.3	1.0	32.0	17.5	16.3
Other	2.4	31.9	2.8	32.7	39.7	36.2
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>2.0</b>	<b>29.8</b>	<b>100</b>	<b>100</b>

\* Adults are persons having reached the age of 18 and above, children are persons below 6 years of age, elderly are persons above 60 years of age.

Source: ILCS 2008 and 2015

(g) Female-headed households are more likely to be poor as compared to male-headed households (in 2015, 32.1% versus 28.9%). Female-headed households in 2015 comprised 29% and 27% of, respectively, of the poor population and the total population. Within female-headed households, those with children up to 6 years of age were exposed to a higher risk of poverty (by 1.4 times) compared to the national average (Table 3.13). The risk of poverty for such families in urban communities was lower than in rural communities (41.0% and 45.1%, respectively).

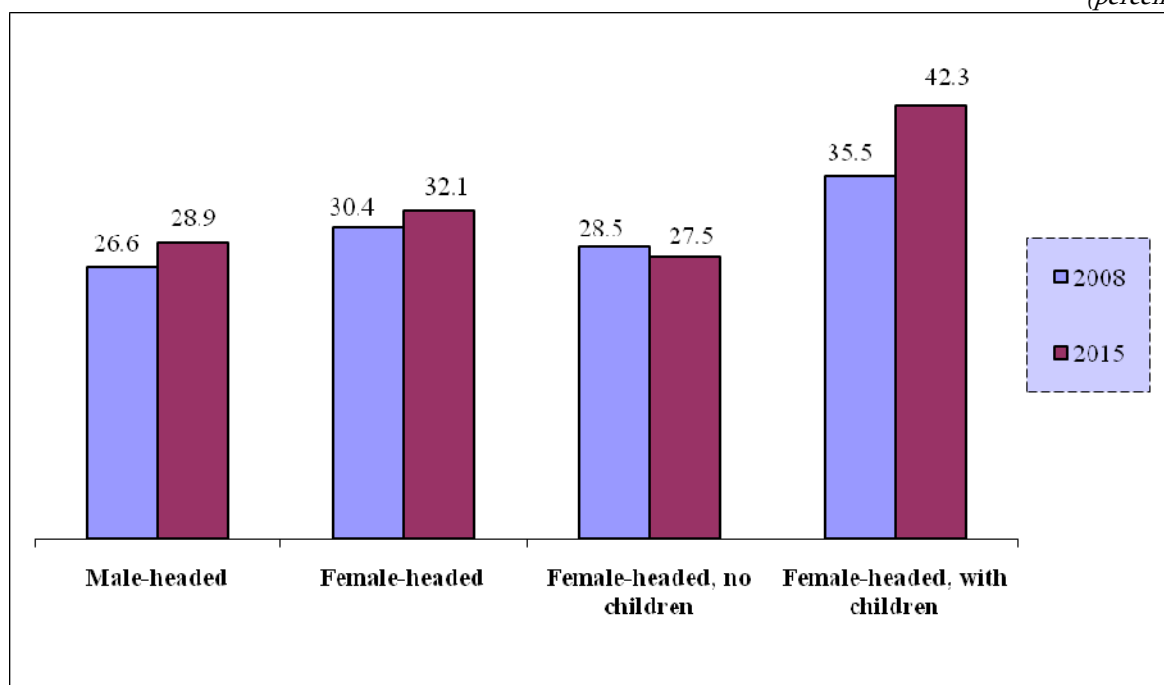
**Table 3.13 – Armenia: Poverty Rate, by Gender of Household Head, 2008 and 2015***(percent)*

Gender of household head	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor population	Percent, total population
Male-headed	1.5	26.6	1.9	28.9	70.6	72.7
Female-headed, including	2.0	30.4	2.2	32.1	29.4	27.3
Female-headed, no children under 6 years of age	1.6	28.5	2.1	27.5	17.3	18.8
Female-headed, with children under 6 years of age	3.0	35.5	2.5	42.3	12.1	8.5
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>2.0</b>	<b>29.8</b>	<b>100</b>	<b>100</b>

Source: ILCS 2008 and 2015

**Graph 3.8 – Armenia: Poverty Rate, by Gender of Household Head, 2008 and 2015**

(percent)



Source: *ILCS 2008 and 2015*

(h) People with higher education are less likely to be poor (Table 3.14). Poverty rate was the lowest among those with tertiary education – around 1.8 times lower than the national average for population over 16 years of age, and 3.5 and 2.8 times lower than among those with elementary and primary or incomplete secondary education. Extreme poverty was the lowest among those with tertiary education compared with all other groups of educational levels, both in 2008 and 2015. Persons with general secondary education comprised the largest group among the poor (51%). Among the population over 16 years of age, this group faced difficulties in finding jobs.

**Table 3.14 – Armenia: Poverty Rate, by Educational Level, 2008 and 2015  
(for Population over 16 Years of Age)**

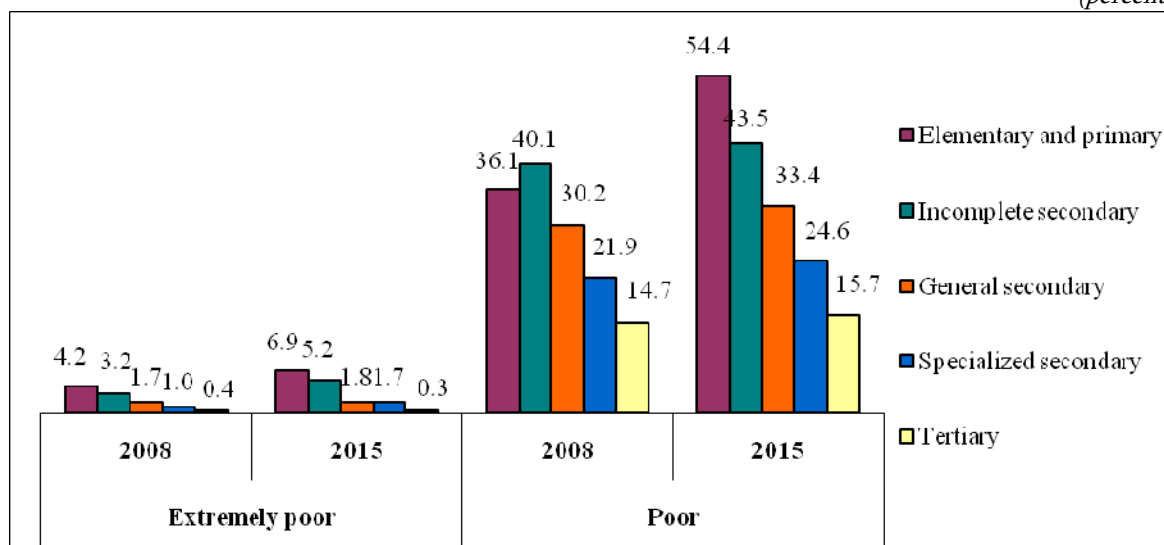
(percent)

Educational level	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor (referenced population)	Percent, referenced population
Elementary and primary	4.2	36.1	6.9	54.4	3.4	1.8
Incomplete secondary	3.2	40.1	5.2	43.5	13.9	9.2
General secondary	1.7	30.2	1.8	33.4	51.2	44.1
Specialized secondary	1.0	21.9	1.7	24.6	19.5	22.9
Tertiary	0.4	14.7	0.3	15.7	12.0	22.0
<b>Total</b>	<b>1.6</b>	<b>26.6</b>	<b>1.8</b>	<b>28.8</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2008 and 2015*

**Graph 3.9 – Armenia: Poverty Rate, by Educational Level, 2008 and 2015**  
(for Population over 16 Years of Age)

(percent)



Source: ILCS 2008 and 2015

- (i) Labor market participation plays an important factor behind poverty rate. Specifically, the lack of employment increases the risk of being poor or extremely poor. This is evidenced by the fact that in 2015 poverty rate among households with no employed members was 35.2%, which was 6.5 percentage points higher than the national average (Table 3.15). Over the same period, extreme poverty rate among households with no employed members was 3.2%, which was 1.7 times higher than the national average.

**Table 3.15 – Armenia: Poverty Rate, by Number of Employed Household Members, 2008 and 2015 (for Population of 15-75 Years of Age)**

(percent)

Number of employed household members	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor (referenced population)	Percent, referenced population
No employed members	5.7	46.6	3.2	35.2	14.7	12.0
1 employed member	2.8	32.5	3.1	30.7	29.5	27.6
2 employed members	0.7	26.0	1.2	27.4	32.0	33.5
3 and more employed members	1.1	24.9	.9	25.4	23.8	26.9
<b>Total</b>	<b>1.9</b>	<b>29.5</b>	<b>1.9</b>	<b>28.7</b>	<b>100</b>	<b>100</b>

Source: ILCS 2008 and 2015

- (j) Over 2008-2015, poverty rate increased both among labor market participants, that is the employed and the unemployed, and among non-participants, that is the economically inactive population (except for pensioners) (Table 3.16).

Labor generates income and thus reduces poverty rate. Research data show that majority of the poor have no jobs, while a significant part of the non-poor are involved in some type of economic activity. Nonetheless, over 2008-2015 the growth of poverty rate among participants of the labor market was faster than that among non-participants (10.5% versus 8.4%).

Over 2008-2015, within the category of labor market participants, poverty rate grew by 9.2% among wage employed, whereas such growth within the category of non-participants comprised 8.4% among students. A positive trend was the reduction of poverty rate by 5.2% among pensioners.

While the unemployed faced the highest poverty risk (38.6%) among the economically active population (the participants of the labor market) (Table 3.16), from the standpoint of urban/rural distinction it appeared that in 2015 poverty rate among the unemployed living in other urban communities was the highest (46.7%), particularly 1.5 times higher than that among the unemployed living in Yerevan.

Over 2008-2015, poverty rate among pensioners declined by 5.2%. However, pensioners living in Yerevan were exposed to lower poverty risk as compared to those living in rural communities (2 times) and in other urban communities (1.5 times). The highest rate of extreme poverty was recorded among rural and other urban pensioners (2.7% and 2.1%, respectively).

**Table 3.16 – Armenia: Labor Force Participation and Poverty Rate, 2008 and 2015  
(for Population of 15-75 Years of Age)**

*(percent)*

Labor force participation	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor (referenced population)	Percent, referenced population
<b>Total population</b>						
Participants	1.0	23.9	1.7	26.4	61.1	66.6
Employed	0.8	22.2	1.3	24.1	47.0	56.1
Wage employed	1.0	20.7	1.2	22.6	24.9	31.7
Self-employed	0.6	23.3	1.1	23.9	14.1	17.0
Other employed	0.4	27.2	2.0	31.1	8.0	7.4
Unemployed	2.1	32.6	3.8	38.6	14.1	10.5
Non-participants	2.4	30.8	2.3	33.4	38.9	33.4
Pensioners	2.8	34.5	1.9	32.7	10.7	9.5
Students	1.5	22.4	1.3	33.1	7.6	6.6
Other non-participants	2.7	33.1	2.9	34.0	20.6	17.3

Labor force participation	2008		2015			
	Extremely poor	Poor	Extremely poor	Poor	Percent, poor (referenced population)	Percent, referenced population
<b>Yerevan</b>						
Participants	0.6	17.6	1.6	23.0	58.0	62.5
Employed	0.5	15	1.1	20.2	38.7	47.3
Wage employed	0.6	16	1.0	20.7	33.8	40.3
Self-employed	-	7.1	1.8	16.7	4.3	6.4
Other employed	-	5.4	-	26.0	0.6	0.6
Unemployed	1.1	25.7	2.9	31.4	19.3	15.2
Non-participants	1.7	22.3	2.7	27.7	42.0	37.5
Pensioners	2.8	27.4	1.5	24.5	12.5	12.7
Students	0.7	14.6	1.5	24.6	6.1	6.1
Other non-participants	1.6	23.2	3.8	30.8	23.4	18.7
<b>Other urban communities</b>						
Participants	1.8	31.2	2.3	31.6	56.4	59.9
Employed	1.3	28.1	1.7	27.4	38.1	46.7
Wage employed	1.3	27.1	1.8	26.0	26.9	34.7
Self-employed	1.5	30.5	0.8	28.9	9.0	10.5
Other employed	-	38.8	4.2	48.8	2.2	1.5
Unemployed	3.6	41.5	4.6	46.7	18.3	13.2
Non-participants	3.6	38.6	2.4	36.4	43.6	40.1
Pensioners	3.3	40.7	2.1	35.9	14.3	13.4
Students	2.7	30.3	2.0	40.2	7.8	6.5
Other non-participants	4.0	40.6	2.7	35.6	21.5	20.2
<b>Rural communities</b>						
Participants	0.8	24.3	1.4	25.7	68.0	75.6
Employed	0.8	23.7	1.2	24.7	61.7	71.3
Wage employed	1.5	20.8	0.7	21.3	16.2	21.6
Self-employed	0.5	23.6	1.1	23.9	26.3	31.4
Other employed	0.5	27.3	1.9	30.0	19.2	18.3
Unemployed	1.5	32.2	4.6	41.8	6.3	4.3
Non-participants	1.7	32.4	1.8	37.4	32.0	24.4
Pensioners	1.8	39	2.7	49.6	6.0	3.5
Students	1.3	24.2	0.7	34.5	8.5	7.0
Other non-participants	1.9	35.3	2.1	35.9	17.5	13.9
<b>Total</b>	<b>1.9</b>	<b>29.5</b>	<b>1.9</b>	<b>28.7</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2008 and 2015*



### 3.5. Determinants of Consumption

This section examines factors – beyond proven causal relationships – that are closely associated with poverty and living conditions. Identification of these factors is an important step in developing economic and social policies aimed at overcoming poverty and preventing households from falling into poverty. The examined factors comprise: (i) characteristics of the household, including age composition, size, presence of migrant members, employment status of household members, and household location; as well as (ii) characteristics of the household head such as age, gender, education, employment status, and disability. These factors are used as explanatory (independent) variables in a simple regression model, where natural logarithm of consumption per adult equivalent represents the dependent variable.

Consumption per adult equivalent proved to be significantly dependent on the following factors:

#### *Household demographics*

- **Household size** had a negative impact on household consumption; hence, both in 2008 and 2015 larger households had lower consumption, being similar in all other characteristics.
- **Household head gender.** Over the considered period, female-headed households had lower welfare than male-headed households, being similar in all other characteristics.
- **Age composition:** Both in 2008 and 2015, the share of children of 0-18 years of age had a negative effect on consumption. The larger was the share of such children in the household, the lower was the consumption of the household relative to the base category (the share of those between 46-60 years of age), keeping the household size unchanged. The share of the elderly in the household had no effect on consumption.

#### *Education*

- Consumption was higher for households headed by a person with tertiary education. Households headed by individuals with tertiary education had 19% more consumption in 2015 when compared with those headed by individuals with elementary or incomplete secondary education (reference category).

#### *Migration*

- Households with members having migrated for work outside Armenia during the 12 months preceding the 2015 survey had higher consumption (by 15.6%) than those without such members.

#### *Labor market participation*

- In 2015, labor market status of household members an important impact on household consumption. A larger share of unemployed members in a household resulted in lower household consumption relative to the share of wage employed members. These factors had an essential impact strongly reflected on the distribution of consumption.

### ***Household location***

- Location played an important role in explaining household welfare in Armenia. The substantial location effects on consumption remain after controlling for all other household characteristics included in the model. In 2015, living standards of the households residing in all regions, except for Vayotz Dzor region, deteriorated as compared to those living in Yerevan.

### **3.6. Consumption, Income, and Inequality in Their Distribution**

During the considered period (2008-2015), aggregate consumption and income inequality increased. Inequality indicators measured by the Gini coefficient indicate that polarization of population in Armenia is deeper in terms of income distribution than that in terms of consumption distribution.

Consumption inequality measured by the Gini coefficient increased from 0.242 in 2008 to 0.279 in 2015. Aggregate income inequality, in turn, increased from 0.339 in 2008 to 0.374 in 2015.

**Table 3.17 – Armenia: Consumption and Income Inequality, 2008 and 2014-2015**

	Consumption			Income		
	2008	2014	2015	2008	2014	2015
Coefficient of variation	0.592	0.846	0.728	0.847	0.846	0.874
Gini coefficient	0.242	0.277	0.279	0.339	0.373	0.374
Theil average logarithmic deviation E(0)	0.096	0.133	0.133	0.201	0.239	0.239
Theil entropy index E(1)	0.110	0.173	0.163	0.215	0.252	0.262

Source: *ILCS 2008 and 2014-2015*

Other methods for assessing inequality, such as the Theil entropy index E (1) and the Theil average logarithmic deviation E (0) showed an increase in polarization of population in terms of income and consumption distribution.

### **3.7. Relative Poverty**

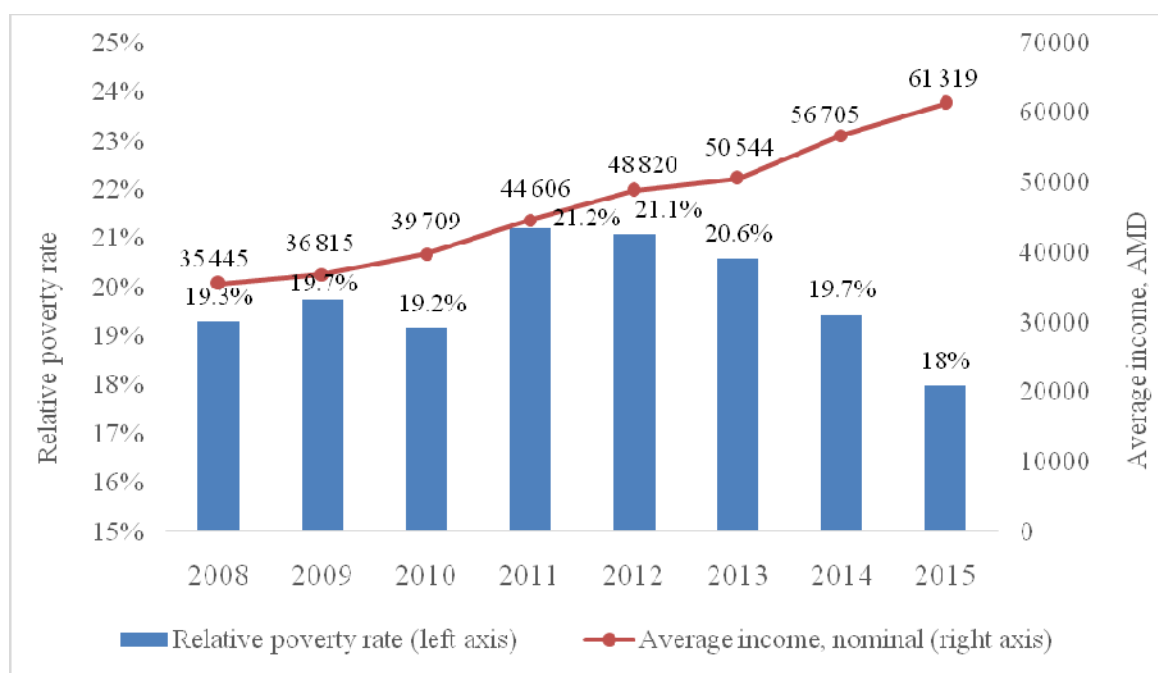
As described in section 3.1, poverty in Armenia is estimated by comparing a consumption aggregate against an absolute poverty line. This methodology uses a cost of basic needs approach to calculate the poverty line and considers households below a certain absolute threshold to be poor.

In contrast, the concept of relative poverty relates to a notion of social exclusion and considers households which live on less than 60 percent of average income as poor. This methodology is widely used in European Union countries and builds around the idea that poverty is no longer the inability to afford basic things in life but rather describes how some groups are at risk of falling behind the rest of the population. The relative poverty line is calculated as a fraction of average household income for each year. Countries in the European Union typically use 60 percent of average income as relative poverty line and refer to the threshold as the “at-risk-of-poverty threshold”. In 2015, relative poverty line in Armenia amounted to AMD 36791 or 88% of the upper absolute poverty line.

The interpretation of relative poverty differs from the concept of absolute poverty. The relative poverty rate captures inequalities in a population with a focus on the poor and vulnerable. Generally speaking, an increase in relative poverty normally describes a situation where income growth for households at the bottom of the welfare distribution is slower than for households in the middle of the distribution. The concept of relative poverty is often heavily criticized because relative poverty rates also decrease when all households become poorer in absolute terms, and the average is shrinking faster than the bottom of the population (like previously observed during the global economic crisis in many countries in the European Union).

Graph 3.10 presents the trend in relative poverty in Armenia (blue bars) and shows the level of equalized average household income used for the poverty calculations (orange line). The increase in relative poverty between 2010 and 2011 from 19.2% to 21.2% illustrates that household incomes in the year 2011 are more unequally distributed than one year earlier – a higher share of the population lives in households which receive less than 60 percent of equalized average income. As equalized average income further increased from AMD 44 606 to AMD 61 319 between 2011 and 2015, and at the same time the share of households which is relatively poor decreased from 21.2% to 18%, this suggests that income growth for relatively poor households in Armenia was faster than for the average household in the country.

**Graph 3.10 – Relative Poverty Measured at 60 Percent of Average Income and Equalized Average Income (AMD, nominal)**



Source: *ILCS 2008-2015*

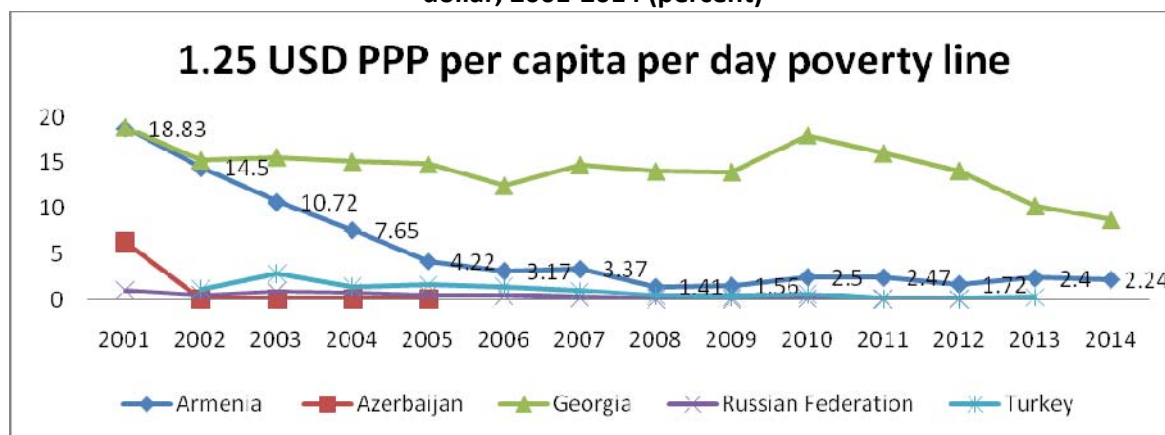
### 3.8. Poverty Rate in Countries of the Region

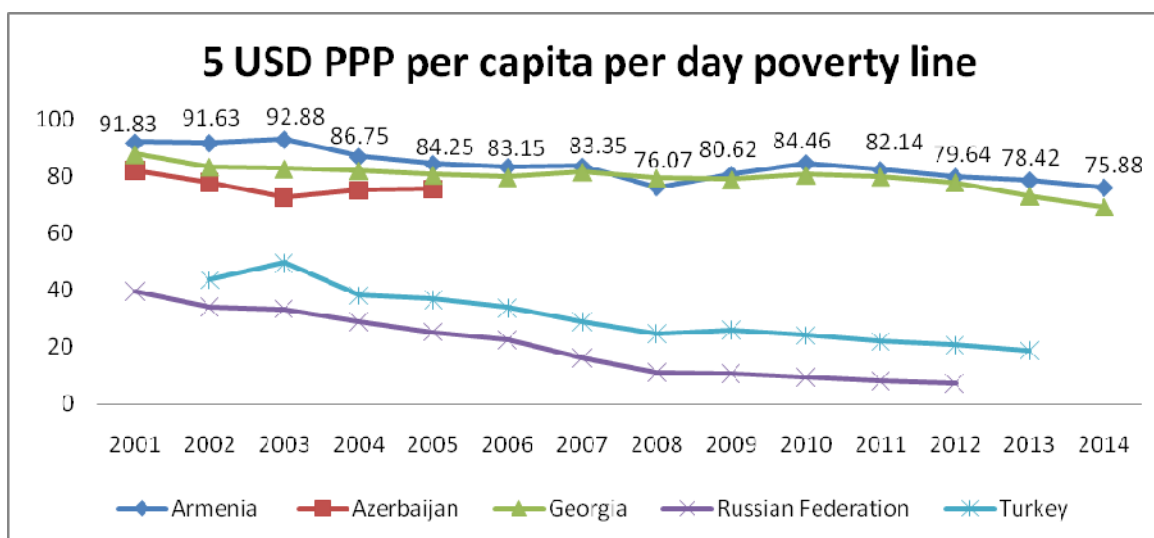
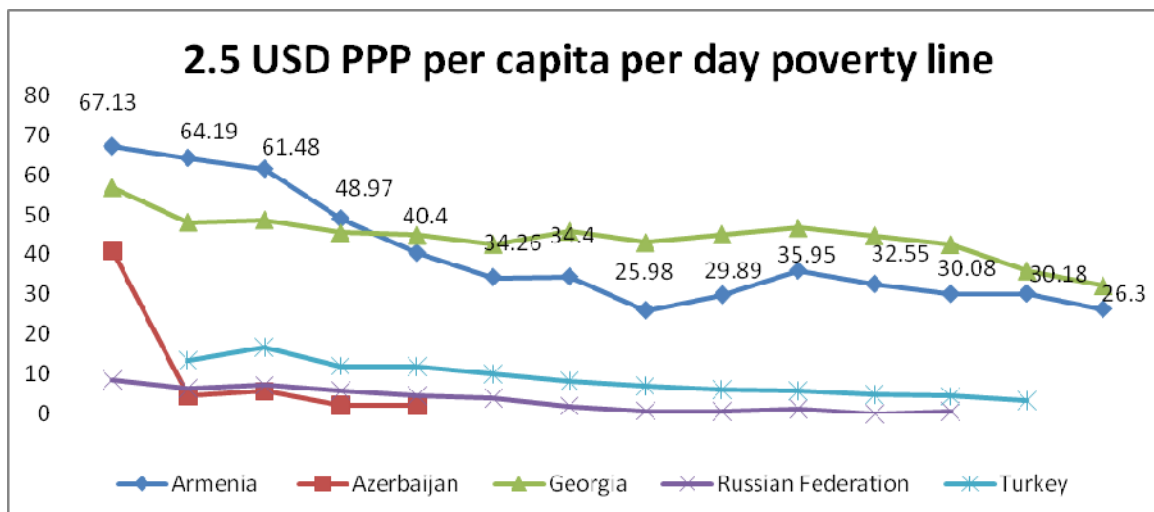
Users of statistical data are often interested in comparisons of poverty rates across countries. The World Bank computes internationally comparable poverty rates which enable such comparisons. International comparisons of poverty entail both conceptual and practical problems. Countries have different definitions of monetary poverty (relative and absolute poverty measures) and use either consumption or income data to construct a welfare aggregate. Furthermore, a consistent comparison across countries can be difficult because local poverty lines tend to be higher in rich countries than in poor countries.

The World Bank produces internationally comparable poverty rates for countries by applying a common methodology to household survey data. These poverty rates are different from national poverty rates (such as in the case of Armenia) because of the difference in methodology used. The common methodology consists of a standardization process of developing a common basket of goods and services consumed as well as adjusting for differences in the purchasing power of currencies across countries. Poverty measures based on international poverty lines attempt to hold the real value of the poverty line constant across countries as well as over time. For countries in the Europe and Central Asia region, the World Bank uses poverty lines of USD 2.50 and USD 5 a per person per day in 2005 prices, converted to local currency using the 2005 purchasing power parity (PPP) conversion factors estimated by the International Comparison Program.

Most recent comparable international poverty rates are available for the year 2014.

**Graph 3.11: Internationally Comparable Poverty Rates, by Purchasing Power Parity of US dollar, 2001-2014 (percent)**





**Source:** World Bank calculations based on PovCalNet and ECATSD.

**Note:** Population below USD 1.25, USD 2.50, or USD 5.0 per person per day is the percentage of the population living on less than USD 1.25, USD 2.50, or USD 5.0 a day at 2005 international prices.

### 3.9. Multidimensional Poverty in Armenia

Poverty has been described as a deprivation in wellbeing, a lack of key capabilities, and a type of “economic scarcity” of basic needs. A measure of multidimensional poverty captures the complexity, depth and persistence of poverty and offers important information to complement the analysis of monetary (consumption) poverty.

Monetary poverty in itself is multidimensional but does not describe all the aspects of wellbeing. By construction, good health and adequate education are dimensions not necessarily fully captured by monetary poverty. These two dimensions can be partly accounted for in household expenses, but pricing the value of public services is challenging. In addition, both health and education have additional values that might not be reflected by the cost of the goods consumed. In

the same way, having a job has an intrinsic significance beyond the salary earned; it gives a sense of accomplishment and of belonging to the community and society. Having adequate and affordable housing and heating is not only important for the standard of living but relates to one’s self-worth. From a policy perspective, deprivations are areas of human development where gaps in endowment are often persistent over time; hence, deprivations can negatively influence the future capacity of a household to escape poverty and vulnerability. Deprivations selected for examining multidimensional poverty, are thus meant to complement analysis on monetary poverty with information that has a non-pecuniary value.

**The national measure of multidimensional poverty is tailored towards the country context and reflects a series of consultations with stakeholders on how to describe the experience of poverty in the country.** While this approach limits international comparability, the value-added of the national measure comes from the close alignment with deprivations as identified by Armenians themselves. For instance, increases in prices for gas and electricity required many households to allocate larger amounts to finance higher cost for heating; at the same time, the share of households which is now using wood or coal to heat their homes has increased substantially. In an environment where these circumstances shape the experience of poverty, the measure of multidimensional poverty includes a deprivation on “healthy heating”. This deprivation, not only emphasizes the importance of decent housing conditions, it also accounts for the negative implications of abovementioned mitigation strategies with regards to health and environment.

**The selection of deprivations for the measure of multidimensional poverty reflects the experience of poverty in Armenia and facilitates a discussion on policies for improving wellbeing.** The five dimensions included in the measure of multidimensional poverty are *basic needs, housing, education, labor and health*. The measure builds on data collected through the Integrated Living Conditions Survey (ILCS) which enables the analyst to construct a time series which is nationally representative and can be linked to the analysis of monetary poverty in the country. At the same time, the use of the national household survey constrains the selection of deprivations to existing data. Table 3.18 summarizes the set of dimensions and indicators which allow for a subjective evaluation of deprivations, affordability as well access and quality of public goods and services.

**Table 3.18: Armenia. Selected dimensions and indicators for a measure of multidimensional poverty**

<b>Dimension: Basic needs</b>	<i>A household is deprived, if ...</i>
<i>Extreme poverty</i>	not having access to minimum requirement of food (according to national poverty measurement methodology and FAO recommendations)
<i>Life in dignity</i>	not having funds to buy, when necessary, food and/or cloths
<i>Humanitarian aid</i>	being dependent on humanitarian assistance to ensure basic functioning of living
<i>Remittance dependent</i>	being dependent on remittances to ensure basic functioning of living or being in extreme (food) poverty
<b>Dimension: Housing</b>	<i>A household is deprived, if ...</i>

<b>Dimension: Basic needs</b>	<b><i>A household is deprived, if ...</i></b>
<i>Satisfaction of housing conditions</i>	not having access to adequate housing: housing conditions are evaluated as bad or very bad
<i>Adequate housing</i>	not having access to adequate housing: available housing requires major repairs, is dump, slum, or old; adequate flooring and adequate walls
<i>Overcrowding</i>	available housing floor space does not exceed 20 sq. meters per person adult equivalent
<i>Healthy heating</i>	household uses wood, carbon or other heating means as primary source for heating
<i>Centralized water system</i>	no access (use) to centralized water system
<i>Centralized sanitation and garbage disposal</i>	no access (use) to centralized sanitation or garbage disposal system
<i>Hot running water</i>	no access (use) of hot running water
<i>Quality of paid public services</i>	not satisfied in one third or more paid services (relative to all answered): water supply, sanitation, garbage collection, telephone, electric supply, post, banking, irrigation, public transportation
<i>Access to transportation</i>	not having access to opportunities: no or poor transportation and road networks (all- year road)
<b>Dimension: Education</b>	<b><i>A household is deprived, if ...</i></b>
<i>No secondary education</i>	<i>present:</i> all household member between the age of 15 years and 75 years have less than secondary education (vocational or professional)
<i>Schooling enrollment rate</i>	<i>future:</i> at least one child of compulsory schooling age between 6 and 17 years is not attending school
<i>Access to education services</i>	not having access to kindergarten, complete secondary school, primary (general) school in the neighborhood
<i>Quality of education services</i>	not satisfied with education services
<b>Dimension: Labor</b>	<b><i>A household is deprived, if ...</i></b>
<i>Labor market participation</i>	more than half of household members in the working age population do not participate in the labor market
<i>Long term unemployment</i>	at least one household member is not working due to long term unemployment (structural)
<i>Decent jobs</i>	not having access to decent jobs - employment status is own account worker
<i>Underemployment</i>	not having access to a full position in the labor market (underemployment, and seasonal/occasional employment for all members)
<b>Dimension: Health</b>	<b><i>A household is deprived, if ...</i></b>
<i>Termination of usual activity</i>	at least one household member did terminate usual activities because of illness, injury, or bad health.
<i>Affordability of health services</i>	not having funds to pay for required health services (excluding dentist) in a health care facility (in case of no or difficult access to free services), tests, examinations and procedures prescribed by a doctor
<i>Access to health services</i>	not having access to health care facility, emergency ambulance services, pharmacies in the neighborhood
<i>Quality of health services</i>	not satisfied with health services

**Source:** Author's calculations based on ILCS 2015

The measure of multidimensional poverty summarizes information on multiple deprivations and describes the complexity, depth and persistence of poverty. As such, it not only captures the share of individuals living in households which experience a specific deprivation but it also looks into the count and overlap of deprivations which are experienced simultaneously by the same individual. By definition, all household members are **deprived in a certain dimension** (whether it be basic needs, housing, education, labor or health) if they report deprivations in more than one quarter of all weighted indicators within that dimension. For instance, all household members are deprived in terms of *basic needs* if the household “does not have sufficient funds to buy, when necessary, food and/or cloth” and if the household simultaneously “is dependent on humanitarian assistance to ensure basic functioning of living” (see Table 3.18). While, at an aggregate level, all household members are **multidimensionally poor** if they are deprived in more than one quarter of all weighted indicators.

**Findings in Table 2 show a decrease in multidimensional poverty since the crisis year 2010.** At the national level, the share of the population which is multidimensionally poor fell from 41.2 percent in 2010 to 29.1 percent in 2015. Breaking down the share of the population being multidimensionally poor by location of residence offers useful insights and presents a different picture than that provided by monetary poverty. In 2010, 52.8 percent of rural population and 37.2 percent of those in non-Yerevan urban areas were multidimensionally poor; in contrast, 32.6 percent of the population in Yerevan were found to be so. During 2011-2015, multidimensional poverty declined. In 2015, it was 32.7 percent in rural areas, 25.9 percent in other urban areas and 28.0 percent in Yerevan. An in-depth analysis reveals that between 2010 and 2015 rural areas benefitted significantly from improvements in infrastructure (such as access to centralized water systems and garbage disposal systems) whereas Yerevan and other urban areas in the country were significantly affected by the negative labor market developments during the crisis period.

**Table 3.19: Armenia. Share of individuals living in households which are considered multidimensionally poor, by location (as percentage of population)**

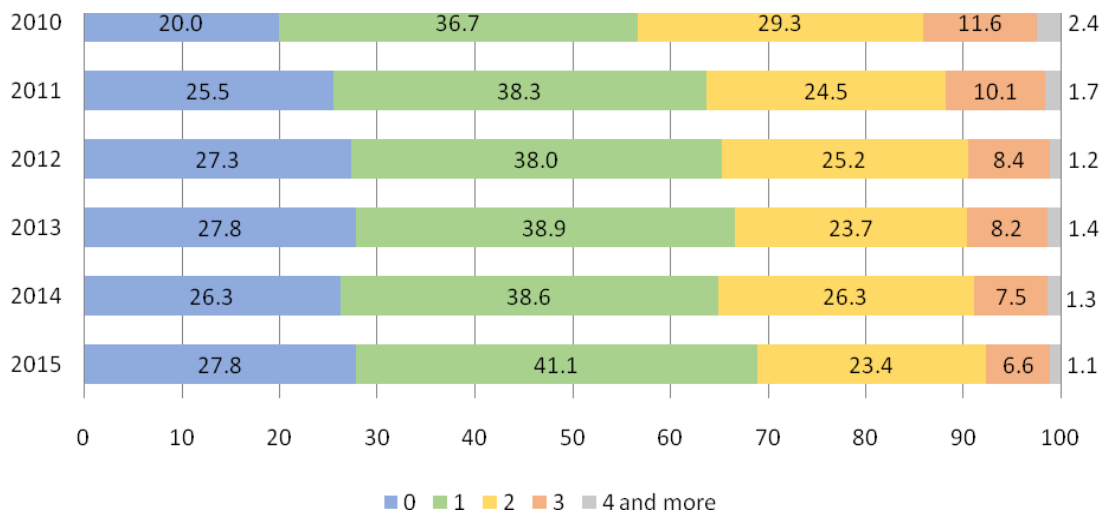
	National level	Rural areas	Other urban areas	Yerevan
<b>2010</b>	41.2	52.8	37.2	32.6
<b>2011</b>	33.9	43.3	30.4	27.3
<b>2012</b>	31.3	38.3	30.1	25.1
<b>2013</b>	30.5	37.2	27.6	25.8
<b>2014</b>	31.9	35.2	31.6	28.5
<b>2015</b>	29.1	32.7	25.9	28.0

Source: Author's calculations based on ILCS 2010 to 2015

Despite the positive development trend between 2010 and 2015 (with consumption poverty declining by 6.0 percentage points), the large majority of households still experiences deprivations in one or more dimensions. Figure 3.12 breaks down the entire population of Armenia into the percentage that experience no (or zero) deprivations or deprivations in 1, 2, 3, 4 or all 5 dimensions. These statistics focus on the intensity or depth of poverty. Between 2010 and 2015 the share of the population living in households which was not deprived in any of the five dimensions increased from 20.0 percent to 27.8 percent. Simultaneously, the share of the population being deprived in 2 or more dimensions decreased from 43.3 percent to 31.1 percent. However, an analysis of disparities across locations shows that in 2015 around 26 percent of households in other urban areas and Yerevan reported two or more dimensions of deprivation which is significantly lower than the share obtained for rural areas (around 40 percent). Further analysis on which dimensions rural residents or urban residents are deprived can help policy makers in identifying priorities to reduce the development gaps in all parts of Armenia.



**Figure 3.12: Armenia. Share of individuals living in households experiencing deprivations (as percentage of population)**



Source: Author's calculations based on ILCS 2010 to 2015

Figure 3.13 illustrates that the nature of multidimensional poverty differs systematically between the capital city Yerevan, other urban areas and rural areas in the country. In 2015, regional disparities were biggest for the dimension on housing; however, the most recent investments in physical assets have helped to reduce the gap between urban and rural areas. Most countries show large gaps in the availability of public infrastructure and housing conditions between urban and rural areas which do reflect differences in climate and geography. These gaps also link to higher cost in the provision of public goods and services in rural areas (and even outside the capital city) and are often rationalized in terms of cost-benefit analysis. Yet, the non-availability or limited access (in combination with non-affordability) heavily influence the experience of poverty in the country and illustrate how a focus on multidimensional poverty complements the analysis on monetary poverty.

**Figure 3.13: Armenia. Share of individuals living in households deprived in each of the five dimensions of multidimensional poverty, by location (as percentage of population)**



Source: Author's calculations based on ILCS 2010 to 2015

The dimensions on education and labor show systematic differences between households living in urban and rural areas. Even though the share of the population being deprived in the dimensions on education has decreased between 2010 and 2015, households in rural areas still show an inferior asset endowment. Also, the level and trend of deprivations in the dimension on labor differs largely by location. A more nuanced analysis using the full set of indicators which describe deprivations related to the dimension on labor (see Table 1) illustrates that low labor force participation and high structural unemployment are more frequent in the capital city Yerevan and other urban areas in comparison to rural parts of the country. However, deprivations on the remaining two indicators in the labor dimension – “Decent jobs” which links to the employment status, and “Underemployment” – suggest that quality of employment as reported by households in rural areas is lower than in urban areas which reflects the large number of individuals working as own-account workers and contributing family workers in the agricultural sector.

Altogether, the analysis on multidimensional poverty complements findings on monetary poverty as well as illustrates that there are strong linkages between the two different concepts. Figure 3.14 shows that for all dimensions the share of households being deprived either in basic needs, housing, education, labor or health is higher among monetary poor households than monetary non-poor households. However, findings also highlight that among households that are not monetary poor (above the national poverty line), there is a large share of households reporting deprivations associated to one of the five dimensions. These numbers suggest that a large share of the population remains vulnerable to poverty as their insufficient endowment limits their functioning and capabilities.

**Figure 3.14: Armenia. Share of individuals living in households deprived in each of the five dimensions of multidimensional poverty, by poverty status (year 2015) (as percentage of population)**

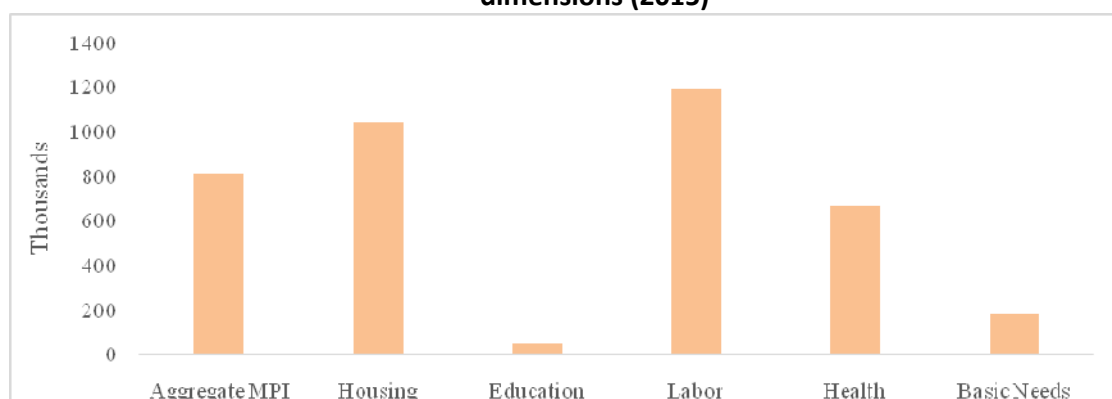


Source: Author's calculations based on ILCS 2015

From a policy point of view, and with a forward looking perspective of eliminating some of these deprivations, the total number of individuals deprived in each of the five dimensions of non-monetary poverty matters. Figure 3.15 depicts, for each of the five dimensions, the total number of individuals that are deprived. Almost 1.2 million individuals experience deprivations in labor, making it the biggest contributor to multidimensional poverty in the country. An in-depth analysis has shown that deprivations related to labor force participation, unemployment or quality of employment negatively influence wellbeing among households in all three locations in the country – yet, the nature of deprivations differs largely between rural and urban areas. The second most important deprivation is housing, as more than 1 million individuals report multiple deprivations. In the case of health and education, 0.7 million and 0.05 million individuals respectively, suffer from overlapping deprivations which characterize fundamental aspects of non-monetary poverty. Around 0.18 million

individuals in Armenia either fall below the national food poverty line, are vulnerable to major shocks such as a massive decline in remittances or report that they materially deprived in absolute or relative terms.

**Figure 3.15: Total number of individuals living in households deprived in each of the five dimensions (2015)**



Source: Author's calculations based on ILCS 2015

**Box 3.1.**

***Alignment of ILCS Population Counts with Official Data on Population in Armenia***

The revised “raking” methodology (elaborated and implemented by MCC-Armenia consultants Frederic Scheuren and Ali Mushtaq, and by the relevant NSS staff) applied since 2008 enabled alignment of annual resident population estimates in Armenia as per the ILCS data and the official statistics on current records based on the 2011 Census results. Data generated through the alignment also incorporates over-estimated administrative records on migration. Hence, the aligned indicators of present and resident population, as well as poverty rate calculations are not comparable with the relevant data of 2015, as the sample for ILCS 2015 has been designed using the 2011 Census address base, and the current records on resident population are also based on the 2011 Census data.

**Purpose of alignment:** Aligning survey-generated and official estimates on gender and age composition of population contributes to the reduction of survey bias and inconsistencies, thus resulting in significantly smaller average irregularities in ILCS estimates.

**Reasons for alignment:** In Armenia, current records on population are maintained using resident (de jure) population data, whereas surveys generate data on both resident (de jure) and present (de facto) population. To address this difference of data on resident/ present population there has to be a statistical alternative, which in the given case is the fact that the ILCS collects data on both present and resident population.

**Approach used:** This report builds on data derived from ILCS 2015. Survey weights of the reporting year are aligned so that their sum total is equal to the annual average of independent population estimates for the end of the previous year and for the current year. Thereafter, the method called “raking ratio estimation” is used where marginal totals by, for example, population age are adjusted for the given ratio, and survey weights are changed accordingly.

**Results.** The tables below present the results of applying the raking method for resident and present population and for poverty rates in 2015.

**Table 1: Resident (De Jure) Population Counts Before and After Raking**

(persons)

Year	Population estimates		
	Current records	Before raking based on ILCS	After raking based on ILCS
2015	2,998,577	2,977,113	2,998,577

The raking aligns the ILCS de jure counts with the current records on population.

**Table 2: Present (De Facto) Population Counts Before and After Raking**

(persons)

Year	Population estimates	
	Before raking based on ILCS	After raking based on ILCS
2015	2,785,069	2,806,272

**Table 3: Poverty Rate and Poor (Present) Population Counts Before and After Raking**

Year	Poverty rate, percent	Poor population counts before raking, persons	Raked poverty rate, percent	Poor population counts after raking, persons
2015	29.8	830,070	29.3	821,772

**Map 1 – Armenia: Poverty Rate by Consumption Aggregate, by Regions and in Yerevan, 2015**



Source: ILCS 2015

## Chapter 4: Poverty in Rural Communities

In 2015, poverty in rural communities was above the national average (30.4 percent against 29.8 percent) (Chapter 3; Table 3.1, Table 4.1). During the survey period, rural population managed to provide for their food needs due to internal resources better than urban population did. In 2015, 70% of rural households that owned land or livestock reported income from their agricultural activities.

In 2015, 86% of rural households were engaged in plant cultivation and 57% in livestock breeding activities. 55% of rural households were engaged in both types of activities simultaneously.

### 4.1. Poverty Rate Trends in Rural Communities

Poverty in 2015 was still above its 2008 level, by 2.9 percentage points in rural communities and 1.8 percentage points in urban communities. In 2015, the difference in poverty rate between urban and rural communities was rather small – 30.4% in rural communities and 29.4% in urban communities (Table 4.1; Graph 4.1).

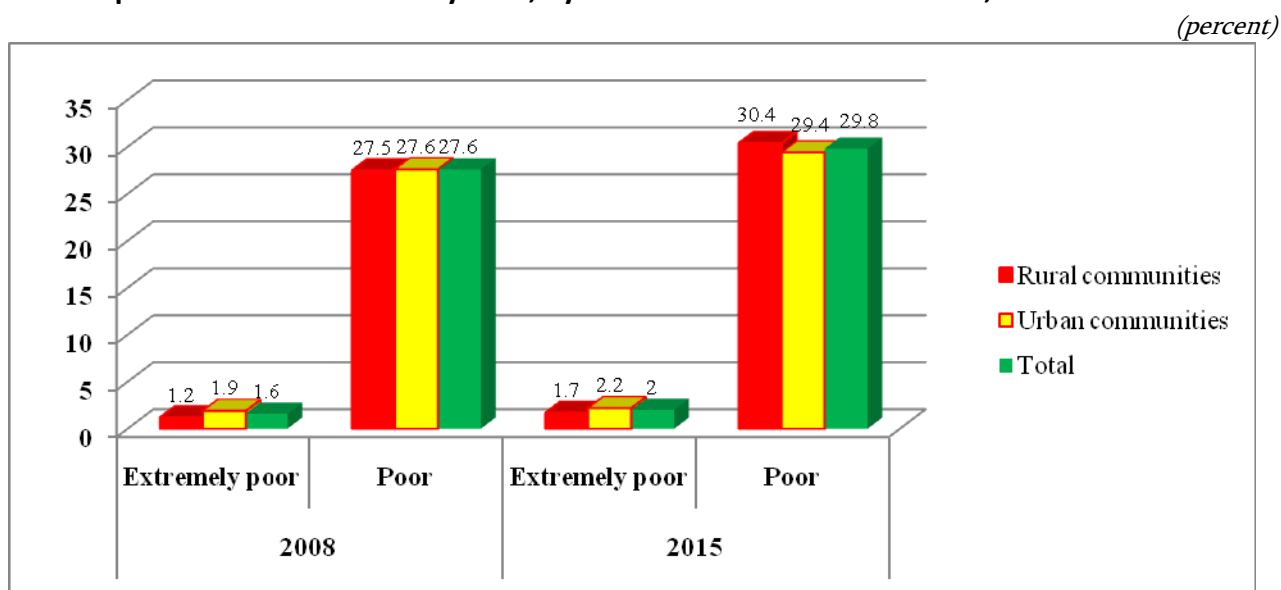
**Table 4.1 – Armenia: Poverty Rate Trends in Rural and Urban Communities, 2008 and 2015**

	2008		2015		2015 / 2008 change (percentage points)	
	Extremely poor	Poor	Extremely poor	Poor	Extremely poor	Poor
Rural communities	1.2	27.5	1.7	30.4	0.5	2.9
Urban communities	1.9	27.6	2.2	29.4	0.3	1.8
<b>Total</b>	<b>1.6</b>	<b>27.6</b>	<b>2.0</b>	<b>29.8</b>	<b>0.4</b>	<b>2.2</b>

Source: *ILCS 2008 and 2015*

In 2015, 1.7% of rural population was extremely poor, compared with the 2.2% extreme poverty rate among urban population. Over the period of 2008-2015, the increase in the extreme poverty rate was 0.5 percentage points in rural communities and 0.3 percentage points in urban communities.

**Graph 4.1 – Armenia: Poverty Rate, by Urban and Rural Communities, 2008 and 2015**



Source: *ILCS 2008 and 2015*

## 4.2. Gross Income and Consumption (Consumption Aggregate) of Rural Households over the Period of 2008-2015

Over the period of 2008-2015, the average gross income in comparable prices increased in rural communities by 30.4% (Table 4.2). Such increase mainly reflected the growth in the volume of private transfers from relatives living abroad.

On average, in 2015 only 25.6% of the gross (per capita) household income in rural communities was generated through agricultural activity (sales of agricultural products and livestock, consumption of own production food) as compared to 38.8% in 2008, 35.6% in 2009, 29.4% in 2010, 32.4% in 2011, 30.8% in 2012, 30.9% in 2013 and 28.5% in 2014 (Chapter 6, Table 6.2). At the same time, the share of income from hired employment increased from 29.6% in 2008 to 37.6% in 2015. Over the period of 2008-2015, the share of income from self-employment increased significantly (from 4.1% to 7.3%).

Within the composition of gross income, the share of state transfers, such as pensions and social assistance, decreased from 17.3% in 2008 to 16.8% in 2015. The importance of remittances from relatives residing outside Armenia as a source of income for rural households increased, from 6.6% of gross income in 2008 to 7.7% in 2015. The share of remittances from relatives residing in Armenia decreased by 0.5 percentage points (from 0.7% in 2008 to 0.2% in 2015) (Chapter 6, Table 6.2).

Table 4.2 presents the changes in monthly income and consumption of rural population over the period of 2008-2015, expressed by quintile distribution of per adult equivalent consumption. In general, the average consumption of rural population over 2008-2015 increased by 2.2%, whereas the average income increased by 30.4%. Real income increased in the third, fourth and fifth quintiles of consumption. A matter of concern is the decrease of income in the poorest first quintile (by 41%), as well as in the second quintile (by 12%). At the same time, real consumption increased in all quintiles, with such increase being insignificant in the first quintile.

**Table 4.2 – Armenia: Gross Income and Consumption Aggregate of Rural Population in 2008 and 2015, by Quintile Groups\***  
(per Adult Equivalent, per Month, in Average Prices of 2008)

(AMD)

	Quintile groups of consumption aggregate*					Average
	I	II	III	IV	V	
<b>Consumption per adult equivalent</b>						
<b>2008</b>	23 335	30 780	38 164	46 672	69 418	41 691
<b>2015</b>	23 384	31 301	39 914	48 125	70 438	42 628
<b>Gross income per adult equivalent</b>						
<b>2008</b>	30 663	36 036	41 639	45 090	60 239	42 745
<b>2015</b>	18 252	31 795	44 493	61 353	122 846	55 744
<b>Change between 2008 and 2015 (percent)</b>						
<b>Consumption</b>	0.2	1.7	4.6	3.1	1.5	2.2
<b>Income</b>	-40.5	-11.8	6.9	36.1	3.9	30.4

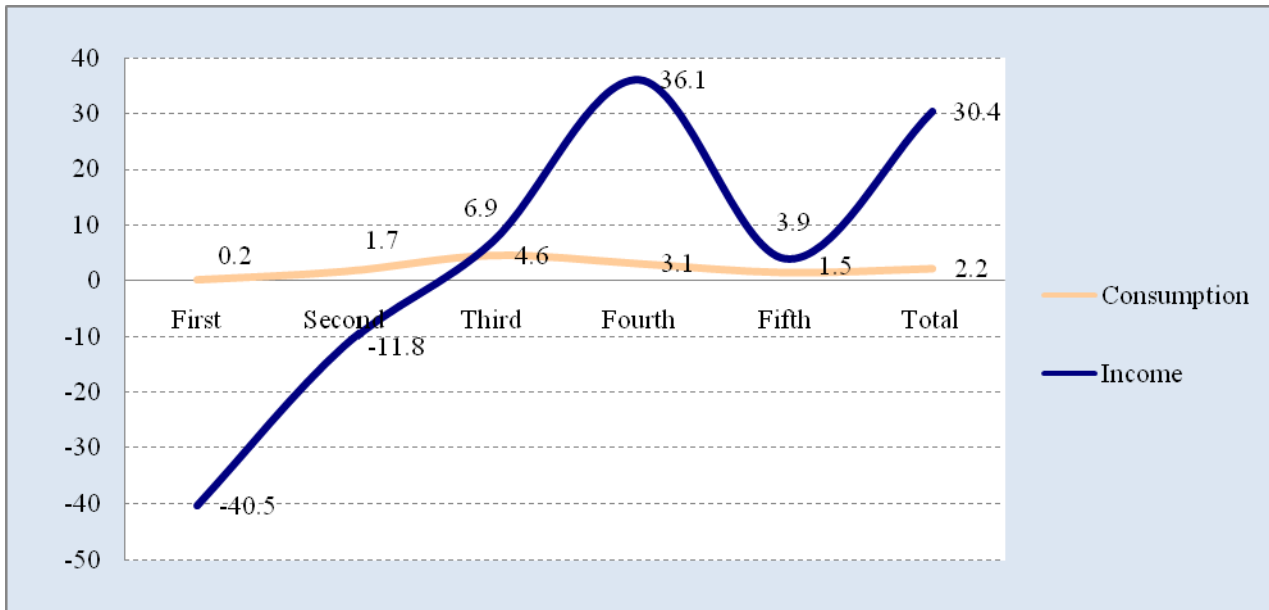
Source: ILCS 2008 and 2015

Note: \* The distribution into quintile groups of consumption aggregate was done for rural population

Over the period of 2008-2015, due to upward and downward changes in household income within various quintiles the average income of rural households increased by 30.4%, while growing real consumption in all quintiles resulted in 2.2% increase of average consumption by rural households.

**Graph 4.2 – Armenia: Difference in Consumption and Gross Income of Rural Households, 2008 and 2015**

(percent)



Source: ILCS 2008 and 2015

### 4.3. Poverty Profile in Rural Communities for 2015

The underdeveloped condition of both physical and financial infrastructures (roads, irrigation systems, availability of facilities for the processing, storage, and preservation of agricultural products, access to finance etc.) is one of the key factors impeding rural development in Armenia. Hence, poverty rate is higher among households, which are deprived of land or own only a small piece of land, have limited access to irrigation, lack or very limited access to agricultural machinery or production capacities, and limited sources of financing.

**Geographical location:** As in earlier years, rural population living in the regions less favorable for agricultural activity tended to be poorer. In 2015, poverty rate was higher in communities located at 1.300-1.700 meters above the sea level (Table 4.3).

**Table 4.3 – Armenia: Poverty Rate in Rural Communities, by Geographical Location, 2008 and 2015**

(percent)

	Total		Including, above sea level					
			Up to 1300 m		1300-1700 m		1700 m and higher	
	2008	2015	2008	2015	2008	2015	2008	2015
Non poor	72.5	69.6	77.5	72.7	71.8	60.9	67.3	72.9
Poor (excluded the extremely poor)	26.3	28.7	21.9	25.9	26.4	35.4	31.2	26.6
Extremely poor	1.2	1.7	0.6	1.4	1.8	3.7	1.5	0.5

Source: ILCS 2008 and 2015

**Availability of land:** Land ownership plays an important role in the reduction of rural poverty. 7.2% of landless households living in rural communities have the highest poverty rate. In 2015, owners of land less than 0.2 ha had the lowest poverty rate (Table 4.4).

**Table 4.4 – Armenia: Poverty Rate in Rural Communities, by Availability and Size of Land, 2008 and 2015**

*(percent)*

Size of land (hectare)	2008		2015			
	Extremely poor	Poor (excluded the extremely poor)	Extremely poor	Poor (excluded the extremely poor)	Percentage share in poor population	Percentage share in rural population
0	0.5	21.4	5.0	36.2	10.2	7.2
Up to 0.2	1.1	24.3	1.8	22.6	23.4	26.3
0.2 – 0.5	0.9	20.9	1.6	23.6	13.2	14.2
0.5 – 1	1.7	20.5	1.4	26.6	19.8	18.9
More than 1	0.5	28.2	0.6	25.3	33.4	33.4
<b>Total, rural communities</b>	<b>1.4</b>	<b>24.4</b>	<b>1.5</b>	<b>25.4</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2008 and 2015*

In 2015, access to and use of land among rural households was as follows: 86.1% of households fully or partially used their land, 6.8% failed to use their land, while the other 7.1% had no land.

**Land quality:** The household survey does not provide sufficient information on the quality of land; therefore, availability of watering is regarded as an indicator of land quality, as it preconditions harvest and fertility outcomes. Irrigation is one of the watering methods. According to survey findings, 54.1% of households engaged in land cultivation irrigated their land. Meanwhile, as shown in Table 4.5, the share of irrigated land constituted only 24.4% of cultivated land.

**Table 4.5 – Armenia: Cultivated Land, by Watering Method, 2015**

*(percent)*

Share of cultivated land, which has:	Total cultivated land	Including	
		Adjacent to house	Non adjacent to house
Irrigation water (waterway/ channel)	24.4	45.8	21.1
Drinkable water or deep-water well	3.4	24.4	0.1
Natural sources only (rivers etc.)	1.3	6.6	0.5
Both irrigation and drinkable water or deep-water wells	0.0	0.0	0.0
Both irrigation and natural sources (rivers, runlets, lakes etc.)	0.3	1.8	0.0
Other combinations of watering methods	-	0.0	-
Collected rainwater, snowmelt water	2.5	3.3	2.5
Rainwater only	68.1	18.1	75.8
<b>Total land</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2015*



The share of cultivated land that rural households are able to irrigate is presented in the table below. Only 48.7% of land was irrigated up to 75-100%, whereas one thirds of land, i.e. 32.5%, was irrigated up to 25% only.

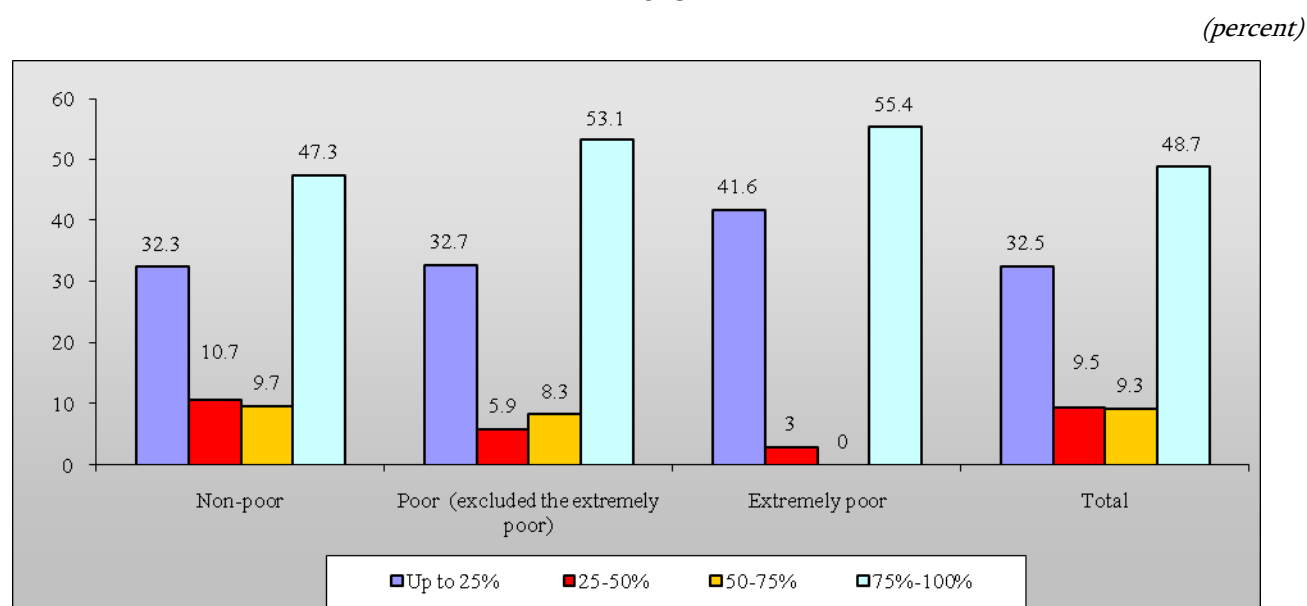
**Table 4.6 – Armenia: Irrigated Land, by Share in Cultivated Land and by Household Poverty Rate, 2015**

*(percent)*

Share of irrigated land in total cultivated land	Non poor	Poor (excluded the extremely poor)	Extremely poor	Total
Up to 25%	32.3	32.7	41.6	32.5
25-50%	10.7	5.9	3.0	9.5
50-75%	9.7	8.3	-	9.3
75%-100%	47.3	53.1	55.4	48.7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2015*

**Graph 4.3 – Armenia: Irrigated Land, by Share in Cultivated Land and by Household Poverty Rate, 2015**



Source: *ILCS 2015*

The proportion of fertile land irrigated up to 75-100% was largest in Ararat Valley (Ararat and Armavir regions) and smallest in Lori, Syunik, Tavush, Shirak and Gegharkunik regions (Table 4.7).

**Table 4.7 – Armenia: Irrigated Land, by Share in Cultivated Land and by Regions, 2015**

*(percent)*

	Up to 25%	25-50%	50-75%	75%-100%	Total
Aragatsotn	25.2	9.7	3.0	62.1	100
Ararat	9.2	7.8	12.1	70.9	100
Armavir	5.7	7.3	10.6	76.4	100
Gegharkunik	63.7	10.6	4.5	21.2	100
Lori	60.6	24.3	12.1	3.0	100
Kotayk	43.2	4.5	15.9	36.4	100

	Up to 25%	25-50%	50-75%	75%-100%	Total
Shirak	61.5	11.1	7.7	19.7	100
Syunik	87.6	6.2	-	6.2	100
Vayotz Dzor	17.4	20.0	9.7	52.9	100
Tavush	71.4	3.6	14.3	10.7	100
<b>Total</b>	<b>32.5</b>	<b>9.5</b>	<b>9.3</b>	<b>48.7</b>	<b>100</b>

Source: *ILCS 2015*

According to ILCS 2015 data, among rural households, which fully or partially (in conjunction with other methods) irrigated their land, 72% were members of a water user association. Some 62.9% of non-member households responded that such associations did not exist in their village, whereas 35.8% did not wish to join a water user association, and the other 1.3% referred to other reasons.

According to survey findings, 55.2% of households received irrigation water in sufficient quantities and in time, 25.4% – in sufficient quantities, but not in time, 6.2% – in time, but not in sufficient quantities, and 13.2% of households received irrigation water neither in sufficient quantities nor in time.

The most important reasons identified for disruptions in irrigation water supply included technically deficient waterlines (36%), problems with the local network (15%), payment failures (7%), pump breakdowns (22%) etc.

90% of households made a full or partial payment for used irrigation water, while 10% of households failed to make any payment, of which 27% failed to pay due to the lack of money, 20% for not having received the necessary quantity of irrigation water, and 15% due to irregular supply of irrigation water.

As part of the survey, households were inquired about the operation of irrigation systems during the agricultural seasons in the past two years (for 2014, the respective indicators were compared with those of 2013). As stated by 18% of respondents, operation of the irrigation system changed during the 2014 agricultural season, as compared to 2013, and 33% of the respondents were of the opinion that it had improved significantly or to a certain extent.

Among the respondents, 7.6% were of the opinion that the sizes of land changed during the 2014 agricultural season, as compared to 2013, and 32.2% of them believed that it was upsized significantly or to a certain extent, and the rest thought that it was downsized.

***Access to agricultural machinery:*** Most agricultural machinery possessed and used by rural households was rather old, aged 6 and more years. In 2014 respondents had identified the lack of 7 defined types of agricultural machinery out of a total of 10, whereas in 2015 such lack was identified for 3 defined types only (Table 4.8).

**Table 4.8 – Armenia: Availability of Agricultural Machinery for Households Engaged in Land or Livestock Farming, by Period of Use, 2015**

(percent)

	Total	Up to 2 years	3-5 years	6-10 years	More than 10 years
Tractor, mini-tractor	100	13.7	24.8	18.1	43.4
Truck	100	6.8	13.5	18.5	61.2
Grain harvesting machine	100	-	-	24.6	75.4
Tractor trailer	100	12.7	9.3	50.3	27.7
Tractor mowing-machine	100	4.4	-	29.4	66.2
Fodder harvesting machine	100	-	-	100.0	-
Seed separator	100	-	-	-	-
Tractor seed-drill	100	29.5	8.0	43.9	18.6
Tractor plough	100	14.8	25.2	43.5	16.5
Cultivator	100	17.5	29.3	30.0	23.2
<b>Total</b>	<b>100</b>	<b>11.8</b>	<b>15.9</b>	<b>28.1</b>	<b>44.2</b>

Source: *ILCS 2015*

Naturally, non-poor households had better opportunities to acquire or rent agricultural machinery than poor households. Among households in possession of agricultural machinery, within the 12 months preceding the 2015 survey only the extremely poor did not acquire any machinery items. Among households in possession of agricultural machinery, 89% were non-poor and 11% were poor households (excluding the extremely poor households).

Generally, it was only the non-poor households that were able to use all types of agricultural machinery (Table 4.9).

**Table 4.9 – Armenia: Availability of Agricultural Machinery for Households Engaged in Land or Livestock Farming, by Poverty Rate, 2015**

(percent)

	Total	Non-poor	Poor (excluding the extremely poor)	Extremely poor
Tractor, mini-tractor	100	87.8	12.2	-
Truck	100	88.7	11.3	-
Grain harvesting machine	100	73.7	26.3	-
Tractor trailer	100	79.7	20.3	-
Tractor mowing-machine	100	83.2	16.8	-
Fodder harvesting machine	100	100.0	-	-
Seed separator	100	-	-	-
Tractor seed-drill	100	100.0	-	-
Tractor plough	100	89.6	10.4	-
Cultivator	100	100.0	-	-
<b>Total</b>	<b>100</b>	<b>88.7</b>	<b>11.3</b>	<b>-</b>

Source: *ILCS 2015*

**Access to agricultural lending or borrowing:** 13.3% of surveyed households received loans or borrowed funds for engaging in agricultural activity; among them, 95.7% were rural households and 4.3% were urban households. In the mentioned group of households, 98.9% received loans from banks (including loans funded under government programs or projects of international organizations) and 1.1% borrowed funds from friends, parents, relatives or other sources.

In 2015, some 16.0% of surveyed rural households received loans or borrowed funds for engaging in agricultural activity. Among them, 98.9% were able to use services of banks; at that, 76.4% of this category were non-poor, and 22.5% were poor (excluding the extremely poor), and 1.1% were extremely poor households. More detailed data on rural households, by poverty rate, are presented in Table 4.10.

**Table 4.10 – Armenia: Access to Agricultural Lending or Borrowing for Rural Households, by Poverty Rate, 2008 and 2015**

*(percent)*

	Non poor		Poor (excluding extremely poor)		Extremely poor	
	2008	2015	2008	2015	2008	2015
<b>Total lending or borrowing, including from:</b>	13.3	16.2	7.6	15.3	1.5	15.3
Banks (including loans funded under government programs or projects of international organizations)	79.6	99.0	86.5	98.6	65.9	98.6
Friends and relatives	19.6	0.0	12.2	1.4	-	1.4
Other sources	0.8	1.0	1.3	0.0	34.1	0.0

Source: *ILCS 2008 and 2015*

On average, in 2015 the key reasons for non-cultivation of land included unprofitability of agriculture, as well as lack of access to irrigation and funding as indicated by, respectively, 22.1%, 20.0%, and 18.8% of respondents. Other key reasons for non-cultivation of land include remoteness of land and poor quality of soil, which account for, respectively, 11.3% and 10.8% of responses. The reasons for non-cultivation of land, by quintile groups, are presented in Table 4.11.

**Table 4.11 – Armenia: Reasons for Land Owners Not to Cultivate Land, by Quintile Groups, 2015**

*(percent)*

Reasons for non-cultivation	Quintile groups of consumption aggregate*					
	I	II	III	IV	V	Total
Remoteness	8.4	13.0	12.4	12.7	9.1	11.3
Poor quality of soil	7.4	11.6	12.0	12.8	8.8	10.8
Non irrigated land	23.5	19.9	19.0	18.8	20.1	20.0
Unprofitable business	16.0	17.9	23.3	23.1	27.4	22.1
Lack of funding for cultivation	24.8	18.0	20.1	16.6	16.6	18.8
Farmer's poor health, age	12.8	12.4	8.8	8.3	10.6	10.2
Other	7.1	7.2	4.4	7.7	7.4	6.8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2015*

Note: \* The distribution into quintile groups of consumption aggregate was done for rural population

Rural households indicated certain difficulties encountered during the most recent agricultural season. The key difficulties included, in descending order of significance, lack of access to agricultural machinery (18.5%), lack of labor force (16.8%), lack of wholesale and retail markets (12.3%), other problems (11.2%), problems with the sales of products (10.7%), dealing with resellers (10.2%), payments for irrigation (5.0%), transportation of products to the market (4.9%), acquisition of young plants (4.7%), remuneration of work (3.6%) and lack of seeds (2.1%).

#### 4.4. Rural Road Infrastructure and Means of Transportation

The impact of infrastructure on rural communities appears to be mostly predictable: rural households residing near hard-surface roads and in the vicinity of markets are better off.

According to ILCS 2015 data, 42% of rural households had some type of transportation means – a passenger car, a truck or other vehicle. Within the 12 months preceding the survey, these households spent in average AMD 159 thousand on fuel, AMD 128 thousand on maintenance (including the cost of spare parts and labor), and AMD 45 thousand on traveling by bus, fixed-run taxi, and taxi.

ILCS 2015 findings also revealed that, during a typical month, a rural household usually used transportation means and spent their time to purchase fertilizers and seeds – 1.3 days, to sell agricultural products – 4.6 days, to work outside the community – 21.3 days, and on other purposes – 4.4 days. Table 4.12 depicts how rural households assessed the quality of road infrastructure and transportation means.

**Table 4.12 – Armenia: Quality of Roads and Transportation Means as Assessed by Rural Households, 2015**

	Total	Bad	Average	Good	Excellent
Intra-community roads	100	70.9	23.7	5.3	0.1
Roads linking with regional centers, towns, markets	100	9.2	62.8	27.7	0.3
Buses, minivans, other transportation means	100	17.5	54.6	27.9	-

(percent)

Source: *ILCS 2015*

Table 4.12 illustrates that 71% of rural households assessed the condition of intra-community roads as bad 9% of rural households assessed the condition of roads linking with regional centers, towns and markets as bad.

The quality of transportation means (buses, minivans, and other vehicles) was assessed as bad by 18% of rural households, which is higher than the same indicator for the previous year at 12%.

Accessibility of social-economic infrastructures for rural households is presented in the table below.

**Table 4.13 – Armenia: Distance to Nearest Service Facilities in Rural Communities, 2015***(percent)*

Service facilities	Up to 1 km	1-3 km	4-5 km	6-10 km	10 km and more
Medical station	65.7	27.5	2.3	2.3	2.2
Hospital	2.6	4.5	15.5	29.6	47.8
Drugstore	25.8	22.1	7.7	15.4	29.0
Community administration	69.1	29.8	0.6	0.4	0.1
Preschool facility	41.5	30.3	4.2	11.7	12.3
Secondary school	66.0	28.8	2.4	1.5	1.3
Agricultural market	0.1	4.3	9.3	24.3	62.0
Bank/ financial institution	0.7	4.5	11.9	29.5	53.4

Source: *ILCS 2015*

In rural communities the average distance to the nearest medical station was 1.5 km, to a hospital – 11.7 km, to a drugstore – 7.2 km, to the community administration – 0.9 km, to a kindergarten – 4.1 km, to a secondary school – 1.3 km, to an agricultural market – 15.8 km, and to a bank/ financial service provider – 12.5 km.

Rural households spent on average 10 minutes to reach a medical station, 18 minutes – a hospital, 16 minutes – a drugstore, 11 minutes – the community administration, 13 minutes – a kindergarten, 11 minutes – a secondary school, 24 minutes – an agricultural market, and 20 minutes – a bank/ financial service provider.

The majority of rural households did not make use of a car or bus/ minivan to reach certain service facilities (e.g. a medical station, the community administration, a secondary school, a preschool facility). However, in order to reach service facilities such as a hospital, a bank, an agricultural market or a drugstore, most of rural households made use of a car or a bus. More detailed data on this are presented in Table 4.14.

**Table 4.14 – Armenia: Transportation Means Used for Reaching Service Facilities in Rural Communities, 2015***(percent)*

Service facilities	Total	Car	Bus/ minivan	Other (on foot, by taxi, carriage, bicycle, motorcycle, horse, donkey)
Medical station	100	8.8	3.9	87.3
Hospital	100	67.2	13.9	18.9
Drugstore	100	23.2	28.7	48.1
Community administration	100	5.9	1.9	92.2
Preschool facility	100	14.4	21.3	64.3
Secondary school	100	6.7	4.7	88.6
Agricultural market	100	39.4	53.8	6.8
Bank/ financial institution	100	37.8	55.3	6.9

Source: *ILCS 2015*

## Chapter 5: Child Poverty

### 5.1. Child Poverty

This chapter provides an estimate of consumption-based child poverty, material and housing deprivation, as well as reflects on the role of social protection benefits in mitigating poverty. The key findings of the Child Needs survey conducted in July 1 – December 31, 2015 are also presented in this chapter.

Some 2.5% of children below 18 live in extreme poverty and 33.7% live in poverty. At that, extreme poverty and poverty rates in Armenia are 2.0% and 29.8%, respectively (Table 5.1). Hence, in comparison with the entire population, children are imposed to a higher risk of both total and extreme poverty. As of 2015, some 23.4% of the households with children below 18 received family benefits; this figure of beneficiaries comprises 22.0% of poor households, 35.8% of extremely poor households, and 16.6% of non-poor households.

The data for 2015 depict the differences of child poverty rates by gender; thus, 35.6% of girls and 32.2% of boys are poor (comprising 33.7% of all children). Child poverty rates does not significantly vary by household location; the extreme poverty rate among children living in urban communities constituted 2.8% as compared to that of 2.2% among children living in rural communities, and the total poverty rate for the same categories constituted 32.2% and 36.0%, respectively.

**Table 5.1 – Armenia: Child Poverty Rates, 2015**

*(percent)*

	Children below 18	Including		Population headcount (for comparison)
		Girls	Boys	
Extreme poverty	2.5 (0.3) {2.0; 3.0}	2.4 (0.4) {1.6; 3.1}	2.7 (0.4) {1.9; 3.4}	2.0 (0.2) {1.4; 2.5}
Total poverty	33.7 (0.8) {32.2; 35.3}	35.6 (1.2) {33.2; 37.9}	32.2 (1.1) {30.1; 34.3}	29.8 {28.6; 31.0}

Source: *ILCS 2015*

Table 5.2 provides an overview of the dynamics of child poverty rates over 2008-2015, particularly the increasing trend of this indicator as a consequence of the global economic crisis. At that, although in 2015 poverty and extreme poverty rates were the lowest as compared to the period of 2010-2014, they have not yet decreased down to the level of 2008 (3.9% and 0.9%, respectively).

**Table 5.2 – Armenia: Dynamics of Child Poverty Rates, 2008-2015\***

*(percent)*

	Extremely poor	Poor	Non-poor
2008	1.6	29.8	70.2
2009	3.8	35.7	64.3
2010	3.7	41.4	58.6
2011	4.7	41.9	58.1
2012	3.3	36.2	63.8
2013	3.3	37.3	62.7
2014	3.3	34.0	66.0
2015	2.5	33.7	66.3

Source: *ILCS 2015*

\* For consistency reasons, the indicators have been recalculated as per the methodology used in 2009.

Average poverty rates reflect the substantial dependence on various household characteristics. Child poverty rates substantially vary depending on the number of children in the household, the age group of the youngest child, the presence of disabled children, as well as on the characteristics of the household head such as gender, educational level and employment status. There is also significant variation by the proportion of employed household members and by household location.

**Children in larger families are more likely to be poor.** Some 46.7% of children in families with 3 or more children below 18 are poor (as compared to 33.7% total child poverty rate), and 4.9% of children in large families are extremely poor (as compared to 2.5% extreme child poverty rate) (Table 5.3).

**Younger children are more likely to be poor.** Children in families where the youngest child is 5 years old or younger are imposed to a higher risk of poverty. Some 37.4% of children in such families are poor, as compared to the child poverty rate of 30.3% in families where the youngest child is 6-14 years old. A similar pattern is observed in the analysis using the extreme poverty line.

**Households with one or more disabled children are imposed to higher risk of poverty and extreme poverty.** Although only 1.3% of children are disabled, 46.2% of them are poor and 11.1% are extremely poor. Such children comprise 1.8% of poor children with 12% average shortfall (gap) from the poverty line.

**Children in female-headed households are more likely to be poor.** More than one quarter (25.3%) of all children live in female-headed households; among them, 40.2% are poor, as compared to the child poverty rate of 31.5% in male-headed households.

**Marital status of the household head is another important predictor of child poverty.** Children in households with a single (never married), widowed or divorced head are more likely to be poor (38.8%) than those in households with married or cohabiting heads (31.8%).

**Living in a household with the head having a higher educational level reduces the risk of poverty.** Children living in households where the household head has no education or has primary education only (65.3%), incomplete secondary education (50.2%), general secondary education (37.4%), specialized secondary or incomplete tertiary education (27.6%) are substantially more likely to be poor than those in households where the head has tertiary education (17.7%). Children in households, where the head has no education or has primary education only, are imposed to the highest risk of extreme poverty.

**Employment status of the household head is another crucial predictor of child poverty.** Children in households where the head did any profitable work within the past 7 days are at the lowest risk of poverty in terms of both total and extreme poverty. Thus, 29.3% of children with a working head of household are poor, as compared to that of 39.7% among children with a non-working head of household. It is worth of mentioning that 42% live in households where the head is not working.

**The number of adult household members in employment also appears to affect child poverty rates.** Children in households with no employed adults aged 19-60 years are imposed to the highest



risk of poverty (48.2%). The lowest risk of extreme child poverty (0.6%) is observed in households where all adults are employed. It is worth of mentioning that almost half of all children (45.4%) live in households where not all adults aged 19-60 years are employed.

**Table 5.3 – Armenia: Poverty Rates, Gaps and Composition, by Type of Household, 2015**

	<i>(percent)</i>				
	Extreme child poverty rate	Total child poverty rate	Poverty gap	Percentage share in poor population	Composition of all children
<b>Number of all children (below 18 years)</b>					
One	1.7	27.0	4	17.8	22.3
Two	1.7	30.1	5	46.2	51.7
Three or more	4.9	46.7	10	36.0	26.0
<b>Gender</b>					
Girl	2.4	32.2	5	48.7	46.2
Boy	2.7	35.6	6	51.3	53.8
<b>Age of the youngest child</b>					
0-5	2.7	37.4	7	50.7	45.7
6-14	2.5	30.3	5	41.4	46.1
15-18	1.5	32.7	4	8.0	8.2
<b>Number of adults (19 – 60 years)</b>					
None/ one	3.7	35.0	6	13.0	12.6
Two	2.3	29.5	5	43.0	49.3
Three	2.4	39.0	7	21.2	18.3
Four or more	2.4	38.6	8	22.7	19.9
<b>Number of retired adults</b>					
None	2.4	31.0	5	60.9	66.2
One	2.1	38.7	6	28.7	25.0
Two or more	4.8	39.9	7	10.5	8.8
<b>Number or disabled adults</b>					
None	2.6	33.0	6	82.3	84.0
One or more	2.1	37.4	7	17.7	16.0
<b>Number of disabled children</b>					
None	2.4	33.6	6	98.2	98.7
One or more	11.1	46.2	12	1.8	1.3
<b>Gender of household head (by present population headcount)</b>					
Male	2.5	31.5	5	69.9	74.7
Female	2.5	40.2	7	30.1	25.3
<b>Marital status of household head</b>					
Married/ cohabiting	2.6	31.8	6	68.8	72.9
Single/ widowed/ divorced	2.2	38.8	6	31.2	27.1
<b>Educational level of household head</b>					
Elementary and primary	6.1	65.3	12	4.4	2.3
Incomplete secondary	4.4	50.2	10	14.9	10.0
General secondary	2.5	37.4	6	53.6	48.4
Specialized secondary	3.3	27.6	5	18.1	22.2
Tertiary	-	17.7	2	9.1	17.3
<b>Employment status of household head</b>					

	Extreme child poverty rate	Total child poverty rate	Poverty gap	Percentage share in poor population	Composition of all children
Not worked in the past 7 days	4.2	39.7	8	49.7	42.2
Worked in the past 7 days	1.3	29.3	4	50.3	57.8
<b>Employment status of adult household members (19-60)</b>					
No adult works	7.2	48.2	10	15.0	10.5
Not all adults work	2.7	37.2	7	50.0	45.4
All adults work	0.6	26.2	4	27.3	35.2
Not only adults work	3.6	29.1	4	7.7	8.9
<b>Total</b>	<b>2.5</b>	<b>33.7</b>	<b>6</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2015*

**Child poverty rates substantially vary across regions.** Table 5.4 presents data on child poverty rates for 10 regions and Yerevan City. The differences across regions are significant both in terms of extreme and total poverty. Extreme child poverty rates vary from the lowest 0.0% (in Aragatsotn region) to the highest 5.8% (in Shirak region). A similar pattern is observed for total child poverty rates, which are the lowest at 14.0% in Aragatsotn region and the highest at 55.8% in Shirak region.

**Table 5.4 – Armenia: Poverty Rates, Gap and Composition, by Regions, 2015**

(percent)

	Extreme child poverty rate	Total child poverty rate	Poverty gap	Percentage share in poor population	Composition of all children
Yerevan	2.8	26.3	5	22.7	29.1
Aragatsotn	0.0	14.0	1	1.9	4.7
Ararat	1.7	33.9	5	7.8	7.7
Armavir	1.8	35.9	6	10.6	10.0
Gegharkunik	1.9	35.2	4	7.2	6.9
Lori	3.6	39.5	8	12.7	10.8
Kotayk	2.1	39.8	5	12.9	10.9
Shirak	5.8	55.8	15	13.1	7.9
Syunik	1.1	28.2	3	3.9	4.7
Vayotz Dzor	1.6	21.2	4	1.4	2.2
Tavush	1.8	38.6	7	5.8	5.1
<b>Total</b>	<b>2.5</b>	<b>33.7</b>	<b>6</b>	<b>100</b>	<b>100</b>

Source: *ILCS 2015*

## 5.2. Material Deprivation

To complement the analysis of consumption-based poverty, this section analyses material deprivation of children in Armenia. Material destitution is measured as the lack of durable goods in households. The analysis covered the following 9 durable goods: refrigerator, washing machine, mobile telephone, vacuum cleaner, video player, photo camera, audio system, car, and personal computer. The choice of these goods reflects the fact that at least 10% of all households in the 2009-2015 Integrated Living Conditions Surveys owned them. Nonetheless, it is not clear whether the households that lack these items cannot afford them or choose not to have them.

When compared with all children, poor children are significantly more likely to live in households lacking any of the above-mentioned durable goods. Children in extremely poor households are the most likely to lack all of these items. For example, while 3.2% of all children live in households without a refrigerator, 6.9% of poor and 24.6% of extremely poor children live in households lacking this item. Likewise, while 60.0% of children live in households without a car, the same indicator for poor and extremely poor children is 83.5% and 100%, respectively.

Table 5.5 – Armenia: Durable Goods Lacked, 2015

	<i>(percent)</i>		
	All children	Poor children	Extremely poor children
Refrigerator	3.2	6.9	24.6
Washing machine	3.7	7.7	23.9
Mobile phone	0.0	0.0	0.0
Vacuum cleaner	24.9	39.1	65.6
Video player	75.2	88.9	95.4
Photo camera	61.7	73.8	85.5
Audio system	65.4	78.1	89.1
Car	60.0	83.5	100.0
Personal computer	28.1	43.9	71.3

Source: *ILCS 2015*

There are noticeable differences in deprivation rates between poor and non-poor children. Some 4.5% of all children live in households not lacking any of the listed durable goods, while the respective indicator is 0.7% for poor children and nil for extremely poor children (Table 5.6). However, to achieve a deprivation rate that is comparable with the estimated consumption-based child poverty rate of 33.7% the deprivation threshold is drawn at lacking 4 or more of the listed items. This results in 44.0% of all children experiencing material deprivation. Material poverty rates among poor and extremely poor children are higher at 69.6% and 93.5%.

Table 5.6 – Armenia: Number of Durable Goods Lacked by Households, 2015

	<i>(percent)</i>		
	All children	Poor children	Extremely poor children
0 (all 9 are present)	4.5	0.7	-
1	12.5	3.5	-
2	18.4	9.2	2.2
3	20.6	17.0	4.3
4	21.2	26.6	11.0

	All children	Poor children	Extremely poor children
5	13.4	23.0	26.4
6	6.6	13.2	33.3
7	2.6	6.3	20.1
8	0.2	0.5	2.7
9	-	-	-

Source: *ILCS 2015*

An obvious problem with this methodology is that the items included in the simple count index may not be of equal importance to the households' welfare, whereas ILCS 2015 provides no information about the desirability or importance of these durable goods. Furthermore, there is no information on whether the item is lacked because the household cannot afford it or choose not to have it. Using the prevalence weighted deprivation index helps to partially overcome this drawback based on the assumption that households are relatively more deprived if they lack an item that most other households have. For example, lacking a refrigerator carries more weight than lacking a personal computer because more households have a refrigerator rather than a personal computer. Each score of 1 given for a lacked item is multiplied by the proportion of children in the weighted sample who live in households owning this item. The scores are then summed across all items and divided by the total number of items, i.e. 9, for each household. The resulting score is multiplied by 100 to establish a continuous variable that ranges from 0 (presence of all items) to 100 (lack of all items that all other households own).

**On average, prevalence weighted deprivation score is higher among poor children.** The average score for all children is 10.3, but for poor and extremely poor children it constitutes 13.6 and 19.8, respectively (Table 5.7). This suggests that poor children live in households lacking the items usually owned by other households.

**Table 5.7 – Armenia: Average Prevalence Weighted Deprivation Score and Deprivation Rates, 2015**

	All children	Poor children	Extremely poor children
Average	10.3	13.6	19.8
Standard deviation	6.2	6.4	6.9

Source: *ILCS 2015*

### 5.3. Housing Deprivation

Housing problems can have an adverse impact on children's health, safety, education and social development. ILCS 2015 included questions about housing, such as the number of facilities and rooms in use, as well as questions about housing problems and perceived quality of dwelling conditions.

**Poor children often live in accommodation lacking important housing facilities.** Children in poor households are consistently more likely to live in dwellings without essential housing facilities<sup>1</sup>, such as hot running water, centralized gas supply, landline telephone, and bathtub or shower (Table 5.8). In comparison with poor children, extremely poor children are more likely to live in households

<sup>1</sup> The facilities is either not available or not in working order.

lacking a kitchen, bathtub or shower, hot running water, centralized gas supply, and landline telephone. It is worth to mention that currently landline telephones are supplanted by mobile phones owned by 96.0% of households. On the other hand, in comparison with all children, extremely poor children are more likely to live in dwellings without any of the facilities specified in Table 5.8.

**Table 5.8 – Armenia: Housing Facilities Lacked or Not in Working Order, 2015**

The house lacks:	<i>(percent)</i>		
	All children	Poor children	Extremely poor children
Centralized water supply	3.8	6.1	4.7
Running hot water	22.8	38.6	65.6
Connection to sewerage system	34.4	37.9	38.0
Centralized gas supply	15.9	22.1	50.9
Bathtub or shower	12.5	23.5	33.4
Kitchen	4.4	7.1	15.1
Landline telephone	47.5	57.2	64.3

Source: *ILCS 2015*

**In comparison with all children, poor children are more likely to lack many of the housing facilities.** Some 39% of all children live in houses with all of the listed facilities, while the same indicator for poor and extremely poor children constitutes, respectively, 27% and 15% (Table 5.9). Children in extremely poor households are the most likely to lack 3 facilities out of the 7 (23.0%), but they are no households lacking all 7 housing facilities. Nonetheless, the lack of all 7 housing facilities was reported in relation to children living in poor households (0.5%), which in turn affected the indicator of all children (0.2%). To achieve a housing deprivation rate that is comparable with the consumption-based child poverty rate for 2015 (33.7%), the deprivation threshold is drawn at lacking 2 or more facilities. This results in 39.8% of all children lacking a minimal number of housing facilities. The corresponding rates for poor and extremely poor children are substantially higher at 52.3% and 76.7%, respectively.

**Table 5.9 – Armenia: Number of Household Facilities Lacked or Not in Working Order, 2015**

	<i>(percent)</i>		
	All children	Poor children	Extremely poor children
0	39.5	27.2	14.6
1	20.7	20.5	8.7
2	18.7	18.2	21.2
3	9.3	13.8	23.0
4	6.0	10.8	15.6
5	3.9	6.3	11.9
6	1.7	2.7	5.0
7	0.2	0.5	0.0

Source: *ILCS 2015*

**Poor children are also more likely to live in substandard housing conditions.** In comparison with all children, those in consumption-based poor households are generally more likely to live in dwellings with reported housing problems (Table 5.10). For example, 52% of poor children and 76% of extremely poor children live in households that report poor heating, as compared to the relevant indicator at 42% for all children. Then, 34% of poor children and 45% of extremely poor children live in households that report dampness, as compared to the relevant indicator at 27% for all children. Some housing problems, such as noisy neighbors and surroundings, heavy traffic and industrial pollution are reported in relation to less than 10% of both all children and children in poor and extremely poor households.

**Table 5.10 – Armenia: Housing Problems Reported, 2015**

(percent)

	All children	Poor children	Extremely poor children
1. Insufficient living space	31.4	37.7	53.9
2. Noisy neighbors and surroundings	3.8	2.6	1.5
3. Poor lighting	11.5	15.7	24.3
4. Poor heating	41.5	52.1	76.2
5. Dampness	26.5	33.5	44.7
6. Leaking roofs	14.4	20.6	39.4
7. Dilapidated walls and floor	22.9	34.9	61.1
8. Broken frames and doors	18.2	28.1	61.1
9. Heavy traffic	3.1	1.6	0.0
10. Industrial pollution	3.1	2.5	0.0
11. Frequent breakdowns of elevator	20.9	26.5	9.7
12. Poor water supply	17.1	20.4	25.1
13. Poor garbage disposal	22.6	29.1	34.2
14. Poor maintenance of public areas and yards of multi-apartment buildings	36.0	43.3	28.7
15. Other problems	34.3	37.8	30.0

Source: *ILCS 2015*

Moreover, in comparison with all children, poor children are also more likely to live in households reporting more of the housing problems. Thus, 6% of extremely poor children, 13% of poor children and 16% of all children live in households that do not report any of the 15 housing problems above (Table 5.11).

Children in extremely poor households are less likely to live in households reporting only 1, 2 or 3 housing problems, while they are more likely to live in households reporting 4 or more housing problems. Nonetheless, no child lives in a household reporting 11-15 housing problems. Then, 0.8% of all children, 2.0% of poor and 12.6% of extremely poor children live in households reporting 9 or more problems. To achieve a housing deprivation rate comparable with the consumption-based child poverty rate for 2015 (33.7%), the deprivation threshold is drawn at households reporting 4 or more housing problems (28.9%). This results in 43.8% of poor children and 65.6% of extremely poor children having a housing deprivation problem.

**Table 5.11 – Armenia: Number of Housing Problems Reported, 2015**

*(percent)*

	All children	Poor children	Extremely poor children
0	16.2	12.7	6.0
1	18.7	13.5	7.2
2	20.2	15.9	14.0
3	14.1	14.1	7.2
4	11.8	13.2	17.4
5	6.9	10.2	10.7
6	6.3	9.0	10.8
7	3.1	5.6	14.1
8	1.9	3.8	-
9	0.7	1.6	8.1
10	0.1	0.4	4.5
11	-	-	-
12	-	-	-
13	-	-	-
14	-	-	-
15	-	-	-

Source: *ILCS 2015*

**Poor children are more likely to live in subjectively substandard housing conditions.** While 21% of all children live in households that describe their dwelling conditions as bad or very bad, 33% of poor children and 55% of extremely poor children live in such households. At the same time, 64% of all children live in households with satisfactory housing conditions, while 61% of poor children and 46% of extremely poor children live in such households. In comparison with all children, poor children are 2.1 times less likely to live in households with housing conditions described as good or very good, while extremely poor children have not reported living in such households.

**Table 5.12 – Armenia: Respondents’ Subjective Assessment of the Quality of Housing Conditions, 2015**

*(percent)*

	All children	Poor children	Extremely poor children
Good or very good	15.3	7.0	-
Satisfactory	63.7	60.5	45.5
Bad or very bad	21.0	32.5	54.5

Source: *ILCS 2015*

**Poor children are more likely to live in overcrowded accommodation.** The average number of rooms (excluding kitchens, bathtubs and toilets) per person in the primary dwelling is higher for all children (0.70) in comparison with poor children (0.61) or extremely poor children (0.48). If the threshold is drawn at 0.43 or fewer rooms per person, the overcrowding rate for all children is 18%, as compared to the same indicator at 24% for poor children and 51% for extremely poor children (Table 5.13).

**Table 5.13 – Armenia: Average Number of Rooms per Person and Overcrowding Rates, 2015**

	All children	Poor children	Extremely poor children
Average number of rooms per person (SD)	0.70 (0.31)	0.61 (0.25)	0.48 (0.20)
Overcrowding rate (percent)	18.2	24.1	51.0

Source: *ILCS 2015*

Some 15% of non-poor children live in overcrowded accommodation. This rate is the highest (51%) for children in households below the extreme poverty line (Table 5.14).

**Table 5.14 – Armenia: Overcrowding Rates, by Poverty Status, 2015**

	<i>(percent)</i>		
	Non-poor children	Poor children (excluding extremely poor children)	Extremely poor children
Not overcrowded	84.8	78.1	49.0
Overcrowded	15.2	21.9	51.0

Source: *ILCS 2015*

Note: The correlation between overcrowding status and poverty status is statistically significant at  $p < 0.001$

## 5.4. Role of Social Protection Benefits in Poverty Mitigation

### 5.4.1. Old age pensions

**Old-age pensions make a difference to average child poverty rates.** Some 33.8% of all children live in households where at least 1 person is reportedly in receipt of an old-age pension. Table 5.15 shows the difference that pensions make to consumption-based child poverty rates. If pensions were deducted from total monthly household expenditure and the remaining amount was brought into equivalent terms, the extreme child poverty rate would increase from 2.5% to 10.7%, while the total child poverty rate would go up from 33.7% to 40.2%. Hence, pension income makes significant difference to extremely poor households. The extreme poverty rate would increase by almost 4 times if pension income were not counted in consumption. This analysis assumes that pension income is entirely consumed by households.

**Table 5.15 – Armenia: Child Poverty Rates with and without Old-Age Pension Income, 2015**

Threshold	<i>(percent)</i>	
	Child poverty rate <i>With pension</i>	Child poverty rate <i>Without pension</i>
Extreme poverty line	2.5	10.7
Total poverty line	33.7	40.2

Source: *ILCS 2015*

**Old-age pension income can make a difference as to whether a child is poor or not (relative only to households, which have a member receiving old-age pension).** Table 5.16 shows the difference that old-age pensions can make to children in poor (and old-age pension recipient) households. If pensions were deducted from their household consumption, 19% of children not considered as extremely poor would have been classed as extremely poor. At the same time, 23% of children not considered as poor would have been classed as poor if pension income were deducted from their household consumption.



**Table 5.16: Armenia – Child Poverty Rates with and without Old-Age Pension Income  
(for Old-Age Pension Recipient Households), 2015**

	<i>(percent)</i>	
	Lifted above extreme poverty line <i>(with pension)</i>	Lifted above total poverty line <i>(with pension)</i>
<b>Below extreme poverty line</b> <i>(without pension)</i>	18.6	
<b>Below total poverty line</b> <i>(without pension)</i>		23.4

Source: *ILCS 2015*

#### **5.4.2. Family benefits**

**Family benefit income makes a difference to average child poverty rates.** Some 23.4% of all children live in households in receipt of family benefits. Table 5.17 shows that family benefit income makes a bigger difference to the extreme child poverty rate rather than to the total child poverty rate. If family benefits were deducted from the total household expenditure, the extreme child poverty rate would become approximately three times higher by increasing from 2.5% to 6.9%, whereas the total child poverty rate would go up by 7.4%, from 33.7% to 36.2%. This suggests that family benefit income is very important for extremely poor households.

**Table 5.17 – Armenia: Child Poverty Rates with and without Family Benefit Income, 2015**

Threshold	Child poverty rate		<i>(percent)</i>
	<i>With family benefit</i>	<i>Without family benefit</i>	
Extreme poverty line	2.5	6.9	6.9
Total poverty line	33.7	36.2	36.2

Source: *ILCS 2015*

**Family benefit income can also make a difference as to whether a child is poor or not (relative only to households, which are in receipt of family benefit).** Table 5.18 shows the re-calculated poverty rates for children in family benefit recipient households, which are not considered as poor. If family benefit income were deducted from their household consumption, 19% of children not considered as extremely poor would have been classed as extremely poor. At the same time, 22% of children not considered as poor would have been classed as poor if family benefit income were deducted from their household consumption.

**Table 5.18 – Armenia: Child Poverty Rates with and without Family Benefit Income  
(for Family Benefit Recipient Households), 2015**

	<i>(percent)</i>	
	Lifted above extreme poverty line <i>(with family benefit)</i>	Lifted above total poverty line <i>(with family benefit)</i>
<b>Below extreme poverty line</b> <i>(without family benefit)</i>	19.4	
<b>Below total poverty line</b> <i>(without family benefit)</i>		22.0

Source: *ILCS 2015*

### 5.4.3. *Childcare Allowances*

**Childcare allowance income does not make a difference to average child poverty rates.** According to survey findings, only 2.5% of all children live in households in receipt of childcare allowance. Table 5.19 shows the difference that childcare allowance income makes to average child poverty rates. The extreme child poverty rates would remain unchanged and total child poverty rates would increase by 0.1 percentage points if childcare allowances were deducted from household consumption, which is indicative of the very low number of childcare allowance recipient households.

**Table 5.19 – Armenia: Child Poverty Rates with and without Childcare Allowance Income, 2015**

*(percent)*

Threshold	Child poverty rate	
	<i>With childcare allowance</i>	<i>Without childcare allowance</i>
Extreme poverty line	2.5	2.5
Total poverty line	33.7	33.8

Source: *ILCS 2015*

**Childcare allowance income barely makes a difference as to whether a child is poor or not (relative only to households, which are in receipt of childcare allowance).** Table 5.20 shows the re-calculated poverty rates for children in childcare allowance recipient households, which are not considered as poor. If childcare allowance income were deducted from their household consumption, some 2% of the children not considered as extremely poor would have been classed as extremely poor. At the same time, 3% of children not considered as poor would have been classed as poor if childcare allowance income were deducted from their household consumption. Given the small number of families in receipt of childcare allowance, it is not surprising that childcare allowance income does not make a difference to average child poverty rates.

## 5.5. Key Findings of Survey by Child Needs Questionnaire

For a more in-depth assessment of child poverty, the National Statistical Service with the support of the United Nations Children’s Fund (UNICEF) conducted a survey through the special module “*Child Needs*” among all households included in the ILCS sample within the period from July 1 to December 31, 2015. The size of the sample for the incomplete year was 2,592 households. The questions in the module covered not only child needs, but also issues related to inclusive education, fosterage of children (including children with intellectual and physical disabilities enrollment of children with disabilities in regular schools, child discipline methods, other.

### 5.5.1. *Child Needs*

Assessment of child needs is another way of measuring child poverty. It entails examining social and cultural profiles of poverty, which may affect the child's development even more than material deprivation. Among all children, most negative responses were received in relation to the question about attending a sports club or a similar center at least once a month – this need was unmet by 68% of children (71% of poor children and 67% of extremely poor children). The second in the rating of unmet needs was the lack of newspapers, magazines or similar periodicals bought for the child, reported in relation to 64% of all children (71% of poor children and 57% of extremely poor

children). The third, fourth and fifth unmet needs were reported to be the failure to have items for hobbies – in relation to 61% of children, to spend at least one annual week-long vacation away from home and to visit the dentist regularly – in relation to 57% and 55% of children, respectively. Poverty profile of this issue reveals a higher level of unmet needs by poor and extremely poor children as compared to non-poor children. Some 74% to 80% of extremely poor children do not receive invitations from friends or do not invite them for get-togethers at least twice a month, and are deprived of any items for hobbies.

Table 5.21 illustrates the shares of unmet needs of children in households, by poverty status.

**Table 5.20 – Armenia: Share of Unmet Needs in Households with Children Aged 6-17 Years, by Poverty Status, 2015**

*(percent)*

Child Needs	All children	Non-poor children	Poor children	Extremely poor children
The child is not provided daily "pocket money"	34.8	31.1	42.0	50.0
The child does not regularly/ at least once a year/ visit the dentist	54.6	50.9	61.7	38.6
The child does not have a suitable place for doing homework assignments and study	31.7	26.2	42.4	69.3
There is no safe place outside the house where the child can play	23.4	18.8	32.2	59.1
The child has no recreation items, such as a bicycle, games, etc.	33.9	24.9	51.4	66.6
The child has no items for hobbies	60.7	56.2	69.3	74.4
The child does not attend a sports club or a similar center at least once a month	67.8	66.3	70.6	66.7
The child does not have books that can be read for leisure	23.4	19.5	31.0	46.2
No newspapers, magazines or similar periodicals are bought for the child	64.1	60.4	71.4	57.1
The child does not spend at least one annual week-long vacation away from home	57.1	51.8	67.4	65.7
The child does not receive invitations from friends for get-togethers at least twice a month	53.4	48.7	62.6	79.9
The child does not invite friends for get-togethers at least twice a month	53.6	50.8	59.2	75.8
The child does not have the necessary school stationery	0.6	0.2	1.4	0.0
The child does not have shoes designed for different activities	13.3	7.7	24.1	44.0

Source: *ILCS 2015*

### **5.5.2. Population's Opinion Regarding Fosterage, Social Services and Inclusive Education**

Within the framework of the survey, members of households aged 18 years and above were asked about their knowledge and opinion on fosterage and social services. Table 5.21 illustrates the opinions of household members of the above-stated age group, by poverty status, on fosterage and social services.

People's willingness to foster a child (become a foster parent) was very low at 7% only. Then, 4% would agree to foster a child with intellectual disability, and 3% – a child with physical disability.

13% of adults found it acceptable if a socially vulnerable family places a child in an orphanage or special school due to child`s intellectual disability. The majority of respondents (60.3% with reference to physically disabled children and 45.0% with reference to intellectually disabled children) did not find it acceptable to place a child in an orphanage or special school, while approximately every seventh (14.4%) with reference to physically disabled children and every fourth (24.3%) with reference to intellectually disabled children considered placing the child in an orphanage or special school as something acceptable. From among the respondents, 4.4% with reference to physically disabled children and 6.9% with reference to intellectually disabled children found it acceptable to place the child in a special school but not to an orphanage. Then, 0.4% with reference to physically disabled children and 0.9% with reference to intellectually disabled children found it acceptable to place the child in an orphanage but not to a special school.

Some 36% and 68% of respondents agreed that a child with, respectively, intellectual or physical disability should study in regular school. Then, 29% and 48% of respondents agreed that a child with, respectively, intellectual or physical disability should study in the same class with their child.

**Table 5.21 – Armenia: Opinions of Household Members Aged 18 Years and Above on Children with Intellectual and Physical Disability and on Other Issues, by Poverty Status, July 1 – December 31, 2015**

(percent)

	Opinion of adult members in surveyed households	Including		
		Non-poor	Poor	Extremely poor
Agree to foster a child (become a foster parent)	6.8	7.2	5.6	3.0
Agree to foster a child with intellectual disability	2.7	2.8	2.7	0.8
Agree to foster a child with physical disability	3.8	3.9	3.4	5.0
Agree to foster a child with disability if additional compensation is provided and if there are professional, supportive rehabilitation services in the community	7.7	8.2	6.3	4.4
Find it acceptable if a socially vulnerable family places a child in a special school or orphanage due to social and/or economic hardships	12.8	12.7	13.1	15.9
Find it acceptable if a family places a child in an orphanage or special school due to child`s intellectual disability				
<i>Yes to both orphanage and special school</i>	24.3	25.2	22.1	22.8
<i>Yes to orphanage but no to special school</i>	0.9	0.7	1.4	0.0
<i>Yes to special school but no to orphanage</i>	6.9	7.0	6.8	9.0
<i>No to both orphanage and special school</i>	45.0	43.8	48.4	41.9
<i>Difficult to answer</i>	22.9	23.3	21.3	26.3
Find it acceptable if a family takes a child to an orphanage or special school due to child`s physical disability				
<i>Yes to both orphanage and special school</i>	14.4	13.6	16.5	17.8
<i>Yes to orphanage but no to special school</i>	0.4	0.5	0.3	0.0
<i>Yes to special school but no to orphanage</i>	4.4	4.6	4.0	2.3
<i>No to both orphanage and special school</i>	60.3	60.1	60.7	50.9

	Opinion of adult members in surveyed households	Including		
		Non-poor	Poor	Extremely poor
<i>Difficult to answer</i>	20.5	21.2	18.5	29.0
Agree that a child with intellectual disability should go to a regular school	35.8	35.4	36.9	14.7
Agree that a child with physical disability should go to a regular school	68.1	69.6	64.1	47.6
Agree that a child with intellectual disability should study in the same class with their child	29.1	26.8	34.8	16.5
Agree that a child with physical disability should study in the same class with their child	48.1	46.4	52.5	38.1

Source: *ILCS 2015*

Household awareness about the activities of the territorial office of social services in case of facing economic hardships was rather high. In such situations, 74% of household members aged 18 years and above would apply to territorial offices. However, awareness about social workers (case managers), who can be contacted for help with family problems, was twice lower (34%). Some 41% of adult respondents were willing to cooperate with social workers or social case managers to address issues related to family and children.

Respondents primarily expect the following types of support from social workers or social case managers: financial/ material and socio-psychological – 26%, only financial/ material (benefits, lump sum payments, charitable aid distribution) – 23%. At the same time, 28% of respondents did not expect any support.

Only 2.2% of adult respondents referred to cases run by a social worker or a social case manager in relation to their family, with the exception of financial/ material support (benefits, allowances, etc.), and 2.1% could not recall any such case, whereas the vast majority (95.7%) gave a negative answer to that question.

About half of the respondents who gave a positive answer, i.e. 49% were satisfied with the work of the social worker or social case manager.

Every adult has his or her own unique method of child discipline. Within the scope of the survey, adult household members aged 18 and above were asked questions about certain methods of discipline (Table 5.22).

Some 55.6% of adults agreed that parents should offer motivation for good behavior such as praise, presents, a favorite activity or entertainment as a child discipline method.

Then, 73.4% of adults agreed that parents should explain on any occasion why the child's behavior was wrong and try to occupy him/her with something different. Another 27.0% were of the opinion that taking away the child's privileges or favorite activities, or not allowing him/her to leave the house for a certain period of time was a proper method of child discipline. 17.8% of adults thought that parents may shout at or scold the child, call him/her bad names such as stupid, lazy, other.

Some 5.2% of adults agreed that parents may slap or hit the child's backside or other body parts with a hand, belt, brush, stick or other tool, or beat him/her by continuously hitting the face, head, ears, legs, hands or elbows. At that, the extremely poor tended to use this method twice as often as the non-poor and the poor.

**Table 5.22 – Armenia: Opinions of Household Members Aged 18 Years and Above on Certain Methods of Child Discipline, by Poverty Status, July 1 – December 31, 2015**

*(percent)*

	Opinion of adult members in surveyed households	Including		
		Non-poor	Poor	Extremely poor
Offer motivation for good behavior such as praise, presents, a favorite activity or entertainment	55.6	56.7	53.5	42.3
Explain on any occasion why the child's behavior was wrong and try to occupy him/her with something different	73.4	74.0	71.7	77.4
Take away the child's privileges or favorite activities, or not allow him/her to leave the house for a certain period of time	27.0	27.4	26.1	27.7
Shout at or scold the child, call him/her bad names such as stupid, lazy, or other names	17.8	17.9	17.8	14.2
Slap or hit the child's backside or other body parts with a hand, belt, brush, stick or other tool, or beat him/her by continuously hitting the face, head, ears, legs, hands or elbows	5.2	5.1	5.0	11.6

Source: *ILCS 2015*

Some 56.2% of the adult members of households with children responded that their children never took part in ecological events (such as tree planting, ecological campaigns, knowledge dissemination, raising public awareness, community clean-up activities, bird-watching, etc.). Only 37.5% responded that their children took part in such events once or twice a year, and 4.6% – three or four times a year. 0.7% of the children participated in such events every month, and 1.0% – every week.

Over the past year, 8.5% of the respondents had losses related to health and livelihood caused by various disasters such as loss of crop, cattle, primary and vital means property, etc. Among them, 84.4% suffered from disasters caused by extreme weather conditions or climate change, 5.9% – from disasters caused by other natural or technological phenomena, and 2.5% – from disastrous consequences of internal clashes, wars, other conflict situations.

### **5.5.3. Children Exclusively Breast-Fed up to 6 Months of Age**

Breast milk is the best food for infants. Exclusive breast-feeding is the unique source of food or liquid necessary for them. Exclusive breastfeeding is recommended up until the infant reaches the age of 6 months, because this provides the necessary nutrition and prevents the influence of pathogenic bacteria. Mothers of children below 5 years were asked the question whether they had exclusively breast-fed (excluding any additional food or liquid, even water) the child up until the age of 6 months. As one can see in Table 5.22, exclusive breast-feeding was practiced by 42% of mothers. In non-poor and poor households, exclusive breast-feeding was practiced by 40-45% of mothers, and in extremely poor households this indicator was higher at 51%.

**Table 5.23 – Armenia: Share of Households with Children below 5 Years of Age Exclusively Breast-Fed until Reaching the Age of 6 Months, by Poverty Status, July 1 – December 31, 2015**

	<i>(percent)</i>			
	All children below 5 years	Children in non-poor households	Children in poor households	Children in extremely poor households
Share of children below 5 exclusively breast-fed up until reaching the age of 6 months	41.8	40.3	45.1	50.6

Source: *ILCS 2015*

## 5.6. National Estimates of Multidimensional Child Poverty

This subchapter presents first National estimates of multidimensional child poverty in Armenia. The study is based on Multiple Overlapping Deprivation Analysis (MODA) methodology developed by the UNICEF and used data from 2013 and 2014 Integrated Living Conditions Survey and Child Needs Survey, which was conducted from 2013 July 1 to 2014 June 30. NSS RA calculated multidimensional child poverty for 2015 using MODA methodology based on 2015 ILCS data.

The study measures deprivation in number of dimensions (see table 5.24). All of the dimensions have been selected through broad consultative process with national and development partners using the Convention on the Rights of the Child (CRC) as the guiding principle. Since the methodology adopts a life-cycle approach, the analysis is broken down into three age groups (0-5, 6-14, 15-17). In addition, MODA has the following main characteristics: it selects the child as the unit of analysis, rather than the household, since children experience poverty differently from adults; it applies a whole-child oriented approach; it measures monetary poverty and multidimensional deprivations simultaneously; and it enriches knowledge through overlapping deprivation analyses and generating profiles in terms of the geographical and socio-economic characteristics of the (multiply) deprived, thereby pointing towards mechanisms for effective policy design.

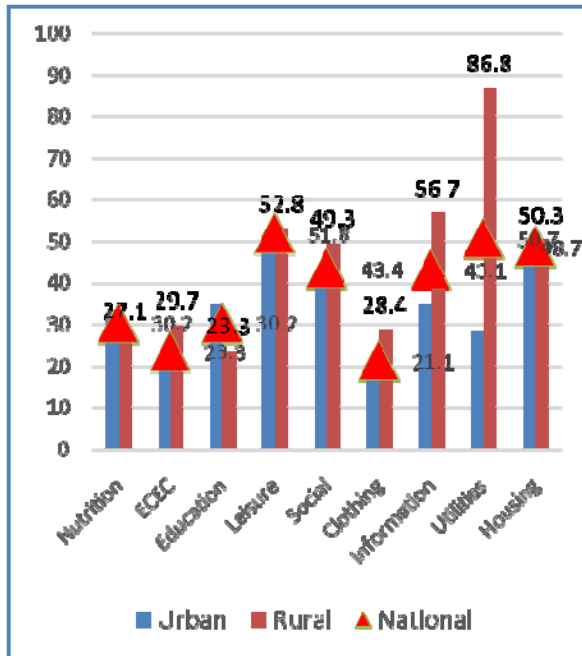
**Table 5.24 – Armenia: List of National MODA dimensions and indicators**

Dimension	Indicator	0-5 years old	6-14 years old	15-17 years old
<b>Nutrition</b>	Exclusive breastfeeding for at least 6 months <sup>a</sup>	X		
<b>ECEC</b>	ECEC attendance (3-5-year-olds) <sup>b</sup>	X		
<b>Education</b>	Place to do homework		X	
	Stationary necessary for school		X	
	Not in employment or education			X
<b>Leisure</b>	Space to play outside		X	X
	Recreation items (toys; bicycle)		X	
	Books			X
<b>Social Interactions</b>	Friends		X	X
<b>Clothing</b>	Shoes		X	X
<b>Information</b>	No computer at home	X	X	
	No internet at home	X	X	
	No access to a computer			X
	No access to the internet			X
<b>Utilities</b>	Water (protected source less than 8hrs per day or 20 days a month)	X	X	X
	Heating (non or wood)	X	X	X
<b>Housing</b>	Overcrowding	X	X	X
	Housing problems	X	X	X

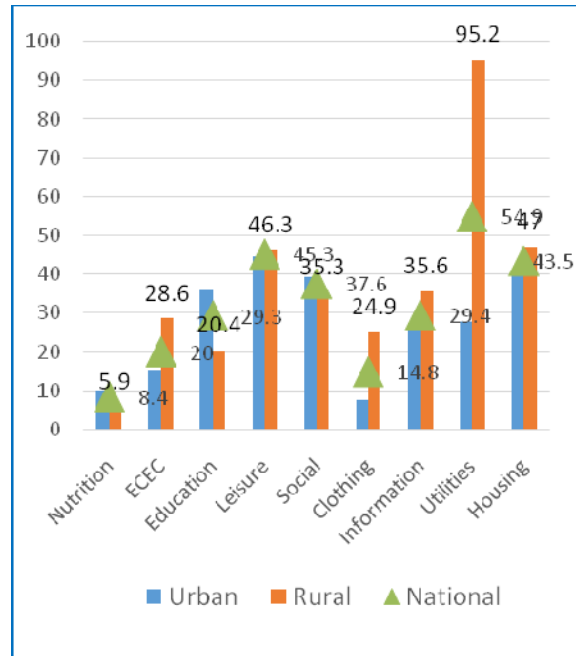
Notes: (a) Asked retrospectively for all children 0 to 5; (b) This is defined only for children aged 3 to 5, children 0 to 3 are counted as not deprived

Source: *ILCS 2015*

**Graph 5.1 – Armenia: Deprivation by dimension and area in 2013/2014**



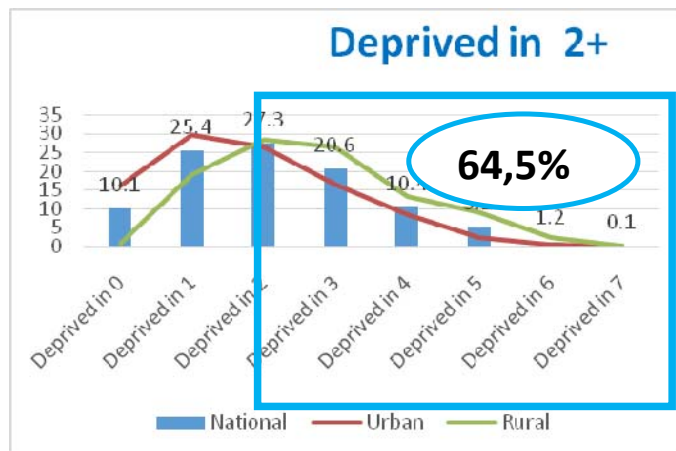
**Graph 5.2 – Armenia: Deprivation by dimension and area in 2015**



Source: ILCS 2015

Like in 2013/2014, in 2015 children in Armenia are mostly deprived in Utilities, Leisure and Housing. Though the rate of deprivation in Utilities has increased in 2015, measures of deprivations in all other dimensions have decreased. Reduction of deprivations in Nutrition and Information dimensions is especially significant. There is a sharp rural/urban gap especially in terms of Utilities, followed by differences in Clothing, ECEC and Information dimensions in 2015.

Children deprived in 2+ dimensions in 2015 mostly live in rural areas, have more siblings, the head of their HH works in agriculture and have a lower education level.



**Graph 5.3 - Armenia: Children deprived in multiple dimensions, 2015**

In Armenia 64.5% of children are deprived according to 2015 data, using a cut-off of 2 or more dimensions (compared to 64% in 2013/2014). The share of deprived children rises to 80% in rural areas (82% in 2013/2014), while it is 54% in urban areas (53% in 2013/2014). Thus, rural/urban differences in child multidimensional

poverty has been slightly mitigated in 2015.

Source: ILCS 2015

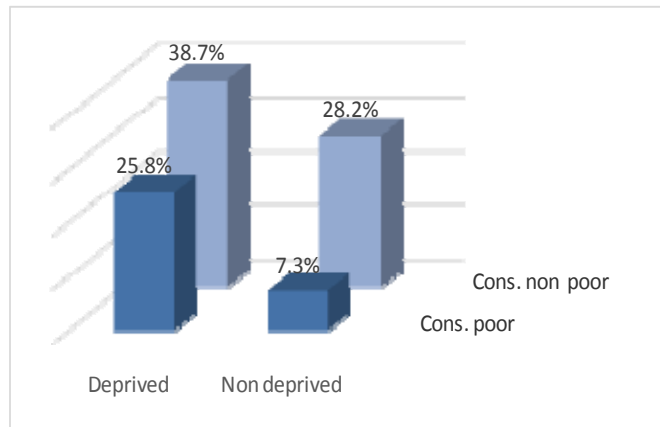


**Table 5.25 – Armenia: Overlap between deprivation (2+) and monetary poverty, 2015**

	National	Urban	Rural
Poor and deprived	25.8	21.8	31.8
Deprived only	38.7	32.3	48.1
Poor only	7.3	10.6	2.5
Not poor nor deprived	28.2	35.4	17.5

Source: *ILCS 2015*

**Graph 5.4 - Armenia: Share of children deprived and/or poor, 2015**



There is a substantial degree of overlap between monetary poverty and deprivation. For a cut-off of two or more dimensions 25.8% of children are both poor and deprived. It is notable that 38.7% of children are deprived despite living in non-poor households. These are the children who are likely to be missed by interventions that address only monetary poverty, and need specific targeting.