PART 1-ARMENIA:
POVERTY PROFILE IN 2008-2016

Chapter 1. Demographics and Migration

Although decreasing fertility rates and increasing mortality rates, as well as reduction in the number of population due to intensive emigration that Armenia faced in 1990's, somehow slowed down in 2000's, the downward trend as a phenomenon still continues. Thus, the results of the Census 2011 conducted as of October 12 2011 showed that, in comparison with 2001 Census data, the number of permanent population of Armenia decreased by around 195 thousand people or 6%. In the period between two Censuses (2001-2011) natural growth of the RA population, i.e. natural increase in the number of population, constituted around 126 thousand people, and the estimated net migration, i.e. change (decrease) amounted to around -313 thousand people.

1.1.   Population Change

The current population numbers are calculated using the permanent population of Armenia[1], based on the results of the last 2011 Census which have been updated on quarterly basis. As of January 1, 2017, the permanent population of Armenia was 2 996.1 thousand people, and compared to beginning of 2016 it decreased by 12.4 thousand people (Table 1.1). This reflects the difference between the natural population growth recorded during the reporting period and the migration balance (estimated indicator[2]).

Table 1.1: Components of Changes in the Permanent Population Number of the Republic of Armenia, 2012-2017

	Population number at the beginning of the year	Natural growth	Net migration[2]	Total increase/decrease (+ , -)
2012	3 021.4	14.9	-9.4	5.5
2013	3 026.9	14.6	-24.4	-9.8
2014	3 017.1	15.3	-21.8	-6.5
2015	3 010.6	13.9	-25.9	-12.0
2016	2 998.6	12.4	-24.8	-12.4
2017	2 986.1			

As of the beginning of 2017, the share of urban residents in the permanent population was 63.7% and the share of rural residents was 36.3%. The permanent population in Armenia comprised 47.5% males and 52.5% females. The average age of the population at the beginning of 2017 was 36.2 years with a 3.7 year gender gap between the two genders comprising 34.3 years for males and 38.0 years for females.

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[1] According to the data of RA 2011 Census (2011, October 12-21), the number of permanent population (de jure population) constituted 3 018 854 people, and the number of current population (de facto population) - 2 871 771 people.

[2] The estimates have been revised (adjusted) on the basis of findings of the Integrated Living Conditions Survey for the previous year and on summary indicators reflecting migration processes; for detailed methodological clarifications please visit http://www.armstat.am/am/?nid=82&id=1547:

Table 1.2: Permanent Population of the Republic of Armenia,1990-2017

(As of the beginning of the year)

Years	Total population (Thos. people)	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
2012	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
2017	2 986.1	63.7	36.3

Source. *NSS RA*
Note *) *RA Censuses*

Natural Movement of Population. The unstable economic, social and political situation in Armenia in 1990's has affected also the reproductive behavior of the population. Thus, the crude birthrate in 2016 was 13.5 per mille (per 1.000 residents), as compared to 13.9 per mille in 2015, and 14.8 in 1996.

Total Fertility Rate (aggregate birthrate) in 2016 was 1.647 children per 1 woman of fertile age (15-49), compared to 1.645 children in 2015, which is significantly lower than the indicator of 2.150 children needed for mere replacement[1] of population. In 2016, the **gross** reproduction rate of population (the average number of daughters that would be born to a woman in fertile age, provided that the birthrate for the given year remained unchanged) constituted 0.777, whereas the **net** reproduction rate (the average number of daughters that would be born to a woman and live until the age of their mother at the moment of giving birth to them, provided that the womanpassed through her lifetime conforming the age-specific fertility and mortality rates of the given period) was 0.747.

Table 1.3: Armenia. Age-Specific Fertility Rates , 1996-2016

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
1996 Total	**61.2**	**158.1**	**87.8**	**39.0**	**16.5**	**4.0**	**0.3**	**54.0**
Urban	47.0	146.4	85.5	38.6	15.7	3.7	0.2	47.8
Rural	91.1	181.2	91.9	39.6	18.2	4.8	0.4	67.8
2006 Total	**24.3**	**111.8**	**79.2**	**34.1**	**11.8**	**2.0**	**0.1**	**41.3**
Urban	18.0	91.4	76.9	38.3	13.9	2.4	0.1	39.4
Rural	36.7	166.8	84.9	26.0	8.6	1.4	0.1	45.0
2015 Total	**24.3**	**118.4**	**102.8**	**56.2**	**22.7**	**4.2**	**0.3**	**53.4**

[1] In case of mere replacement, generation of children replacing parents and generation of parents are equal in their absolute numbers.

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
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
2016 -Total	**24.1**	**114.7**	**101.5**	**58.9**	**24.6**	**5.1**	**0.4**	**52.7**
Urban	18.2	108.8	110.8	66.3	28.1	6.2	0.6	54.0
Rural	32.7	123.3	85.8	44.5	17.3	3.0	0.2	50.4

Source. NSS *RA*

Graph 1.1: Armenia. Dynamics of Age-Specific Fertility Rates, 1996-2016, ‰
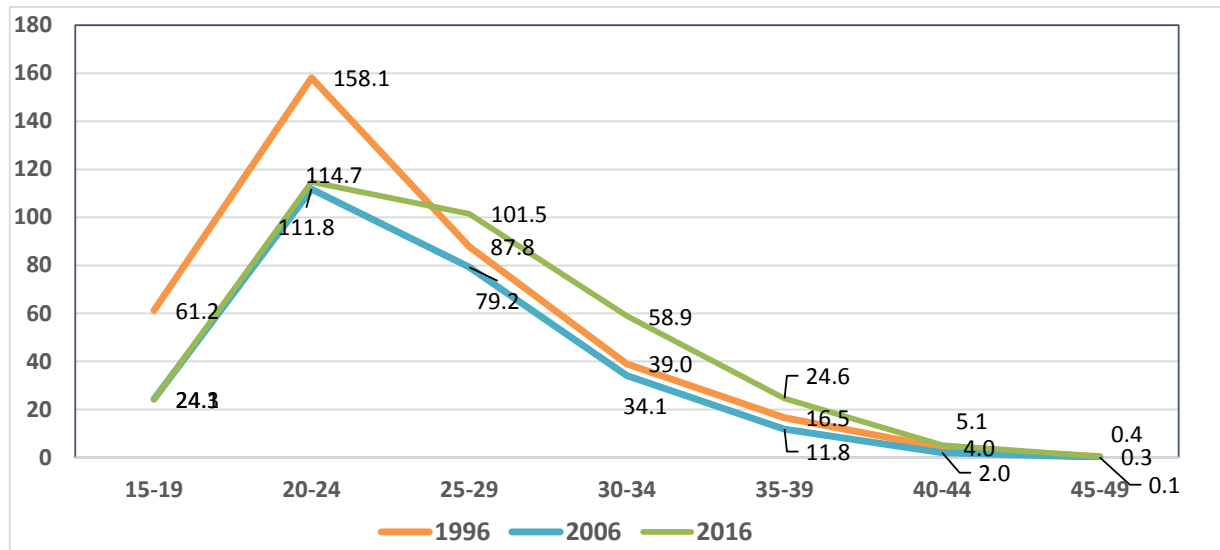
Source. NSS *RA*

In 2016, the average age of a mother at childbirth was 26.8 years; at the first childbirth the age was 24.7 years, as compared to 26.4 and 24.4 in 2015. By the order of birth, in 2016 the share of the third and subsequent births was 19.3% of the total number of live births in the country, which was 0.3 % percentage point increase as compared to the previous year (Table 1.4).

Table 1.4. Armenia. Birth Distribution by Birth Order

(person)

Year	Total birth	Including, by birth order				
		First	*Second*	*Third*	*Forth*	*Fifth and more*
1996	48 134	19 495	16 909	8 337	2 436	957
2000	34 276	15 637	11 155	5 085	1 167	762
2006	37 639	19 601	13 271	3 758	705	304
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
2016	40 592	17 711	15 032	6 454	1 040	355

Source. *RA ILCS*

About 33.6% of births registered in 2016 were from non-registered marriages (including extramarital births) compared to 35.9% in 2006 and 20.2% in 1996).

In 2016, the number of deaths increased by 1.2% as compared to the previous year, and the crude mortality rate increased by 0.1 up to 9.4 per mille. At that, the total mortality rate was higher in urban (9.6 per mille) than in rural communities (9.2 per mille).

Table 1.5. Armenia. Birth and Death Inidcators, 1990-2016

	Birth						Death					
	Thousand people			Per 1000 population			Thousand person			Per 1000 population		
	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
1996	48.1	29.4	18.7	14.8	13.7	17.0	24.9	16.5	18.4	7.7	7.7	7.7
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
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
2016	40.6	26.5	14.1	13.5	13.9	13.0	28.2	18.3	9.9	9.4	9.6	9.2

Source. *RA ILCS*

Note. *For 2006-2011 rates are adjusted as per revised estimates of permanent population based on the results of the 2011Census.*

Natural population movements by provinces are presented in Table A1.1 of the Statistical Annex.

In the structure of deaths in 2016, 51.35% were males and 49.2% - females, as compared to 51.9% and 48.1% in 2006. Given the difference in mortality rates between males and females, the average life expectancy of males and females is also different. In 2016 the average life expectancy was 71.6 years for males and 78.3 years for females. These indicators were 71.7 for males and 78.4 for females among urban population, and 71.3 and 78.1 - among rural population.

Main causes of Deaths. Deaths from diseases related to blood circulatory system and malignant tumor dominate the structure of mortality and account for more than two third of the total death cases.

Table 1.6: Armenia. Mortality Rates, by Main causes of Death, 2016

Mortality reasons	Total number of deaths (person)		Mortality rates per 100 000 population	
	Male	Female	Male	Female
Number of deaths	14 536	13 690	1020.9	872.8
Of which, by causes:				
Blood circulatory system diseases	6 522	7 049	458.0	449.4
Malignant tumor	3 197	2 465	224.5	157.2
Endocrine system diseases	460	748	32.3	47.7
External causes (accident, intoxication, injury etc.)	960	324	67.4	20.7
Respiratory system diseases	1 079	1 069	75.8	68.1

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Mortality reasons	Total number of deaths (person)		Mortality rates per 100 000 population	
	Male	Female	Male	Female
Digestive system diseases	987	855	69.3	54.5
Urogenital system diseases	448	422	31.5	26.9
Infectious and parasitic diseases	173	64	12.2	4.1
Other causes	710	694	49.9	44.2

Source: NSS RA

The difference between the number of births and deaths reflects the natural growth of population, which was 12.4 thousandpeople in 2016 as compared to 13.9 thousand in 2015 (10.4 thousand in 2006, and 23.2 thousand in1996). In 2016 the crude rate of natural growth of the RA population was 4.1 per mille (per 1000 population), which was 0.5 per mille point lower compared to the previous year.

Migration. According to ILCS 2016, 24.9 % of households were involved in external and internal migration processes over the period of 2013- 2016, which included 10.8% household members of the age 15 and above.

Table 1.7. Armenia. Distribution of Household Members at the Age 15 and Above, of c.Yerevan/RA Marzes by their Involvement in Migration Processes over 2013-2016 *(%)*

	Involved in migration processes, as of 2016			Total
	Migrated and not returned,	Migrated and returned	Arrived to that locality for the first time	
Yerevan	18.0	26.2	58.5	22.5
Aragatsotn	7.4	0.7	-	4.6
Ararat	11.7	6.2	-	9.2
Armavir	6.5	1.7	-	4.4
Gegharkunik	7.3	15.0	-	10.0
Lori	10.2	15.0	11.4	12.1
Kotayk	7.9	17.2	11.7	11.6
Shirak	19.5	9.3	-	14.9
Syunik	3.9	1.1	-	2.7
Vayots Dzor	1.6	2.0	2.9	1.8
Tavush	6.0	5.6	15.5	6.2
Ra Total	100	100.0	100	100

Source. *ILCS 2016*

Table 1.8. Armenia. Household Members at the Age 15 and Above Involved in Migration Processes in 2013-2016, by Gender and Urban/Rural Distribution *(%)*

	Male	Female	Total	Urban	Rural
Returned	76.0	24.0	**100**	65.8	34.2
Not returned	88.1	11.9	**100**	49.7	50.3
Total	83.3	16.7	**100**	53.8	46.2

Source. *ILCS 2016*

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As of 2016, 55.9% of household members of the age 15 and above (around 155 thousand people) who were involved in migration process in 2013-2016, were absent being in other RA Marzes, c.Yerevan, some other localities in the same marz or in other country, 37.0% (around 102 thousand people) returned home from migration, and 3.3% (around 9 thousand people) arrived to that locality for the first time.

Table 1.9. Armenia. Distribution of Household Members at the Age 15 and Above, Migrated /Arrived for Residence since January 1, 2013, by the Status of Involvement in Migration as of 2016

Involvement	Percent of the Total
1. Yes, migrated and have not returned	55.9
2. Yes, migrated and returned within three months after the absence	7.4
3. Yes, migrated and returned within 3-12 months after the absence	22.5
4. Yes, migrated and returned within 12 and above months after the absence	7.1
5. Arrived to that locality for the first time	3.3
6. Not indicated	3.8
Total	100

Source. *ILCS 2016*

As of 2016, among household members of the age 15 years and above, who were involved in external and internal migration processes during the mentioned period, the nature of movements for 12.0% was internal migration (in Yerevan, Marzes), 10.5% - with NKR, and for another 76.4% was interstate migration, with the overwhelming 89.8% majority having migrated to the Russian Federation (Table 1.10):

Table 1.10. Armenia. Household Members at the Age 15 and Above Involved in Migration Processes over 2013-2016, by Reasons for Departing/Returning and by the place of Destination/ Return, 2016*(%)*

Main reason of departing/returning	Place of destination/Return						
	Yerevan	RA provinces	NKR	RF	Other CIS countries	Other	Total
1. Work/job seeking	2.3	1.3	1.0	92.7	1.3	1.4	100
2. Family circumstances	4.6	10.1	2.8	73.0	4.8	4.7	100
3. Residence	0.0	13.7	0.4	57.2	-	28.7	100
4. Private visit of friends/relatives (including for tourism, medical treatment)	2.5	2.6	2.8	60.7	10.5	20.9	100
5. Study/training	54.7	8.0	1.2	15.1	1.2	19.8	100
6. Other	4.8	23.8	64.7	2.7	1.4	2.6	100
Total	5.2	6.8	11.6	68.6	2.1	5.7	100

Source. *ILCS 2016*

Among household members involved in migration processes and **having returned home,** as of 2016, 80.7% were absent for up to one year (including 19.9% who were absent for three months and less), and 19.3% were absent for one year and more.
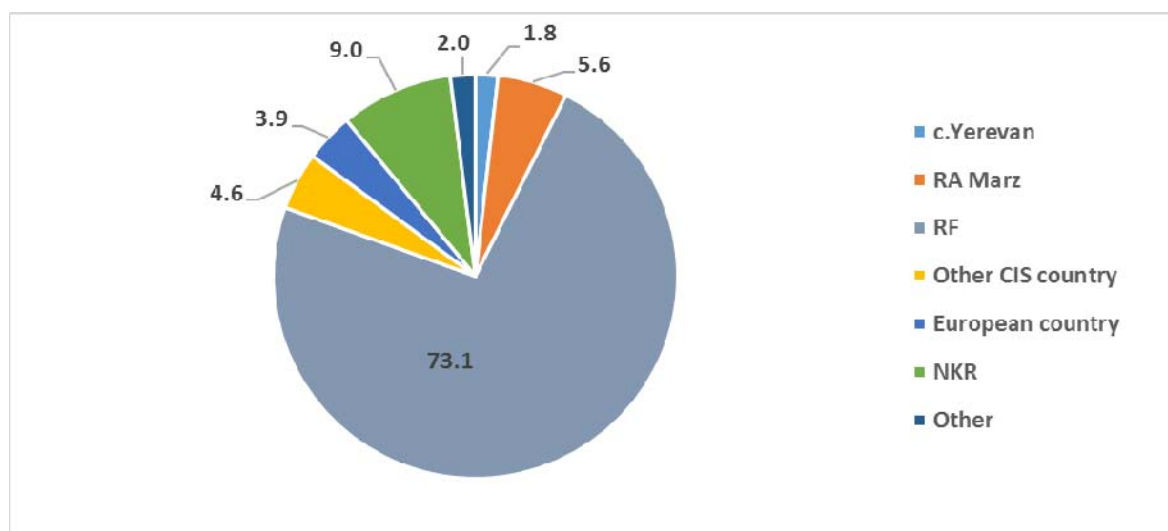
Table 1.11. Armenia. Household Members of Age 15 and Above Involved in Migration Processes in 2013-2016 and Having Returned as of 2016,
by Reasons for Returning and by Duration of Absence *(%)*

Main reason for returning	Absence duration			Total
	≤3months	4 -12 months	≥ 12	
1. Work/Job seeking	23.9	73.1	18.3	52.7
2. Family circumstances	27.0	9.4	16.5	14.3
3. Residence	0.8	0.6	1.8	0.9
4. Private visit of friends/relatives (including for tourism, medical treatment)	40.5	6.6	13.7	14.7
5. Study/training	5.8	2.3	5.4	3.6
6. Other	2.0	8.0	44.3	13.8
Total	100	100	100	100

Source. *ILCS 2016*

Among household members having returned home after migration, 7.4 % were from domestic movements, the overwhelming 73.1% majority of those have returned from Russian Federation, 4.6 % from other CIS countries, and 3.9%- from European countries.

Graph 1.2. Armenia. Household Members of Age 15 and Above Involved in Migration Processes in 2013-2016 and Having Returned as of 2016, by the Place of Return *(%)*
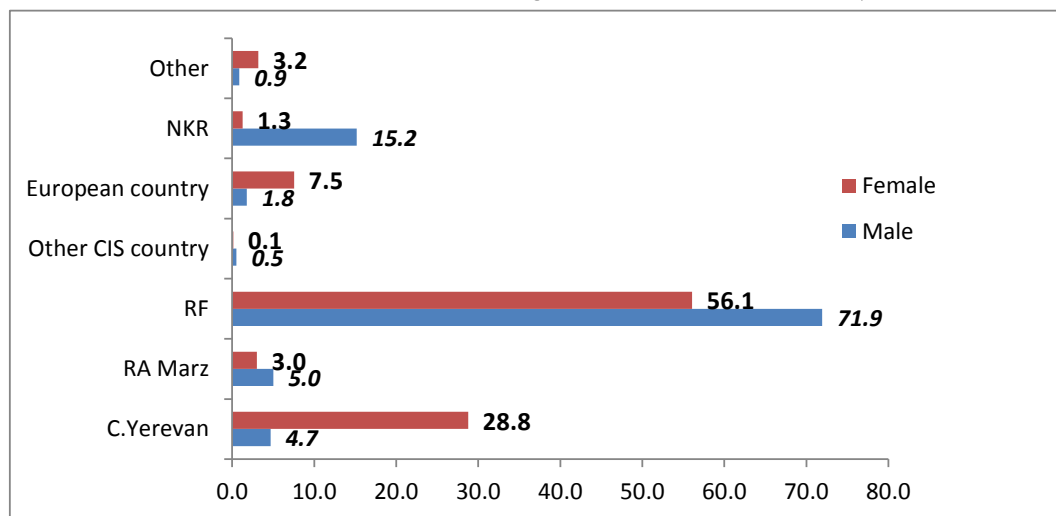

Source. *ILCS 2016*

Table 1.12. Armenia. Household Members of Age 15 and Above Involved in Migration Processes
over 2013-2016 and Having Not Returned as of 2016, by Duration of Absence

Main reason for migration	Duration of absence			Total
	≤ 3months	4 -11 months	≥ 12	
1. Work/Job seeking	81.0	73.6	52.0	66.7
2. Family circumstances	0.6	1.7	4.9	2.7
3. Residence	-	0.8	12.9	5.2
4. Private visit of friends/relatives (including for tourism, medical treatment)	0.5	3.6	0.6	1.9
5. Study/training	9.8	5.1	3.5	5.3
6. Other	8.1	15.2	26.1	18.2
Total	100	100	100	100

Source. *ILCS 2016*

As of the reporting period 17.0% of household members of age 15 and above, who left their place of permanent residence in 2013-2016 and **had not returned** as of 2016, were absent for 3 months and less, 45.2% were absent for 4-12 months, and 37.8% - for a year and above.

Graph 1.3. Armenia. Household Members of Age 15 and Above Involved in Migration Processes over 2013-2016 and Having Not Returned as of 2016, by Gender and Location

Source. *ILCS 2016*

Among household members of age 15 and above, who left the place of their permanent residence in 2013-2016 for 3 months and longer and had not returned as of 2016, 11.9% were in Armenia, 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) in 2013-2016 for 3 months and longer and had not returned as of 2016, around 55% were absent from the country for 3-12 months, and 45% – for one year and more.

According to the UN methodology, within the reporting period (2013-2016) external migrants constitut about 90% (around 95 thousand persons) of those household members who, at the recorded period, were absent from (had not returned) the country for a period of three months and more., Among them short-term migrants with a duration of absence from the country for 3-12 months (except for those having left for recreation, visits to friends/relatives, holidays, business trips, medical treatment or religious pilgrimage) comprise 54 %, and long-term migrants with a duration of absence for one year and more comprise 46%.

According to the Survey findings, the average annual number of household members of the **age 15 years and above**, who left Armenia within 2013- 2016 for the duration above 3 months and **had not returned** as of 2016, is estimated around 24 thousand. Moreover, Survey findings showed that during the surveyed year about 3.6 thousand household members under 15 years were also absent for three months and more.

More than 54% 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 1996- 2016 due to both decreased birthrates, relatively high life expectancy at birth for both males and females, as well as by the marked dominance of male out-migration typical for Armenia (Graph 1.2). According to RA 2011 Population Census data, the share of children below 16 years was 20.2% compared to 26.3% of 2001 Censes . The share of working age population (16-62) was 67.8% in 2011, against 62.1% in 2001, while the shares of population above the working age (63 years and over) were 12.0% and 11.6%, respectively.

According to current records on the number of permanent population based on the results of Census 2011, 65.7% of the permanent population of Armenia are working age people (16-62 years), 21.1% are children at the age of 0-15 years, and 13.2% are those above the working age (63 years and above) as of the beginning of 2017. In Armenia, the share of the elderly and underage individuals is 521 per 1.000 working age people compared to 509 of the previous year.

Graph 1.4. Armenia. Main Age Structure of Population in 1996-2017 (as of the beginning of the year)[1]

Year	0-15 տարեկան	16-62 տարեկան	63 և բարձր տարիքի
2017	21.1	65.7	13.2
2016	20.8	66.3	12.9
2010	20.5	68.1	11.4
2006	22.8	64.9	12.3
2000	26.8	62.5	10.7
1996	30.1	60.5	9.4
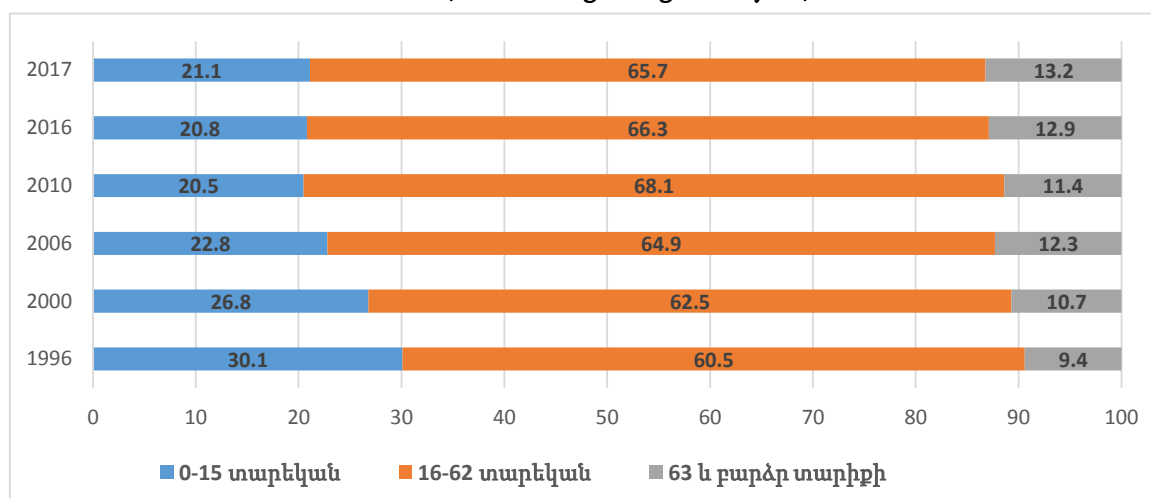
Source. *RA NSS*

1) For the purpose of comparability, indicators were calculated by the current pension age groups.

According to 2016 ILC Survey results, the average number of household members per permanent population was 3.7, with 3.6 in urban communities and 4.0 in rural, and the corresponding figures per present population were 3.5, 3.4, and 3.6, respectively.

In 2016, the share of households with three and less members was 46.9%, as compared to 42.0% in 2012 and 37.7% in 2006 (Table 1.11). Extended households (with six and more members) were mainly in rural communities comprising 22.5%, as compared to urban residents comprising 16.0%.

Households with up to four members prevailed in urban areas of Armenia with share of such households coming to 70.2% in urban communities compared to 60.1% in rural communities.

Table 1.13. Armenia. Distribution of Households by Composition (per Permanent Population) in 2006 and 2010-2016

Household composition	Percent of the total						
	2006	2010	2012	2013	2014	2015	2016
Household consisting of	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 member	11.1	10.0	10.9	12.5	12.9	14.1	13.8
2 members	13.9	14.0	16.1	16.7	17.1	17.7	17.4
3 members	12.7	14.2	15.0	15.2	14.1	15.2	15.7
4 members	21.4	21.0	20.6	19.0	19.8	19.2	19.7
5 members	19.0	18.0	16.5	16.1	15.7	15.4	15.2
6 and more members	21.9	22.8	20.9	20.5	20.4	18.4	18.2

Source. *2006, 2012 – 2016 ILCS*

In 2016, the share of households with no children below 16 years was 57.7%, as compared to 50.3% in 2006 and 53.4% in 2010. Compared to the previous year, the share of households with one and two children decreased by 0.3 and 0.9 percentage points and the share of households with three children increased coming to 5.2%, as compared to 4.4% in the previous year (Table 1.12).

Table 1.14. Armenia. Households with Children Below 16 years, 2006, 2010 - 2016

(per permanent population)

Household composition	Percent of the total						
	2006	2010	2012	2013	2014	2015	2016
Household consisting of	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 member	20.3	19.9	18.5	18.3	18.1	17.3	17.0
2 members	21.4	20.0	18.2	19.0	18.5	20.3	19.2
3 members	5.8	5.3	5.0	4.4	5.2	4.4	5.2
4 members	1.8	1.0	0.7	0.8	0.8	0.7	0.7
5 and more members	04	0.4	0.4	0.3	0.2	0.2	0.2
No children	50.3	53.4	57.2	57.2	57.2	57.1	57.7

Source. *2006, 2012 – 2016 ILCS*

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). In 2016, each female-headed household had on average 0.31 children below 16, and each male-headed household - 0.48 children below 16 years.

In 2016, the number of registered marriages was 16 294, as compared to 17 603 in 2015, 16 887 in 2006, and 14234 in 1996. The number of divorces in 2016 compared to the previous year, had decreased by 0.6% coming to 3 648 cases. The crude divorce rate, like last year, was 1.2 ‰.

The average age of registered marriages in 2016 was 30.8 years for males and 27.2 for females, as compared to 30.7 and 27.1 in 2015, respectively. The average age of the first marriage was 29.6 years for males and 26.4 years for females, as compared to 29.4 and 26.2 in 2015, respectively.

Chapter 2. Overview of Economic Developments in Armenia over 2012-2016

2.1. Macroeconomic Environment

In 2008 the global economic crisis hit the Armenian economy. The sound macroeconomic environment established by then, including low levels of national debt, increasing level of savings and prudent fiscal position protected the economy against the initial influence of the global economic crisis; the impact of the decline in external demand and capital inflows started to be felt since the fourth quarter of 2008, when the country experienced a 5.9% economic recession and a 6.9% annual GDP growth versus the two-digit growth of GDP at 13.7% back in 2007.

Investments shrunk and construction of residential buildings was the first sector which suffered the most because of a drastic change in the economic environment. Economic indicators proved a deep recession of the economy in 2009. A 14.1% downturn of GDP was recorded in 2009, which was then 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 quite significant 7.2% growth of GDP in 2012; however, it still was not sufficient to achieve the level of economic activity in 2008.

In 2013[1] the economic recovery continued, however at a slower pace than in the previous year, mainly due to the recession in the construction sector.

In 2014[1], although economic growth in the first three quarters of the year showed signs of acceleration, it then slowed down at the end of the year, and the annual growth war recorded at the level of 3.6%. In 2015-2016 the economic situation was heavily influenced by slowdown of growth in external demand, exchange rate devaluation, and slower increases of disposable income due to decreasing inflows of remittances from Russia. Promotion of agricultural products' supply, investments in industrial sector enterprises, modernization of the tax policy, deferral of payment of value added tax, and increases in salaries led to substantial changes in the structure of the GDP.

In contrast to high rate of construction growth in 2008, which accounted for 39.1% of GDP growth, thus increasing its share in the structure of GDP up to 25.3%, a big downturn of construction activities (41.6%), which accounted for 74.5% of GDP reduction, reduced its share in GDP to 18.6%. 3.3% growth rate in the construction sector in 2011 as compared to 2010 was followed by high rates of downturns: 12.2% in 2011, 7.4% in 2013, 4.5% in 2014, 3.1% in 2015, and 10.8% in 2016. As a result, in 2015 the share of construction in GDP dropped to 9.4%, going down to 8.0% in 2016 (Table 2.1).

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[1] Starting from 2015 the RA NSS calculates GDP using the International Standard of National Accounts System 2008 (SNA 2008) based on which GDP indicators for 2012-2014 were also revised. Data on GDP and economic growth for 2013-2016 reflected in this report were estimated according to SNA 2008.

Table 2.1. Armenia. Real Volume Indexes, and GDP Growth Contribution Shares Estimated by Production Method, according to Large Groups of Economic Activity Classification (NACE rev.2), 2013-2016[1]

Code under NACE rev.2		GDP structure, %				Real volume indexes relative to previous year, %			GDP growth contribution share, percentage point		
		2013	2014	2015◊	2016[2]	2014	2015◊	2016[2]	2014	2015◊	2016[2]
	Domestic product (gross, at market prices)	100.0	100.0	100.0	100.0	103.6	103.2	100.2	3.6	3.2	0.2
	Taxes on products (less subsidies)	11.1	11.3	10.6	10.0	101.8	94.9	95.7	0.2	-0.6	-0.5
	Added value (gross, at basic prices)	88.9	88.7	89.4	90.0	103.9	104.3	100.7	3.4	3.8	0.7
	Indirectly measured financial intermediation services	-2.0	-2.1	-1.8	-1.8	106.0	87.5	100.7	-0.1	0.3	0.0
A	Agriculture, hunting and forestry, fishing, fish breeding	18.4	18.1	17.2	15.9	106.1	113.2	94.2	1.1	2.4	-1.0
B+C+D+ E	Industry, including energy sector	16.2	16.0	16.3	16.7	99.1	106.2	104.8	-0.1	1.0	0.8
F	Construction	10.5	9.3	9.4	8.0	95.5	96.9	89.2	-0.5	-0.3	-1.0
G+H+I+J+K+L+M+N+O+P+Q+R+S+T	Trade and services	45.7	47.4	48.3	51.2	106.7	101.0	104.0	3.0	0.4	1.9

Source. *RA NSS*

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[1]According to SNA 2008
[2] Preliminary data

6.3% growth in industrial sector in 2013 was followed by a 0.9% recession of economic growth in 2014 mainly due to economic downturn in the activities such as the supply of electricity, natural gas, steam and improved air, mining and open-pit exploitation. A significant economic growth in the sector was recorded during 2015-2016 (6.2% and 4.8% respectively). The 0.2% economic growth recorded in 2016 was contributed by industry and services. The positive growth in the industrial sector was contributed by processing industry and the mining, which grew by 5% and 11.6% respectively.

In agriculture, including the sectors of forestry, fishing and fish breeding, the economic downturn of 12% caused by unfavorable climatic conditions in 2010, was followed by continuous economic growth during the subsequent years. In 2015 it constituted 29.2% compared to 2012, and the share in GDP in 2013 amounted to 18.4%: In 2016 the picture changed in that area, demonstrating a negative trend of growth rate, resulting in 5.8% economic downturn and the share in GDP dropping to 15.9%.

While in 2012-2013 along with the economic growth, there was a noticeable increase in the level of final consumption in the economy to GDP at an average 98.1% and 99.1%, respectively, this indicator decreased to 97.6% in 2014, 91.2% in 2015, and 90.8% in 2016.

During the period of 2012-2014, the Armenian national currency depreciated relative to the US dollar and other foreign currencies due to reduction of private transfers and direct foreign investments.

Table 2.2. Armenia. Macroeconomic Indicators, 2013-2016

	2013	2014	2015◊	2016
Nominal GDP *(AMD billion)[1]*	4 555.6	4 828.6	5 043.6	5 079.9
Nominal GDP*(USD million)[1]*	11 121.3	11 609.5	10 553.3	10 572.3
Real GDP growth *(annual percentage increase)[1]*	3.3	3.6	3.2	0.2
Real GDP growth versus 2012 (*percentage increase)[1]*	3.3	7.0	10.4	10.7
USD/ AMD exchange rate *(average of the period)*	409.63	415.92	477.92	480.49
Unemloyment rate (percent)	16.2	17.6	18.5	18.0
Average monthly nominal wage (AMD)	146 524*	158 580	171 615	174 445
Inflation (average annual)	5.8	3.0	3.7	-1.4
Consolidated budget expenditures (percent of GDP)	25.7	26.3	28.6	29.2
Consolidated budget deficit (percent of GDP)	-1.5	-1.9	-4.8	-5.5

Source. *RA NSS*

[1]Acc. to SNA 2008
*The indicator has been calculated in accordance with the Republic of Armenia Law on Income Tax (AL-246) which entered into force on January 1, 2014 defining that, starting January 1, 2014 wages and other payments equaled to them include mandatory social security payments made by employers. Due to the mentioned legislative amendment, in order to ensure comparability of 2012- 2013 wage indicators, the relevant data for 2012 have been re-calculated using the current methodology, i.e. applying estimated (conditionally) rates of mandatory social security payments made by employers.

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[1] 2013-2016 GDP – acc. to SNA2008

◊ Adjusted

Table 2.3. Armenia. Aggregate Indicators of Consolidated Budget, 2012-2016

(Percent of GDP)

	2012	2013	2014	2015	2016
Total revenues and official transfers	22.9◊	24.2◊	24.4	23.8	23.7
Of which, tax and duties	21.1	22.4	22.5	21.6	21.7
Total expenditures	24.3◊	25.7◊	26.3	28.6	29.2
Deficit	-1.4◊	-1.5◊	-1.9	-4.8	-5.5

Source. *RA NSS*

In 2012, the share of social sectors in the state budget expenditures constituted 45.6%, over the period of 2013-2016 this indicator amounted to 40.7%, 43.3%, 42.0%, and 41.9% respectively. During the above indicated period the share of actual spending on the social sectors in the consolidated budget did not exceed the level of 50.3% recorded in 2012 (Table 2.4). In 2013 it went down to 44.9%, in 2014 it increased versus the preceding year and amounted to 47.6%, with further decrease over 2015- 2016, resulting in 46.7% and 46.3% respectively.

Табле 2.4. Armenia. Actual Spending from Consolidated Budget on Social Sectors*, 2012-2016

(Percent of total consolidated budget expenditures)

	2012p.	2013p.	2014p.	2015p.	2016
Education sector	12.9	11.5	11.9	11.2	11.0
Health care sector	6.2	5.5	6.1	6.0	6.0
Culture, information, sport, religion	2.8	2.2	2.3	2.7	2.3
Pensions**	19.8	17.6	19.4	20.0	20.0
Pensions as percent of GDP*(percent)*	4.8	4.5	5.1	5.7	5.9
Other social programs	8.6	8.1	7.9	6.8	7.0
Total actual spending from consolidated budget on social sectors	50.3	44.9	47.6	46.7	46.3

Source. *RA NSS*

*Նշում. * Includes expenditures on social sectors from both the RA State and local community budgets.*
       **Includes health, disability, old age and survivors' pensions.

2.2. Economic Growth and Poverty

The economic growth of the last years (2012-2016) had a positive impact on the poverty level in the country. The elasticity coefficient 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 according to the System of National Accounts (SNA 2008) International Standard, according to which 2012-2014 GDP figures were also revised. In this report, data on the 2013-2015 GDP and economic growth are calculated in accordance with the SNA 2008.

The economic growth recorded during the period from 2013 to 2016 created conditions for improving living conditions and reducing poverty rate. In 2015 as compared to 2012, the GDP increased by 10.66% and poverty decreased by 9.26%, resulting in a negative poverty-to-GDP elasticity coefficient over the period from 2013 to 2016. Each percentage point of economic growth decreased the total poverty rate by 0.78 percentage points (Table 2.5). The elasticity coefficient over the period 2012-2016 was higher in other urban communities.

Table 2.5. Armenia. Poverty-to- GDP* Elasticity Estimates, 2013-2016 (2012=100)

(*Percentage point*)

	2013-2016
Total poverty reduction-to-GDP elasticity	-0.87
a) Urban poverty reduction-to-GDP elasticity	-1.07
1) Yerevan City poverty reduction-to-GDP elasticity	-0.26
2) Other urban poverty reduction-to-GDP elasticity	-1.66
b) Rural poverty reduction-to-GDP elasticity	-0.87
c) Rural poverty reduction-to-agriculture value added elasticity	-0.18

Source. *RA NSS, ILCS*

 * In accordance with the System of National Accounts (SNA 2008) International Standard

Chapter 3. Poverty Profile in Armenia in 2008-2016

3.1. Introduction

In 2016 the rate of economic growth in Armenia increased by only 0.2 percentage points. Such a modest growth is not enough to reduce poverty in the country. However, for the first time since reporting official poverty estimations in Armenia in 1996, the consumer price index in 2016 showed deflation in relation to the previous year, which contributed to the reduction of poverty lines. Compared to 2015, the poverty rate decreased by 0.4 percentage points and amounted to 29.4%, a change of poverty which is not statistically significant. Similar to the last seven years, the poverty rate in Armenia in 2016 was still 1.8 percentage points higher (27.6%) than in 2008.

This report presents poverty profile in Armenia in 2016 comparing it with pre-crisis data of 2008. The adjusted methodology providing for the construction of the consumption aggregate and the poverty lines (by more detailed elements and a three-tier method of poverty assessment) was used for 2008-2016, and was jointly developed by the NSS RA and the World Bank.

3.1.1. Main Concepts

A key indicator used to estimate the welfare and living standards of the population is the poverty rate in the country. 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, the right to dignity and decent work. 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 levels of education or illiteracy, social disregard or banishment, vulnerability, inability to exercise rights and freedom of speech, i.e. practical impossibility to signal about one's problems. The main way to overcome non-material poverty is to improve access to education, health care and social services through better targeting of free services and higher ability to benefit from paid ones.

This Chapter evaluates poverty based on of material (monetary) indicators. The main poverty dimension in Armenia is material poverty. 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 presents also findings from the national multidimensional poverty index of social exclusions, which are based on multiple dimensions of non-monetary poverty (see Section 3.10).

Consumption aggregate is used as a welfare measure for assessing poverty in Armenia. International practice shows that consumption provides more accurate information than income, because usually consumption aggregate provides more accurate information and it is less sensitive to short-term fluctuations than income, particularly in lower and middle income countries. Information on income is less reliable, because respondents often tend to hide or underreport income; and some types of incomes are significantly dependent on seasonality. The Consumption aggregate includes the following components: (a) cost of consumed food and

non-food products, including of own production, aid from charitable organizations and other sources, and (b) estimated cost of durable goods.

Concept of absolute poverty is used for assessing monetary poverty in Armenia. Based on the poverty status the population in Armenia is classified into the poor and the non-poor. The poor, in turn, comprise the very poor and, among them, the extremely poor. Poverty in Armenia is assessed since 1996. Starting from 2009, the country has been using the World Bank's third revised methodology (poverty indicators estimated according to three different methodologies are not comparable and are presented in Table A3.6 of Annex 2).

The poor are defined as those, whose consumption per adult equivalent is below the upper national poverty line; **the very poor** are defined as those, whose consumption per adult equivalent is below the lower national poverty line, whereas **the extremely poor** or the undernourished are defined as those, whose consumption per adult equivalent is below the food (extreme) poverty line. In 2016, the poverty rate was 29.4% with only 0.4 percentage point reduction from its 2015 level. This means that almost every third person out of ten in the country lived below the upper national poverty line of AMD 40,867.

The graph below shows the three poverty lines using the 2009 Methodology in 2016 prices.

Graph 3.1. Armenia. Poverty Rate and Poverty Lines in 2016

Although the poverty rate is one of the indicators most often used for assessing poverty, it does not take into account the intensity of poverty, meaning how far below the poverty line poor households live which is often referred to as the poverty gap.

The poverty gap is calculated based on poor population and indicates **poverty shortfall**, i.e. it shows the extent to which the average income[1] (or consumption) of the poor is below the poverty line. The poverty gap (4.3% in 2016) assessment also indicates that, if the country were able to mobilize resources for each individual in the country (both poor and non-poor) equivalent to 4.3% of the poverty line and these resources were allocated only to poor households, poverty theoretically would be eliminated, assuming that the assistance aimed for the poor would fully reach the poor.

The severity of poverty reflects inequality of consumption among the poor. It reflects the fact that in terms of consumption some poor people are far from the poverty line, while others are much closer to it. In 2016, the severity of poverty was 1.1%.

In 2016 the estimated poverty gap was 4.3%, and the estimated severity of poverty was 1.1%. The poverty gap and poverty severity in 2016 were lower than in 2008 (4.3% in 2016 versus 5.1% in 2008 and 1.1% versus 1.4%, respectively).

3.2. Poverty Indicators and Trends

Poverty Trends. In 2016, the poverty rate in Armenia was 29.4% as compared to 27.6% recorded in 2008. The share of the very poor was 9.8% as compared to 12.6% in 2008. The share of the extremely poor was 1.8% as compared to 1.6% recorded in 2008 (Table 3.1). In 2016 the total poverty was still higher than the level of 2008 by 1.8 percentage points (or 6.5 %), while the rate of extreme poverty was higher by only 0.2 percentage points. At the same time, after the crisis, the number of poor people decreased by 2.9 percentage points compared to 2008.

As shown in Graph 3.1, in the total number of 29.4% poor population 1.8% are extremely poor, 8.0% are very poor (excluding the extremely poor) and remaining 19.6% are just poor. The total number of the poor in 2016 was around 880 thousand (per resident population[2]), including around 295 thousand of very poor (including the extremely poor), and around 54 thousand of the latter were extremely poor.

In 2016, the difference between the poverty rates in urban (28.8%) and rural (30.4%) communities was small. Nonetheless, that difference is large between Yerevan (24.9%) and other urban communities of the country (33.2%).

The poverty gap in 2016 was estimated at 4.3% versus 5.1% in 2008 (decrease of 0.8 percentage points), whereas the estimated poverty severity was estimated at the level of 1.1% versus 1.4% in 2008 (decrease of 0.3 percentage points).

The average deficit of required additional consumption for the poor in relation to the poverty line, expressed in percents, amounted to 14.6% (Table 3.7).

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[1] In case of Armenia -consumption
[2] According to the 2016 average annual indicator of permanent resident population.

Table 3.1. Armenia. Basic Poverty Indicators, 2008, 2015 and 2016

(percent)

	2008			2015			2016					
	Extre mely poor	Very poor	Poor	Extre mely poor	Very poor	Poor	Extre mely poor	Very poor	Poor	% in poor popula tion	Poverty gap	Poverty severity
Urban communities	1.9	13.0	27.6	2.2	10.4	29.4	2.0	9.6	28.8	62.4	4.3	1.1
Yerevan	1.1	8.1	20.1	2.0	8.3	25.0	1.9	7.8	24.9	28.2	3.9	1.1
Other towns	2.8	18.2	35.8	2.4	12.8	34.4	2.1	11.6	33.2	34.2	4.6	1.2
Rural communities	1.2	11.9	27.5	1.7	10.3	30.4	1.4	10.1	30.4	37.6	4.3	1.1
Total	**1.6**	**12.6**	**27.6**	**2.0**	**10.4**	**29.8**	**1.8**	**9.8**	**29.4**	**100**	**4.3**	**1.1**

Source: *ILCS 2008, 2015 and 2016*

Graph 3.2. Armenia. Poverty Indicators by Urban/Rural Communities
2008 and 2016

(percent)
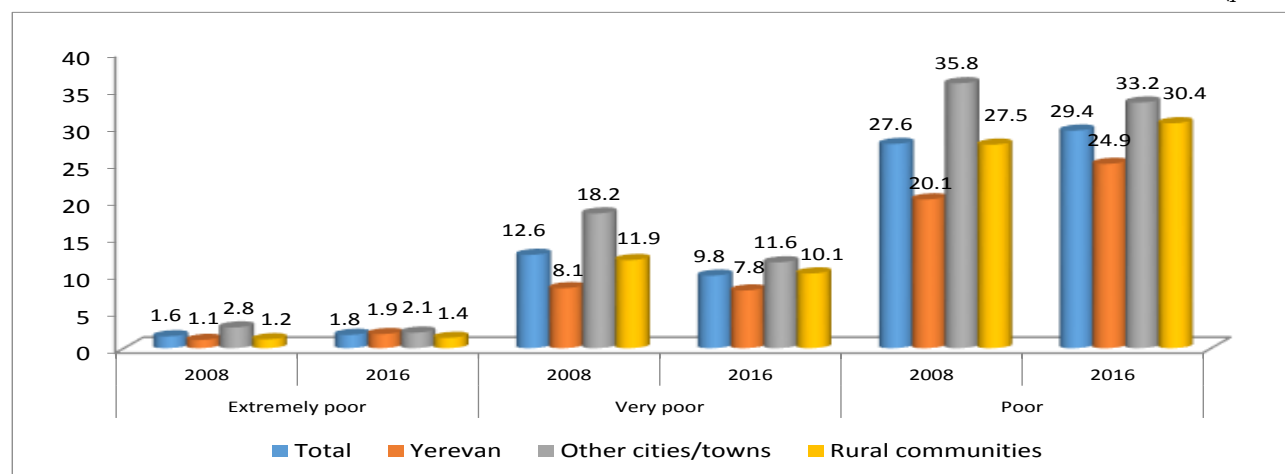
Source: *ILCS 2008 and 2016*

Table 3.2. Armenia. Dynamics of Poverty Rate Indicators in 2004-2016 (according to 2009 methodology)

(percent)

Years	Non-poor	Poor	Population	
			Of which the rate of very poor people	
				including the rate of the 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
2016	70.6	29.4	9.8	1.8

Source: *ILCS 2004 - 2016*

Over the period of 2004-2016, poverty rate declined by 45% (or 1.8 times) from around 53.5% to 29.4%. Extreme poverty rate declined by 59% (or 2.4 times) compared to 4.4% in 2004 and 1.8 in 2016.

Poverty lines used in the calculation of poverty indicators are provided in Table 3.3. Poverty line in 2016 was calculated using the factual (empirically determined) minimum food basket and the estimated share of non-food products for 2009 (see the Methodological Clarifications). Poverty lines for 2016 have been adjusted to take account of deflation in 2016 to enable comparison with the consumption aggregate computed in current prices[3]. In this report the poverty rate will be presented as upper poverty line indicator, and extreme poverty rate will be defined as the share of population with consumption below the food poverty line.

Table 3.3. Armenia. Dynamics of Nominal Poverty Lines and Their Changes in 2008- 2016
(per adult equivalent, per month) (using 2009 Methodology)

(AMD)

Poverty lines	2008	2009	2010	2011	2012	2013	2014	2015	2016
Food or extreme poverty line	17 644	17 483	19 126	21 306	21 732	22 993	23 384	24 109	23 313
Lower total poverty line	24 388	25 217	27 410	29 856	30 547	32 318	33 101	34 234	33 418
Upper total poverty line	29 903	30 920	33 517	36 158	37 044	39 193	40 264	41 698	40 867

Source: *ILCS 2008 - 2016*

In 2016, the total – both upper and lower – and the extreme poverty lines reflected per adult equivalent per month were estimated to be AMD 40 867 (or USD 85.1), AMD 33 418 (or USD 69.5) and AMD 23 313 (or USD 48.5), respectively.

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[1] Details in the section "Methodological Clarifications".

The underlined (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 health and social standards.

It is worth mentioning that values of poverty lines in Table 3.3 are calculated at national average annual prices derived from ILCS 2016, which include both urban and rural prices. At the same time, the same minimum consumption basket presented in Box 3.1 is calculated in prices provided by the Price Statistics and International Reviews Division of the RA NSS, which present current prices recorded in 2016 only in urban communities. This is the main reason underlying the difference in the monetary value of the two poverty lines.

Box 3.1.				
Value of Minimum Consumption Basket in 2016, in Average Current Prices in Urban Communities, Per Capita, per Month				
(Calculated in accordance with the 2009 World Bank Methodology, based on factual consumption data of the Integrated Living Condition Survey conducted by the RA NSS in 2009 involving 7872 households).				
	Food items	*Actual daily per capita consumption; gram*	*Daily per capita caloric value; kcal*	*Cost of per capita monthly food consumption; AMD*	*Cost of monthly food consumption per adult equivalent; AMD*
1.	*Bakery products*	*461.1*	*1 355.0*	*7 705.7*	*8 581.0*
2.	*Meat products*	*48.3*	*87.6*	*2 738.2*	*3 049.2*
3.	*Fish products*	*2.5*	*2.4*	*139.5*	*155.4*
4.	*Diary products*		*144.3*	*3 160.0*	*3 518.9*
5.	*Eggs*	*18.6*	*27.2*	*707.0*	*787.3*
6.	*Oil and ghee*	*30.5*	*229.9*	*1 658.7*	*1 847.1*
7.	*Fruits*	*113.9*	*47.7*	*1 289.2*	*1 435.6*
8.	*Vegetables*	*203.7*	*76.0*	*4 409.1*	*4 909.9*
9.	*Popato*	*145.6*	*109.2*	*800.7*	*891.7*
10.	*Sugar*	*24.4*	*94.4*	*278.3*	*309.9*
11.	*Non-alcoholic beverages*	*4.2*	*1.1*	*43.4*	*48.3*
12.	*Other food products*	*35.6*	*57.2*	*1 920.3*	*2 138.5*
	Total		*2 232.0*		
Monthly value of food basket				*24 850.1*	*27 672.8*
Monthly value of minimum consumption basket				*43 984.7*	*48 980.9 (1.77 coefficient)*

Factors Contributing to Poverty Increase. Over 2008-2016, the key factor contributing to 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, by 3.2% in 2015 compared to 2014, and by 0.2% in 2016 compared to the previous year. Results from the ILCS 2016 show that the average monthly real consumption of the entire population increased by 16.1% compared to 2008, with such increase having been observed in all quintiles of the consumption distribution.

Poverty by urban/rural communities. Over 2008-2016, the poverty rate in urban and rural communities increased by 1.3 and 2.9 percentage points, respectively (Table 3.1). Poverty rate is the lowest in the capital city Yerevan (24.9%), which was 1.3 times lower than in other urban communities outside Yerevan. In 2016 as

compared to 2008, the poverty in Yerevan increased by 4.8 percentage points, while in other urban communities, the rate remaining the highest, it nevertheless dropped by 2.4 percentage points compared to 2008. In terms of urban/rural differences between the living standards of rural/urban households, majority of the poor (62.4%) are urban residents.

During the period of 2008-2016 extreme poverty in urban and rural communities increased by 0.1 and 0.2 percentage points, respectively (Table 3.1). Extreme poverty is the lowest in rural communities (1.4%) and the highest - in other urban communities (2.1%) outside Yerevan. In 2016 extreme poverty in Yerevan increased by 0.8 percentage points compared to 2008, while in other urban communities outside Yerevan, the rate remaining the highest, it nevertheless dropped by 0.7 percentage points versus the level of 2008. Majority of the extremely poor population (70.6%) are urban residents.

Poverty in the RA Provinces (Marzes) and in Yerevan City. Administrative division of Armenia consists of 10 provinces and the City of Yerevan. Table 3.4 presents the basic poverty indicators and the dynamics of poverty indicators over 2008-2016, broken down by provinces and Yerevan City. The Integrated Living Condition Surveys conducted by the NSS RA in 2008-2016 is designed such that it is statistically representativeness of provinces and Yerevan. Nonetheless, poverty rates should take into account standard errors and confidence interval.

In 2016, poverty rates differed by provinces and Yerevan. The poverty **indicators** in Shirak, Lori, Kotayk, Tavush and Armavir provinces are higher than the country average. The highest poverty rate in the country has been recorded in Shirak province, where 46% of the population is below the poverty line.

In 2016 poverty rate indicators exceeded the rates of 2008 both countrywide, some provinces and Yerevan except for Aragatsotn, Ararat, Gegharkunik, Kotayk and Vayotz Dzor provinces. Nonetheless, the faster poverty rate growth was recorded in Tavush province –1.5 times, in Yerevan, Armavir and Syunik provinces – 1.2 times.

Over the same period, extreme poverty has also increased both countrywide, in Yerevan and some provinces except for Ararat, Lori, Kotayk, Shirak, Syunik and Vayotz Dzor provinces. Nevertheless, increase in extreme poverty was the highest in the provinces of Shirak (3.7%) and Lori (2.7%), as well as in Tavush province and Yerevan city (1.9%).

Table 3.4. Armenia. Basic Poverty Indicators, by Provinces and Yerevan, 2008 and 2016
{95% Confidence Interval in Shaped Brackets}

(percent)

	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% among the poor	% in the total population
Yerevan	1.1 {0.3;1.9}	20.1 {17.3;22.9}	1.9 {1.0 ; 2.9}	24.9 {21.2 ; 28.5}	28.2	33.3
Aragatsotn	0.5 {-0.3;1.3}	20.3 {13.9;26.7}	0.6 {-0.2 ; 1.4}	15.7 {10.3 ; 21.2}	2	3.7
Ararat	1.6 {0.2;3.0}	31.3 {25.5;37.1}	1.0 {-0.2 ; .2.3}	26.9 {18.9 ; 35.0}	7.8	8.6
Armavir	0.7 {0.1;1.3}	24.5 {19.7;29.3}	1.5 {0.0 ; 3.1}	30.0 {19.9 ; 40.0}	9.8	9.6

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	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% among the poor	% in the total population
Gegharkunik	0.4 {0.2;0.6}	32 {25.8;38.2}	1.0 {-0.6 ; 2.5}	28.8 {19.0 ; 38.5}	5.3	5.5
Lori	2.8 {1.2;4.4}	34.2 {29.2;39.2}	2.7 {1.0 ; 4.5}	35,8 {28.8 ; 42.9}	11.5	9.5
Kotayk	2.1 {0.7;3.5}	39.5 {34.7;44.3}	1.3 {0.3 ; 2.2}	35.4 {27.6 ; 43.2}	12.6	10.5
Shirak	4.6 {2.0;7.2}	42.4 {37.2;47.6}	3.7 {1.1 ; 6.2}	45.5 {35.5 ; 55.4}	12.1	7.8
Syunik	1.3 {0.5;2.1}	20.3 {14.3;26.3}	1.1 {-0.4 ; 2.5}	24.2 {18.0 ; 30.5}	4.0	4.7
Vayots Dzor	1.9 {0.1;3.7}	21.1 {14.9;27.3}	1.2 {-0,2 ; 2.7}	18.8 {11.4 ; 26.5}	1.3	2.1
Tavush	1.7 {0.3;3.1}	23.2 {18.0;28.4}	1.9 {-0.0 ; 3.8}	33.8 {26.4 ; 41.2}	5.4	4.7
Total	1.6 {1.2;2.0}	27.6 {26.0;29.2}	1.8 {1.3 ; 2.3}	29.4 {27.1 ; 31.7}	100	100

Source: ILCS 2008 and 2016

Poverty rate sensitivity to changes in poverty line. In comparison to the upper national poverty rate, the extreme poverty rate is more sensitive to changes in poverty line, which indicates a higher concentration of population around the extreme poverty line compared to upper national poverty line. Table 3.5 presents the changes in poverty rate indicators in relation to the changes in the poverty line. A 5% increase in poverty line would result in an increase of extreme poverty by 11.1% and an increase of total poverty by around 1% only. The changes in poverty rate are statistically meaningful (at 1% significance level) when poverty line decreases or increases by 5%, 10%, and 20%.

Table 3.5. Armenia. Changes in Poverty Rate in Relation to Changes in Poverty Line, 2016

(percent)

Changes in poverty line	Extremely poor	Poor
No change, 0%	*1.8*	*29.4*
+5%	2.0	29.7
-5%	1.2	20.7
+10%	2.2	30.2
-10%	0.6	14.2
+20%	3.4	33.4
-20%	0.1	8.7

Source: ILCS 2016

Poverty by consumption and income indicators. Table 3.6 illustrates comparison of consumption and income poverty indicators in Armenia over 2008-2016. Income-based poverty estimates were lower than those based on consumption as welfare measure. At the same time, income-based extreme poverty was 3.6 times higher than consumption-based extreme poverty. The difference is mostly explained by higher inequality in

income than consumption distribution. (Table 3.17). In 2016, average monthly income per adult equivalent in 2008 prices exceeded consumption by 23.6%, while in 2008 the average monthly income was below consumption by 0.9%.

Table 3.6. Armenia. Poverty by Consumption and Income Indicators, 2008-2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	49 754.4
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	61 484.0
Income/consumption ratio	0.99	1.09	1.14	1.12	1.08	1.08	1.15	1.19	1.24
Consumption-based poor *(percent)*									
Extremely poor	1.6	3.6	3.0	3.7	2.8	2.7	2.3	2.0	1.8
Poor	27.6	34.1	35.8	35.0	32.4	32.0	30.0	29.8	29.4
Income-based poor *(percent)*									
Extremely poor	12.1	12.2	12.1	13.2	11.5	11.5	8.8	6.5	6.4
Poor	38.1	38.2	38.4	37.1	32.8	32.7	26.9	24.4	24.2

Source: ILCS 2008 and 2016

Նշում. *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 2016 showed that around half of individuals with household income below the poverty line were above the line using consumption (49.6%). Only 8.0% of households classified as extremely poor and 50.4% classified as poor based on income indicator were assessed as extremely poor and poor based also on consumption indicator. When considering the poor based on consumption indicator, 43.3% of them were scored also as income poor. 29.6% of consumption-based extremely poor were considered income poor also.

Graph 3.3. Armenia. Poverty Rate by Consumption and Income Indicators, 2008 and 2016

(percent)
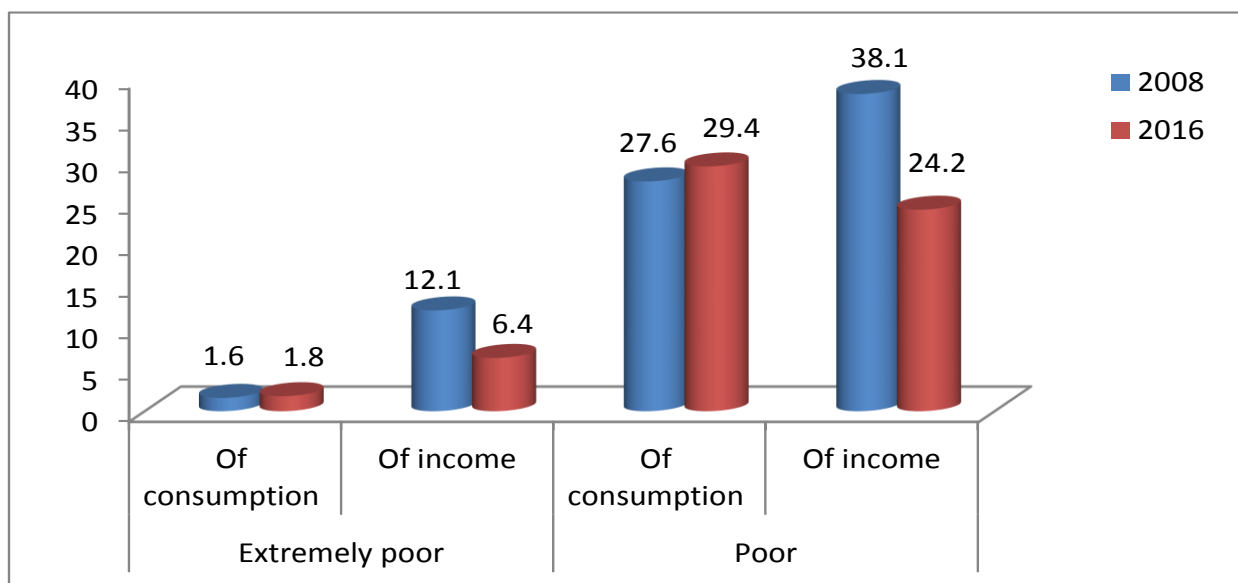
Source: ILCS 2008 and 2016

What would be the Cost to Overcome Poverty in 2016? To overcome poverty, Armenia would need AMD 63.2 billion, or an amount equal to 1.2% of GDP, in addition to the resources already allocated for social assistance, assuming that such assistance would be efficiently targeted to the poor only (Table 3.7). Elimination of extreme poverty would require around AMD 1.4 billion, or 0.03% of GDP, in addition to social assistance already channeled to the extremely poor and ensuring efficient targeting. International experience shows 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, 2016

	2016	
	Extremely poor	**Poor**
Average consumption by the poor (*AMD, per adult equivalent, per month*	21 072	34 881
Poverty line (*AMD, per adult equivalent, per month*	23 313	40 867
Additional consumption for the poor (*AMD, monthly*)	2 241	5 986
Deficit, additional consumption for the poor in relation to poverty line (*percent*)	9.6	14.6
GDP (*AMD billion*)	5079.9	
Required budget (*AMD billion*)	1.4*	63.2*
Required budget as percent to GDP	0.03	1.2

Source. *RA NSS and RA ILCS 2016.*

Note: *Calculated by multiplying the average* <u>annual</u> *number of resident population by the poverty rate and the value of additional* <u>annual</u> *consumption required for the poor (Table 3.7 provides the additional* <u>monthly</u> *consumption required for the poor).*

3.3. Poverty and Economic Growth/ Recession Linkages

Changes in the poverty rate are driven by changes in average consumption for the total population, and by shifts if the distribution when some household in the country experience higher consumption growth than others (see the methodology developed by Datt and Ravallion (1992)). The first component - consumption growth effect - shows the impact of the change in consumption on poverty provided that all households in the country grow at the same pace, while the second component – redistribution effect - shows the poverty impact of redistribution provided that consumption remains unchanged. Results of the analysis show, that in Armenia, 1.85 percentage points growth of total poverty over 2008-2016 was due to the impact of both the consumption and redistribution effects. In particular, the growth of the first component, i.e. the average consumption resulted in 26.76 percentage points decline of poverty, whereas the growth of inequality underlying the second component, i.e. the redistribution, resulted in 28.61 percentage points increase of poverty. In other words, if consumption of all Armenian households were to grow at the same rate, poverty in 2016 would be lower than in 2008 by 26.76 percentage points. In contrast, slower growth in consumption of poor households due to unequal growth rate over time resulted in only 1.85 percentage point decline of poverty. Hence, these two components jointly caused increase in the poverty rate. (Table A3.7).

Table 3.8. Armenia. Annual Rates of Consumption Growth by Urban/Rural Communities, 2008 -2016

(percent)

Annual growth rate	Total	Yerevan	Other urban areas	Rural areas
Average growth rate (regular growth rate)	2.4	3.1	1.9	1.9
Average percentage growth rate	1.7	1.8	1.9	1.6
Average growth rate in the bottom quintile	0.5	-0.4	1.5	0.3
Average growth rate for P(0), extreme poverty line	-0.4	-1.3	0.0	-0.7
Average growth rate for P(0), total poverty line	0.5	-0.4	1.3	0.2

Source: ILCS 2008 - 2016
Note: *Growth rates refer to consumption increase; P (0) stands for poverty rate (Foster, Green and Thorbecke, 1984).*

Economic growth in Armenia can be estimated by different components of the average consumption growth distribution (Ravallion and Cheng, 2002). In 2016, similar to the previous year, economic growth in Armenia was not propoor. Table 3.8 shows that annual increase of overall population consumption exceeds the consumption of the poor (respectively, 2.4% and 0.5%). While consumption increase of poor households was positive, consumption of the extremely poor decreased (respectively, -0.5% and -0.4% per annum). Hence, in 2016 as compared to 2008, the poverty rate increased by 6.5%, whereas the extreme poverty rate has increased only by 12.5%.

When considering the urban/rural distributon, (Table 3.8), one can see that the annual consumpton of the poor over 2008-2016 increased by 0.5%, in Yerevan it increased by 0.4%, and in urban communities other than Yerevan it increased at a higher rates than the total consumption of the poor (respectively, 1.39% versus 0.5% per annum), when compared with overall consumption of the poor. In the same period, increase of consumption by the poor in rural communities was the lowest (by 0.2%).

As illustrated by the growth rate curves presented below, at the national level, nominal consumption growth was observed in all deciles in 2008-2016, but for the poorest population in the first to the third deciles it

was insignificant (0.6-6.3% during eight years). In the same period, two-digit growth was recorded in all other deciles with the tenth decile having the highest growth rate (32.5%).

The worst affected by the crisis was the poorest first decile group in Yerevan (1.1% decline), whereas in rural areas there was a slight increase (0.3%). At the same time, the richest 10th decile was the group in Yerevan that benefited the most from the crisis (42% growth). Both cities outside Yerevan and in villages, the growth in the richest 10th decile was 21%, i.e twice lower than in Yerevan. (Graphs 3.4-3.7).

Graph 3.4. Armenia. Consumption Growth Curve, 2008-2016
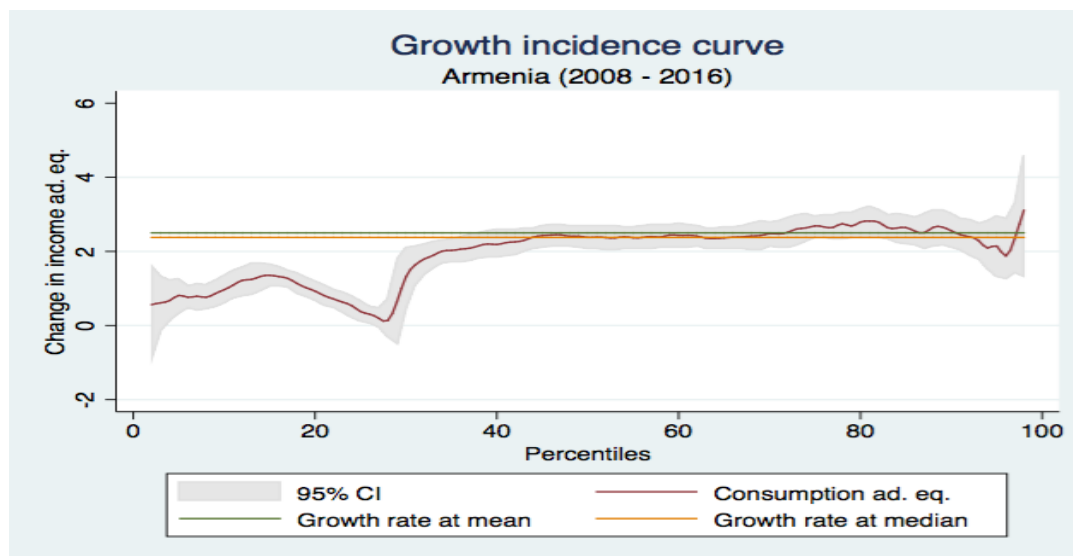
Source: ILCS 2008 - 2016

Graph 3.5. Armenia. Consumption Growth Curve, Yerevan, 2008-2016
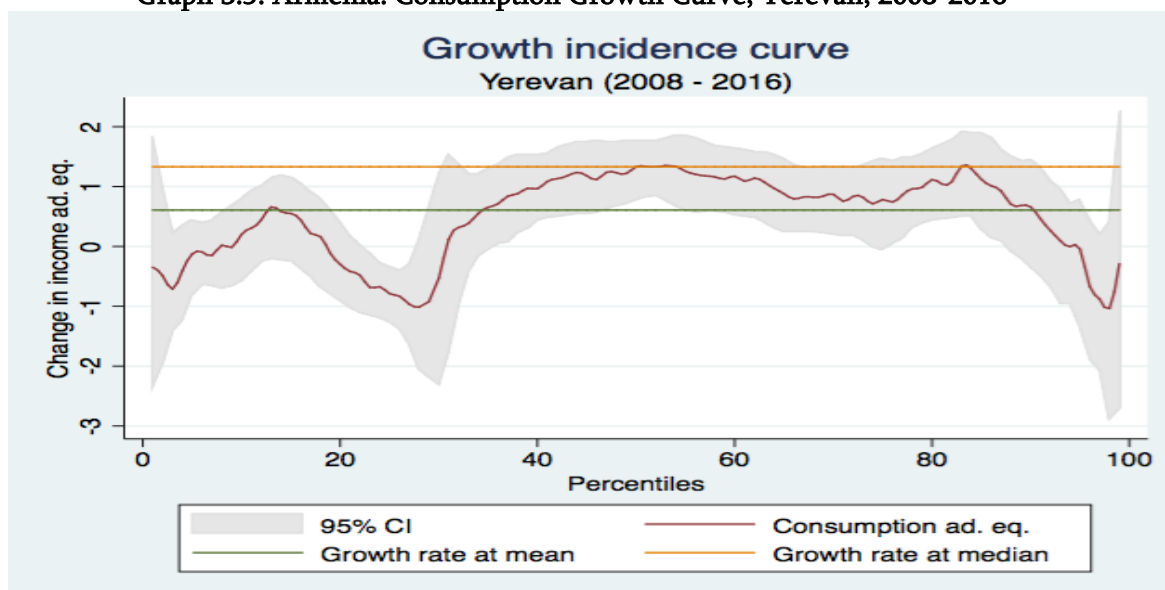
Source: ILCS 2008 - 2016

Graph 3.6. Armenia. Consumption Growth Curve in Other Urban Communities, 2008-2016

Growth incidence curve
Other urban (2008 - 2016)

Legend:
- 95% CI
- Growth rate at mean
- Consumption ad. eq.
- Growth rate at median
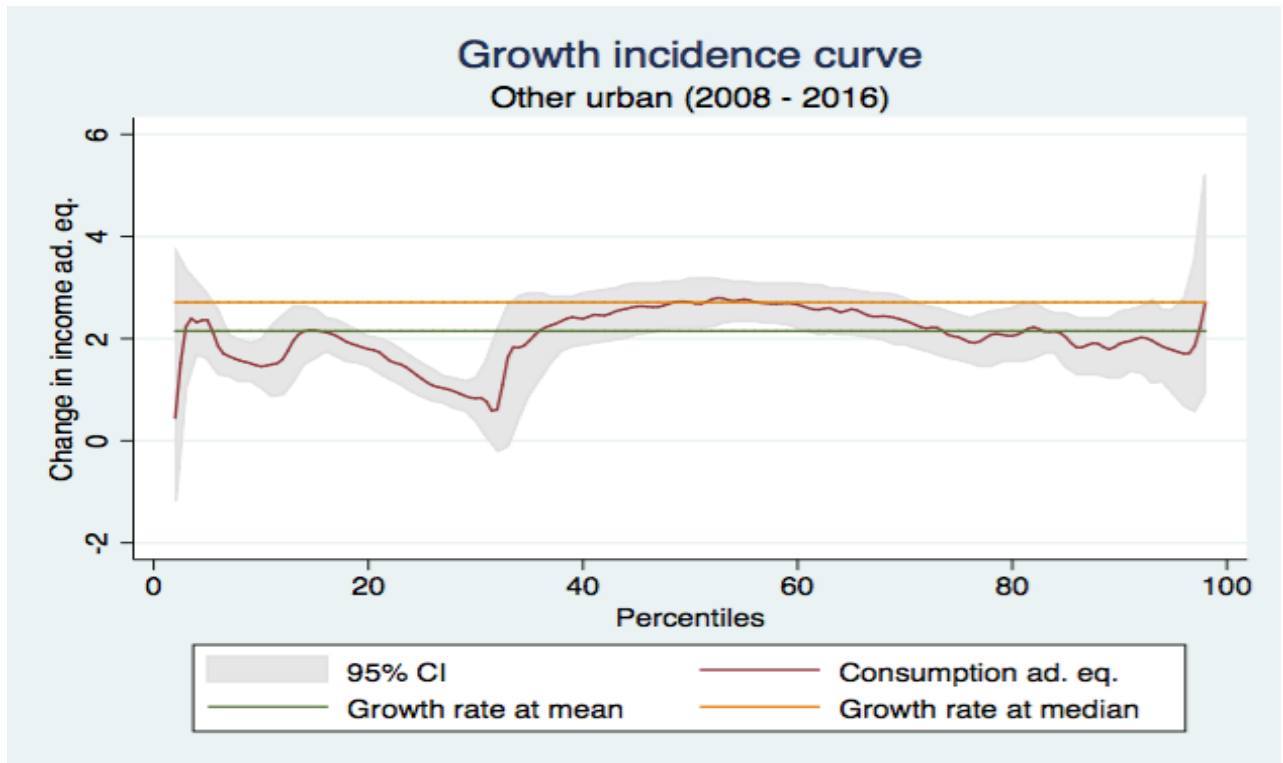
Source: ILCS 2008 - 2016

Graph 3.7. Armenia. Consumption Growth Curve in Rural Communties, 2008-2016

Growth incidence curve
Rural (2008 - 2016)

Legend:
- 95% CI
- Growth rate at mean
- Consumption ad. eq.
- Growth rate at median
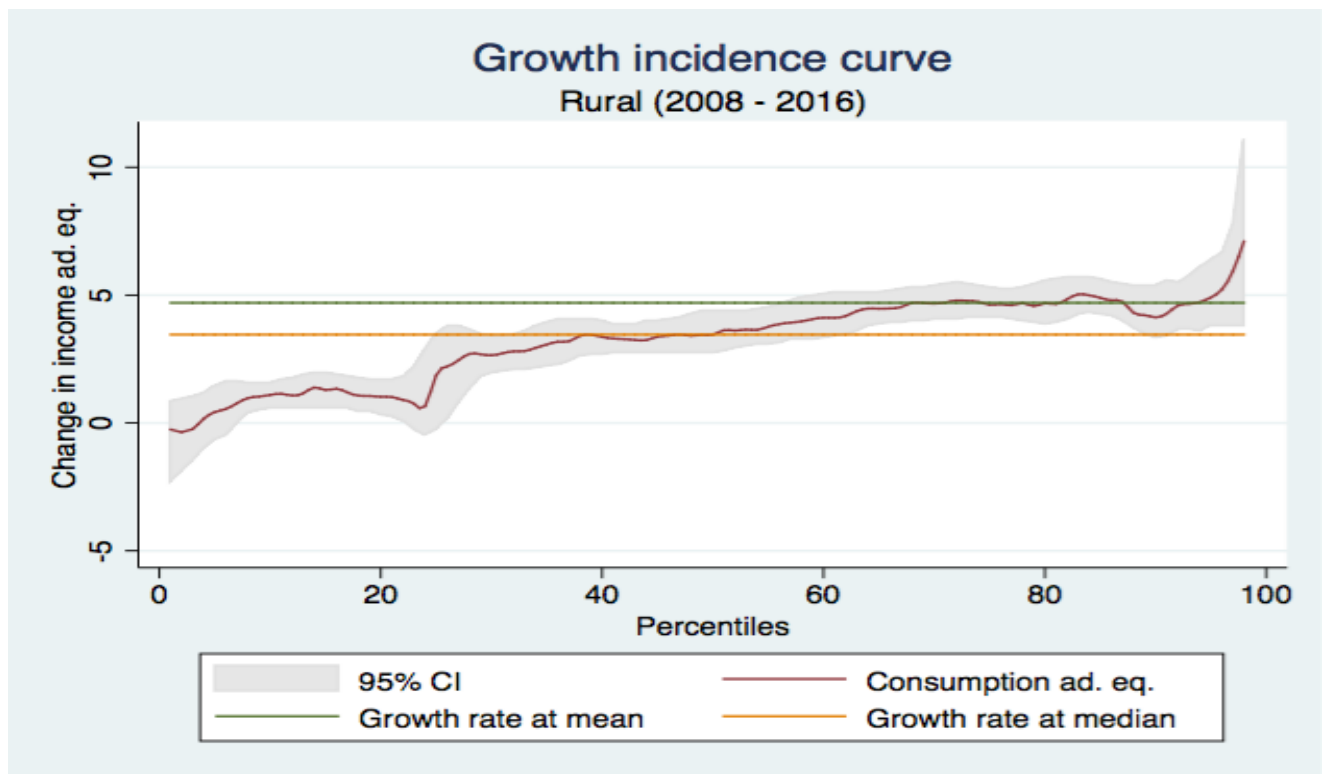
Source: ILCS 2008 - 2016

3.4. Structural Profile and Dynamics of Poverty over 2008-2016

The structural profile of poverty during 2008-2016 has the following picture:

(a) in 2016 the poverty rate was different for male/female, but in 2008 the gender difference was not essential (the poverty rate difference was noted with reference to gender of the household head, Table 3.13)

(b) Poverty rate in children aged 15-17 years was higher than in other age groups. Poverty rate in the age group of 55-59 years was the lowest in 2016 (Table 3.9).

Table 3.9. Armenia. Poverty Rate, by Gender and Age Groups, 2008 and 2016

(percent)

Gender and age groups	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
Gender						
Female	1.7	27.3	2.0	30.2	56.6	55.1
Male	1.6	27.8	1.6	28.5	43.4	44.9
Age groups						
Children 0-5	1.9	32.0	1.7	33.7	9.3	8.1
6-9 years old	1.8	30.3	1.5	34.6	6.4	5.4
10-14	1.5	29.7	2.2	32.8	7.4	6.6
15-17	2.3	32.4	3.1	37.2	4.4	3.5
18-19	0.7	26.1	2.4	36.6	2.2	1.8
20-24	1.3	26.0	1.6	29.9	6.6	6.5
25-29	2.1	27.0	1.2	27.3	7.3	7.9
30-34	1.1	25.7	1.4	28.1	7.0	7.4
35-39	1.9	27.6	1.6	30.0	6.8	6.6
40-44	1.9	29.3	2.2	30.2	5.7	5.5
45-49	1.9	25.7	1.9	26.0	4.9	5.5
50-54	1.2	22.2	1.9	26.1	6.2	7.0
55-59	0.7	21.7	1.8	24.7	6.6	7.9
60-64	1.3	24.8	1.7	25.0	5.4	6.3
65+	2.0	29.5	1.9	29.2	13.8	14.0
Total	**1.6**	**27.6**	**1.8**	**29.4**	**100.0**	**100.0**

Source: ILCS 2008 and 2016

(c) For larger/extended households and households with children the probability of being poor is higher. The relative risk of poverty grows proportionally to the household size (Table 3.10). An important factor behind poverty in extended households is the dependency ratio. Larger households have more children and, therefore, a lower share 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 2016

<div align="right">(percent)</div>

Household size	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
Number of household members						
1	0.9	17.2	1.1	13.3	2.1	4.6
2	0.8	19.0	1.0	17.3	7.0	11.9
3	1.0	18.8	1.2	21.6	10.9	14.8
4	0.9	23.6	1.7	25.7	19.1	21.9
5	1.9	30.3	1.9	34.0	21.2	18.3
6	2.8	34.7	1.7	39.5	21.6	16.2
7 and more	2.4	38.2	3.8	43.3	18.1	12.3
Total	**1.6**	**27.6**	**1.8**	**29.4**	100	100

Source: ILCS 2008 and 2016

(d) In Armenia households with three or more children under 6 years have 1.7 times higher poverty risk (50.1%) than the national average (29.4%) and higher than the risk faced by the households with fewer children; for example, more than 1.5 times higher than households with 1 or 2 children (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).

Table 3.11. Armenia. Poverty Rate, by Number of Children (under 6 years) and Elderly Members (above 60),
2008 and 2016

<div align="right">(percent)</div>

Number of children and elderly members	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
Number of children						
0 children	1.5	25.4	1.7	26.7	61.0	67.2
1 child	1.9	31.3	2.2	33.9	25.9	22.4
2 children	1.6	34.4	1.2	34.7	10.3	8.8
3 and more children	5.3	34.8	3	50.1	2.8	1.6
Number of elderly						
0 elderly member	1.3	24.7	1.1	26.3	45.8	51.3
1 elderly	1.6	30.0	2.7	31.8	34.3	31.7
2 and more elderly	3.0	33.9	2.2	34.5	19.9	17.0
Total	**1.6**	**27.6**	**1.8**	**29.4**	100	100

Source: ILCS 2008 and 2016

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(e) What is the impact of adult (18 years and above), children (under 6 years old) and elderly members (over 60 years of age) in a household on poverty rate? Households having 1, 2, 3 or 4 adults in their compositon have a large share (54.5%) in the households of the country and their poverty risk is lower than the national average. Poverty rate of the households consisting only of elderly members is 28% lower than the national average. Poverty rate of households consisting of two adults and two children below 6 years is higher than the national average (31.5% and 29.4%, respectively) (Table 3.12).

Table 3.12. Armenia. Poverty Rate by Household Composition, 2008 and 2016

(percent)

Household composition*	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
1 adult, no children	1.5	18.7	1.9	19.4	2.2	3.3
2 adults, no children	0.9	20.5	0.7	18.5	8.1	12.9
2 adults, 2 children	-	25.4	2.7	31.5	1.6	1.5
Elderly members with no children, no adults	1.1	23.4	0.9	21.3	5.3	7.3
3 adult	1.6	25.9	1.9	30.3	22.0	21.4
4 adult	1.0	28.3	1.7	36.3	20.8	16.9
Other	2.4	31.9	2.3	31.5	40.0	36.7
Total	**1.6**	**27.6**	1.8	29.4	100.0	100.0

* **adult** – 18 years and above, a child – under 6 years, elderly - above 60.
Source: ILCS 2008 and 2016

(f) In 2016 the poverty rate of female-headed households was higher than poverty rate of male-headed households (33.4% versus 28.0%). Female-headed households in 2016 comprised 30% and 27% of the poor population and the total population, respectively. Female-headed households with children up to 6 years have higher risk of poverty (1.4 times higher) compared to the national average (Table 3.13). The risk of poverty for such families in urban communities was lower than in rural communities (39.8% and 48.4%, respectively).

Table 3.13. Armenia. Poverty Rate, by Gender of Household Head, 2008 and 2016

(percent)

Gender of household head	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor population	% in the total population
Male-headed	1.5	26.6	1.2	28.0	70.0	73.5
Female-headed, including	2.0	30.4	3.4	33.4	30.0	26.5
Female-headed, no children under 6 years	1.6	28.5	3.1	29.5	18.7	18.7
Female-headed, with children under 6 years of age	3.0	35.5	4.1	42.6	11.3	7.8
Total	**1.6**	**27.6**	**1.8**	**29.4**	**100**	**100**

Source: ILCS 2008 and 2016

Graph 3.8. Armenia. Poverty Rate, by Gender of Household Head, 2008 and 2016

(percent)
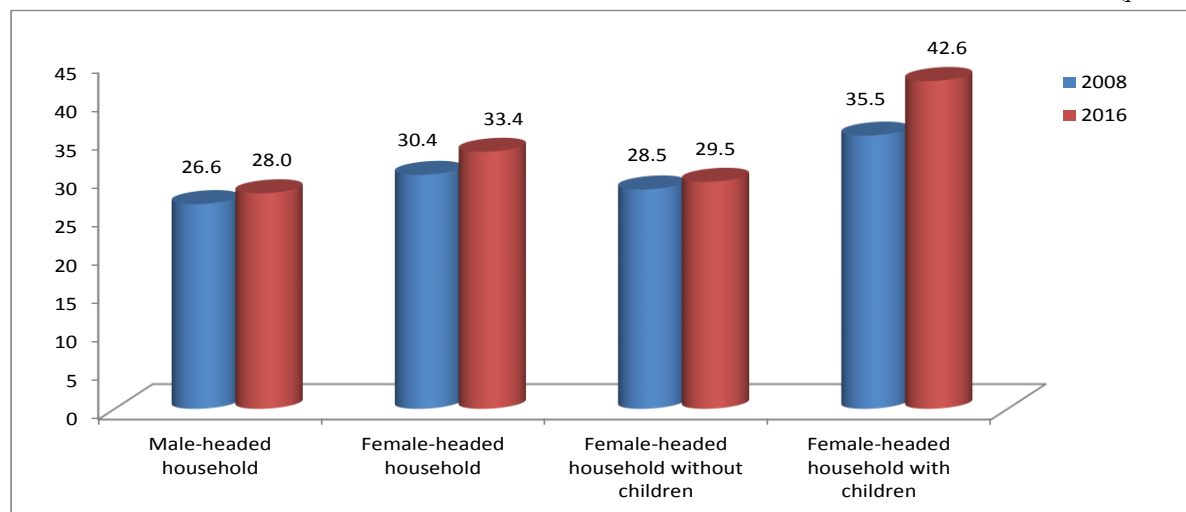
Source: ILCS 2008 and 2016

(g) People with higher education are less likely to be poor (Table 3.14). Poverty rate is the lowest among persons with tertiary education – around 1.7 times lower than the national average for population over 16 years of age, and 2.4 and 2.2 times lower than among those with elementary and primary or incomplete secondary education. Extreme poverty rate was the lowest among those with tertiary education compared with all other groups of educational levels, both in 2008 and 2016. But in 2016, the poverty rate among those with higher education was higher than in 2008. Persons with general secondary education comprised the largest group among the poor (51%). Among the population over 16 years of age, this group faces difficulties in finding jobs.

Table 3.14. Armenia. Poverty Rate, by Educational Level, 2008 and 2016
(for population aged 16 years and above)

(percent)

Education level	2008թ.		2016թ.			
	Extreme poor	Poor	Extreme poor	Poor	% in the poor (reference population)	% in the reference population
Elementary and primary	4.2	36.1	6.3	41.0	2.1	1.4
Incomplete secondary	3.2	40.1	3.1	37.6	10.9	8.1
General secondary	1.7	30.2	2.0	32.6	50.8	44.0
Specialized secondary	1.0	21.9	1.5	27.1	22.6	23.6
Tertiary	0.4	14.7	0.9	16.8	13.6	22.9
Total	**1.6**	**26.6**	**1.8**	**28.2**	**100**	**100**

Source: ILCS 2008 and 2016

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(percent)

Source: ILCS 2008 and 2016

(h) Labor market participation is an important factor which impacts the poverty rate. Especially in the absence of work, the likelihood of being poor or extremely poor increases. This is evidenced by the fact that in 2016 the poverty rate among households with no employed members was 35.8%, which was 7.8 percentage points higher than the national average for individual in the age group between 15 and 75 years (Table 3.15). Over the same period, extreme poverty rate among households with no employed members was 3.7%, which was 2.2 times higher than the national average.

Table 3.15. Armenia. Poverty Rate, by Number of Employed Household Members, 2008 and 2016
(15 -75 years old population)

(percent)

Number of employed household members	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor 15-75 years old	% in the population 15-75 years old
No employed members	5.7	46.6	3.7	35.8	11.7	15.0
1 employed member	2.8	32.5	2.2	29.8	27.6	29.4
2 employed members	0.7	26.0	1.4	24.7	34.1	30.2
3 and more employed members	1.1	24.9	0.7	26.7	26.6	25.4
Total	**1.9**	**29.5**	**1.7**	**28.0**	**100**	**100**

Source: ILCS 2008 and 2016

(i) Over 2008-2016, the poverty rate increased both among active labor market participants, that is the employed and the unemployed, and among economically inactive population (those who don't work and don't seek job), except for pensioners (Table 3.16). Labor generates income, hence reduces poverty rate. Survey data

show that majority of the poor did not work, while a significant part of the non-poor has been involved in some types of economic activity. Nonetheless, over 2008-2016, among the economically active population of the labor market the poverty rate increased at a faster pace, than among economically not active population (10.9% versus 0.6%).

Over 2008-2016, the poverty rate among active labor market participants grew by 8.7% in the category of hired workers, whereas the rate within the category of economically not active population – students-increased 1.5 times. A positive trend over 2008-2016 was the reduction of poverty rate by 11% among pensioners.

In the structure of economically active population (labor market participants), the risk of poverty is higher among the unemployed (41.1%) (Table 3.16). Over 2008-2016, the poverty rate among pensioners declined by 11%. However, pensioners living in Yerevan have lower poverty risk as compared to those living in rural communities (1.4 times) and in other urban communities (1.2 times). The highest rate of extreme poverty was recorded among pensioners living in Yerevan and rural communities (3.8% and 1.6%, respectively).

Table 3.16. Armenia. Labor Force Participation and Poverty Rate, 2008 and 2016
(15 -75 years old population)

(percent)

Labor force participation	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor 15-75 years old	% in the population 15-75 years old
Total population						
Economically active	1.0	23.9	1.7	26.5	64.6	68.2
Employed	0.8	22.2	1.0	23.9	49.1	57.5
Hired workers	1.0	20.7	1.0	22.5	26.5	33.0
Self-employed	0.6	23.3	1.0	25.0	15.4	17.2
Other employed	0.4	27.2	1.4	27.5	7.2	7.3
Unemployed	2.1	32.6	5.0	41.1	15.5	10.7
Economically not active	2.4	30.8	1.9	31.0	35.4	31.8
Pensioners	2.8	34.5	2.6	30.7	8.9	8.1
Students	1.5	22.4	2.0	32.7	7.3	6.3
Other economically *not active*	2.7	33.1	1.5	30.6	19.2	17.4
Yerevan City						
Economically active	0.6	17.6	1.7	22.7	59.0	63.5
Employed	0.5	15	1.0	18.5	36.5	48.2
Hired workers	0.6	16	1.0	17.9	30.9	42.1
Self-employed	-	7.1	1.2	22.9	5.6	5.9
Other employed	-	5.4	0.0	0.0	0.0	0.2
Unemployed	1.1	25.7	3.9	35.9	22.5	15.5
Economically not active	1.7	22.3	2.4	27.6	41.0	36.3
Pensioners	2.8	27.4	3.8	27.4	12.2	10.8
Students	0.7	14.6	2.7	32.7	9.4	7.0
Other economically *not active*	1.6	23.2	1.5	25.8	19.4	18.5
Other urban communities						
Economically active	1.8	31.2	2.1	29.6	56.6	60.4
Employed	1.3	28.1	1.3	26.3	40.3	48.4

Labor force participation	2008		2016			
	Extremely poor	Poor	Extremely poor	Poor	% in the poor 15-75 years old	% in the population 15-75 years old
Hired workers	1.3	27.1	1.3	26.8	30.4	35.8
Self-employed	1.5	30.5	1.4	24.6	8.7	11.1
Other employed	-	38.8	1.7	26.5	1.2	1.5
Unemployed	3.6	41.5	5.4	43.1	16.3	12.0
Economically not active	3.6	38.6	1.9	34.5	43.4	39.6
Pensioners	3.3	40.7	1.5	32.1	11.0	10.8
Students	2.7	30.3	2.0	37.0	7.7	6.6
Other economically *not active*	4.0	40.6	2.0	35.0	24.7	22.2
Rural communities						
Economically active	0.8	24.3	1.3	27.5	76.8	78.8
Employed	0.8	23.7	0.9	25.9	67.5	73.8
Hired workers	1.5	20.8	0.6	24.9	19.2	21.8
Self-employed	0.5	23.6	0.9	25.5	29.7	33.0
Other employed	0.5	27.3	1.4	27.7	18.6	19.0
Unemployed	*	*	*	*	*	*
Economically not active	1.7	32.4	1.1	31.3	23.2	21.2
Pensioners	1.8	39.0	1.6	37.1	4.3	3.3
Students	1.3	24.2	1.0	28.5	5.3	5.3
Other economically *not active*	1.9	35.3	.9	30.7	13.6	12.6
Total	**1.9**	**29.5**	**1.7**	**28.0**	**100**	**100**

Source: ILCS 2008 and 2016
Note. The asterisk indicates that the indicator is based on less than 25 unweighted cases.

3.5. Consumption Determinants

This section examines the factors, which are closely associated with poverty and living conditions (conditional correlations). Identification of these factors is an important step in developing economic and social policies aimed at overcoming and preventing poverty of households. The examined factors are: (1) characteristics of the household, including age composition, size, presence of migrant members, employment status of household members, and household location; as well as (2) characteristics of the household head such as age, gender, education, employment status, and disability. These factors were 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 demographic description

- **Household size.** Has a negative impact on household consumption; hence, both in 2008 and 2016 larger households, with equality of all other characteristics, had lower consumption (21.3% and 24.0%, respectively).
- **Household head gender.** Over the considered period, female-headed households being similar in all other characteristics had lower welfare than male-headed (6.0% and 3.7%, respectively).
- **Age composition.** The share of children of 0-5 and 15-18 years old had a negative impact on consumption both in 2008 and 2016. The larger is the share of children of that age in the household, the

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lower the consumption of the household relative to the base category is (compared to share of 46-60 years old persons), with the household size unchanged. The share of the elderly in the household (61 and above) has a positive impact on consumption.

Education

- Consumption indicator is higher for households headed by a person with tertiary education. Households headed by individuals with tertiary education had 17% higher consumption in 2016 as compared to those headed by individuals with elementary or incomplete secondary education (reference category).

Migration

- Households with members who migrated outside Armenia during the 12 months preceding the 2016 survey had higher consumption (by 19.6%) than those without such members.

Participation in labor market

- In 2016, labor market status of household members had an important impact on household consumption. The larger the share of unemployed members in a household, the lower (28.6%) is the household consumption compared to the proportion of hired worker members.

Household location

- Location plays an important role in explaining household welfare in Armenia. Impact of location on the consumption indicator is measured after all other household characteristics included in the model have passed the program control. In 2016, with equality of all other conditions, if a household lived in a province of Armenia, this factor was reducing the household consumption as compared to the consumption of a household living in Yerevan.

3.6. Consumption, Income and Inequality in Distribution Thereof

During the surveyed period (2008-2016), aggregate consumption and income inequality increased for the entire population. Inequality indicators measured by the Gini coefficient indicate that polarization of population in Armenia is deeper in terms of income distribution than in terms of consumption distribution. Consumption inequality measured by the Gini coefficient increased from 0.242 in 2008 to 0.286 in 2016. As to aggregate income, inequality increased from 0.339 in 2008 to 0.375 in 2016.

Table 3.17. Armenia. Inequality of Consumption Aggregate and Incomes, 2008, 2015- 2016

	Consumption			Incomes		
	2008	2015	2016	2008	2015	2016
Variation coefficient	0.592	0.728	0.940	0.847	0.874	0.771
Gini coefficient	0.242	0.279	0.286	0.339	0.374	0.375
Theil average logarithmic deviation E(0)	0.096	0.133	0.140	0.201	0.239	0.241
Theil entropy index E(1)	0.110	0.163	0.182	0.215	0.262	0.238

Source: ILCS 2008, 2015- 2016

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 Armenia in 2008-2016 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 scores households below a certain absolute threshold to be poor.

In contrast with this approach, the concept of relative poverty relates to a notion of social exclusion, according to which all households with income less than 60% of the median income are considered poor. This methodology is widely used in European Union countries and it 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 of the European Union usually use 60% of income median as relative poverty line and refer to the threshold as the "at-risk-of-poverty threshold". In 2016, relative poverty line in Armenia amounted to AMD 39 641 or 97% of the upper absolute poverty line.

Relative poverty and absolute poverty are different concepts. The relative poverty rate reflects inequalities in the population with a focus on the poor and vulnerable population. In general, increase in relative poverty normally characterizes a situation where income growth for households at the bottom of the welfare distribution is slower than for households with average incomes. The concept of relative poverty is often subjected to heavy critics, because relative poverty rate decreases also when all households become poorer in absolute terms, and the middle class incomes shrink faster than incomes of the poor (which happened in many countries of the European Union as a result of the global economic crisis).

Graph 3.10 presents the trend in relative poverty in Armenia (blue bars) and the level of equalized average household income used for the poverty calculations (red 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 lived in households who receive less than 60 percent of equalized average income. The increase in relative poverty in 2010-2011 from 19.2% to 21.2% illustrates that household incomes in 2011 were more unequally distributed than in the preceding year, meaning that a higher share of the population lived in households, who receive less than 60 percent of equalized median income. In the period from 2011 to 2016 equalized average income increased from AMD 44 606 to AMD 66 068, and the share of relatively poor households increased from 21.2% to 21.8%.

Increase of relative poverty (from 18.0% to 21.8%) recorded during 2015-2016 illustrates, that in 2016 incomes of households were more unequally distributed than in the previous year, meaning that a higher share of population lived in households who received less than 60 percent of equalized median income.

Graph 3.10. Relative Poverty Measured at 60 Percent of Median Income and Equalized Median Income (AMD, nominal)
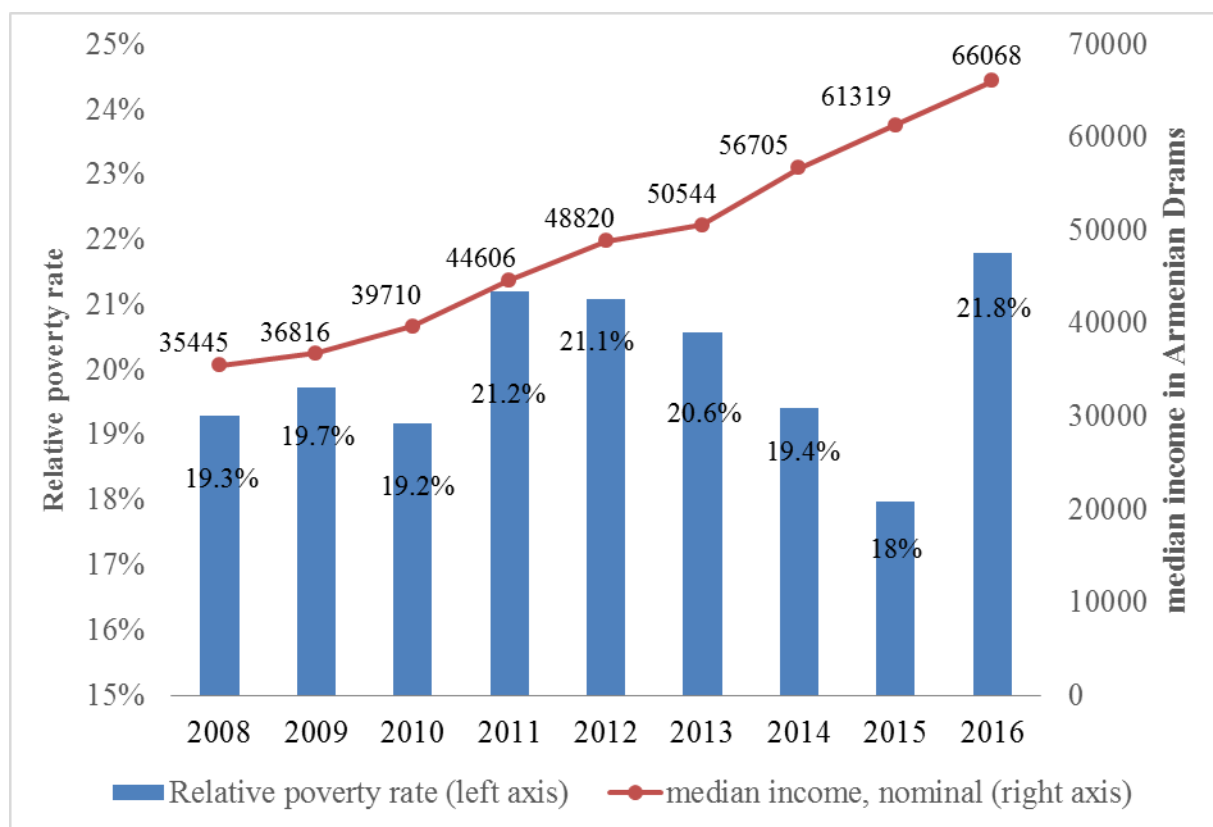
Source: ILCS 2008-2016

3.8. Poverty Rate in Countries of the Region

Global update of international poverty line

Under its mandate to calculate key indicators on poverty and shared prosperity, the World Bank produces international poverty estimates comparable across countries and years. The guiding principle of international poverty estimates is to count the number of poor people in the world in terms of some absolute standard to measure progress on global goals set by the World Bank, the United Nations, and other development partners. While at the national level, poverty estimations that consider local patterns of consumption are more appropriate for country-specific analysis, underpinning policy dialogue or targeting programs to reach the poorest, the international poverty estimates allow for comparisons across countries with very different national poverty measurement methodologies.

International poverty estimates are based on the international poverty line and are useful for the purpose of international comparisons and cross-country benchmarking. Differences in purchasing power across countries, as well as in terms of the methodological approaches used to calculate national poverty lines and welfare aggregates make the use of national poverty rates for international

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comparisons difficult, thus providing a rationale for an international poverty line. This line complements national poverty lines and can help benchmark the situation in a particular country or its relative performance when it comes to poverty reductions efforts. However, national poverty lines should still be the preferred tool for the purpose of the in-country dialogue as they best capture the country context.

Most recently, the World Bank updated the methodology for calculating the international poverty line[4] from PPP 2005 to PPP 2011. Calculating international poverty estimates entails two steps: updating the international poverty line and constructing internationally comparable welfare aggregates. For this purpose, the update uses the most recent findings from the International Comparison Program (ICP), which facilitates the calculation of 2011 Purchasing Power Parities (PPP). In 2005, an international poverty line of US$1.25 2005 PPP a day was obtained as the average national poverty lines of the then poorest fifteen countries in the world. When expressed in 2011 prices, this line becomes US$1.90 2011 PPP a day. For constructing internationally comparable welfare aggregates, the World Bank harmonizes information collected in local household surveys, maximizing comparability across countries for the construction of a common welfare aggregate. Welfare aggregates are adjusted, as well, by applying the new PPP factor obtained for each country, so that they all are expressed in terms of the same purchasing power.

Income Class Poverty Lines

In addition to the international poverty line, the World Bank uses income class poverty lines which facilitate comparison between countries at similar stages of development. [5] The income class poverty lines are defined for the lower middle income and upper middle income countries and are based on the national poverty lines of the countries in each group. As such, they provide a more appropriate threshold to measure poverty for countries in the income class. The lines are defined at US$3.2 a day 2011 PPP line (lower middle income countries) and US$5.5 2011 PPP line (upper middle income countries)[6], and the welfare aggregate used is the same harmonized one used for the international poverty line. The World Bank will report poverty estimates based on the income class lines and will stop reporting poverty estimates based on the regional poverty lines which had been used in the past to compare poverty rates and trends across countries within regions. The new income class poverty lines and the previously used regional poverty lines are defined using different groups of references and, hence, do not produce comparable poverty estimates.

The World Bank produces internationally comparable poverty rates for countries by applying the international and income class poverty lines. For countries in the Europe and Central Asia region, the

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[4] In 2015, a commission of experts, led by Sir Tony Atkinson, provided 21 recommendations to improve the existing poverty work conducted by the World Bank. The resulting report, known as the "Atkinson report", recommend that the World Bank will refer to the global poverty line at $1.9 per day in 2011 PPP as international poverty line to avoid confusion around the monetary value of the line.

[5] With the transition from 2005 PPP to 2011 PPP, the World Bank has also revised regional poverty lines. See: Jolliffe, D. & Prydz, E.B. J Econ Inequal (2016) 14: 185. doi:10.1007/s10888-016-9327-5.

[6] The two complementary global poverty lines are introduced based on recommendations from the "Atkinson Report".

World Bank uses the international poverty line and the poverty lines of US$3.2/day 2011 PPP and US$5.5/day 2011 PPP. Results are presented in Figure 3.11.

Figure 3.11: Internationally Comparable Poverty Rates, by Purchasing Power Parity of US dollar, 2002 – 2015.
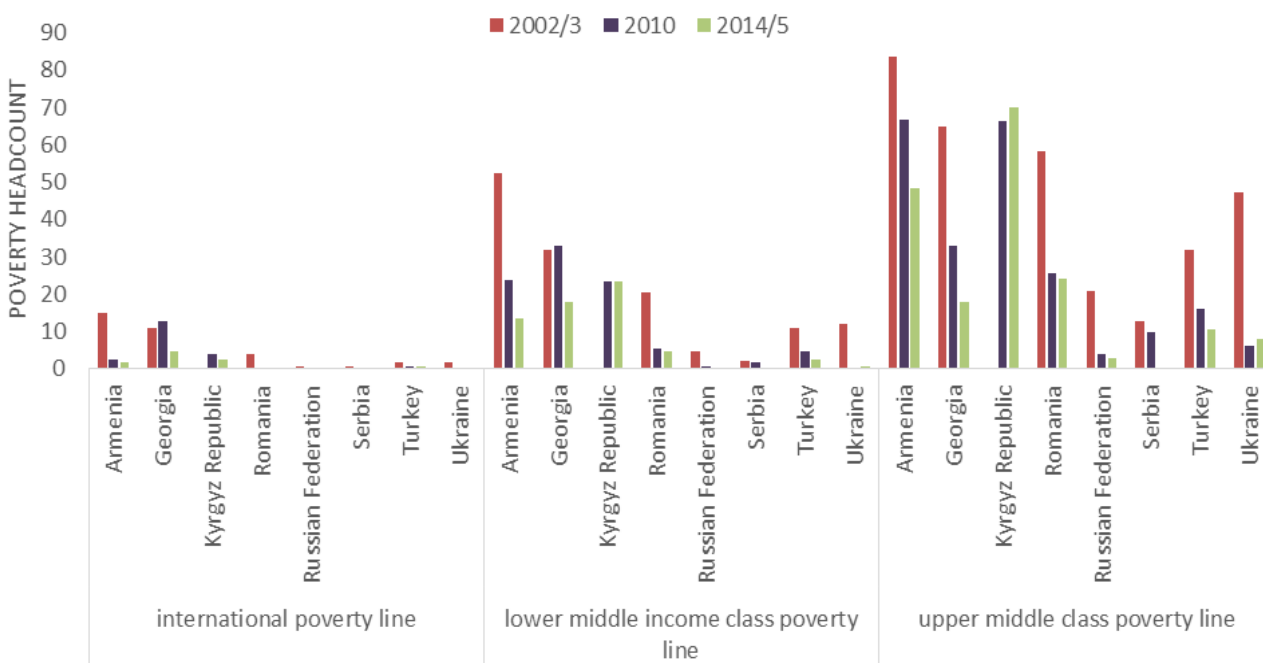
Note: Population below $1.90, $3.20, or $5.50 per person per day is the percentage of the population living on less than $1.90, $3.20, or $5.50 a day at 2011 international prices. Source: World Bank calculations based on ECAPOV.

Poverty Estimates in Armenia

The update of poverty estimates from 2005 PPP to 2011 PPP preserves the trends observed in recent years in Armenia (Figure 3.12). Applying the new ICP adjustments, and estimating poverty at the international poverty line (US$1.90 2011 PPP per day) results in similar poverty estimates for Armenia like using the 2005 PPP. Poverty is estimated at 1.9 percent in 2015. Moreover, the trend observed since 2001 is consistent across the 2005 PPP and 2011 PPP series.

Figure 3.13 shows poverty rates for Armenia measured at the lower middle income and upper middle income poverty lines of US$3.2 per day and US$5.5 per day PPP 2011. In 2015, 13.5 percent of the population lived below the lower middle income poverty line of US$3.2/day, which was equivalent to 20,618 AMD per month (in per capita terms). Van den Boom et al.

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(2015)[7] note that per-capita based (food) poverty lines are on average seven tenths the value of the corresponding adult equivalent version of this line. Using this conversion ratio, this value would be in the range of 29,454 ADM per month using the per adult equivalent scale, which was much lower than the national poverty line of 41,698 ADM in 2015.
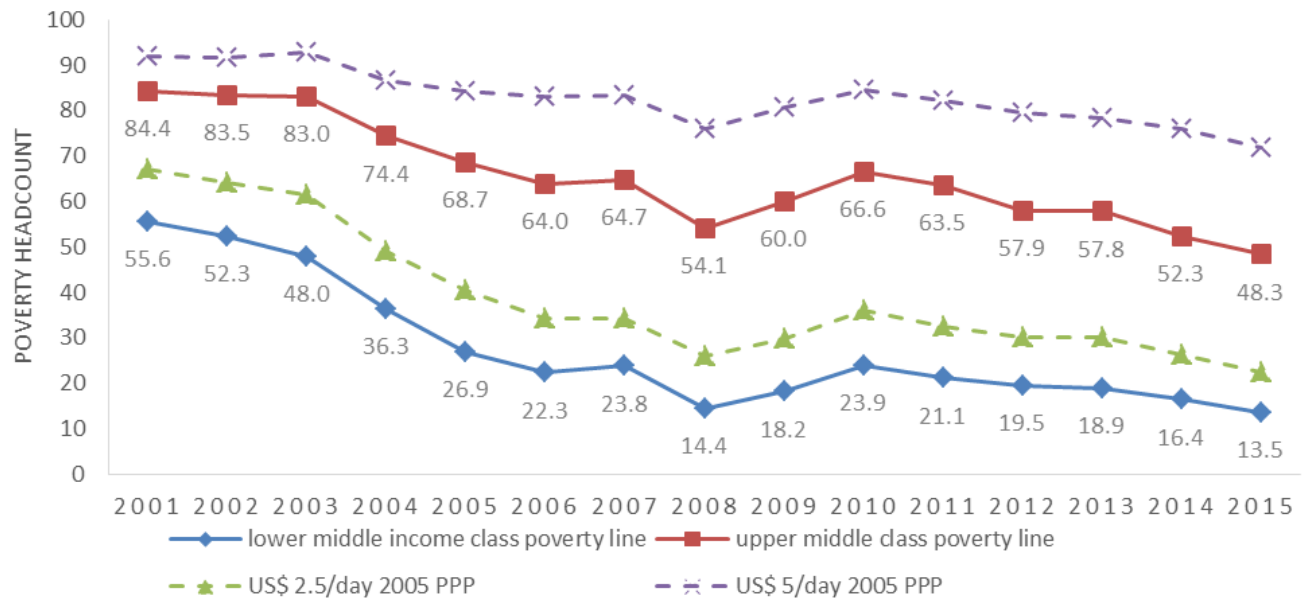
Figure 3.12: Armenia Poverty trend using the international poverty line and previous line at for US$ 1.25 2005 PPP
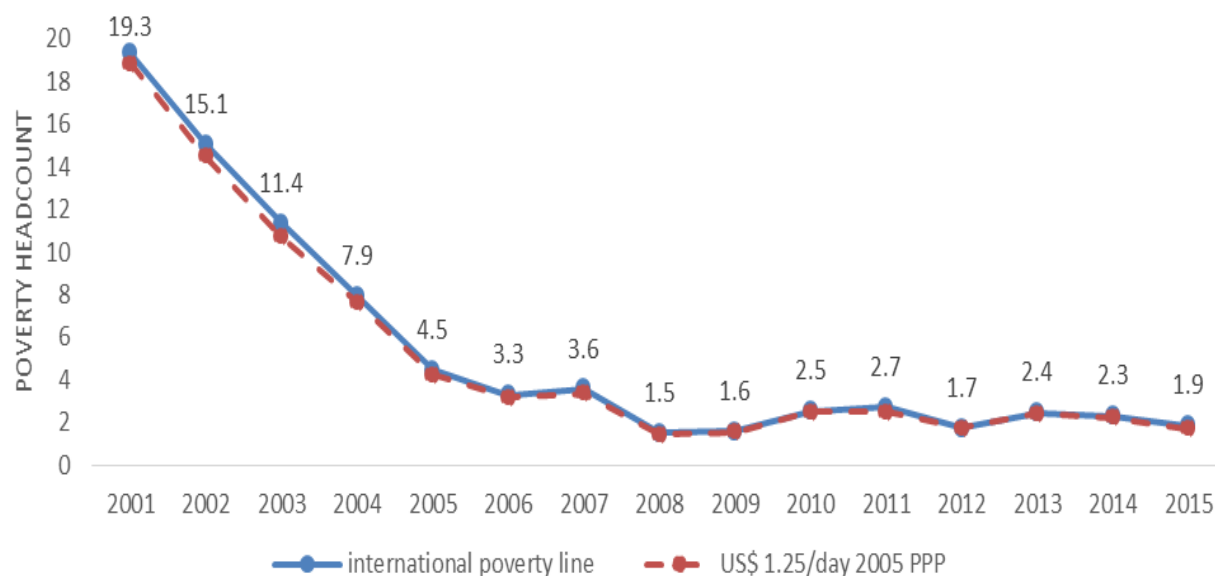
Source: World Bank PovCalNet. Note: Labels refer to international poverty line (PPP 2011).

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[7] van den Boom, B., Halsema, A., Molini, V.: Are we confusing poverty with preferences? Policy Research Working Paper Series, No. 7247, Washington, DC: World Bank (2015) and James, W.P.T., Schofield, E.C.: Human energy requirements. A manual for planners and nutritionists. Oxford Medical Publications, Oxford (1990)

Figure 3.13: Armenia Poverty trend using the middle income class lines and previous poverty lines at 2005 PPP

Disclaimer: This note is based on the Chapter ### published in the "Social Snapshot and Poverty Armenia 2017. The team was composed of Moritz Meyer, Xinxin Lyu, and Alan Fuchs (World Bank). Corresponding author is Moritz Meyer (mmeyer3@worldbank.org).

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. The Armenian national measure for multidimensional poverty was launched in 2016 by the National Statistical Service of the Republic of Armenia and accompanied by a working paper and online interactive dashboard in 2017 (Martirosova et al. 2017).[8,9]

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

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[8] Martirosova, Diana; Inan, Osman Kaan; Meyer, Moritz; Sinha, Nistha. 2017. The many faces of deprivation: a multidimensional approach to poverty in Armenia. Poverty and Equity Global Practice Working Paper Series; no. 117. Washington, D.C.: World Bank Group.
[9] Short url for online dashboard: **https://goo.gl/fyhKfJ**

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 reflects the experience of poverty in Armenia and facilitates a discussion on policies for improving wellbeing. The five dimensions in the measure are *basic needs, housing, education, labor and health*. The measure builds on data from the Integrated Living Conditions Survey (ILCS) allowing for nationally representative temporal analysis that can be linked to monetary poverty. However, using the ILCS constrains the selection of deprivations to existing data. Table 3.18. summarizes the dimensions and indicators which allow for a subjective evaluation of deprivations.

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

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

dependent	living or being in extreme (food) poverty
Dimension: Housing	*A household is deprived, if …*
Satisfaction of housing conditions	not having access to adequate housing: housing conditions are evaluated as bad or very bad
Adequate housing	not having access to adequate housing: available housing requires major repairs, is dump, slum, or old; adequate flooring and adequate walls
Overcrowding	available housing floor space does not exceed 20 sq. meters per person adult equivalent
Healthy heating	household uses wood, carbon or other heating means as primary source for heating
Centralized water system	no access (use) to centralized water system
Centralized sanitation and garbage disposal	no access (use) to centralized sanitation or garbage disposal system
Hot running water	no access (use) of hot running water
Quality of paid public services	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
Access to transportation	not having access to opportunities: no or poor transportation and road networks (all- year road)
Dimension: Education	*A household is deprived, if …*
No secondary education	*present:* all household member between the age of 15 years and 75 years have less than secondary education (vocational or professional)
Schooling enrollment rate	*future:* at least one child of compulsory schooling age between 6 and 17 years is not attending school
Access to education services	not having access to kindergarten, complete secondary school, primary (general) school in the neighborhood
Quality of education services	not satisfied with education services
Dimension:	*A household is deprived, if …*

Labor	
Labor market participation	more than half of household members in the working age population do not participate in the labor market
Long term unemployment	at least one household member is not working due to long term unemployment (structural)
Decent jobs	not having access to decent jobs - employment status is own account worker
Underemployment	not having access to a full position in the labor market (underemployment, and seasonal/occasional employment for all members)
Dimension: Health	*A household is deprived, if …*
Termination of usual activity	at least one household member did terminate usual activities because of illness, injury, or bad health.
Affordability of health services	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
Access to health services	not having access to health care facility, emergency ambulance services, pharmacies in the neighborhood
Quality of health services	not satisfied with health services

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 **multi-dimensionally poor** if they are deprived in more than one quarter of all weighted indicators.

Table 3.19: Share of individuals living in households which are considered multi-dimensionally poor, by location (as percentage of population)

	National level	Rural areas	Other urban areas	Yerevan
2010	41.2	52.8	37.2	32.6
2011	33.9	43.3	30.4	27.3
2012	31.3	38.3	30.1	25.1
2013	30.5	37.2	27.6	25.8
2014	31.9	35.2	31.6	28.5
2015	29.1	32.7	25.9	28.0
2016	27.8	30.3	24.7	28.0

Source: *Author's calculations based on ILCS 2010 to 2016*

Findings in Table 3.19. show a decrease in multi-dimensional poverty since the crisis year 2010. At the national level, the share of the population which is multi-dimensionally poor fell from 41.2 percent in 2010 to 27.8 percent in 2016. Breaking down the share of the population being multi-dimensionally 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 multi-dimensionally poor; in contrast, 32.6 percent of the population in Yerevan were found to be so. During 2011-2016, multidimensional poverty declined. In 2016, it was 30.3 percent in rural areas, 24.7 percent in other urban areas and 28.0 percent in Yerevan. An in-depth analysis reveals that between 2010 and 2016 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.

Despite the positive development trend between 2010 and 2016 (with consumption poverty declining by more than 6 percentage points), the large majority of households still experiences deprivations in one or more dimensions. Figure 3.14 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 2016 the share of the population living in households which was not deprived in any of the five dimensions increased from 20.0 percent to 27.7 percent. Simultaneously, the share of the population being deprived in 2 or more dimensions decreased from 43.3 percent to 29.1 percent. However, an analysis of disparities across locations shows that in 2016 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 37 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.
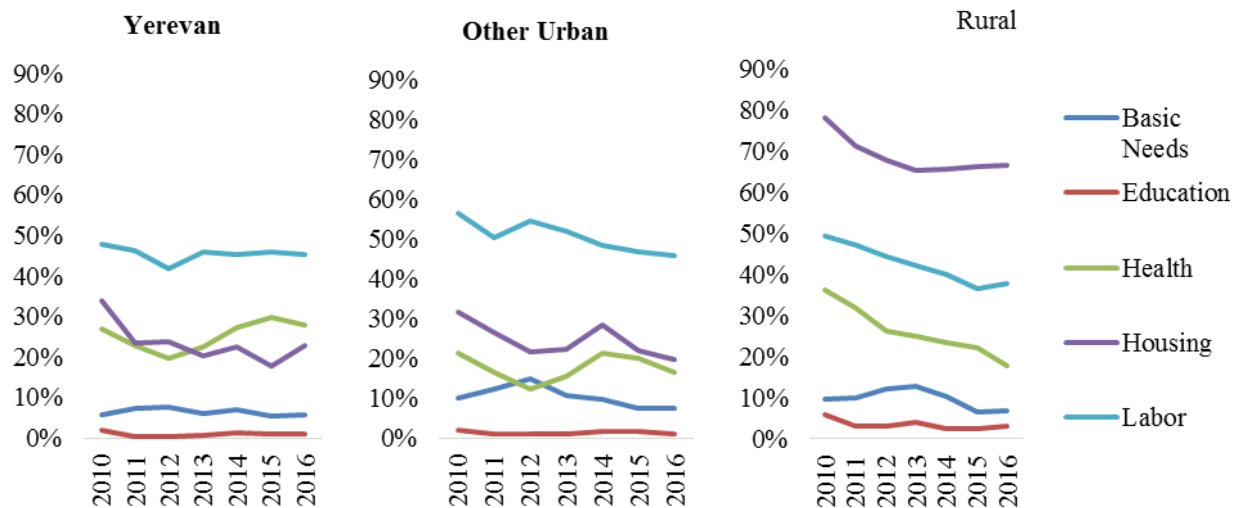
Figure 3.14: Share of individuals living in households experiencing deprivations (as percentage of population)
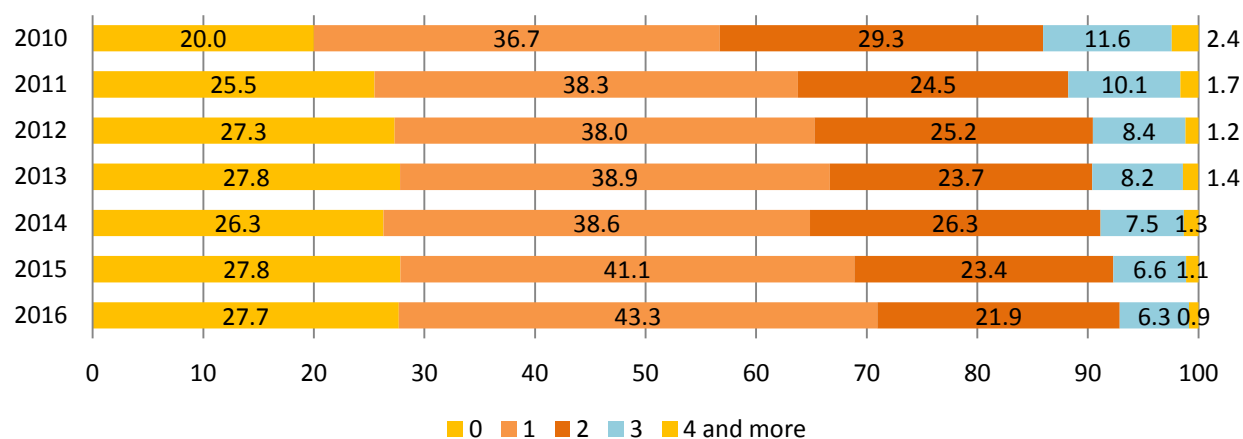
Figure 3.15. illustrates that the nature of multidimensional poverty differs systematically between the capital city Yerevan, other urban areas and rural areas in the country. In 2016, regional disparities were biggest for the dimension on housing; however, the most recent investments in physical assets 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 3.15: 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 2016*

Figure 3.16: Share of individuals living in households deprived in each of the five dimensions of multidimensional poverty, by poverty status (year 2016) (as percentage of population)
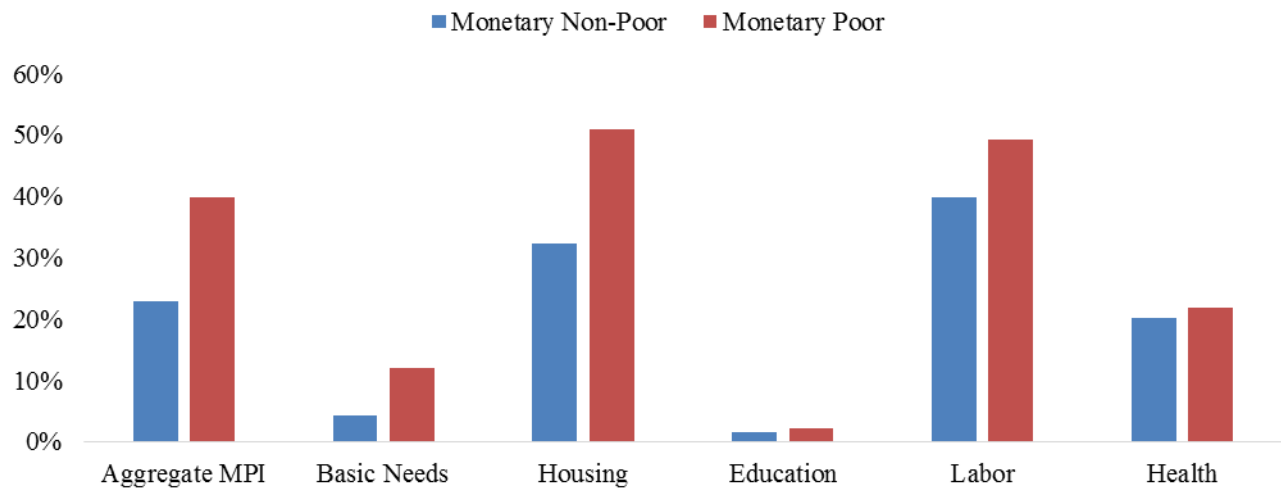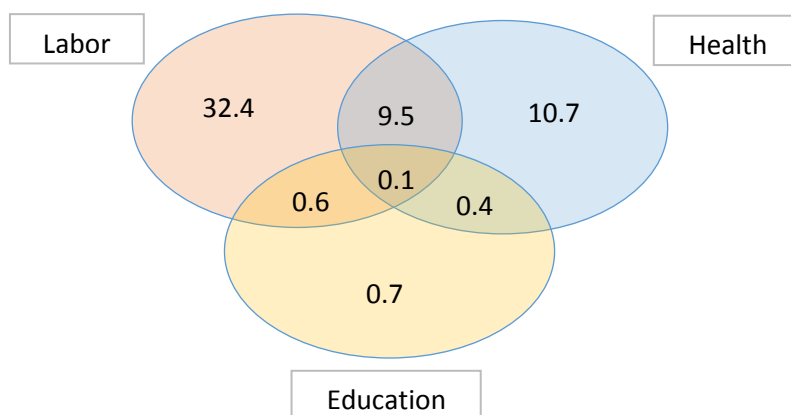

Source: *Author's calculations based on ILCS 2016*

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 2016, 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 3.18.) 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"

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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 3.16 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 3.17: Overlap of Deprivations in Labor, Education, and Health Dimensions (2016)

Source: *Author's calculations based on ILCS 2016*

Deprivations in multiple dimensions often explain the persistence and complexity of poverty. The overlap of development gaps related to labor, education and health demonstrates how households which have limited access to education also suffer from low labor force participation and unemployment. Moreover, deficits related to labor markets often coincide with health problems. Figure 3.17. shows the overlap of deprivation across three dimension in 2016. In total, 54.4 percent of the population was deprived in at least one of these dimensions. The majority, at

32.4 percent, was deprived only in the labor dimension while 9.5 percent was deprived in both labor and health. Only 0.1 percent of the population was deprived in labor, health and education

at the same time, mainly driven by the overall low level of deprivation in the education dimension.

3.10. Social Exclusions in Armenia

According to EU approaches, material exclusion is the dimension, which reflects iniability of the majority of people to obtain some desirable or even necessary goods to live the acceptable level of life. This indicator distinguishes between the people who cannot afford some goods or services, and those who do not have the said goods or services due to other reasons, for instance because they don't want or they don't need those goods or services.

In the scope of the «Strengthening of Armenia National Statistical System –II Phase» twinning project, with the objective to develop the statistics of social exclusions, all the households included in ILCS 2016 answered the questions of social exclusions module questionnaire.

In general, the study of social exclusions supplements the analysis of monetary and multidimensional poverty, as well as testifies to the distinct connections between these three different concepts.

Findings derived through the module questionnaire of ILCS conducted in 2016 show the rate of material deprivation in Armenia. Currently the EU material deprivation indices are under revision. Although the group of items for new indices of material deprivations is known and is being collected, however the Eurostat has not made the final decisions regarding the thresholds of new indices. As a result, in order to maintain the compatibility, the RA NSS must update its approaches during the forthcoming years according to Eurostat methodology. The table below shows the prevalence of deprivation related to 9 indices.

<div align="center">Table 3.20. Armenia. Nine Key Indices of Social Inclusions, 2016</div>

Indices	%
Cannot afford A one-week annual vacation away from home, including staying in the second dwelling or at friends'/ family members' (full household)	89
Payment from own resources the unexpected expenditures of AMD 45.000 (without borrowing or asking for financial assistance)	70
Meal with meat, chicken, fish (or equivalent vegetarian) every other day	67
A car	54
Adequate heating at home	42
Rent or mortgage fee for the main dwelling	35
A mobile of fixed telephone	3
A washing machine	2
A TV set	0

Source: ILCS 2016

The index of deprivation prevalence (consisting of 9 items) is calculated as follows: the material deprivation threshold is the presence of 3 of the 9 items, and severe material deprivation threshold is the presence of at least 4 out of 9 items.

The table below illustrates the rate of material deprivation by different thresholds. The Eurostat's threshold of material deprivation consisting of three items shows that according to Eurostat definition, 75% of Armenians are materially deprived. Considering the threshold consisting of at least four deprivations, the rate of severe material deprivation amounted to 56.2%.

<div align="center">Table 3.21. Armenia. Social Exclusions. Distribution of Households by the Number of Deprivations, 2016</div>

Benchmarks	Population, %
One or more deprivation	95
Two or more deprivation	87
Three or more deprivation *Eurostat's threshold of material deprivation*	75
Four or more deprivation *Eurostat's threshold of severe material deprivation*	56
Five or more deprivation	34
Six or more deprivation	13
Seven or more deprivation	2
Eight or more deprivation	0
Nine or more deprivation	0

Source: ILCS 2016

So, the RA NSS computed the rate of material deprivation with different thresholds, which are used for international comparisons of severe material deprivation indices.

Graph 3.18. *International Comparisons of Severe Material Deprivation Indices*

Country	Value
Armenia	56.2
Bulgaria	31.9
Romania	23.8
Greece	22.4
Latvia	12.8
Lithuania	13.5
Croatia	12.9
Italy	11.5
Slovakia	8.2
European Union	7.5
Poland	6.7
Ireland	7.5
Spain	5.8
United Kingdom	5.2
Estonia	4.7
France	4.4
Germany	3.7
Denmark	2.6
Finland	2.2
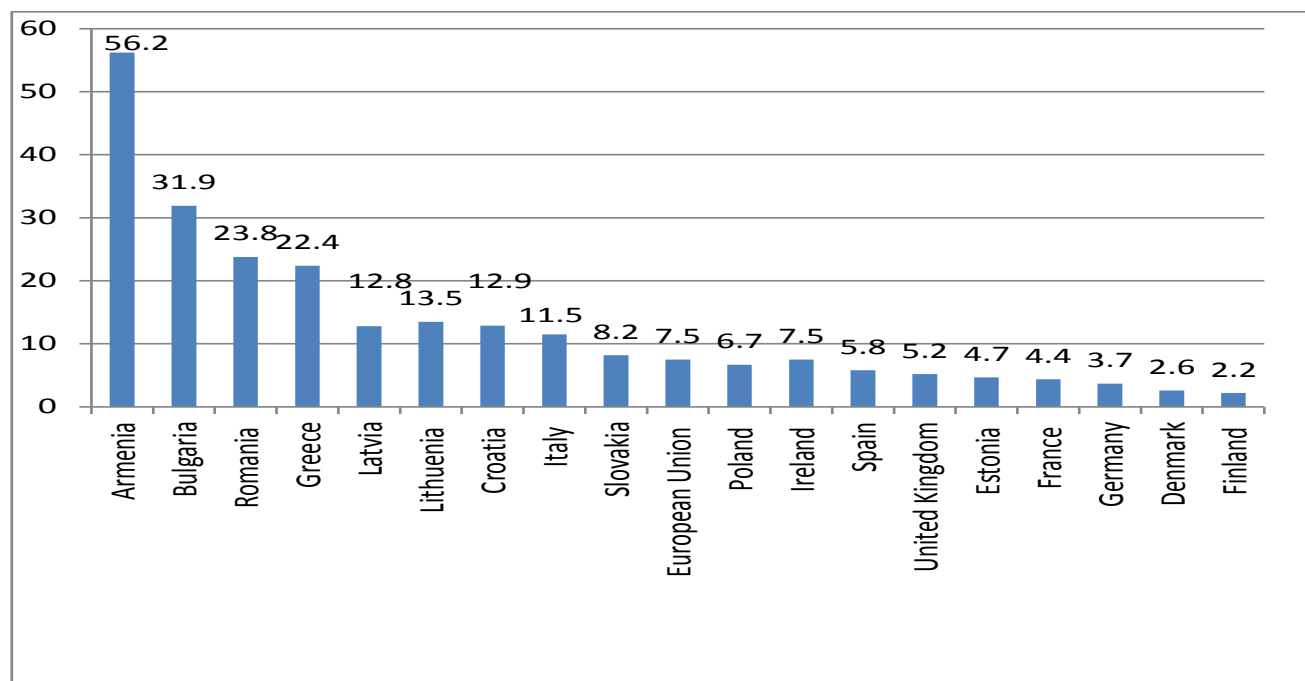
 New versions of deprivation indices

The table below illustrates deprivation indices revised by EU, which will be collected from 2019.

Table 3.22. Armenia. New 13 Indices of Social Exclusions, 2016

Indices	% of deprived population, by indices
Cannot afford	
One week's holiday away from home (the whole household)	89
Replace worn furniture, including separate furniture items	81
Meet unexpected expenditures of AMD 45.000 from own resources (without borrowing or asking for financial assistance)	70
Regular participation out of home (several times a year) in paid entertainment events such as sports, cinema, concert, etc.	68
Meal with meat, chicken, fish (or equivalent vegetarian) every other day	67
A car	54
Spend weekly for own needs a small amount of money (without having to consult with anyone)	50
At least once a month take part in a dinner party with friends/ family/relatives	49
Adequate heating at home	42
Timely repay of rent or mortgage fees for dwelling	35
Replace worn clothes (including old-style clothes) by new clothing not used before	34
Mobile or fixed telephone	3
Internet connection	12

Source: ILCS 2016

The data brought in the table below show the rate of population deprivation according to the number of indicated indices.
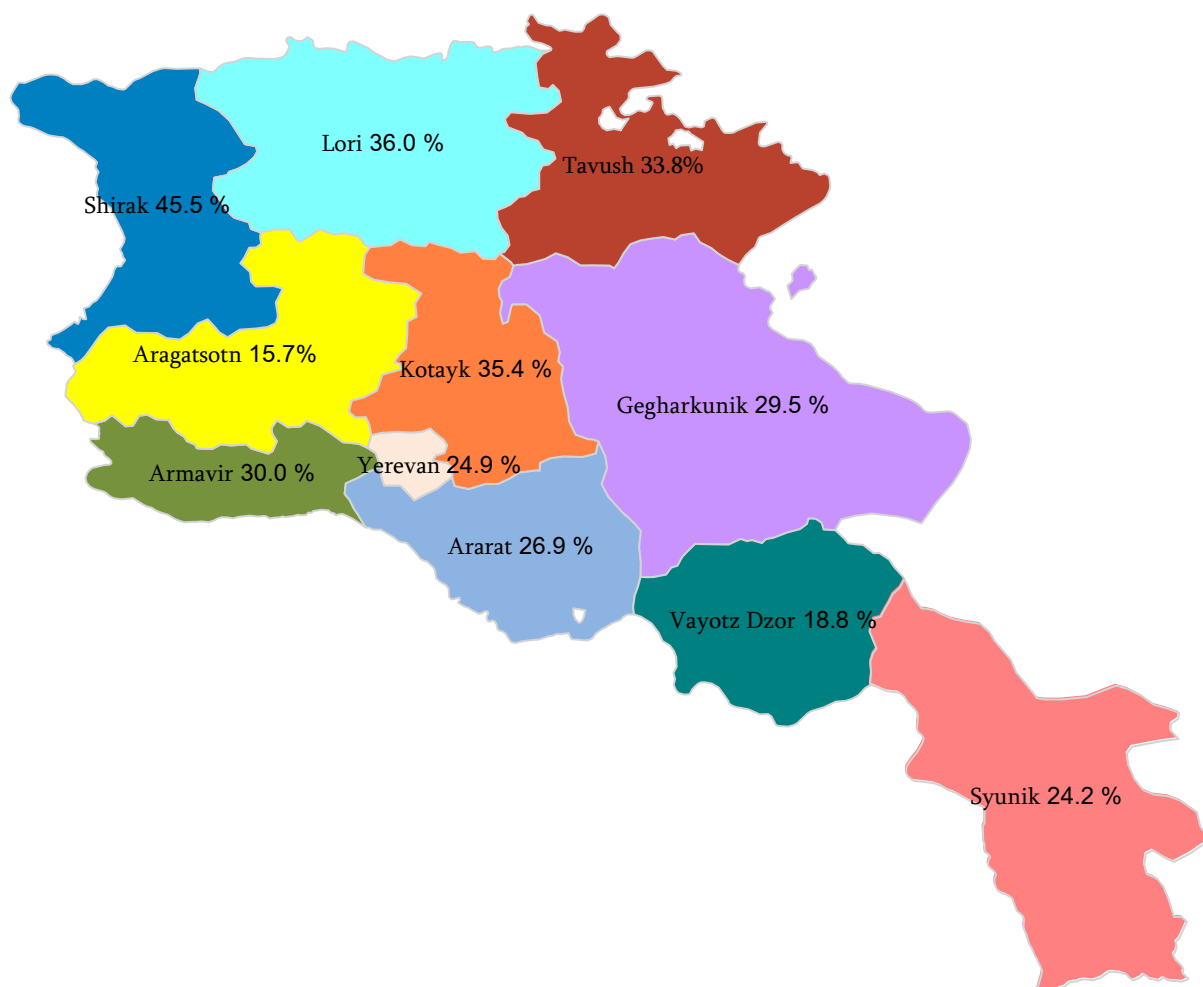
Table 3.23. Armenia. Share of Households Deprived of at Least Indicated Indicators, 2016

	% in the ppopulation
Deprived of 1 or more indicators	97
Deprived of 2 or more indicators	93
Deprived of 3 or more indicators	88
Deprived of 4 or more indicators	83
Deprived of 5 or more indicators	75
Deprived of 6 or more indicators	67
Deprived of 7 or more indicators	56
Deprived of 8 or more indicators	43
Deprived of 9 or more indicators	31
Deprived of 10 or more indicators	20
Deprived of 11 or more indicators	11
Deprived of 12 or more indicators	4
Deprived of 13 or more indicators	1

Source: ILCS 2016

It is expected, that deprivation threshold revised by Eurostat will include 5, 6 or 7 and more indicators out of the set of selected 13.

Map 1. Armenia: Poverty by Consumption Aggregate, by Provinces and Yerevan City, 2016

Shirak 45.5 %

Lori 36.0 %

Tavush 33.8%

Aragatsotn 15.7%

Kotayk 35.4 %

Gegharkunik 29.5 %

Armavir 30.0 %

Yerevan 24.9 %

Ararat 26.9 %

Vayotz Dzor 18.8 %

Syunik 24.2 %

Source. *RA ILCS 2016*

Chapter 4. Poverty in Rural Areas

In 2016, poverty in rural areas was higher than for the national average (30.4% versus 29.4%, see Chapter 3, Table 3.1, Table 4.1). Over the reporting period the rural population overcame their food challenges using their internal resources more successfully, then urban population. In 2016, 87.5% of rural households were engaged in crop production, and 58.1% in livestock breeding. In 2016, 57.2% of rural households were involved simultaneously in crop production and in livestock breeding.

4.1.Poverty Trends in Rural Communities

In 2016, the poverty rate in rural communities exceeded the level of 2008 by 2.9 percentage points; for urban areas the poverty rate was 1.2 percentage points higher than in 2008. In 2016, the difference in poverty rates between urban and rural communities was small. The the poverty rate in rural communities was 30.4%, in urban communities it was 28.8% (Table 4.1, Figure 4.1).

Table 4.1. Armenia
Trends in Rural and Urban Poverty Rates, 2008 and 2016

(percent)

Populated Areas	2008		2016		2016 / 2008 change, in percentage point	
	Extremely poor	Poor	Extremely poor	Poor	Extremely poor	Poor
Rural communities	1.2	27.5	1.4	30.4	0.2	2.9
Urban communities	1.9	27.6	2.0	28.8	0.1	1.2
Total	**1.6**	**27.6**	**1.8**	**29.4**	**0.2**	**1.8**

Source *ILCS 2008 and 2016*

In 2016, 1.4% of rural population was extremely poor in contrast to 2.0% of extreme poverty of urban population. In 2016, extreme poverty rate of rural population was 0.2 percentage points higher as compared to 2008, while for urban population it was higher by about 0.1 percentage points.

Figure 4.1. Armenia. Poverty in Rural and Urban Communities in 2008 and 2016
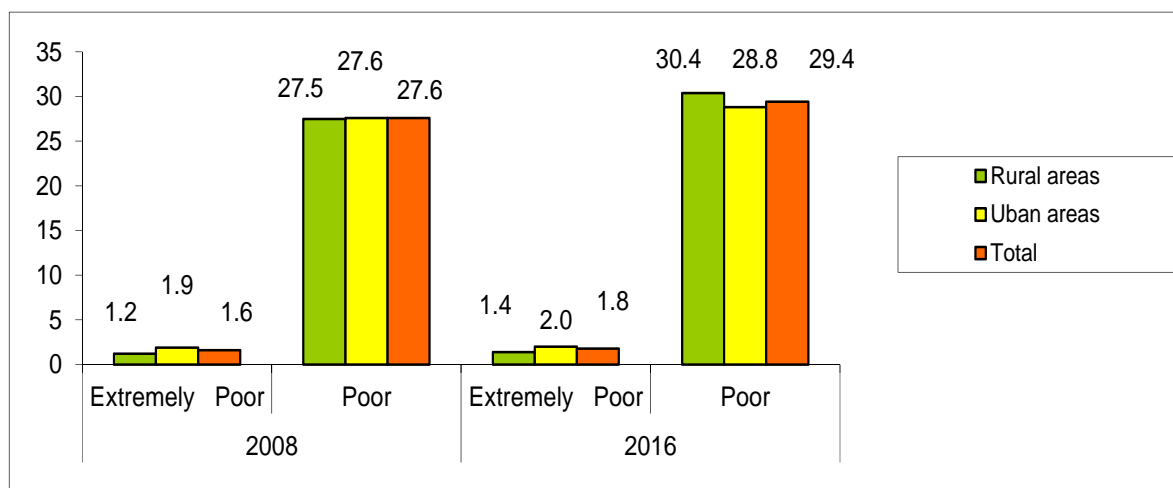
4.2. Total Income and Consumption of Rural Households (consumption aggregate) in 2008-2016

Between 2008 and 2016 total average income of population in rural areas in comparable prices increased 1.5 times (Table 4.2). The growth was mainly driven by the increase in remittances from relatives living outside of Armenia.

On average, in 2016 only 26.4% of the total income of rural households (per capita) was generated from agricultural activities (agricultural products, sale of livestock and own production food consumption) versus 38.8% in 2008, 35.6% in 2009, 29.4% in 2010, 32.4% in 2011, 30.8% in 2012, 30.9% in 2013, 28.5% in 2014, and 25.6% in 2015 (Chapter 6, Table 6.2). At the same time, the share of income from hired employment has increased from 29.6% in 2008 to 36.2% in 2016. The share of income from self-employment has significantly grown in from 4.1% to 7.2%.

The share of public transfers -pensions and social assistance - in gross income declined in 2016, reaching 16.7% versus 17.3% in 2008. The share of remittances from relatives living outside of Armenia as a source of income increased in the total income of rural households from 6.6% in 2008 to 8.1% in 2016. The share of transfers from relatives living in Armenia has dropped by 0.5 percentage points (0.7% in 2008 and 0.2% in 2016) (Chapter 6, Table 6.2).

Table 4.2 presents changes in indicators of monthly incomes and consumption of rural population in 2008-2016, which were calculated using a quintile distribution indicator equivalent to consumption of one adult. In general, the average level of consumption of rural population increased by 14.2% in 2016 as compared to 2008, when the average level of income increased 1.5 times.

The real income has increased in the third, fourth and fifth quintiles. In the fifth quintile it increased 2.3 times. The household income of the poorest households - the first quintile group of the population has decreased by 34.0%, and incomes for the second quintile group increased by only 3

percent. At the same time it should be noted that real consumption has increased in all quintiles of consumption, with only 2.2% in the first quintile.

Table 4.2. Armenia. Total Income and Consumption Aggregate of Rural Population in 2008 and 2016 by Quintile Groups, Equivalent to One Adult, Monthly, in Average Annual Prices of 2008

(AMD)

	Quintiles*					
	1st	2nd	3rd	4th	5th	Average
Consumption per adult equivalent						
2008	23 335	30 780	38 164	46 672	69 418	41 691
2016	23 838	32 393	44 264	54 528	83 068	47 611
Total income per adult equivalent						
2008	30 663	36 036	41 639	45 090	60 239	42 745
2016	20 224	35 137	49 486	69 851	135 836	62 127
Difference between 2008 and 2016 (percent)						
Consumption	2.2	5.2	16.0	16.8	19.7	14.2
Income	-34.0	-2.5	18.8	54.9	125.5	45.3

Source *ILCS 2008 and 2016*

* Distribution of quintile groups of consumption aggregate was done among rural population.

Significant growth and decline in rural income in all quintiles has led to the fact that in 2008-2016 the average income of rural population increased 1.5 times, while the increase in real consumption of rural population in all quintiles has resulted in a 14.2% increase in average consumption.

Figure 4.2. Armenia. Difference between the Total Income and Consumption Aggregate of the Rural Population by Quintile Groups in 2008 and 2016

(percent)
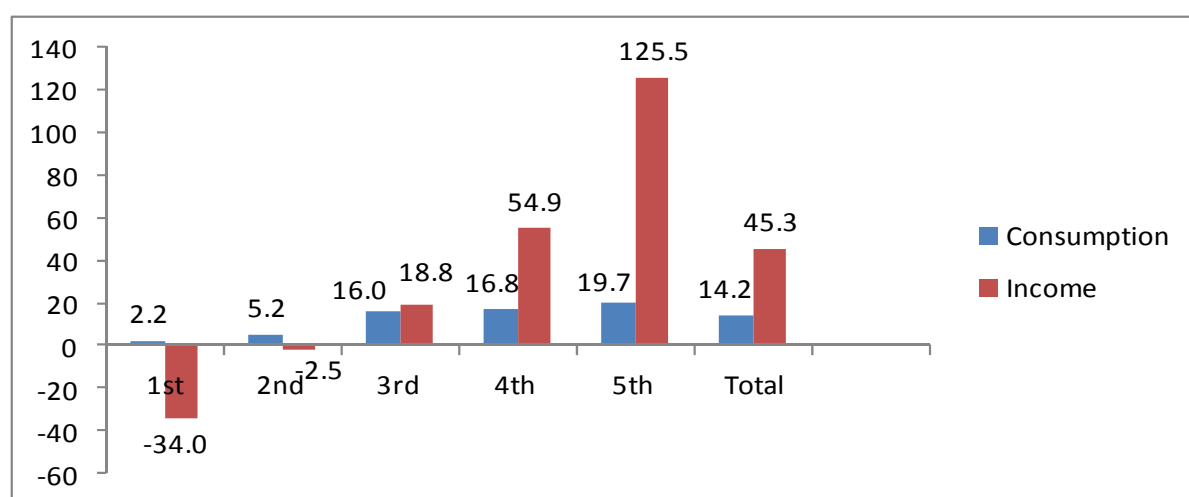
Source. *ILCS 2008 and 2016*

4.3. Who Were Poor in Rural Areas in 2016?

According to the data, the underdevelopment of physical infrastructure and limited access to finance (roads, irrigation systems, processing of agricultural products, procurement, storage capacity, financing possibilities, etc.) in Armenia is one of the main factors impeding development of rural areas. Hence, the poverty rate is high in those households that are landless or whose land plot is very small, whose opportunities to irrigate their land are limited, and who has no or very few agricultural machinery or production facilities and limited financial resources.

Geographical location. Like in previous years, the rural population is poorer in the regions with most unfavorable conditions for agriculture. In 2016, the poverty level has been higher in the settlements located at a height of 1300-1700 meters above sea level (Table 4.3).

Table 4.3. Armenia. The Poverty Level of Rural Population by Geographical Location of the Community, 2008 and 2016

(percent)

	Total		Including above sea level					
			Up to 1300 m		1300-1700 m		1700 m and higher	
	2008	2016	2008	2016	2008	2016	2008	2016
Non-poor	72.5	69.6	77.5	72.7	71.8	64.1	67.3	68.7
Poor (extremely poor excluded)	26.3	29.0	21.9	26.2	26.4	33.4	31.2	30.3
Extremely poor	1.2	1.4	0.6	1.1	1.8	2.5	1.5	1.0

Source. ILCS 2008 and 2016

Land availability. Land ownership plays a major role for reducing poverty in rural areas. The share of households that live in rural areas and have no land is 5.6%. In 2016, the risk of poverty is the highest for households whose land size is up to 0.2 hectares and 0.2-0.5 hectares. The lowest poverty rate was registered in households with 0.5-1 hectares of land (Table 4.4).

Table 4.4. Armenia. Poverty Rate of Households in Rural areas, by Availability and Size of the Land Plot, 2008 and 2016

(percent)

Plot size (ha)	2008		2016			
	Extremely poor	Poor (excluding extremely poor)	Extremely poor	Poor (excluding extremely poor)	% in the poor	% in rural households
0 ha	0.5	21.4	2.0	26.1	5.5	5.6
Up to 0.2 ha	1.1	24.3	2.1	28.7	31.2	28.9
0.2 – 0.5 ha	0.9	20.9	0.9	28.8	12.2	11.2
0.5 – 1 ha	1.7	20.5	1.0	19.7	14.0	18.8
More than 1 ha	0.5	28.2	0.6	27.7	37.1	35.5
Rural areas, total by households	**1.4**	**24.4**	**1.2**	**26.5**	**100**	**100**

Source. *ILCS 2008 and 2016*

In 2016, availability of land and its use by rural households had the following picture: 87.5% of households used the plot in full or in part, 6.9% did not use the land, the remaining 5.6% of households did not have land.

Quality of soil. Household surveys do not provide sufficient information on the quality of soil, therefore the possibility of watering the land is considered as soil quality indicator, because it influences agricultural yields and the level of productivity. According to the survey data, land of 56.7% of farming households was irrigated. At the same time, as one can see from Table 4.5, the share of irrigated areas was only 30.4% of the total cultivated lands.

Table 4.5. Armenia. Distribution of Lands Cultivated by Households by Irrigation Method, 2016

(percent)

Share of cultivated areas, which have:	Total cultivated area	Including	
		Homestead	No homestead
Irrigation water (water pipe/canal)	30.4	55.9	26.4
Drinking water or tube well	2.4	16.7	0.1
Only natural sources (rivers etc.)	0.8	5.1	0.2
Irrigation and drinking water or tube well at the same time	-	-	-
Irrigation and natural sources (rivers, streams, lakes) at the same time	-	-	-
Other combinations of watering sources	-	-	-
Collected rainwater, snowmelt water	1.0	1.0	0.9
Only rainwater	65.4	21.3	72.4
Total land plot	**100**	**100**	**100**

Source. *ILCS 2016*

The irrigated part of lands cultivated by rural households is presented below. Thus, only 57.5% of land plots were irrigated at 75-100%, and about one third of the land (30.2%) was irrigated at up to 25%.

Table 4.6. Armenia. Distribution of Irrigated Lands of Farming Households by Proportion of Irrigated Lands and Household Poverty Levels, 2016

(percent)

Share of irrigated lands	Non poor	Poor (excluding extremely poor)	Extremely poor	Total
Up to 25%	30.2	30.6	20.7	30.2
25-50%	5.8	9.3	16.9	6.6
50-75%	6.0	4.3	-	5.7
75%-100%	58.0	55.8	62.4	57.5
Total	**100**	**100**	**100**	**100**

Source. *ILCS* 2016

Figure 4.3. Armenia. Distribution of Irrigated Lands of Farming Households by Proportion of
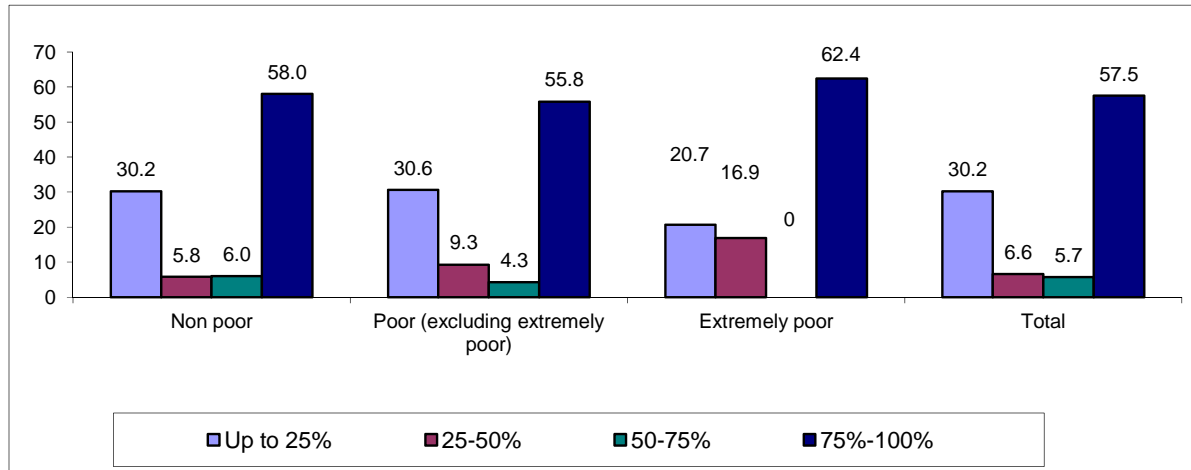Irrigated Lands and Household Poverty Levels, 2016

(percent)

Source. *ILCS* 2016

The biggest proportion of fertile land in the Ararat Valley (Ararat and Armavir provinces/Marzes) was irrigated at 75%-100%, and the smallest proportion of lands irrigated in the aforementioned amount was recorded in Sjunik, Tavush, Shirak, and Lori provinces (Table 4.7).

Table 4.7. Armenia. Distribution of Irrigated Lands of Farming Households by Proportion of
Irrigated Lands and Provinces, 2016

(percent)

	Up to 25%	25-50%	50-75%	75%-100%
Aragatsotn	18.1	7.8	6.0	68.1
Ararat	9.6	1.6	4.8	84.0
Armavir	0.6	1.9	5.7	91.8
Gegharkunik	62.5	6.2	1.4	29.9
Lori	64.7	14.7	3.0	17.6
Kotaik	46.3	13.0	9.2	31.5
Shirak	55.7	15.4	12.4	16.5
Sjunik	83.3	11.1	–	5.6
Vajots Dzor	13.3	9.1	6.3	71.3
Tavush	73.3	8.9	6.7	11.1
Total	**30.2**	**6.6**	**5.7**	**57.5**

Source. *ILCS* 2016

According to 2016 survey data, 84.1% of rural households who irrigated their lands fully or partially (along with other methods) were members of Water Users Associations. 82.0% of non-member households reported absence of such association in their village, whereas 18.0% did not want to join Water Users Associations.

Survey data demonstrate that 75.5% of households received irrigation water in sufficient volume and timely; 15.5% received it in sufficient volume, but not timely; 2.9% - received water timely, but not sufficiently; and 6.1% reported that their irrigation water delivery was neither sufficient, nor timely. Among the most critical reasons for irrigation water supply interruptions were poor technical conditions of irrigation water infrastructure (33.2%), local network problems (21.5%), non-payments (4.3%), pump failures (18.5%) etc.

80

92.0% of households paid for used irrigation water in full or partially, whereas 8.0% did not pay, of which 44.6% did not pay because of lack of money, 11.1% because of insufficient irrigation water supply, and 2.0% because of not timely delivery of irrigation water.

During the survey, households were asked about performance of irrigation systems also during the two agricultural seasons preceding the survey (in 2015 as compared to 2014). According to the survey, 17.2% of the respondents reported change in the performance of irrigation system in agricultural season of 2015 as compared to 2014; whereas 83.3% said that it had improved significantly or improved to some extent. In 2015 as compared to 2014, 5.6% of respondents thought that sizes of land plots changed; 58.0% of the respondents thought that the sizes have expanded significantly or to some extent, whereas others thought that the sizes of plots reduced.

Availability of Agricultural Equipment

A big part of agricultural machinery that rural households own and operate is old, being in operation for 6 and more years. When during the previous years out of 10 types of agricultural machinery 7 types were not indicated among those being in operation for up to 2 years, in 2016 only 4 types were not indicated out of 10 (Table 4.8).

Table 4.8. Armenia. Availability of Agricultural Machinery in Households Possessing Land or Breeding Livestock in 2016

(percent)

	Total	Up to 2 years	3-5 years	6-10 years	More than 10 years
Tractor, mini-tractor	100	4.1	8.3	38.8	48.8
Truck	100	4.9	28.1	19.0	48.0
Grain harvester	100	24.6	-	-	75.4
Tractor trailer	100	5.0	27.8	39.2	28.0
Tractor grass maker	100	20.1	39.5	9.6	30.8
Forage harvester	100	-	52.0	48.0	-
Grain cleaning machine	-	-	-	-	-
Ordinary sowing tractor	100	-	-	43.1	56.9
Tractor plow	100	15.9	-	47.0	37.1
Cultivator	100	-	-	20.2	79.8
Total	**100**	**7.3**	**18.6**	**29.2**	**44.9**

Source. *ILCS 2016*

It is natural that non-poor households have more opportunities to buy or lease agricultural machinery than poor households. Over the 12 months preceding the survey of 2016, out of households with agricultural machinery only extremely poor did not purchase any agricultural machinery. 81.3% of households with agricultural machinery were non-poor, while 18.7% were poor (excluding extremely poor). Non-poor households were able to use almost all types of agricultural machinery except grain cleaning machine; poor households could use all the equipment except fodder harvester and grain cleaning machine (Table 4.9).

Table 4.9. Armenia. Availability of Agricultural Machinery in the Households Possessing Land or Breeding Livestock by Poverty Level, in 2016

(percent)

	Non-poor	Poor (except extremely poor)	Extremely poor
Tractor, mini-tractor	82.6	17.4	-
Truck	88.3	11.7	-
Grain harvester	72.0	28.0	-
Tractor trailer	76.3	23.7	-
Tractor grass maker	79.0	21.0	-
Forage harvester	100.0	-	-
Grain cleaning machine	-	-	-
Ordinary sowing tractor	75.3	24.7	-
Tractor plow	67.3	32.7	-
Cultivator	82.7	17.3	-
Total	**81.3**	**18.7**	**-**

Source. *ILCS 2016*

Opportunity to borrow or take credits for agricultural activities. In 2016, 14.3% of all surveyed households took credits or borrowed money to develop agricultural activities, of which 95.4% were rural households, and 4.6% urban. 99.3% of these groups took credits from banks (including credits received from the proceeds of projects of the RA Government and international organizations), and 0.7% of households borrowed from friends, parents, relatives or other sources.

In 2016, 17.0% of surveyed rural households took loans or borrowed money to develop agricultural activities. 99.5% of rural households borrowed money from banks (including credits received from the proceeds of projects of the RA Government and international organizations), of which 76.9% are non-poor households, 22.0% poor households, and 1.1% are extremely poor. More detailed data on rural households by poverty level are reflected in Table 4.10.

Table 4.10. Armenia. Rural Households Who Took Credits or Borrowed Money to Develop Agricultural Activities, by Poverty Rates, 2008 and 2016

(percent)

	Non-poor		Poor (excluding extremely poor)		Extremely poor	
	2008	2016	2008	2016	2008	2016
Total credit or borrowing, including	13.3	17.7	7.6	15.0	1.5	18.2
From banks (including credits received from the proceeds of projects of the RA Government and international organizations)	79.6	99.3	86.5	100.0	65.9	100.0
From friends and relatives	19.6	0.7	12.2	-	-	-
From other sources	0.8	-	1.3	-	34.1	-

Source. *ILCS 2008 and 2016*

Lack of profitability of agricultural activities as well as lack of funds and irrigation opportunities are the main reasons for non-cultivation of land in 2016, accounting for 23.8%, 19.5%

and 19.2% in the responses. Among other reasons for non-cultivation of land is bad quality of soil and far distance - 8.8% and 8.6% respectively. Reasons for non-cultivation of land by quintiles are presented in Table 4.11.

Table 4.11. Armenia. Reasons of Non-Cultivation of Land by Land Owners by Quintile Groups, 2016

(percent)

Reasons for non-cultivation	Quintile groups of consumption aggregate*					
	First	Second	Third	Fourth	Fifth	Total
Very far	5.5	8.9	10.0	12.3	7.2	8.6
Bad quality of soil	6.6	12.1	7.9	8.4	9.0	8.8
No irrigation	22.1	23.1	17.3	14.7	17.9	19.2
Cultivation is not profitable	22.3	16.3	23.9	26.6	30.4	23.8
Lack of funds for cultivation	25.3	18.7	20.6	19.3	13.3	19.5
Sick, old	12.1	12.7	11.7	10.1	15.8	12.6
Other	6.1	8.2	8.6	8.6	6.4	7.5
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source. *ILCS 2016*

* Distribution of quintile groups of consumption aggregate has been done among rural population.

Rural households indicated that they had faced some difficulties during the last season. The most frequently mentioned problems are presented by priorities: lack of labor force (18.6%), purchase of agricultural machinery (17.5%), dealing with intermediaries (12.6%), sale of products, (11.2%), lack of retail and wholesale markets (10.8%), irrigation fee (5.1%), transportation of goods to markets (4.4%), remuneration of work (3.6%), purchase of seedlings (2.4%), lack of seeds (1.5%), and other challenges (12.3%).

4.4. State of Rural Roads and Accessibility of Transportation Means

In rural residential areas physical infrastructure is important for connectivity to markets. Rural households that live close to hard-surface roads and markets are the best-off. According to data of ILCS 2016, 43.6% of rural households have some vehicles: passenger cars, trucks or other transportation means. During 12 months preceding the survey average expenditures of indicated households for fuel amounted to AMD 176 thousand; for maintenance, including for spare parts and payment for work AMD 118 thousand ; and expenditures for buses, mini-buses and taxis amounted to AMD 40 thousand.

Data of ILCS 2016 demonstrate how many days per month the rural households use the above mentioned transportation means for the following purposes: to work outside the community - 20.7 days, to sell agricultural products - 5.4 days; to buy fertilizers and seeds - 1.5 days, and for other purposes - 4.0 days. Table 4.12 presents indicators of roads and quality of transportation means as assessed by rural households.

Table 4.12. Armenia. Rural households' Assessment of Road and Transportation Means Quality, 2016

(percent)

	Bad	Medium	Good	Excellent
Intercommunity roads	73.8	21.4	4.8	-
Roads connecting to regional center, cities, markets	9.9	65.5	24.5	0.1
Bus, mini-bus, other types of vehicles	10.8	66.9	22.3	-

Source. *ILCS 2016*

As data of Table 4.12 evidence, 74% of rural households assessed the state of intercommunity roads as bad. 10% of rural households assessed the state of roads connecting to regional center, cities, and markets as bad. 11% of rural households versus 18% of the previous year assessed the quality of transportation means (bus, mini-bus, other vehicles) as bad.

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

Table 4.13. Armenia. Distance to the Nearest Service Providers for Rural Households, 2016

(percent)

Service providers	Up to 1 km	1-3 km	4-5 km	6-10 km	10 km and more
Medical station/health clinic	75.9	20.0	3.0	1.0	0.1
Hospital	2.8	7.9	10.4	40.5	38.4
Pharmacy	38.7	15.0	11.0	18.5	16.8
Village Municipality	80.8	18.5	0.6	0.1	-
Pre-school facility	57.0	21.7	7.2	9.0	5.1
Secondary school	73.4	23.4	2.1	1.0	0.1
Agricultural products market	-	6.9	9.2	34.6	49.3
Bank/financial service	0.4	5.6	12.4	36.3	45.3

Source. *ILCS 2016*

For rural households the average distance to the nearest agricultural market is 12.9 km, to bank/financial service - 11.7 km, to a hospital -10.7 km, pharmacy -5.2 km, kindergarten - 2.4 km, medical station and secondary school - 0.9 km, and to Village Municipality - 0.6 km. It takes 21 minutes for rural households to reach agricultural markets, 19 minutes – to a bank/financial service, 16 minutes – to a hospital, 13 minutes – to reach pharmacy and secondary school, 12 minutes – to reach a kindergarten, and 11 minutes – to reach a medical station and Village Municipality.

The majority of rural households do not use cars or buses/mini-buses to reach to some service providers (medical station, Village Municipality, secondary school, preschool). In order to reach a hospital, bank, agricultural market, and a pharmacy, most rural households use a car or bus. More detailed data are presented below in Table 4.14.

Table 4.14. Armenia. Vehicles Used to Reach Institutions Providing Services in Rural Areas, 2016

(percent)

Service providers	Car	Bus/Mini-bus	Other (walking, taxi, cart, bike, motorcycle, horse, donkey)
Medical station/health clinic	10.1	3.7	86.2
Hospital	70.4	8.7	20.9
Pharmacy	27.4	27.9	44.7
Village Municipality	9.0	0.3	90.7
Pre-school facility	14.7	17.9	67.4
Secondary school	10.3	3.5	86.2
Agricultural products market	44.4	52.6	3.0
Bank/financial service	42.6	54.1	3.3

Source. *ILCS 2016*

Chapter 5. Child Poverty

5.1. Child Poverty

This chapter presents an assessment of consumption-based child poverty, material and housing deprivation, as well as reflects on the role of social protection benefits in mitigating of poverty. The key findings of the Child Needs survey conducted in January 1 – June 30, 2016 are also presented in this chapter.

In 2016, 2.0% of children below 18 lived in extreme poverty and 34.2% lived in poverty. At that, extreme poverty and poverty rates in Armenia are 1.8% and 29.4%, respectively (Table 5.1). Thus, children are more exposed to both total and extreme poverty risk than the entire population. As of 2016, 24.0% of the households with children below 18 received family benefits, including 34.7% of poor households, 50.3% of extremely poor households, and 18.5% of non-poor households.

The data for 2016 depict the differences of child poverty rates by gender: thus, 36.1% of girls and 32.4% of boys are poor (comprising 34.2% of all children). Child poverty rates by household location is as follows: the extreme poverty rate among children living in urban areas consistuted 2.1% as compared to 1.9% among children living in rural areas, and the total poverty rate for the same categories consistuted 33.1% and 36.0%, respectively.

Table 5.1.Armenia. Child Poverty Rates in 2016

(Percent)

	Children below 18	Including		Total population (for comparison)
		Girls	Boys	
Extreme poverty	2.0 (0.4) {1.2; 2.8}	2.2 (0.5) {1.3; 3.1}	1.8 (0.5) {0.9; 2.7}	1.8 (0.3) {1.3; 2.3}
Total poverty	34.2 (1.5) {31.2; 37.1}	36.1 (1.7) {32.7; 39.4}	32.4 (1.7) {29.2; 35.7}	29.4(1.2) {27.1; 31.7}

Source. *ILCS 2016*

Table 5.2 provides an overview of child poverty dynamics over 2008 and 2016, which shows that in 2016 child poverty, including extreme poverty, have not yet decreased down to the level of 2008 (the difference is 4.4% and 0.4% percentage points, respectively).

Table 5.2. Armenia. Dynamics of Child Poverty Rates over 2008-2016*

(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
2016	2.0	34.2	65.8

Source. *ILCS 2008-2016*
* 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[1]. Child poverty rates substantially vary depending on the number of children in the household, the age of the youngest child, as well as on the characteristics of the household's head such as gender, educational level, and employment status. There is also significant variation by the proportion of employed households members and by household location.

Children in larger families are more likely to be poor. 44.6% of children in households with 3 or more children below 18 are poor (as compared to 34.2% total child poverty rate), and 3.8% of children in large families are extremely poor (as compared to 2.0% of all children) (Table 5.3).

Younger children are more likely to be poor. Children in families where the youngest child is five years old or younger are imposed to a higher risk of poverty. Some 36.3% of children in such households are poor, while in the households where the youngest child is 6-14 years old, 32.2% of children are poor. The analysis using the extreme poverty line reveals that the highest extreme poverty rate was in the households where the youngest child is 15-18 years old (3.2%), whereas the rate is the lowest (1.7%) in the families where the youngest child is 6-14 years old.

Children in female-headed households are more likely to be poor. About one quarter (24.3%) of all children live in female-headed households, among them 41.6% are poor, as compared to the child poverty rate of 31.8% in male-headed households.

One of important factors affecting child poverty rate is the marital status of household head. Children living in households with a single (never married), widowed or divorced heads are more likely to be poor (40.8%), than those in households with married or cohabiting heads (32.5%).

Living in a household with the head having a higher educational level reduces the risk of child poverty.

The likelihood of being poor is considerably higher among children living in households, where the head has incomplete secondary education (47.9%), has no education or has primary education (42.5%), general secondary education (39.3%), and secondary vocational education (32.7%) than those in households where the head has tertiary education (19.3%).

Children in households, where the head has incomplete secondary education are imposed to the highest risk of extreme poverty.

Employment status of the household head is another crucial predictor of child poverty. Both poverty and extreme poverty rates are the lowest among children living in the households where the head did any profitable work within the past 7 days. Thus, poverty among children in the households with an employed head is 29.5% as compared to 40.6% in the households with unemployed head. It is worth mentioning that 42% of all children live in the households where the head is not working.

The number of adult household members in employment also appears to affect child poverty. Children in households with no employed adults aged 19-60 years are imposed to the highest risk of poverty (46.8%). The lowest risk of extreme child poverty (0.7%) is ovserved in households where not only adult members are employed. It is worth mentioning that almost half of all children (44.5%) live in households where not all adult members are employed (19-60 years old).

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[1] *Since the sample of 2016 had less than 25 unweighted cases of households having children with disability, the analysis of these data is not covered by the Report.*

Table 5.3. Armenia. Poverty Rates, Gaps and Composition, by Type of Households, 2016

(Percent)

	Extreme child poverty rate	Total child poverty rate	Poverty gap	Percent in poor children	Percent in all children
Number of children below18					
One	0.9	25.7	3.4	15.6	20.7
Two	1.5	31.9	4.6	47.8	51.2
Three or more	3.8	44.6	7.4	36.6	28.1
Gender					
Girl	**2.2**	**36.1**	5.4	50.6	47.9
Boy	**1.8**	**32.4**	4.9	49.4	52.1
Age of the youngest child					
0-5	2.1	36.3	5.6	46.5	43.8
6-14	1.7	32.2	4.7	46.3	49.1
15-18	3.2	34.7	5.5	7.2	7.1
Number of adults (19 – 60 years old)					
None/one	3.4	35.5	6.4	13.2	12.7
Two	1.7	31.1	4.4	46.9	51.6
Three	1.8	36.0	5.8	17.3	16.4
Four or more	2.0	40.1	5.9	22.7	19.3
Number of retired household members					
None	1.5	31.7	4.6	62.1	67.0
One	3.2	38.1	6.3	27.2	24.4
Two or more	2.6	42.5	5.9	10.7	8.6
Number of adults with disability					
None	2.0	33.1	5.0	82.6	85.2
One or more	2.0	40.6	6.4	17.5	14.8
Number of children with disability					
None	2.0	34.3	5.2	98.6	98.3
One or more	*	*	*	*	*
Gender of household head (by present population headcount)					
Male	1.2	31.8	4.5	70.5	75.7
Female	4.4	41.6	7.3	29.5	24.3
Marital status of household head					
Married/cohabiting	1.6	32.5	4.6	68.0	72.7
Single/widowed/ divorced	3.9	40.8	6.9	32.0	27.3
Education level of household head					
Elementary and primary	0.6	42.5	7.2	2.1	1.7
Incomplete secondary	3.6	47.9	8.6	10.3	7.9
General secondary	2.6	39.3	6.0	48.9	42.6
Secondary vocational	2.2	32.7	4.8	22.1	23.1
Tertiary	0.7	19.3	2.1	9.6	16.7
Employment status of household head					
Did not work in the past 7 days	2.2	40.6	6.6	50.1	42.1
Worked in the past 7 days	1.8	29.5	4.1	49.9	57.9
Employment status of adult household members (19-60 years old)					
No adult is employed	4.4	46.8	8.8	15.8	11.5
Not all adults are employed	2.0	36.0	5.4	46.9	44.5
All adults are employed	1.7	28.7	4.0	28.8	34.4

	Extreme child poverty rate	Total child poverty rate	Poverty gap	Percent in poor children	Percent in all children
Not only adults are employed	0.7	30.5	3.6	8.5	9.6
Total	2.0	34.2	5.2	100	100

Source. *ILCS 2016*

Note. The asterisk indicates that the indicator is based on less than 25 unweighted cases.

Child poverty rates substantially vary across marzes (provinces). Table 5.4 presents data on child poverty rates for Yerevan City and 10 provinces. The differences across provinces are significant both in terms of extreme and total poverty. Extreme child poverty rates vary from the lowest 0.0% (in Aragatsotn province) to the highest 3.7% (in Shirak province). A similar pattern is observed for total child poverty rates. The lowest child poverty rate is in Aragatsotn province (11. 7%), and the highest is in Shirak province (50.9%).

Table 5.4. Armenia. Rates, Gap, and Composition of Poverty by Provinces in 2016

(Percent)

	Extreme child poverty rate	Total child poverty rate	Poverty gap	Percent in poor children	Percent in all children
Yerevan	1.8	27.4	4.3	24.7	30.9
Aragatsotn	0.0	11.7	1.6	1.5	4.3
Ararat	1.7	35.6	4.2	8.5	8.2
Armavir	1.7	34.4	5.2	9.9	9.8
Gegharkunik	1.1	40.0	4.3	4.9	4.2
Lori	3.4	39.3	6.0	12.7	11.0
Kotayk	1.3	42.6	5.0	14.5	11.6
Shirak	3.7	50.9	12.0	11.8	7.9
Syunik	1.5	29.1	2.9	3.9	4.6
Vayots Dzor	1.8	24.4	4.2	1.7	2.3
Tavush	3.1	40.0	6.1	5.9	5.0
Total	2.0	34.2	5.2	100	100

Source. *ILCS 2016*

5.2. Material Deprivation

To complement the analysis of consumption-based poverty, this section analyzes material deprivation of children in Armenia. Material poverty is measured by the lack of durable goods in the households. The analysis covered the following 9 durable goods: refrigerator, washing machine, mobile telephone, vacuum cleaner, video player, photo camera, audio system, car, and computer. The choice of these goods reflects the fact that at least 10% of all households who participated in the 2009-2016 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 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 2.5% of all children live in households without a refrigerator, for poor and extremely poor children living in the households with no refrigerator these figures were 21.5% and 4.7%, respectively. Likewise, while 57.5% of the total headcount of children live in households whithout a car, the same indicators for poor and extremely poor children are 78.3% and 98.8%, respectively.

Table 5.5. Armenia. Durable Goods Lacked in 2016

(Percent)

	All children	Poor children	Extremely poor children
Refrigerator	2.5	4.7	21.5
Washing machine	3.5	7.4	16.9
Mobile phone	0	0	0
Vacuum cleaner	26.4	35.9	55.8
Video player	78.0	87.6	99.1
Photo camera	66.1	75.5	87.9
Audio system	68.1	76.9	94.1
Car	57.5	78.3	98.8
Computer	23.1	39.5	70.9

Source. *ILCS 2016*

There are noticeable differences in deprivation rates between poor and non-poor children. 4.8% of all children live in households not lacking any of listed durable goods, while the respective indicator is 0.9% for poor children, and 0% for extremely poor children - (Table 5.6). In order to achieve the poverty rate comparable to consumption-based child poverty rate of 34.2%, the poverty line is defined at lacking 4 or more of the listed items.

This results in 44.2% of all children experiencing material deprivation. Material deprivation rates are higher among the poor and extremely poor children at 63.4% and 88.5%, respectively.

Table 5.6. Armenia. Number of Durable Goods Lacked by Households, 2016

(Percent)

	All children	Poor children	Extremely poor children
0 (all 9 available)	4.8	0.9	0.0
1	11.4	5.2	0.0
2	16.3	10.5	2.4
3	23.3	20.0	9.1
4	21.2	23.2	7.9
5	13.2	19.8	33.1
6	7.8	15.7	22.8
7	1.6	3.6	18.6
8	0.4	1.1	6.1
9	–	–	–

Source. *ILCS 2016*

Limitation of this methodology is that the items included in the simple count index may not be of equal importance to the households from the perspective of households' welfare, whereas ILCS 2016 does not enable to determine the level of desirability or significance of all indicated durable products. In other words, we do not have information on all the products and cannot say 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 assumtion 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 of personal computer, because the number of households having refrigerator is bigger than the number of households having personal computers. Each score of 1 given for a lacked item is multiplied by the proportion of children included in the weighted sample and living in the households owning this commodity. The scores received for all commodities of each household are then summed up and divided by the total number of items, i.e. by 9. The resulting score is multiplied by 100 to establish a continuous variable that ranges from 0 (availability 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 was 10.5, whereas for poor and extremely poor children it constitutes 13.1 and 18.6, 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 Weight Deprivation Scores and Deprivation Rates in 2016

(Percent)

	All children	Poor children	Extremely poor children
Average	10.5	13.1	18.6
Standard deviation	6.0	6.4	7.5

Source. *ILCS 2016*

5.3. Housing Deprivation

Housing problems can adversely affect children's health, safety, education, and social development. ILCS 2016 included some questions about housing conditions, such as the number of facilities and rooms in use, as well as questions about housing problems and respondents' opinions on the quality of dwelling conditions.

Poor children often live in accommodation lacking important housing facilities. Children of poor households are more likely to live in dwellings whithout essential household facilities, such as running hot water, centralized gas supply, landline telephone, and bathtub or shower[2] (Table 5.8). In comparison with poor children, extremely poor children are more likely deprived of such household facilities as running hot water, landline telephone, centralized gas supply, and connection to centralized sewerage system.

It should be noted that currently landline telephones are supplanted by mobile phones owned by 97% of households.

On the other hand, extremely poor children in comparison with all children are more lilely deprived of all the facilities specified above (Table 5.8):

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[2] Household facility is either lacked or is not in working order.

Table 5.8. Armenia. Housing Facilities Lacked or Not in Working Order, 2016

(Percent)

The house lacks:	All children	Poor children	Extremely poor children
Centralized water supply	2.9	3.8	5.2
Running hot water	18.2	28.7	53.7
Connection to centralized sewerage system	32.2	33.6	42.9
Centralized gas supply	14.4	20.0	43.3
Bathtub or shower	7.4	12.3	35.0
Kitchen	2.2	4.0	16.1
Landline telephone	20.8	26.0	48.9

Source. *ILCS 2016*

In comparison with all children, poor children are more likely to lack many of the housing facilities. 52% of all children live in houses with all of the listed facilities, while the same indicators for poor and extremely poor children constitutes at 45% and 31%, respectively (Table 5.9). Children in extremely poor households are the most likely to lack 3 facilities out of 7 (22.0%), at the same time there are no household lacking all 7 housing facilities. Nonetheless, the lack of all 7 housing facilities was reported in relation to children living in poor households (0.2%), which in turn affected the indicator of all children (0.1%). To achieve a housing deprivation rate that is comparable with the consumption-based child poverty rate for 2016 (34.2%), the deprivation threshold is drawn at lacking 2 or more housing facilities. This resultes in 22.5% of all children lacking a minimal number of housing facilities. The corresponding rates for poor and extremely poor children are substantially higher at 30.2% and 55.3%, respectively.

Table 5.9. Armenia. Number of Household Facilities Lacked or Not in Working Order, 2016

(Percent)

	All children	Poor children	Extremely poor children
0	51.8	45.2	31.2
1	25.7	24.6	13.5
2	10.7	12.1	6.6
3	6.8	9.3	22.3
4	3.1	5.0	12.3
5	1.3	2.6	7.0
6	0.5	1.0	7.1
7	0.1	0.2	-

Source. *ILCS 2016*

Poor children are more likely to live in worse 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, 56% of poor children and 48% of extremely poor children live in households that report poor heating, as compared to the relevant indicator of 44% for all children. 36% of poor children and 42% of extremely poor children live in damp houses as compared to the relevant indicator at 31% for all children. At the same time, less than 10% of both all children and children in poor and extremely poor households report some problems related to noisy neighbors and surroundings, heavy traffic, and industrial pollution.

Table 5.10. Armenia. Housing Problems Reported, 2016

	Housing problems	All children	Poor children	Extremely poor children
1.	Insufficient living space	34.7	41.1	56.9
2.	Noisy neighbors and surroundings	3.9	2.8	0.0
3.	Poor lighting	13.0	18.6	26.1
4.	Poor heating	44.0	55.7	48.3
5.	Dampness	30.7	35.9	42.3
6.	Leaking roofs	14.9	19.0	28.5
7.	Shattered walls and floor	24.4	37.5	59.8
8.	Broken frames and doors	21.3	31.4	40.9
9.	Heavy traffic	3.3	1.7	7.6
10.	Industrial pollution	4.1	5.2	3.5
11.	Frequent breakdowns of elevator	22.8	24.0	19.0
12.	Poor water supply	15.0	18.4	20.6
13.	Poor garbage disposal	19.1	23.3	21.5
14.	Poor maintenance of public areas and yards of multi-apartment buildings	40.2	50.0	37.4
15.	Other	34.5	37.2	39.4

Source. *ILCS 2016*

Moreover, in comparison with all children, poor children have more housing problems. Only 11% of extremely poor children, 8% of poor children, and 15% of all children live in households that do not report any of the 15 housing problems indicated above (Table 5.11).

Children in extremely poor households are less likely to live in the households reporting only 1-3 housing problems, while they are more likely to live in the households with 4 and more housing problems. 1.3% of all children, 2.3% of poor children, and 1.1% of extremely poor children live in households reporting 9 or more housing problems. To achieve a housing deprivation rate comparable with overall indicator of consumption-based child poverty in 2016 (34.2%), the housing deprivation threshold is drawn as having four or more housing problems (34.3%). This results in 48.7% of poor children and 59.8% of extremely poor children having a housing problem.

Table 5.11. Armenia. Number of Housing Problems Reported, 2016

Number of housing problems	All children	Poor children	Extremely poor children
0	14.6	8.4	10.9
1	16.8	14.0	4.2
2	18.9	15.4	16.5
3	15.4	13.5	8.6
4	14.4	18.7	18.3
5	8.6	11.9	11.0
6	5.6	8.9	11.8
7	2.5	4.0	0.5
8	1.9	2.9	17.1
9	0.9	1.3	1.1
10	0.3	0.7	0.0
11-15	0.1	0.3	0.0

Source. *ILCS 2016*

Poor children are more likely to live in housing conditions considered to be worse than others. 24% of all children lived in the households that describe their dwelling conditions as bad or very bad, among poor children this indicator is 33%, and among extremely poor children it was 54%. At the same time, 61% of all children live in households considering their housing conditions satisfactory. Among the poor children and extremely poor children these indicators are 41% and 58%, respectively. In contrast to the probability of all children to live in housing conditions considered good or very good, this indicator was 1.6 times lower for poor children, and 2.5 times lower for extremely poor children.

Table 5.12. Armenia. Respondents' Subjective Assessment of the Quality of Housing Conditions, 2016

(Percent)

	All children	Poor children	Extremely poor children
Good or very good	15.2	9.7	6.0
Satisfactory	60.5	57.5	40.5
Bad or very bad	24.3	32.7	53.5

Source. *ILCS 2016*

Poor children are more likely to live in overcrowded accommodation. The average number of rooms (excluding kitchens, bathtubs and toilets) per household member in the primary dwelling is higher for all children (0.61) in comparison with indicators for poor children (0.60) or extremely poor children (0.47). If the threshold is drawn at 0.43 or fewer rooms per person, the overcrowding rate for all children is 21%, for poor children - 30%, and for extremely poor children - 49% (Table 5.13).

Table 5.13. Armenia. Average Number of Rooms per Capita and Overcrowding Rates, 2016

	All children	Poor children	Extremely poor children
Average number of rooms per household member, (SD)	0.61 (0.32)	0.60 (0.25)	0.47 (0.19)
Overcrowding rate (percent)	20.6	29.7	48.8

Source. *ILCS 2016*

16% of non-poor children live in the overcrowded dwellings. The highest indicator (49%) is reported for children living in the extremely poor households (Table 5.14).

Table 5.14. Armenia. Overcrowding Rates by Poverty Status, 2016

(Percent)

	Non-poor children	Poor (excluding extremely poor children)	Extremely poor children
Not overcrowded	84.1	71.5	51.2
Overcrowded	15.9	28.5	48.8

Source. *ILCS 2016*

Note. *The correlation between overcrowding status and poverty status is statistically significant at p<0.001*

5.4. The Role of Social Protection Benefits in Poverty Mitigation

5.4.1. Old Age Pensions

Pensions affect the average child poverty rate. 43.5% of all children live in households where at least 1 member, according to data obtained from the survey, is in receipt of old-age pensions. Table 5.15 shows the difference that pensions make to consumption-based child poverty rates. If pensions were to be deducted from the total monthly household expenditures and the remaining amount was to be brought into equivalent terms, the extreme child poverty rate would increase from 2.0% to 10.2%, while the total child poverty rate would go up from 34.2% to 38.9%. This suggests that income from the old-age pension has a major impact on extremely poor households. If pension income were not counted in the consumption, the extreme poverty rate would increase five times. It is assumed that pension income is entirely consumed by the households.

Table 5.15. Armenia. Child Poverty Rates with and without Old-Age Pension Income, 2016

(Percent)

Line	Child poverty rate	
	With old-age pension	Without old-age pension
Extreme poverty line	2.0	10.2
Poverty line	34.2	38.9

Source. *ILCS 2016*

Old-age pension can affect the status of child poverty (relative only to the households with old-age pension beneficiary members). Table 5.16 shows the difference that **old-age** pensions can make to poor households (and households with old-age pension beneficiaries). If retirements pensions were deducted from the household consumption, 18% of children not considered as being extremely poor would have become extremely poor. At the same time, 19% of children not considered as being poor would have been classified as poor if pension income were deducted from their household consumption.

Table 5.16. Armenia. Child Poverty Rate with and without Old-Age Pension Income (for Households with Old-Age Pension Beneficiaries), 2016

(Percent)

	Lifted above the extreme poverty line (with pension)	Lifted above the total poverty line (with pension)
Below the extreme poverty line (**without** pension)	17.6	
Below the national poverty line (**without** pension)		19.4

Source. *ILCS 2016*

5.4.2. Family Benefits

Family benefit income affects the average child poverty rates. 24.0% of children live in households that receive family benefits. Table 5.17 shows that family benefit income makes a bigger difference to the extreme child poverty rate than to the total child poverty rate. If family benefits were deducted from the total household expenditures, the extreme child poverty rate would become approximately three times higher increasing from 2.0% to 5.6%, whereas the total child poverty rate

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would go up by 4.7%, increasing from 34.2% to 35.8%. This proves that income from family benefits is very important for extremely poor households.

Table 5.17. Armenia. Child Poverty Rates with and without Income from Family Benefit, 2016

(Percent)

Line	Child poverty rate	
	With family benefit	Without family benefit
Extreme poverty line	2.0	5.6
Poverty line	34.2	35.8

Source. *ILCS 2016*

Family benefit income can also make difference to the poverty status of children (only in the households receiving family benefits). Table 5.18 shows what would be the poverty rates for children in the households that receive family benefit and are not deemed to be poor, if they were not beneficiaries of family benefit. If incomes from family benefit were deducted from their household consumption, 16% of children not considered as being extremely poor would have been classed under this category. At the same time, 13% of children not considered poor would have been classified as poor if income from family benefit were deducted from their household consumption.

Table 5.18. Armenia. Child Poverty Rates with and without Family Benefit Income (for Family Benefit Recipient Households), 2016

(Percent)

	Lifted above extreme poverty line (with family benefit)	Lifted above total poverty line (with family benefit)
Under the extreme poverty line (without **family** benefit)	15.7	
Under the poverty line (without **family** benefit)		13.4

Source. *ILCS 2016*

5.4.3.Childcare Allowances

Income from childcare allowance does not make difference to the average child poverty rates. According to findings of the survey, only 2.1% of all children live in households that received childcare allowances. Table 5.19 shows the difference that childcare allowance make to the average child poverty rates. The extreme child poverty rates without childcare allowances have not changed at all, the total child poverty rates have not changed either, which is due to very low number of childcare allowance beneficiary households.

Table 5.19. Armenia. Child Poverty Rates with and without Childcare Allowance Income, 2016

(Percent)

Line	Child poverty rate	
	With childcare allowance	Without childcare allowance
Extreme poverty line	2.0	2.0
Total poverty line	34.2	34.2

Source. *ILCS 2016*

Income from childcare allowance does not make any difference to the poverty status of children (relative only to households, which receive childcare allowance). If childcare allowance income were deducted from the household consumption, none of the children not considered extremely poor would have been classed extremely poor. At the same time, 3.1% of children not deemed to be poor would be classified as poor if childcare allowance income were deducted from the household consumption.

Given the small number of families receiving childcare allowance, it is not surprising that income from childcare allowance does not make a difference to average child poverty rates.

5.5. Key Findings of the Survey by A Module from Child Needs Questionnaire

In the period from January 1 to June 30, 2016, with the objective of doing a more in-depth assessment of child poverty, the National Statistical Service of Armenia with the support of the United Nations Children's Fund (UNICEF) conducted a survey through a special Module "Child Needs" among all households included in the sample of the Integrated Living Conditions Survey (ILCS). The sample covered 2592 households. The module questions were related not only to the needs of children, but also to inclusive education, fosterage of children (both all children and those with mental and physical disabilities), enrollment of children with disabilities in secondary schools, methods of child upbringing, etc.

5.5.1. Child Needs

Another approach of measuring child poverty is the child needs assessment. It entails examining social and cultural profiles of poverty, which may affect the child's development even more than material deprivation.Among all children the most negative responses were received in relation to the question about at least one annual week-long vacation away from home, 67% (72% of poor children and 90% of extremely poor children) did not have such vacation. The second among unmet needs is related to attending a sports club or a similar center at least once a month – this indicated by 59% of children (68% of poor children and 76% of extremely poor children). The third, fourth, and the fifth in the rating of unmet needs are the following: failure to invite friends for fun/leisure at least twice a month – reported by 56% of all children (67% of poor children and 86% of extremely poor children); failure to be invited for fun by friends at least twice a month – reported by 52% of all children (60% of poor children and 86% by extremely poor children); failure to buy newspapers, magazines or similar periodicals for children - reported by 52% of all children (58% of poor children and 78% of extremely poor children). Assessment of unmet needs by poverty profile reveals mostly a higher level of unmet needs for poor and extremely poor children as compared to non-poor children. 88% of extremely poor children were deprived of entertainment items, such as bicycle, games, etc. (compared with 23% of non-poor children), 73% were deprived of hobby items (compared with 36% of non-poor children). Table 5.20 illustrates the shares of unmet needs of children in the households, by poverty status.

Table 5. 20. Armenia. Share of Unmet Needs in the Households with Children Aged 6-17 Years, by Poverty Status, 2016

(Percent)

Children needs	All children	Non-poor children	Poor children	Extremely poor children
The child is not provided with daily "pocket money"	45.2	37.3	60.0	79.0
The child does not have a suitable place to study and do homework	23.1	19.1	30.7	51.5
There is no safe place outside the house where the child can play	14.5	11.6	19.8	8.2
The child has no entertainment items, such as a bicycle, games, etc.	32.0	23.1	48.7	88.0
The child has no items for hobbies	41.7	36.2	52.1	72.5
The child does not attend a sports club or a similar center at least once a month	59.0	54.4	67.5	75.9
The child does not attend paid school excursions and events	22.6	14.8	37.3	64.9
The child does not have books to read in spare time	11.1	9.8	13.5	50.3
No newspapers, magazines or similar periodicals are bought for the child	51.5	48.1	57.8	78.3
The child does not spend at least one annual week-long vacation away from home	66.8	64.3	71.5	89.7
The child does not receive invitations from friends for fun at least twice a month	52.2	47.8	60.4	85.6
The child does not invite friends for fun at least twice a month	56.2	50.7	66.5	85.6
The child does not have the necessary school stationery	1.8	1.0	3.3	12.9
The child does not have shoes designed for different activities	11.9	6.7	21.7	45.5

Source. *ILCS 2016*

Table 5.21 shows indicators related to social exclusions of children, which complement the analysis of monetary and multidimensional poverty, as well as it evidences clear relationship between these three different concepts. Among the most common responses from the total headcount of all children (58%) were that because of lack of financial resources they could not afford to eat meals with meat, chicken, fish (or equivalent vegetarian food) at least once a day, including 76% of poor children and 86% of extremely poor children. Among extremely poor children 89% could not afford to have new clothes, 71% could not afford at least one annual visit to a dentist for check-up, and 61% could not afford eating fresh fruits or vegetables once a day.

Table 5.21. Armenia. Share of Unmet Needs in the Households with Children Aged 1-17 Years due to Lack of Financial Resources, by Poverty Status, 2016

(Percent)

Children needs	All children	Non-poor children	Poor children	Extremely poor children
The child does not visit a dentist at least once a year	46.1	42.3	53.4	71.1
The child does not have new (not used) clothes	37.2	30.0	51.4	89.3
The child does not eat fresh fruits or vegetables once a day	25.5	21.3	33.9	60.9
The child does not have meals three times a day	10.7	9.4	13.3	33.0
The child does not eat meals with meat, chicken, fish (or equivalent vegetarian food) at least once a day	58.1	48.9	76.1	85.6
The child does not celebrate special occasions (birth, religious events)	15.5	9.1	27.9	69.1

Source. *ILCS 2016*

5.5.2. Population Opinion on Foster Care, Social Services, and Inclusive Education

Within the framework of the survey household members aged 18 and above were asked to share their opinion on foster care and inclusive education. Table 5.22 illustrates opinions of household members of the above-mentioned age group on foster care and inclusive education, by poverty status.

The readiness of the population to foster a child (become a foster parent) was very low –5.1% only. 3.2% agreed to foster a child with physical disability, and only 2.5% agreed to foster a mentally handicapped child. Only 8% of adult population who did not agree to foster a child with physical or mental disabilities would agree to provide foster care services to handicapped children in case of availability of support/professional, rehabilitation services in the community and a higher compensation than the prescribed amount. 13% of adult members found it acceptable if a socially vulnerable family placed a child in an orphanage or a special educational facility because of social or economic situation in the household. The majority of respondents (70% with reference to children with physical disability and 46% with reference to mental disability) did not find it acceptable to place a child in an orphanage or a special school; at the same time approximately every ninth and every eighth respondents considered acceptable placing children in orphanages or special schools because of physical and mental disabilities (11.3% and 12.9%, correspondingly). 15.1% of the respondents found acceptable to place children with mental disabilities in a special school, but not in an orphanage, whereas 1.8% of the respondents found acceptable an orphanage, but not a special school. 40% of the respondents agreed that children with mental disability should attend an ordinary public school; for children with physical disability this indicator is 71%. 25% of the respondents agreed for a child with mental handicaps to study with their son/daughter in the same class, for children with physical disability this indicator is 40%.

Table 5.22. Armenia. Opinions of Household Members Aged 18 and Above on Children with Mental and Physical Disabilities and on Other Issues, by Poverty Status, 2016

(Percent)

	Opinion of adult members in surveyed households	Including		
		Non-poor	Poor	Extremely poor
Agree to foster a child (become a foster parent)	5.1	5.3	4.4	1.0
Agree to foster a child with mental disability	2.5	2.6	2.1	-
Agree to foster a child with physical disability	3.2	3.5	2.4	-
Agree to foster handicapped children if there are supportive/professional, rehabilitation services in the community and additional compensation	8.0	8.6	6.5	8.7
Find it acceptable if a socially vulnerable family, because of its social or economic situation, places a child in a special education facility or orphanage due to social or economic situation in the household	12.6	14.1	8.7	4.1
Find it acceptable if a family places their child in an orphanage or a special general education facility due to the child's mental disability *Yes to both orphanage and special school*	12.9	14.7	8.5	5.0
Yes to orphanage, but not to a special school	1.8	2.2	0.7	-
Yes to a special school, but not to an orphanage	15.1	14.5	16.8	24.1
Neither to an orphanage, nor to a special school	46.0	44.2	50.6	41.4
Difficult to answer	24.2	24.5	23.4	29.5
Find it acceptable if a family places a child to an orphanage or a special school due to the child's physical disability *Yes*	11.3	11.9	9.7	6.7
No	69.5	67.7	74.1	68.5
Difficult to answer	18.4	19.5	15.7	22.7
Agree that a child with mental disability goes to an ordinary public school	40.3	38.9	44.0	50.4

	Opinion of adult members in surveyed households	Including		
		Non-poor	Poor	Extremely poor
Agree that a child with physical disability goes to an ordinary public school	71.3	70.6	73.0	82.9
Agree that a child with mental disability studies in the same class with their children	24.8	23.2	28.8	25.4
Agree that a child with physical disability studies in the same class with their children	39.9	37.7	45.6	44.4

Source. *ILCS 2016*

Public Opinion on Social Services. During the survey household members aged 18 and above were asked to share their opinions on delivery of social services.

Household awareness was quite high in relation to activities carried out by the territorial branches of social services in response to economic challenges faced by the households. In case of facing difficulties 77% of household members aged 18 and above would apply to territorial social service offices. However, public awareness was twice lower (34%) in relation to activities of social workers (case managers), who can be contacted for help when facing family problems. 40% of adult respondents were ready to cooperate with social workers or social case managers to address issues related to family and children.

Majority of respondents expected the following types of support from social workers or social case managers: only financial/ material (benefits, one-time payments, charitable aid distribution) – 23%, socio-psychological/rehabilitation, legal issues – 4.5%, the two mentioned together – 25%. At the same time, 28% of respondents did not expect any support.

Although only 1.3% of adult respondents referred to cases related to their family run by a social worker or a social case manager (except financial/ material support), the level of satisfaction with social workers or social case managers was very high (79%).

Child Upbringing Methods. In the scope of this survey household members aged 18 and above were asked about methods used for child upbringing (Table 5.23). Results of the survey revealed the following:

- 43.3% of respondents offered incentives or benefits for good behavior such as praise, presents, a favorite activity or entertainment;
- 47.2% explained what was wrong with the child's behavior and tried to occupy him/her with something different;
- 25.3% deprived their children of privileges or favorite activities, or prohibited to engage in beloved occupation, or did not allow to leave the house for a certain period of time;
- 19.8% shouted, scolded or blamed the child, called him/her stupid, lazy, and other bad names;

- 6.4% slapped or hit the child's backside or other body parts with a hand, belt, stick or other tool, or beat him/her constantly by hitting the face, head, ears, legs, hands or elbows.

Table 5.23. Armenia. Opinions of Household Members Aged 18 and Above on Certain Child Upbringing Methods, by Poverty Status, 2016

Some household member applied the following upbringing method during the last month	Opinion of adult members in surveyed households	Including		
		Non-poor	Poor	Extremely poor
Motivation or a beneficial offer for good behavior such as praise, gifts, a favorite activity or entertainment	43.3%	41.7%	47.4%	39.4%
Explanation on any occasion why the child's behavior was wrong, trying to engage him/her in something different	47.2%	45.0%	52.8%	45.2%
Depriving of privileges, prohibiting to engage in favorite activities, or not allowing him/her to leave the house for a certain period of time	25.3%	24.0%	28.8%	17.4%
Shouting at or scolding the child, calling him/her stupid, lazy, or other bad names	19.8%	18.8%	22.4%	15.3%
Slapping or hitting the child's backside or other body parts with a hand, belt, stick or other tool, or beating constantly by hitting the face, head, ears, legs, hands or elbows	6.4%	6.2%	7.0%	10.7%

Source. *ILCS 2016*

Participation of Children in Environmental Events. 51.6% of the adult members of households with children responded that their children had never participated in environmental events (such as tree planting, environmental campaigns, knowledge sharing/public awareness, community nature protection/cleaning works, bird-watching, etc.). 41.7% of adults from households with children responded that their children had taken part in such events once or twice a year, and 5.2% of respondents indicated participation of three or four times a year. 0.6% of the children participated in such events every month, and 0.9% participated every week.

Public Losses Caused by Disasters. Over the past year, 6.8% of adult respondents had losses related to health and livelihood caused by various disasters such as loss of crop, livestock, basic and vital resources, like property, etc. Among them, 95.7% suffered from disasters caused by extreme weather conditions or climate change, and 0.1% noted disasters caused by other natural or technological phenomena. 1.1% faced disastrous consequences of internal clashes, wars, and other conflict situations, and 3.1% noted other disasters. Households with children also suffered from various disasters.

5.5.3. Children Exclusively Breastfed up to 6 Months

Breast milk is the best food for infants. Exclusive breast-feeding is the unique source of necessary food or liquid. Exclusive breastfeeding is recommended until the infant reaches the age of 6 months, because this secures the necessary nutrition and prevents potential influence of pathogenic bacteria. Mothers of children under 5 years were asked the question whether they had exclusively breast-fed the child up until the age of 6 months old (excluding any additional food or liquid, even water). Table 5.24 illustrates, that in 2016 exclusive breast-feeding was practiced by 42% of mothers. In non-poor and extremely poor households, exclusive breast-feeding of children until the age of 6 months was practiced by 41-42% of mothers, and in poor households this indicator was higher at 44%.

Table 5.24. Armenia. Share of Households with Children under 5 Years, Who Were Exclusively Breast-Fed until the Age of 6 Months, by Poverty Status, 2016

(Percent)

	All children under 5	Children of non-poor households	Children of poor households	Children of extremely poor households
Share of children under 5 exclusively breast-fed until reaching the age of 6 months	42.4	41.9	43.6	41.2

Source. *ILCS 2016*

5.6. National Assessment of Multidimensional Child Poverty

This subchapter presents the national assessment of multidimensional child poverty in Armenia. The study is based on Multiple and Overlapping Deprivation Analysis (MODA) methodology developed by the UNICEF and used data from 2013 and 2014 Integrated Living Conditions Survey and the results of the Child Needs Survey, which was conducted between July 1, 2013 and June 30, 2014. The RA National Statistical Service calculated multidimensional child poverty for 2016 using MODA methodology based on 2016 ILCS data.

The study measures deprivation in number of dimensions (Table 5.25). SAll of th dimensions have been selected through borad consultation process with national and development partners using the Convention on the Rights of the Child (CRC) as a 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:

- the child is the unit of analysis rather than the household, since child poverty is significantly different from adult poverty;
- it applies a whole-child oriented approach;
- it measures monetary poverty and multidimensional deprivations simultaneously;
- and it enriches knowledge through overlapping deprivation analysis and defining description of the geographical and socio-economic characteristics of the deprived (multiply), thereby pointing out mechanisms for effective policy design.

Table 5.25. Armenia. List of Poverty Dimensions and Indicators

Poverty dimension	Indicator	0-5 years old	6-14 years old	15-17 years old
Nutrition	Exclusive breastfeeding until at least 6 month old[1]	X		
Early childhood education and care (ECEC)	Attending pre-school facility (3-5 years old)[2]	X		
Education	Place to do homework		X	
	Stationary necessary for school		X	
	Not included in employment or education systems			X
Leisure	Place to play outside		X	X
	Recreation items (toys, bicycle)		X	
	Books			X
Social interactions	Friends		X	X
Clothing	Shoes		X	X
Information	No computer at home	X	X	
	No internet connection	X	X	
	No access to a computer			X
	Lack of internet access			X
Utilities	Water supply (available for less than 8 hours a day or less than 20 days a month)	X	X	X
	Heating (no heating or wood)	X	X	X
Housing	Overcrowding	X	X	X
	Housing conditions-related problems	X	X	X

Note: (1) The question was retrospective for all children aged (0-5); (2) defined only for children aged 3-5 years old; children between 0 and 3 are considered as being not deprived.

Source *ILCS 2013/2014-2016*

Figure 5.1. Armenia. Deprivation by Dimension and Area , 2013/2014, %
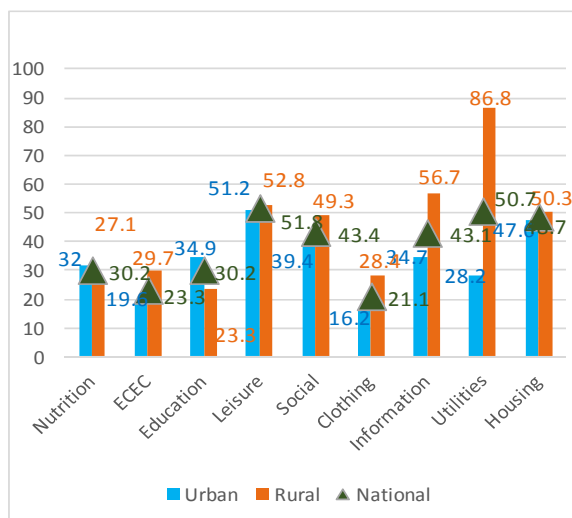

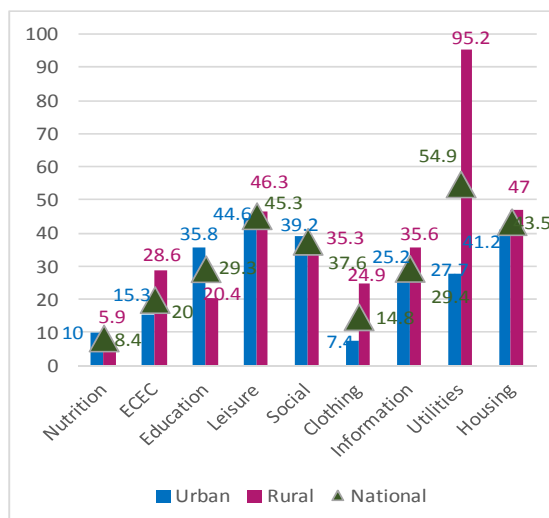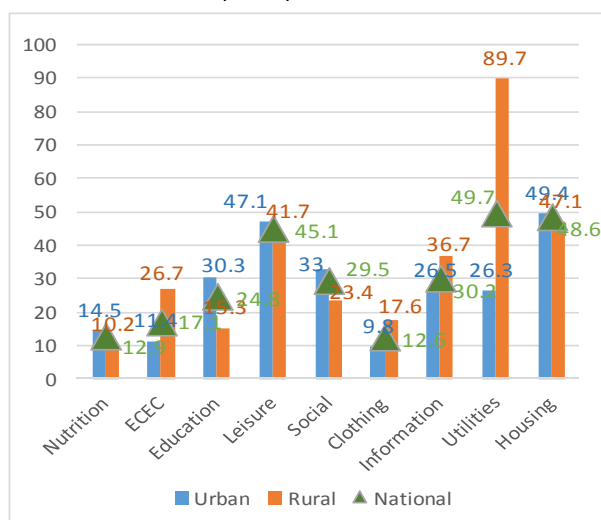**Figure 5.2. Armenia. Deprivation by Dimension and Area , 2015, %**

Figure 5.3. Armenia. Deprivation by
Dimension and Area , 2016, %

Source. *ILCS 2013/2014, 2015, 2016*

Like in 2013/2014, in 2015 and in 2016 majority of the children in Armenia were mostly deprived in utilities. In 2016 deprivation level decreased in all dimensions in comparison with 2013/2014. Decline in deprivation in nutrition, clothing and social dimensions is particularly significant. In 2016, urban/rural gaps were particularly deep in dimension of utilities, followed by gaps in clothing and information dimensions.

Children deprived in two and more dimensions in 2016 mostly live in rural areas, have more siblings, their household heads work in agriculture and have low level of education.

Figureɲ 5.4. Armenia. Children Deprived in Multiple Dimensions
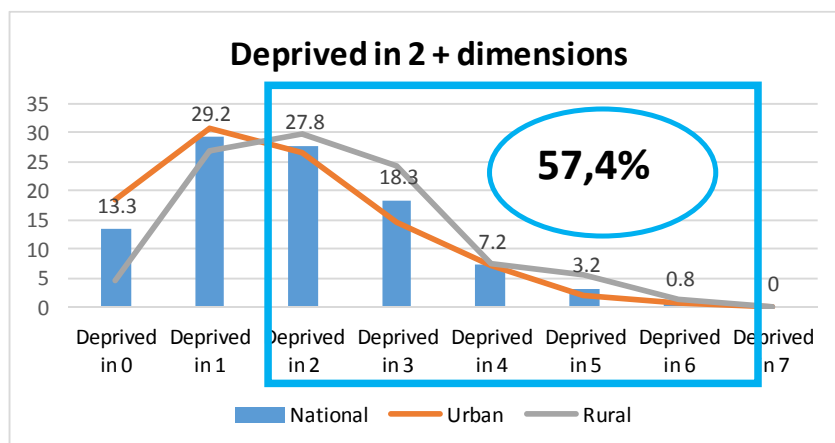
Source.*ILCS 2016*

<center>Table 5.26. Armenia. Share of Child Deprivation, 2013/2014-2016</center>

<div align="right">(Percent)</div>

	National	Urban	Rural
2013/2014	63.7	52.5	81.7
2015	64.5	54.1	80.0
2016	57.4	50.8	68.7

Source. *ILCS 2013/14-2016*

In Armenia 57.4% of children are deprived in two and more dimensions according to 2016 data (compared to 64% in 2013/2014). The share of deprived children is 69% in rural areas (82% in 2013/2014); while in urban areas it is 51% (53% in 2013/2014). So, it turns out that in 2016 the urban/rural gap in child multidimensional poverty as been mitigated.

Table 5.27 – Armenia: Overlap between deprivation (2+) and monetary poverty, 2016

<div align="right">(Percent)</div>

	National	Urban	Rural
Poor and deprived	25.2	23.1	29.0
Deprived only	32.2	27.8	39.7
Poor only	9.2	11.0	6.3
Not poor nor deprived	33.4	38.1	25.0

Source. *ILCS 2016*

Figure 5.5. Armenia. Share of Deprived and/or Poor Children, 2016
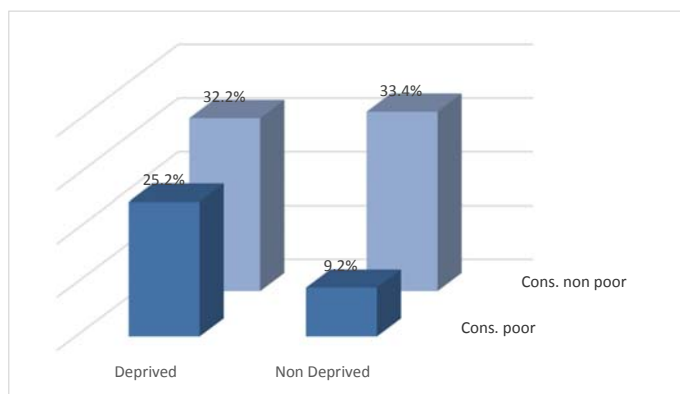
Source. *ILCS 2016*

There is a substantial degree of overlap between monetary poverty and deprivation. For a cut-off of two or more dimensions, 25.2% of children were both poor and deprived. It is notable that 32.2% of children were deprived despite living in non-poor households. These are the children who were, most probably, not covered by interventions that address only only monetary poverty, and need special targeted programs.