

#### 4. Main Results of the Survey

From the very beginning of transition period the poverty has a wide spread incidence in Armenia.

It should be mentioned that “enjoying” spread incidence in transition countries, including Armenia, the poverty in the latter is very much distinct from poverty in other countries. First, it has been unexpected; second, low level of incomes in transition countries is accompanied with rather high educational and cultural attainment. The aspirations and hopes with regard to swift reforms and economic prosperity have faded away, and protracted and deepening economic crisis has realized its negative consequences through such social indices as health condition, educational attainment, and residential conditions.

Transition to liberal economic management inferred a great potential for business development, at the same time, however, giving rise to serious problems for most of the population. Despite the fact, that many people “yielded reform benefits”, average indicators of living standards shrank accompanied with upsurge of poverty and unemployment. People were left alone in their need to solve problems related to their incomes and inherent risks.

In the beginning of the reform processes there was an expectation that poverty would proliferate for a short period only, moreover, it would be relatively not very deep. Some increase in inequality was also expected, however, it acquired unexpectedly large-scale profile.

Within a very short period of time, unprecedented incidence of polarization became inherent in all the CIS countries, including Armenia. These countries, before transition stratified in the group of countries with lowest Jini coefficient, found themselves among those with highest indicator of the said coefficient.

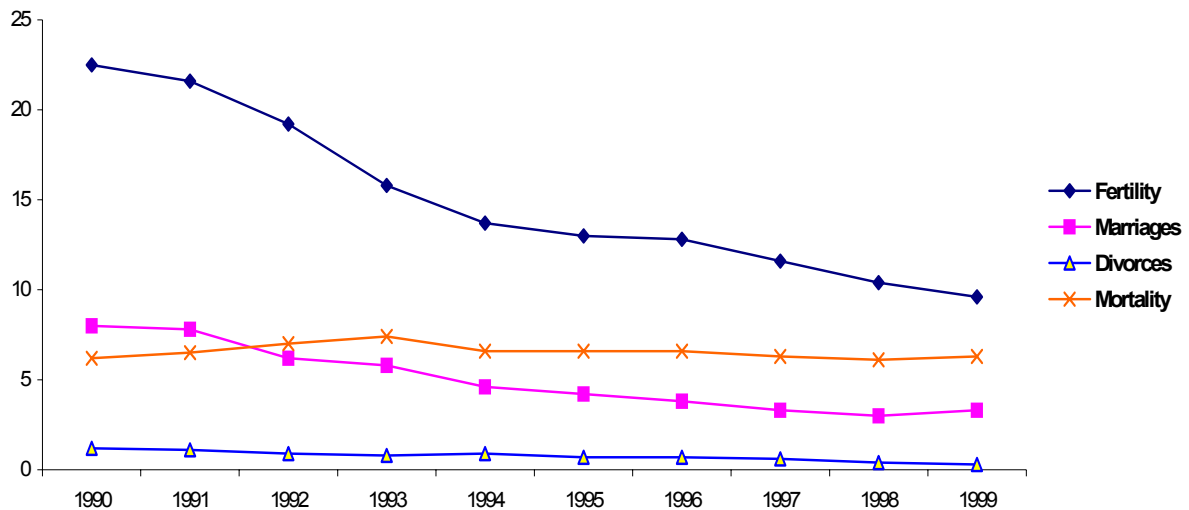
Study of household incomes and expenditures represent most important source of information on micro level, and enable to identify the impact of macroeconomic processes taking place in reformation period on the households, as the final link of the chain. Results of household surveys are necessary for socioeconomic analyses, development of economic policies, surveillance over implementation of socioeconomic programs in the country, as well as identification of living standards of population, especially very poor layers, and poverty implications.

It is exclusively the household himself, from whom it is possible to obtain information on their role, nature and behavior as producers and consumers. Any alternations in the sectors of education, health and other services may best be traced at the household level.

##### 4.1. Demographic Situation in Armenia

Permanent population of Armenia is 3803.3 thousand as of beginning 2000. During the independence, i.e. 1991-1999, the number increased by 228.9 thousand. Average annual growth rate in this period totaled 0.7% (for comparison, average annual growth rate during the nine years preceding the independence was 1.2%).

Demographic indicators, such as fertility rate, morbidity and migration, come to vividly picture the on-going and even deepening socioeconomic crisis. The rate of live births in independence period (1991-1999) curtailed twice. Absolute value of registered deaths increased 2.3% with 8.2% increase in the number of women died and 1.8% decline in the number of died men. The latter is explained by high labor migration of men. According to a number of studies and expert assessments, the number of unregistered migrants in the recent decade is in the range of 620 thousand to 1 million people. Taking into account high indicator for migration, current population of the republic is significantly lower than the number of its permanent residents.



According to the survey results, the republican average size of a household is 4,3.

Below is the distribution of households by number of members.

	percent
Single member household	- 7,9
Two member household	- 12,6
Three member household	- 11,8
Four member household	- 21,9
Five member household	- 20,4
Six member household	- 13,2
Seven and more member household	- 12,2

The most widespread size is 4 and 5 member households. Average size of a household in Armavir marz is the highest equal to 5,0, and the lowest is that in Vayots Dzor, 3,7.

Structure of Households Current Incomes by Source

Types of income	in percent
Total monetary incomes, of which	100
Hired labor	24,6
Self-employment	10,6
Sales of agricultural produce and animals	32,1
Property (rent, interest, dividends)	0,1
State pensions and benefits	9,3

Remittances, of which	19,3
Assistance from relatives living in Armenia	6,0
Assistance from relatives living abroad	12,8
Other income	4,0

## Structure of Current Expenditures

in percent

Types of Expenditures	
Total monetary expenditures, of which	100
Food, of which	67.0
Food outdoors	1.2
Alcoholic beverages	1.4
Tobacco	6.4
Non-food items	12.8
Services	12.4

Distinct in the structure of monetary incomes is the “Assistance from relatives living abroad” line. It outnumbers the official transfers (various types of pensions and benefits) by 3.5 percentage points. Insignificant share of “Property income” is conditioned by refusal on the part of rich households to participate in the survey (which, as a rule, is inherent to international practice of conducting similar surveys, thus allowing for conclusion that the rate of comparability of this survey has not been distorted).

It infers no doubts that the presented structure of incomes is the evidence of low living standard of the population. This is proved by high share of expenditures on food and low share of those on services, accompanied by high share of tobacco acquisition and insignificant expenditures on food outdoors.

The monetary expenditure structure situation in the least prosperous households is more than merely tense, because 77% of these reflect expenditures on food, with average of only 7% attributed to services.

## Correlation between the incomes and expenditures of the most and least poor households

Incomes	
Correlation between 20% of the richest and 20% of the poorest households	32.2 times
Expenditures	
Correlation between 20% of the richest and 20% of the poorest households	6.6 times

**4.3. Residential Conditions of Households**

Slightly more than a half of households covered by this survey (50.9%) reside in individual houses, third of them in rural areas. 42.5% of the households reside in flats. Predominant portion of the households residing in flats (94.8%) are located in urban areas.

4.4% of the surveyed households reside in temporary shelters (temporary TNAK, carriages, containers, etc.). Almost all of them are residents of earthquake area. Small portion lives in hostels (1.7%).

Below is the distribution of households by the number of occupied rooms (excluding kitchens, bathrooms and toilets):

Single-room – 12.4%;  
Double rooms – 30.0%;  
Three rooms – 33.7%;  
Four rooms – 17.1%;  
Five rooms – 4.4%;  
Six rooms – 2.4%.

Average estimate per room burden is 1.6 persons, so single-room dwelling bears a burden of 2.8 persons, with 2.0 persons per room for double room dwelling.

The average residential space under a household is 52.4 square meters, with 12.1 square meters per household member. The part of a household, where communal utilities like kitchen cold water, bathroom, and toilet are situated, occupies 30.4% of total residential space.

90.6% of the surveyed households have own residence, and 6.4% rent dwellings from the state or private individuals.

One of the most important constituents of a good residence is the availability of central heating in winter period. The results of the survey come to evidence that only 10% of households have central heating. 2.9% of households have own, independent heating systems, while 86.5% heat their residences by means of various energy sources.

Main sources of energy for heating a residence are firewood (42%), electricity (12%), and oil (3%).

#### **4.4. Access to Potable Water**

According to the survey results, 83.8% of households are covered by the central water supply system. 8.3% use the tanker trucks, 5.9% collect the water from wells or spring, and 2.0% have own independent system of water supply.

Water taps of predominant portion of the households having central water supply (77.7%) are in-house, 18.8% have their water taps in the yards, and the water taps of 3.5% households are even outside their yards.

Duration of water availability in the houses with central water supply system varies. In average, daily supply of water is 10 hours and more in 36.1% households, 5-9 hours in 16.1%, 2-4 hours in 38.5%, and less than 2 hours in 9.2%.

#### **4.5. Agriculture**

One of the first large-scale reforms in Armenia was land privatization, which contributed both to volume of the own consumption and sales of agricultural produce. Land privatization implied various sizes of agricultural plots, taking into account the population density in a given region, resulting in sizes of agricultural land plots between 0.5 and 3 hectares.

It's obvious that irrigation network of the republic has deteriorated in the recent ten years, and it does not operate in some of the regions. As a result of depreciation of the irrigation facilities, water is not supplied in a timely manner and adequate volumes.

In a region like Ararat valley, lack of irrigation makes cultivation of any agricultural plants completely impossible. Physical depreciation of agricultural machinery exceeds many times its moral depreciation.

Agricultural farms in Armenia are small, not specialized and their activities aim primarily at meeting familial subsistence demands. Product assortment is very limited, in turn limiting their profitability.

Plant Production and Use

	Total production	Consumed in-house	Sold	Reserved for seed	Reserved
					in percent
Grains	100	22	18	13	17
Cereals	100	42	17	6	19
Potato	100	19	40	19	17
Vegetables	100	21	58	0	7
Horticulture	100	14	80	0	2
Grapes	100	13	63	0	9
Fruits	100	31	43	0	8

According to the results of the survey, producers of agricultural produce encounter numerous difficulties, with the main share of them up-rising during the seasonal works. According to 50% of rural population, most important problem faced is the irrigation, followed by insufficiency of seeds (25%), scarcity of labor force (10%), acquisition of agricultural machinery (4%), delivery of produce to markets and dealing with intermediaries (5%).

24% of households had to borrow money or apply for credits last season, to be able to carry on with their agricultural activities. 80% of them borrowed from relatives, friends or other acquaintances, with only 5% making use of bank facilities/services, and 2% were covered in government programs.

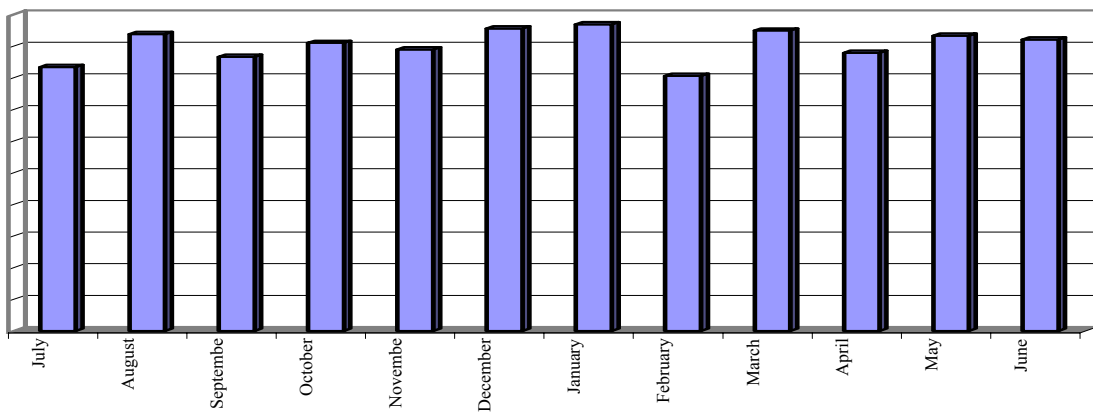
Production and Consumption of Food Products

	Total production	Consumed in-house	Sold
Fresh meat	100	35	54
Meat products	100	38	2
Milk and yogurt	100	22	13
Cheese	100	43	25
Butter	100	67	8
Canned fruits	100	20	13
Poultry	100	29	40
Eggs	100	58	30
Smoked fish	100	20	75

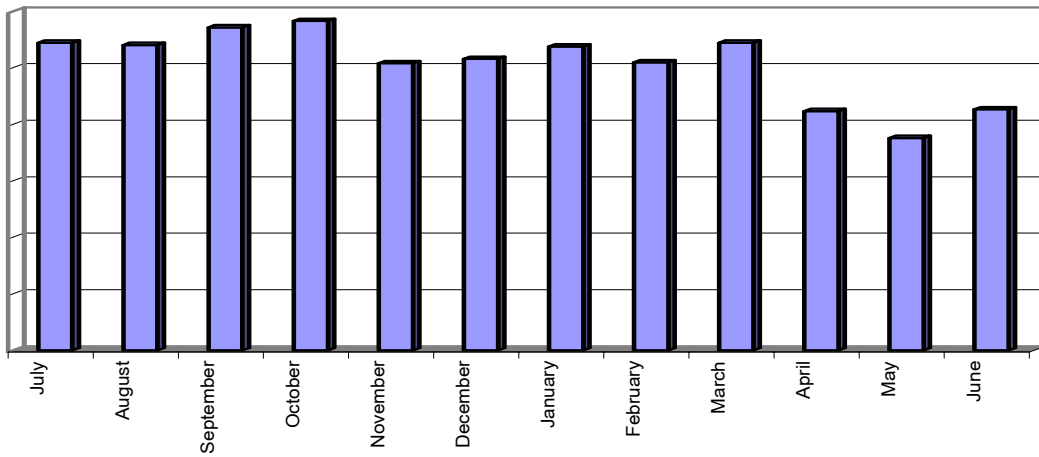
Household Consumption of Main Food Products (average monthly/per capita/average republican/kilograms)

Food products	Quantity
Bread and bread products	14.51
Fresh meat	0.59
Poultry	0.21
Boiled bacon	0.13
Smoked bacon	0.02
Fish products	0.36
Milk, yogurt (in liters)	1.67
Cheese, all sorts	0.53
Soar cream	0.04
Soar milk	0.01
Butter	0.10
Oil (animal) and margarine	0.64
Plant oil (in liters)	0.22
Eggs	5.81
Potato	4.07
Vegetables	4.57
Fruits	2.35
Sugar	0.55

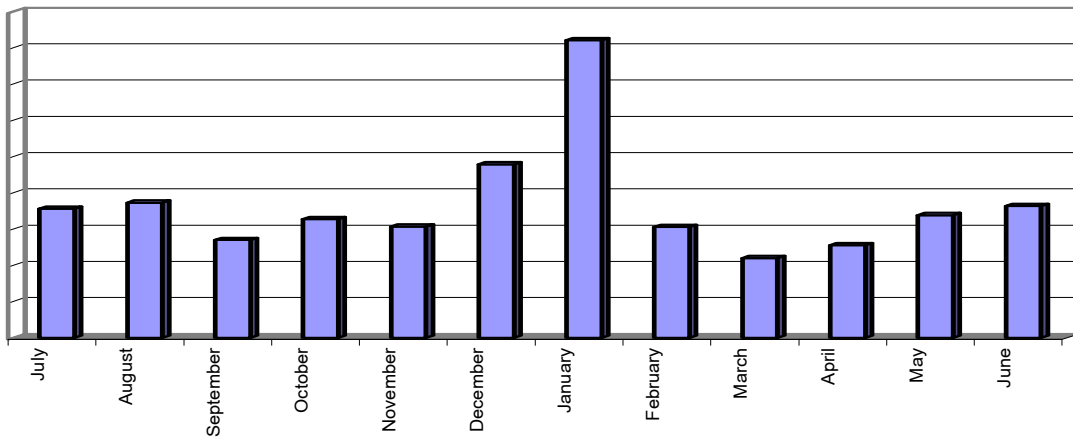
Bread



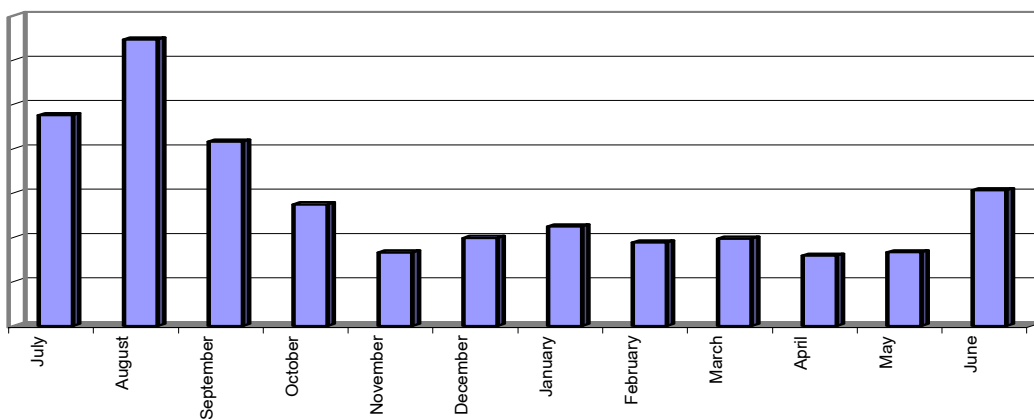
### Potato



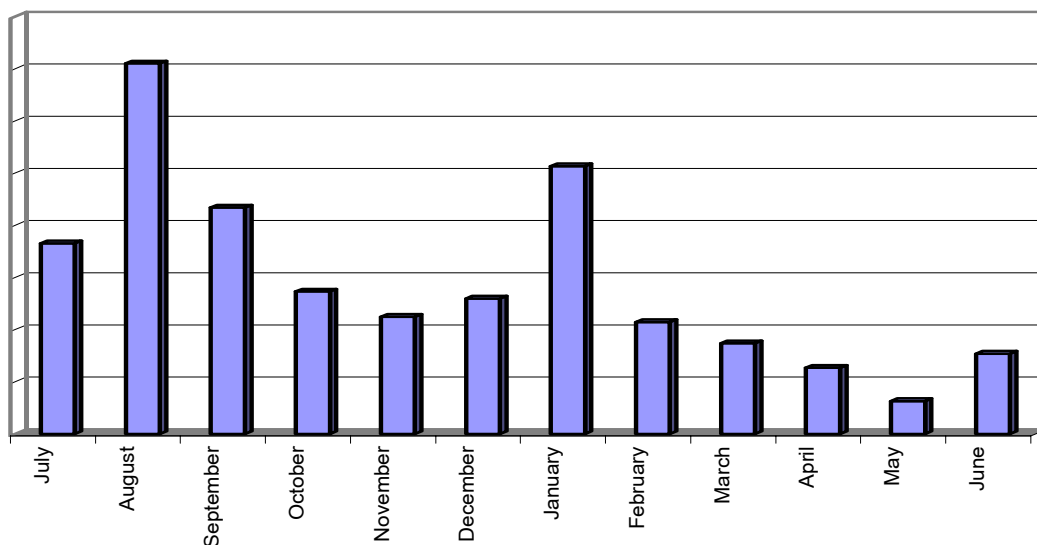
### Fresh Meat



### Vegetables



## Fruit



## 4.6. Self-employment

Small business in Armenia is still in the stage of formation. According to the results of the survey, only 4% of households in urban areas are involved in private economic activities (except for agricultural activities).

More than a half of self-employed in urban areas has been involved in trade, and some 70% in rural areas was involved in agriculture and 26.5% in trade.

Data in the table below reflects the self-employment structure in urban areas broken down by sectors:

	in percent
Trade	61.7
Agriculture, forestry, hunting and fishery	10.6
Communal services	7.4
Transport and communication	6.4
Processing industry	3.2
Construction	2.1
Real estate transactions	1.1
Payable services to households	1.1
Other	6.4

In starting a new business, numerous difficulties arise, with the most important being scarcity of capital (41.5%) and space acquisition (13.8%); this is aggravated by imperfect legal framework, perplexities in acquisition of equipment, search of qualified labor force, etc.

For urban self-employed the primary source of capital is household savings (34.0%) or private borrowings (32.0%); only insignificant portion make use of bank lending facilities (1.1%), and generally, too few received bank loans.



Only 58.7% of surveyed self-employed have officially registered their businesses to mean that 41.3% of these carry out unrecorded, at least informal activities.

Self-employed households mainly operate without utilization of hired labor. Only 25% of them make use of contracted labor. 29% of households using hired labor have one hired worker, 25% have two; 17% have four; and the remaining 12% have five and more workers. No contracts have been properly signed with 41.7% of such workers, which proportionately leads to formation of unrecorded (in this particular case, shadow and informal) turnover.

#### 4.7. Education

According to the survey results, the educational attainment in the age group of 15 and above is presented in the below Table:

(per 1000 of each age group)

	Urban and rural population	Urban population	Rural population
Higher and secondary (complete and incomplete), including	941	961	913
Higher education	150	204	71
Incomplete higher education	37	51	17
Secondary vocational education	226	242	204
Secondary education	376	339	431
Incomplete secondary education	152	125	190

Despite proliferation of payable education for the schoolchildren, the survey data exhibit that vast majority of schoolchildren (99.3%) attended public schools and obtained free education.

12% of schoolchildren took extra hours of training during the academic year in such subjects as mathematics (35.1%), Armenian language (16.8%), foreign languages (12.0%), music (15.2%), etc. Monthly fees for these extra training varied from 1000 drams to 10000 drams. In some cases, the fee reached as high as 65000 drams. Payable courses have not been accessible for children from poor families. The practice of private lessons is far more spread in urban than in rural areas.

In addition, parents bear unavoidable expenses incurred on textbooks, transport, clothing, school accessories, etc., which eventually summed up to a tangible amount, i.e. more than 3000 drams per pupil.

Only 7.3% of schoolchildren got some school aid during academic year, this mainly being textbooks (68.9% of the received quantity), food (11%), milk (8.9%), clothing (6.2%), etc.