



PART I

ARMENIA – POVERTY SNAPSHOT
OVER 2009-2019

Chapter 1: Demographics and Migration

1.1. Population Number Dynamics

Current estimates of population are achieved through the number of permanent population in the Republic of Armenia¹, based on the results of the most recent Census 2011, and are updated for the natural growth of population and the (estimated²) net migration.

As of 1 January 2020, permanent population of Armenia was 2959.7 thousand, that was less by 5.6 thousand or 0.2% compared to the beginning of 2019.

Within permanent population as of the beginning of 2020, the share of urban and rural residents was 63.9% and 36.1%, respectively. Permanent population in Armenia was comprised of 47.2% males and 52.8% females. The average age of the population was 36.9 years, with the average age of males 34.8 years and that of females 38.8 years.

Table 1.1 – Armenia: Permanent Population, by Gender and Age, as of 1 January 2020
(person)

Age	Urban population			Rural population			Total population		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4	65 486	59 776	125 262	35 089	30 752	65 841	100 575	90 528	191 103
5-9	69 585	62 117	131 702	42 050	35 884	77 934	111 635	98 001	209 636
10-14	65 218	58 316	123 534	40 589	34 720	75 309	105 807	93 036	198 843
15-19	54 080	48 203	102 283	35 382	30 045	65 427	89 462	78 248	167 710
20-24	52 462	50 249	102 711	36 363	35 242	71 605	88 825	85 491	174 316
25-29	65 317	74 758	140 075	46 637	48 877	95 514	111 954	123 635	235 589
30-34	73 965	88 460	162 425	49 778	50 193	99 971	123 743	138 653	262 396
35-39	72 462	84 536	156 998	40 742	41 366	82 108	113 204	125 902	239 106
40-44	59,944	69 230	129 174	29 270	33 328	62 598	89 214	102 558	191 772
45-49	48 935	59 861	108 796	25 895	30 669	56 564	74 830	90 530	165 360
50-54	41 286	57 443	98 729	30 035	34 158	64 193	71 321	91 601	162 922
55-59	52 354	74 126	126 480	37 492	40 963	78 455	89 846	115 089	204 935
60-64	52 294	74 359	126 653	30 519	33 804	64 323	82 813	108 163	190 976
65-69	40 351	57 318	97 669	17 069	21 571	38 640	57 420	78 889	136 309
70-74	23 902	37 625	61 527	8 073	12 639	20 712	31 975	50 264	82 239
75-79	15 262	24 022	39 284	5 882	10 215	16 097	21 144	34 237	55 381
80-84	14 443	25 518	39 961	7 492	13 904	21 396	21 935	39 422	61 357
85+	7 545	11 278	18 823	3 757	7 164	10 921	11 302	18 442	29 744
Total	874 891	1 017 195	1 892 086	522 114	545 494	1 067 608	1 397 005	1 562 689	2 959 694

Source: ARMSTAT

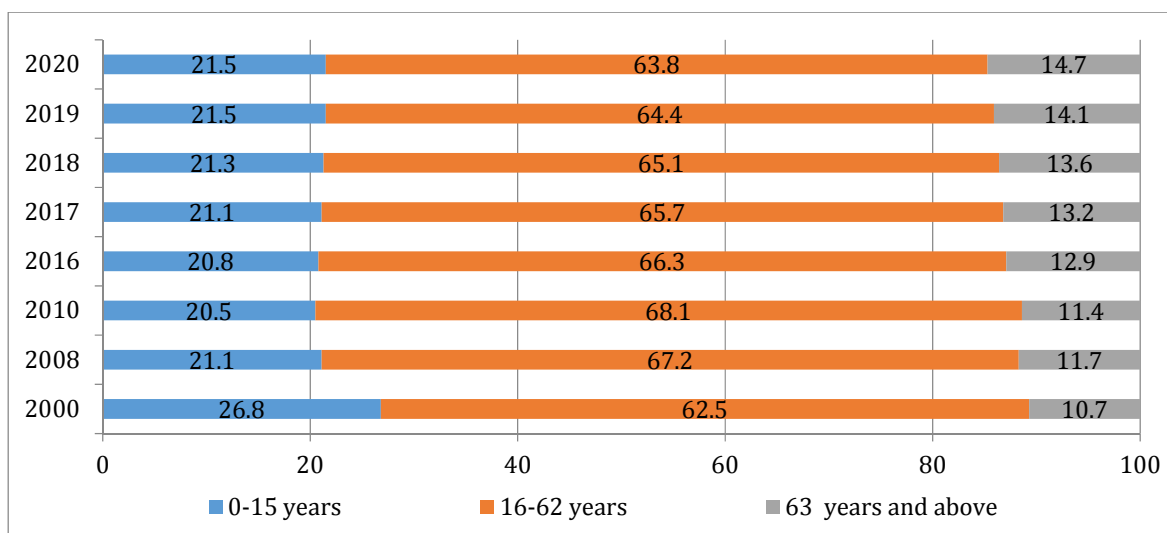
As of the beginning of 2020 working age population (16-62 years) constituted 63.8%, those below the working age (0-15 years) – 21.5%, and those above the working age (63 years and more) – 14.7% of the population. In Armenia, the share of the elderly and the underage (0-15 years) individuals in 2020 constituted 566 (230 for the elderly and 366 for the underage) per 1000 working age residents.

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

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

Graph 1.1 – Armenia: Age Structure of Population, by Main Age Groups, 2000-2020¹

(As at the beginning of year)



Source: ARMSTAT

Table 1.2 – Armenia: Population Dependency Ratios, 2000-2019

Year	Dependency ratio (percent)		
	Total	Youth (0-15)	Elderly (63+)
2000	58.6	41.8	16.8
2006	54.1	35.1	19.0
2010	46.9	30.1	16.8
2011	47.0	30.1	16.9
2012	47.4	29.7	17.7
2013	47.5	29.7	17.8
2014	48.3	30.1	18.3
2015	49.4	30.6	18.8
2016	50.9	31.4	19.5
2017	53.7	32.7	20.9
2018	55.2	33.3	21.9
2019	56.6	33.6	23.0

Source: ARMSTAT

Fertility rate (aggregate birthrate) in 2019 was 1.599 children per 1.000 females of fertile age (15-49 years) against 1.572 in 2018. This was significantly lower than the fertility rate 2.150 needed for simple reproduction of population³. In 2019, the **gross** reproduction rate of population⁴ was 0.760 and the **net** reproduction rate⁵ was 0.730.

³ Simple reproduction is achieved when the generation of children coming to replace their parents and the generation of parents are equal in terms of absolute numbers.

⁴ The average number of daughters that would be born to a female in fertile age, provided that the birthrate for the given year remained unchanged.

⁵ The average number of daughters that would be born to a female and live until the age of their mother at the moment of giving birth to them, provided that the female passed through her lifetime conforming to age-specific fertility and mortality rates of the given years.

Table 1.3 – Armenia: Fertility Rates by Age Groups, 2010-2019

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
Total 2010	27.1	110.1	91.9	47.9	16.8	3.2	0.2	50.8
Urban	18.9	85.9	82.1	50.3	20.3	4.3	0.3	48.0
Rural	44.9	182.2	123.5	42.3	11.2	1.9	0.1	56.4
Total 2017	21.1	110.5	97.1	56.1	25.1	4.7	0.5	49.5
Urban	14.5	106.8	105.8	63.1	28.7	5.8	0.7	50.8
Rural	31.1	115.6	82.9	42.9	17.8	2.6	0.1	47.4
Total 2018	19.0	109.2	98.2	57.0	25.5	5.1	0.5	48.5
Urban	13.5	103.8	110.9	64.7	29.5	6.3	0.6	50.5
Rural	27.4	116.8	77.7	42.8	17.1	2.6	0.2	45.1
Total 2019	16.8	110.6	100.6	59.1	26.2	5.9	0.5	48.2
Urban	11.9	103.7	113.3	66.5	29.8	7.1	0.8	49.7
Rural	24.4	120.3	80.8	45.7	18.9	3.5	0.1	45.6

Source: ARMSTAT

In 2019, the average age of mother at childbirth was 27.6 years and that at the first childbirth was 25.2 years against, respectively, 27.3 and 25.1 years in 2018.

By the sequence of birth, in 2019 the third and subsequent births comprised 25.0% of the total number of live births in the country, which comprised a 2.4 percentage point increase on the previous year.

Natural movement of population: Economic, social, and political uncertainties in Armenia since 1990's affected in the population's reproductive behavior. Thus, in 2019 the total birthrate per 1.000 residents was 12.2 per mille against 12.3 per mille in 2018.

31.8% of live births in 2019 were to non-registered marriages (including extra-marital births).

In 2019, the number of deaths increased by 1.7% compared to the previous year, and the total mortality rate increased by 0.1 per mille points up to 8.8 per mille. At that, the mortality rate in urban communities at 8.9 per mille was relatively higher than that in rural communities at 8.7 per mille.

Table 1.4 – Armenia: Births and Deaths, 2000-2019

	Birth						Death					
	In thousands			Per 1.000 residents			In thousands			Per 1.000 residents		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
2000	34.3	21.4	12.9	10.6	10.3	11.4	24.0	15.7	8.3	7.5	7.5	7.3
2005	37.5	23.8	13.7	11.9	11.8	12.1	26.4	17.1	9.3	8.4	8.5	8.2
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
2017	37.7	24.6	13.1	12.6	13.0	12.1	27.1	17.4	9.7	9.1	9.2	9.0
2018	36.6	24.3	12.3	12.3	12.8	11.5	25.8	16.7	9.1	8.7	8.8	8.5
2019	36.0	23.7	12.3	12.2	12.5	11.5	26.2	16.9	9.3	8.8	8.9	8.7

Source: ARMSTAT

Note: For 2006-2011, rates are adjusted for revised estimates of permanent population based on the results of the Census 2011.

The difference between birth and death numbers constituted the natural growth of population at 9.8 thousand in 2019 against 10.8 thousand in 2018. The natural growth of population in 2019 was 3.4 per mille constituting a 0.2 per mille point decrease from the previous year.

Main causes of mortality: Diseases related to blood circulatory system and malignant tumor accounting for around three forth of death record dominated in the structure of mortality. Compared to the previous year, death incidence due to respiratory system diseases, malignant tumor, exogenous reasons and digestive system diseases increased.

Table 1.5 – Armenia: Mortality Rates, by Main Cause of Death, 2018 and 2019

Cause of death	Total number of deaths (person)				Mortality rate, per 100 000 residents			
	Male		Female		Male		Female	
	2018	2019	2018	2019	2018	2019	2018	2019
Total number of deaths	13021	13384	12730	12802	926.8	956.4	813.9	819.0
<i>Of which, by causes:</i>								
Blood circulatory system diseases	6764	6764	7445	7305	481.4	483.3	476.0	467.3
Malignant tumor	2831	2999	2368	2435	201.5	214.3	151.4	155.8
Endocrine system diseases	216	213	382	330	15.4	15.2	24.4	21.1
Exogenous reasons (accident, intoxication, injury etc.)	794	821	264	256	56.5	58.7	16.9	16.4
Respiratory system diseases	983	1007	995	1162	70.0	72.0	63.6	74.3
Digestive system diseases	640	690	577	544	45.6	49.3	36.9	34.8
Urogenital system diseases	174	169	172	143	12.4	12.1	11.0	9.1
Infectious and parasitic diseases	104	115	59	50	7.4	8.2	3.8	3.2
Other diseases	515	606	468	577	36.6	43.3	29.9	37.0

Source: ARMSTAT

Given the difference in mortality rates between males and females, their average life expectancy years also differ. In 2019, the average life expectancy was 73.1 years for males and 79.5 years for females. The corresponding indicators were 73.2 for males and 79.7 for females of urban population, and 72.7 and 79.1 years of rural population.

Migration: According to ILCS 2019, as of the survey period 5.1% of household members were absent from their community, and 14.4% had returned from 3 months and more migration to other communities within Armenia or to another country over the period 2014-2019.

Table 1.6 – Armenia: Migration Involvement of Household Members, 2019

Involvement	Percent of total
Yes, migrated and not returned	49.6
Yes, migrated and returned after absence of 3 months and more	50.4
Total	100

Source: ILCS 2019

Table 1.7 – Armenia: Absent Household Members, by Duration of Absence and by Point of Destination, 2019

(Percent)

Point of destination	Duration of absence			Total
	<3 months	3-12 months	>12 months	
Yerevan	42.5	40.6	16.9	100
Regions in Armenia	37.8	35.2	26.9	100
Republic of Artzakh	16.0	41.4	42.6	100
Russian Federation	30.6	53.0	16.3	100
Other CIS country	18.0	70.0	12.0	100
European country	18.4	25.9	55.7	100
USA/ Canada	24.7	13.7	61.6	100
Other	3.0	65.3	31.7	100
Total	30.0	48.0	22.0	100

Source: ILCS 2019

Among households with members who left the place of their permanent residence and had not returned as of 2019, 18.6% were in internal migration to Yerevan and regions, 11.8% – to the Republic of Artzakh, and 69.6% – in international migration, with 90% majority to the Russian Federation.

Table 1.8 – Armenia: Migration Involvement of Household Members Not Having Returned as of 2019, by Reason for Migrating and by Duration of Absence

(Percent)

Main reason for migrating	Duration of absence			Total
	≤3months	3-12months	≥ 12 months	
1. Need to/ search for work	31.0	52.8	16.2	100
2. Family circumstances	39.3	21.3	39.4	100
3. Residence	5.1	61.9	33.0	100
4. Private visit to friends/ relatives	74.1	25.9	-	100

Main reason for migrating	Duration of absence			Total
	≤3months	3-12months	≥ 12 months	
5. Study/ training	42.3	39.9	17.7	100
6. Health/ medical treatment	41.0	33.7	25.4	100
7. Other	0.9	12.2	43.9	100
Total	30.0	48.0	22.0	100

Source: *ILCS 2019*

Among households with members who had migrated over the period 2014-2019 and had returned as of 2019, 8.8% had been in internal migration to Yerevan and regions, 11% – to the Republic of Artzakh, and 80.2% – in international migration, with 87.8% majority to the Russian Federation.

Table 1.9 – Armenia: Migration Involvement of Household Members, by Year and Point of Return

(Percent)

	Point of return							Total
	Yerevan	Regions in Armenia	Republic of Artzakh	Russian Federation	Other CIS country	European country	Other	
2014	2.3	0.4	-	1.5	29.1	2.0	-	1.9
2015	2.7	9.9	2.2	4.7	-	-	12.9	5.2
2016	17.3	14.2	18.4	6.6	9.9	16.4	11.9	10.2
2017	14.7	19.2	22.4	14.4	-	5.0	18.4	15.4
2018	32.8	36.6	28.9	41.6	59.5	29.6	17.8	38.2
2019	30.2	19.7	28.1	31.2	1.5	47.0	39.0	29.1
Total	100	100	100	100	100	100	100	100

Source: *ILCS 2019*

According to the UN methodology, within the considered period (2014-2019) international migrants constituted 84% (around 85 thousand persons) of those household members who, by the record date, were absent from (had not returned to) the country for 3 months and more. Among them, short-term migrants with a duration of absence 3-12 months (except for those having left for recreation, visits to friends/relatives, holidays, business trips or medical treatment) comprised 68%, and long-term migrants with a duration of absence one year and more comprised 32%. According to survey findings, the average annual estimated number of household members, who were involved in migration processes over the period of 2014-2019 for 3 months and more and had not returned as of 2019 totaled around 16 thousand.

The survey also found that around 3.7% of household members intended to leave for another country within the next 12 months, 0.5% - for Yerevan or a region within Armenia, and 95.8% had not had such an intention.

1.2. Household Composition

According to survey findings, in 2019 the average number of household members was 3.6 per permanent population, with 3.4 in urban communities and 4.0 in rural communities; and the corresponding indicators per present population were 3.4, 3.2, and 3.7, respectively.

In 2019, the share of households with three or less members comprised more than half of the total number of households, against 38.2% in 2010 and 49.0% in 2017 (Table 1.10).

Table 1.10 – Armenia: Households by Composition, 2010-2019

(per permanent population)

Household composition	Percent of total						
	2010	2012	2014	2016	2017	2018	2019
Households, by number of members:	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 member	10.0	10.9	12.9	13.8	14.8	14.3	15.7
2 members	14.0	16.1	17.1	17.4	19.1	19.5	18.9
3 members	14.2	15.0	14.1	15.7	15.1	16.7	15.6
4 members	21.0	20.6	19.8	19.7	18.9	18.9	18.6
5 members	18.0	16.5	15.7	15.2	14.8	15.2	14.3
6 and more members	22.8	20.9	20.4	18.2	17.3	15.4	16.9

Source: *ILCS 2010-2019*

Large households (with six and more members) mainly lived in rural communities – comprising a share of 24.8%, against those living in urban communities – comprising a share of 12.6%. The majority of urban households had four or less members; the share of such households was 73.4% in urban communities and 60.4% in rural communities.

Compared to the previous year, in 2019 there was a decrease in the share of households with 1 child (by 0.1 percentage points) and 2 children (by 0.6 percentage points), and an increase in the share of households with 3 (by 0.2 percentage points) and 4 (by 0.2 percentage points) children (Table 1.11).

Table 1.11 – Armenia: Composition of Households with Children below 16, by Number of Children, 2010-2019

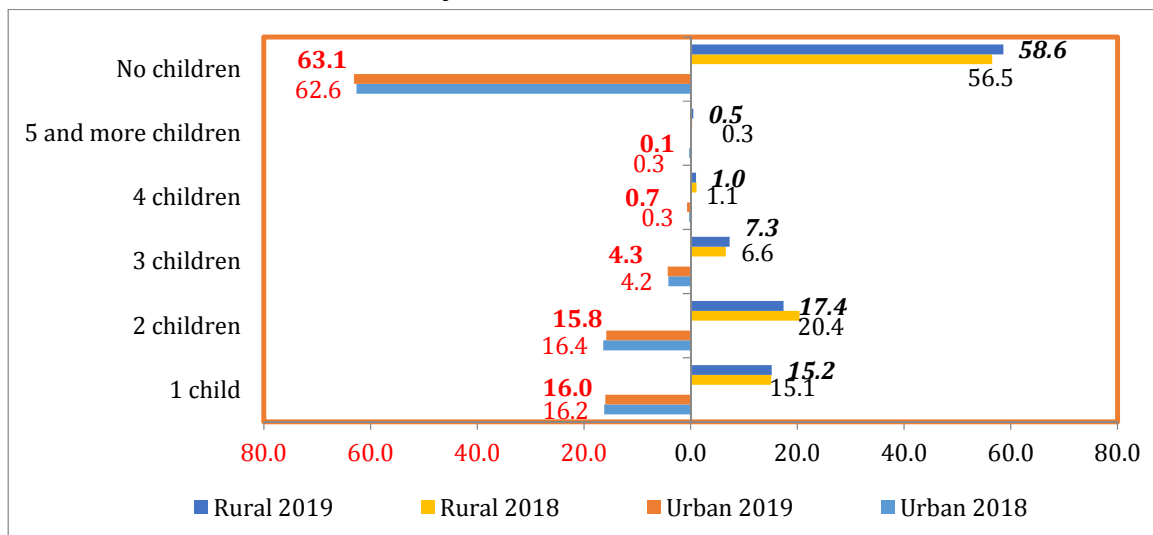
(per permanent population)

Household composition	Percent of total						
	2010	2012	2014	2016	2017	2018	2019
Households, by number of children:	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 child	19.9	18.5	18.1	17.0	16.3	15.8	15.7
2 children	20.0	18.2	18.5	19.2	17.1	17.8	16.4
3 children	5.3	5.0	5.2	5.2	5.0	5.1	5.3
4 children	1.0	0.7	0.8	0.7	0.8	0.6	0.8
5 and more children	0.4	0.4	0.2	0.2	0.2	0.3	0.3
No children	53.4	57.2	57.2	57.7	60.6	60.4	61.5

Source: *ILCS 2010-2019*

According to the survey findings, in 2019 – just as in the previous years – every 6 out of 10 households had no children below 16; this indicator was 63.1% in urban areas and 58.6% in rural areas.

Graph 1.2 – Armenia: Distribution of Urban and Rural Households with Children below 16, by Number of Children, 2018-2019



Source: ILCS 2018-2019

In 2019, the majority of households in the country, i.e. 65.6% were male-headed; female-headed households comprised 34.4% (respectively, 37.6% in urban areas and 28.2% in rural areas).

In 2019, the number of registered marriages was 15 561 and the number of registered divorces was 3 880, with the total marriage and divorce rates amounting to, respectively, 5.3‰ and 1.3‰ per 1.000 population.

Chapter 2: Poverty Profile in Armenia over 2008-2019

2.1. Introduction

Year-on-year economic growth in 2019 was rather significant at 7.6% which was higher than the same indicator for 2018 at 5.2%. Compared to 2018, consumer price index increased by 1.4%

Poverty rate estimate for 2019 is 26.4%, which is not comparable with the same indicator at 23.5% for 2018 due to the changes in the methodology for the measurement of poverty line, as well as of consumption and poverty rate.

The poverty rates obtained for 2019 differ from the respective indicators calculated on the basis of 2009 consumption basket and methodology in three ways:

- a) **The consumption aggregate is calculated using the data from a revised survey questionnaire of the ILCS;**
- b) **The ILCS introduced a new data collection methodology based on computer-assisted personal interviews;**
- c) **The poverty lines were rebased.**

2.1.1. Main Concepts

A key indicator used to estimate the welfare and living standards of the population in a country is poverty rate. Poverty is manifested in different ways and touches upon various aspects of life: consumption, food safety, health, education, rights, including the right to vote, security, life and work of dignity.

Similar to previous reports, population welfare dynamics are described both in terms of material and non-material poverty.

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

The main (official) approach to poverty measurement in Armenia is the **absolute** poverty by consumption based on the 2019 methodology. In that context, according to the World Bank definition, "**absolute poverty is the inability to ensure an acceptable minimum of certain living conditions.**" The chapter also reflects on relative poverty, international poverty rate in the countries of the region, multidimensional poverty, social exclusions, poverty in rural communities, and child poverty.

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

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

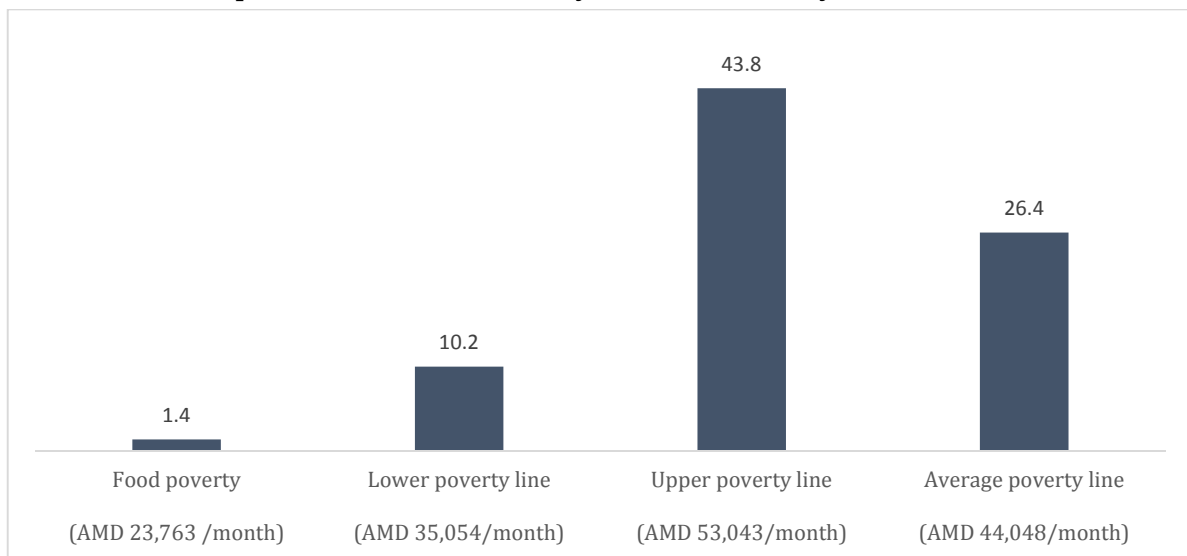
The concept of **absolute poverty** is used for assessing monetary poverty in Armenia. The population is classified into the poor and the non-poor, based on their poverty status. The poor, in turn, comprise the moderate¹ (very) poor and, among them, the extremely poor.

Poverty in Armenia has been assessed since 1996. Starting from 2019, the country uses a fourth revised methodology developed with the assistance of the World Bank.

The **poor** with respect to the upper poverty line are defined as those with consumption per adult equivalent below the upper poverty line; the **moderate (or very) poor** are defined as those with consumption per adult equivalent below the lower poverty line, the **extremely poor** or the undernourished are defined as those with consumption per adult equivalent below the food poverty line, whereas the **poor** are identified as those with consumption per adult equivalent below the average poverty line, which is the average of the lower and upper poverty lines.

The graph below depicts the four poverty lines using the 2019 methodology in 2019 prices.

Graph 2.1 – Armenia: Poverty Rate and Poverty Lines, 2019*



Source: *ILCS 2019*

*Calculated with respect to average poverty line

Although poverty rate is one of the indicators most often used for assessing poverty, it does not take into account the intensity of poverty, often called the poverty deficit, which shows how far below are the poor households from the poverty line.

The **poverty gap** is counted with regard to the poor population and indicates the **poverty shortfall**, i.e. it shows the extent to which the average income² (or consumption) of the poor falls below the poverty line. The poverty gap (10.1% in 2019) also indicates that, if the country were to mobilize for each individual (both poor and non-poor) resources equivalent to 10.1% of the poverty line and these resources were allocated exceptionally to the poor households, poverty theoretically would be eliminated, assuming that the assistance aimed for the poor would fully reach them.

The **severity of poverty** is used to measure the inequality of consumption among the poor. It reflects the fact that in terms of consumption some poor people are further away from the poverty line, while some others are much closer to it. In 2019, the severity of poverty was 3.4%.

¹ The term “very poor” has been substituted with the term “moderately poor”.

² In case of Armenia, consumption.

In 2019 the estimates for upper, lower and extreme poverty lines are, respectively, AMD 53 043 (USD 110.3), AMD 35 054 (USD 72.9) and AMD 23 763 (USD 49.4) per adult equivalent per month.

2.2. Poverty by Communities

The table below depicts poverty rates in 2019 differentiated by urban and rural communities.

Table 2.1 – Armenia: Basic Poverty Indicators, 2019

(percent)

	2019				
	Extremely poor	Poor	Percent, poor population	Poverty gap	Poverty severity
Urban	1.1	22.2	61.8	8.4	2.7
Yerevan	1.1	14.1	32.1	5.4	1.7
Other urban	1.1	31.1	29.7	11.7	3.9
Rural	2.0	33.2	38.2	12.8	4.4
Total	1.4	26.4	100.0	10.1	3.4

Source: *ILCS 2019*

**Table 2.2 – Armenia: Poverty Rate Dynamics, 2009-2019*
(Using 2009 and 2019* Methodology)**

(percent)

Year	Non-poor	Poor (upper poverty line)		
			Including, moderately poor	
				Including, extremely poor
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
2017	74.3	25.7	10.6	1.4
2018	76.5	23.5	10.6	1.0
2019*	56.2	43.8	10.2	1.4

Source: *ILCS 2009-2019*

* Using the updated poverty measurement methodology based on the *ILCS 2019*

Over the period 2009-2019, the poverty rate in Armenia – defined by the upper poverty line – fell by 31%, from 34.1% to 23.5%, and the extreme poverty rate fell by 72% (or 2.8 times), from 3.6% to 1.0%. The estimated poverty rate (defined by the upper poverty line) in 2019* was 43.8% of the population. The change in the poverty trend was mainly due to changes in the methodology and data collection process introduced in the *ILCS 2019* (see the *Methodological Clarifications*)³. Had the methodology not changed and had the old poverty lines simply been updated by changes in the consumer price index (CPI), the poverty rate in 2019 would have been 24.9%, a slight increase from the previous year.

Similarly, had the historical poverty rates been calculated using the 2019 methodology, the poverty rates would have looked vastly different. Table 2.3 below shows the poverty rates in 2017-2019, using the updated methodology. Applying the 2019 updated method historically, the poverty rates (defined

³ From 2009 to 2018, the annual poverty measurement in the RA relied on an annual update of the poverty line calculated based on data from the *ILCS 2009* to changes in the price level of the economy, using the consumer price index (CPI).

by the upper poverty line) in 2019 would have decreased slightly, from 47.5% in 2017 and 45.4% in 2018 (see the *Methodological Clarifications* for details).

Table 2.3 – Armenia: Poverty Rate Dynamics, 2017-2019* (Using 2019 Updated Methodology)

(percent)

Year	Non-poor		Poor	
			Including, moderately poor	
				Including, extremely poor
2017	52.5	47.5	11.0	1.4
2018	54.6	45.4	11.2	1.0
2019	56.2	43.8	10.2	1.4

Source: ILCS 2017-2019

* Using the updated poverty measurement methodology based on the ILCS 2019

Poverty lines used in the calculation of poverty rates are provided in Table 2.4. Taking into consideration the year-on-year inflation, the poverty lines for 2009-2018 had been adjusted to enable comparison with the consumption aggregate counted in current prices.⁴ However, for 2019, the new poverty lines are calculated using the updated methodology and data from the ILCS 2019. The values of the 2019 poverty lines are computed using the factual (or empirically determined) minimum food basket and the estimated share of non-food products for 2019 (see the *Methodological Clarifications*). The recalculated 2019 consumption basket and poverty lines reflect changes such as consumption patterns, spending habits, demographic structure, among others, in the Armenian society. Hence, the updated upper poverty line – 53,043 AMD in 2019 – is much higher and is not comparable with 2018 and previous years. Had the old poverty lines simply been adjusted by CPI in 2019, the upper poverty line would have amounted to 43,289 AMD.

Table 2.4 – Armenia: Nominal Poverty Line Dynamics, 2009-2018 and 2019* (per Adult Equivalent, per Month)

(AMD)

	Poverty lines		
	Food or extreme poverty line	Lower poverty line	Upper poverty line
2009	17,483	25,217	30,920
2010	19,126	27,410	33,517
2011	21,306	29,856	36,158
2012	21,732	30,547	37,044
2013	22,993	32,318	39,193
2014	23,384	33,101	40,264
2015	24,109	34,234	41,698
2016	23,313	33,418	40,867
2017	24,269	34,253	41,612
2018	24,827	35,071	42,621
2019*	23,763	35,054	53,043

Source: ARMSTAT

* Updated poverty measurement methodology based on the ILCS 2019.

⁴ The original value of the poverty line was estimated based on data from the ILCS 2009.

Additionally, an average poverty line was calculated for 2019, which is the average of the lower and upper poverty lines. Based on the average poverty line, the headcount poverty rate in Armenian was 26.4% of the population.

Table 2.5 presents the key poverty indicators by regions and in Yerevan for 2019, using the average poverty line⁵

Table 2.5 – Armenia: Key Poverty Indicators, by Regions and in Yerevan, 2019⁵

(percent)

	2019			
	Extremely poor	Poor	Percent, poor population	Percent, total population
Yerevan	1.1	14.1	17.1	32.1
Aragatsotn	7.7	51.4	8.5	4.4
Ararat	0.5	29.4	10.5	9.5
Armavir	1.2	22.5	8.2	9.6
Gegharkunik	3.4	43.5	11.2	6.8
Lori	1.5	30.1	10.4	9.1
Kotayk	0.6	31.9	12.0	9.9
Shirak	1.7	48.4	14.3	7.8
Syunik	0.0	12.1	1.9	4.3
Vayotz Dzor	0.0	19.3	1.4	1.9
Tavush	0.6	25.6	4.5	4.6
Total	1.4	26.4	100	100

Source: *ILCS 2019*

⁵ Poverty rates by regions and in Yerevan for 2019 are not comparable with the respective indicators for the previous years, as the calculations have been made using the average poverty line.

2.3. Structural Profile of Poverty in 2019

Table 2.6 – Armenia: Poverty Rate, by Gender and Age Groups, 2019

(percent)

Gender and age group	2019			
	Extremely poor	Poor	Percent, poor population	Percent, total population
Gender				
Females	1.6	26.0	54.1	54.7
Males	1.3	26.5	45.9	45.3
Age groups (year)				
0-5 (children)	3.3	34.7	10.1	7.7
6-9	1.9	33.4	7.1	5.6
10-14	2.1	31.8	8.2	6.8
15-17	0.9	34.9	4.3	3.2
18-19	1.9	24.1	1.4	1.5
20-24	0.6	22.2	4.9	5.8
25-29	1.9	28.2	7.8	7.3
30-34	1.7	27.5	7.9	7.6
35-39	1.4	29.4	7.7	6.9
40-44	1.0	24.2	5.1	5.5
45-49	2.1	23.1	4.6	5.3
50-54	1.1	23.8	5.3	5.9
55-59	1.0	23.6	6.8	7.6
60-64	0.8	22.1	6.2	7.4
65+	0.8	21.2	12.6	15.7
Total	1.4	26.4	100.0	100.0

Source: *ILCS 2019*

Table 2.7 – Armenia: Poverty Rate, by Household Size, 2019

(percent)

Number of household members	2019			
	Extremely poor	Poor	Percent, poor population	Percent, total population
1	0.2	7.3	1.3	5.0
2	0.1	13.6	6.5	12.6
3	1.2	20.6	12.0	15.0
4	0.8	21.2	17.9	20.4
5	1.0	28.6	21.1	19.2
6	0.8	35.5	20.8	14.9
7 and more	5.1	41.1	20.3	12.9
Total	1.4	26.4	100.0	100.0

Source: *ILCS 2019*

Table 2.8 – Armenia: Poverty Rate, by Number of Children (under 6 Years of Age) and of Elderly (over 60 Years of Age), 2019

(percent)

Number of children and elderly	2019			
	Extremely poor	Poor	Percent, poor population	Percent, total population
Number of children				
No child	0.5	18.6	57.3	68.0
1 child	0.7	26.7	25.9	22.0
2 children	1.4	30.1	14.7	8.5
3 and more children	5.9	45.8	2.1	1.5
Number of elderly				
No elderly	1.5	26.0	47.3	48.0
1 elderly	1.6	26.8	33.5	33.0

Number of children and elderly	2019			
	Extremely poor	Poor	Percent, poor population	Percent, total population
2 and more elderlies	1.0	26.8	19.2	19.0
Total	1.4	26.4	100.0	100.0

Source: *ILCS 2019*

Table 2.9 – Armenia: Poverty Rate, by Household Composition, 2019

(percent)

Household composition*	2019			
	Extremely poor	Poor	Percent, poor population	Percent, total population
1 adult, no children	0.0	18.5	2.1	3.0
2 adults, no children	1.1	21.0	9.3	11.8
2 adults, 2 children	4.8	33.0	1.6	1.3
Elderly people, no children, no adults	0.3	12.6	4.1	8.7
3 adults	1.2	26.2	21.1	21.3
4 adults	1.6	30.4	18.9	16.4
Other	1.8	29.3	42.9	37.5
Total	1.4	26.4	100.0	100.0

Source: *ILCS 2019*

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

Table 2.10 – Armenia: Poverty Rate, by Gender of Household Head, 2019

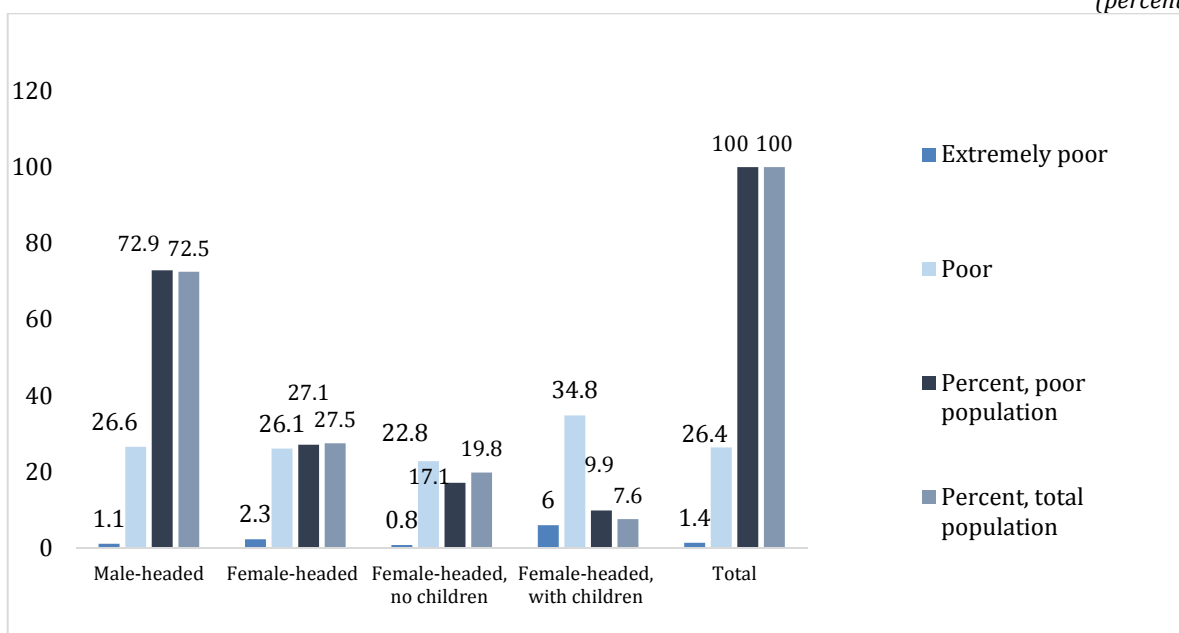
(percent)

Gender of household head	2019			
	Extremely poor	Poor	Percent, poor population	Percent, total population
Male-headed	1.1	26.6	72.9	72.5
Female-headed, <i>including</i>	2.3	26.1	27.1	27.5
Female-headed, no children under 6 years of age	0.8	22.8	17.1	19.8
Female-headed, with children under 6 years of age	6.0	34.8	9.9	7.6
Total	1.4	26.4	100.0	100.0

Source: *ILCS 2019*

Graph 2.3 – Armenia: Poverty Rate, by Gender of Household Head, 2019

(percent)



Source: ILCS 2019

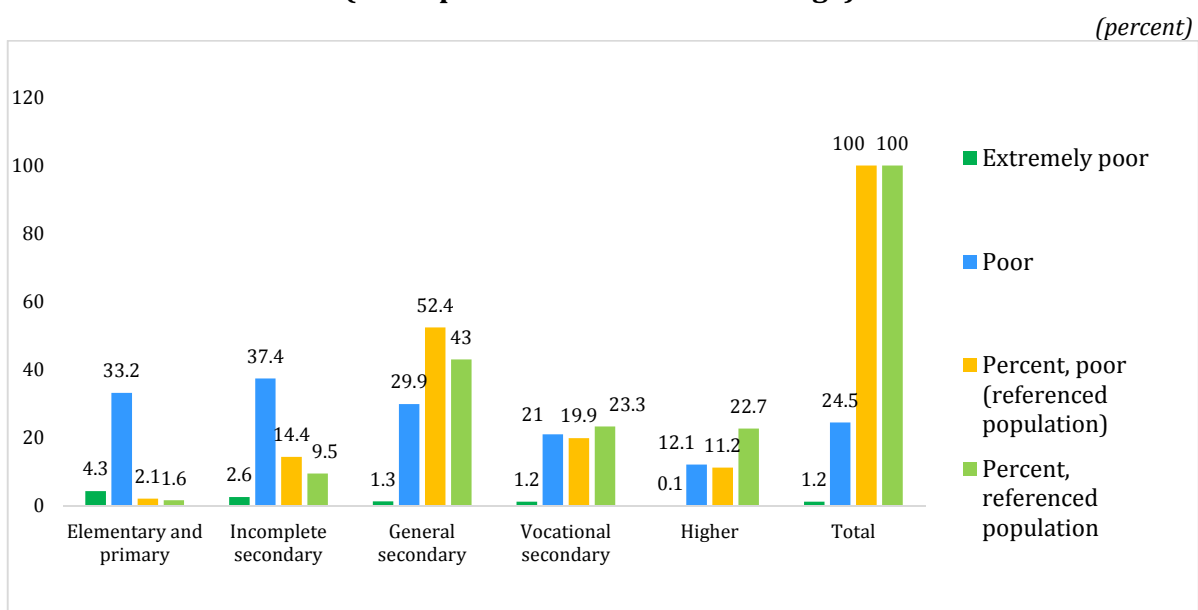
**Table 2.11 – Armenia: Poverty Rate, by Educational Level, 2019
(for Population over 16 Years of Age)**

(percent)

Educational level	2019			
	Extremely poor	Poor	Percent, poor (referenced population)	Percent, referenced population
Elementary and primary	4.3	33.2	2.1	1.6
Incomplete secondary	2.6	37.4	14.4	9.5
General secondary	1.3	29.9	52.4	43.0
Vocational secondary	1.2	21.0	19.9	23.3
Higher	0.1	12.1	11.2	22.7
Total	1.2	24.5	100	100

Source: ILCS 2019

**Graph 2.4 – Armenia: Poverty Rate, by Educational Level, 2019
(for Population over 16 Years of Age)**



Source: *ILCS 2019*

Labor market participation is an important factor behind poverty rate. Specifically, the lack of employment increases the risk of falling into poverty or extreme poverty (Table 2.12).

Table 2.12 – Armenia: Poverty Rate, by Number of Employed Household Members, 2019 (for Population of 15-75 Years of Age)

(percent)

Number of employed household members	2019			
	Extremely poor	Poor	Percent (poor population of age 15-75 years)	Percent (total population of age 15-75 years)
No employed members	3.3	27.9	14.0	12.4
1 employed member	0.8	23.8	24.0	25.0
2 employed members	0.5	24.8	33.8	33.8
3 and more employed members	1.4	24.2	28.2	28.8
Total	1.2	24.7	100	100

Source: *ILCS 2019*

Labor generates income and thus reduces poverty rate. Research data show that majority of the poor have no jobs, while a significant part of the non-poor are involved in some type of economic activity.

Table 2.13 – Armenia: Labor Market Participation and Poverty Rate,2019
(for Population of 15-75 Years of Age)

(percent)

Labor market participation	2019			
	Extremely poor	Poor	Percent (poor population of age 15-75 years)	Percent (total population of age 15-75 years)
Total population				
Economically active	1.1	23.6	62.9	65.8
Employed	0.8	22.1	52.5	58.7
Wage employed	0.7	18.8	27.0	35.5
Self-employed	0.8	27.4	21.5	19.4
Other employed	1.0	25.9	4.8	4.6
Unemployed	3.9	37.6	9.6	6.3
Economically inactive	1.3	26.9	37.1	34.2
Pensioners	0.8	20.3	7.5	9.1
Students	0.3	24.9	6.1	6.0
Other economically inactive	1.8	30.6	23.6	19.0
Yerevan				
Economically active	0.8	12.2	58.3	62.4
Employed	0.4	10.8	45.1	54.6
Wage employed	0.4	10.6	36.8	45.4
Self-employed	0.0	12.1	8.5	9.2
Other employed	0.0	0.0	0.0	0.4
Unemployed	4.4	23.0	13.0	7.4
Economically inactive	0.8	14.5	23.9	37.6
Pensioners	0.7	16.4	15.0	12.0
Students	0.0	5.9	2.8	6.2
Other economically inactive	1.1	16.2	41.7	19.4
Other urban				
Economically active	0.9	27.9	55.7	58.3
Employed	0.7	25.3	42.4	49.2
Wage employed	0.9	25.7	34.5	39.2
Self-employed	0.0	24.2	7.9	9.6
Other employed	0.0	21.2	0.9	1.3
Unemployed	2.3	43.4	12.4	8.3
Economically inactive	1.1	31.0	44.3	41.7
Pensioners	0.8	22.1	10.1	13.3
Students	0.6	33.4	6.8	5.9
Other economically inactive	1.4	35.6	27.4	22.4
Rural				
Economically active	1.3	29.5	69.7	74.7
Employed	1.1	28.3	62.4	69.5
Wage employed	1.0	23.9	18.0	23.9
Self-employed	1.2	31.5	35.9	36.1
Other employed	1.1	27.0	9.3	10.9
Unemployed	6.0	53.2	6.4	3.8
Economically inactive	2.2	37.9	30.3	25.3
Pensioners	1.1	27.6	2.8	3.2
Students	0.3	36.2	6.8	6.0
Other economically inactive	3.2	40.6	20.7	16.1
Total	1.2	24.7	100.0	100.0

Source: ILCS 2019

Note: The asterisk denotes that the indicator is based on less than 25 non-weighted cases.

2.4. Consumption, Income, and Inequality in Their Distribution

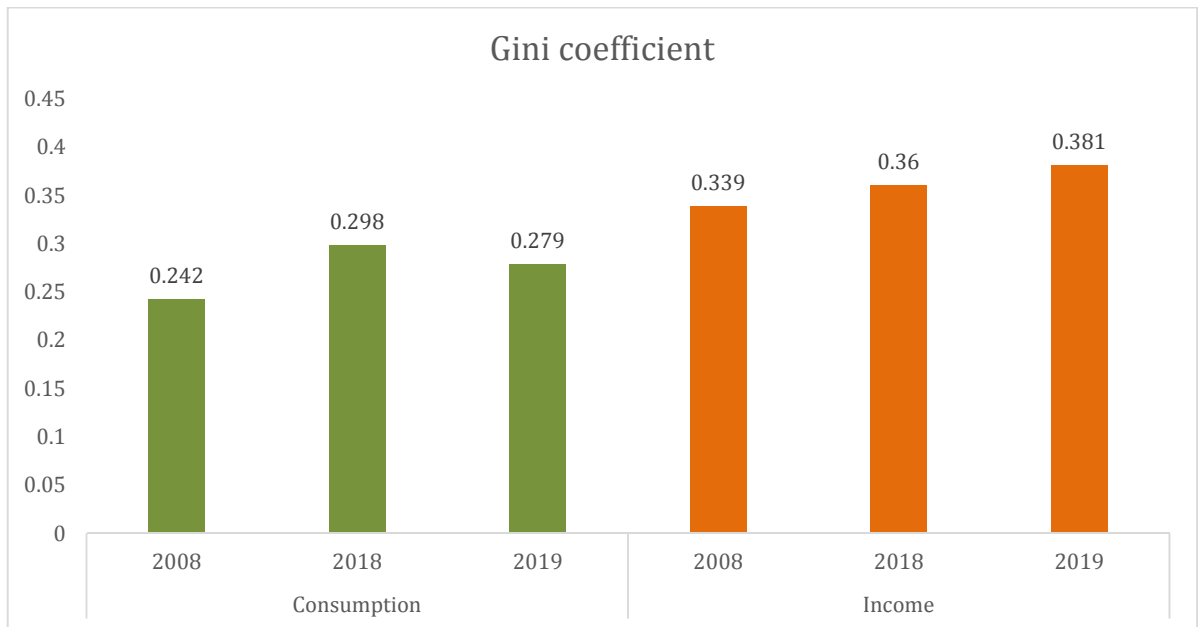
During the considered period (2008-2019), income inequality has increased, whereas aggregate consumption inequality has decreased for the total population. Inequality indicators measured by the Gini coefficient indicate that polarization of population in Armenia is deeper in terms of income distribution than that in terms of consumption distribution.

Table 2.14 – Armenia: Consumption and Income Inequality, 2008 and 2018-2019

	Consumption			Income		
	2008	2018	2019	2008	2018	2019
Gini coefficient	0.242	0.298	0.279	0.339	0.360	0.381

Source: *ILCS 2019*

Graph 2.5 – Armenia: Consumption and Income Inequality, 2008 and 2018-2019



Source: *ILCS 2008 and 2018-2019*

2.5. Relative Poverty

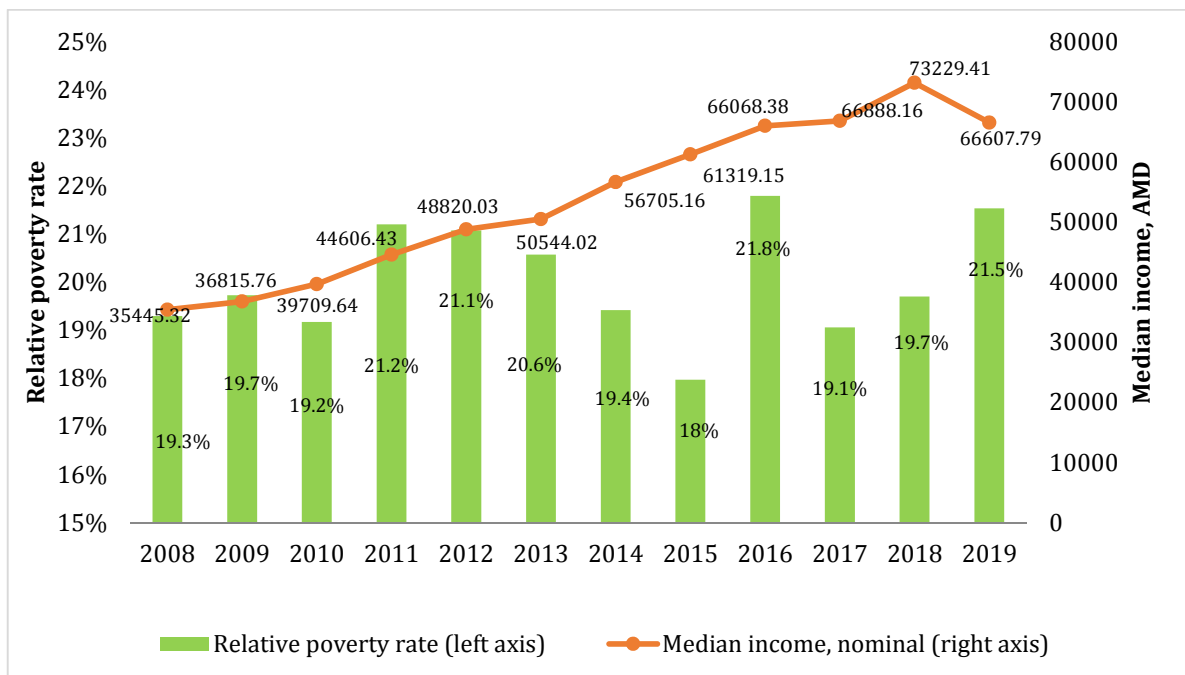
As described in Section 2.1, poverty in Armenia is estimated by comparing the consumption aggregate with the average poverty line. This methodology uses a cost of basic needs approach to count the poverty line and considers households below a certain absolute threshold to be poor.

In contrast, the concept of relative poverty relates to a notion of social exclusion and considers households living on less than 60 percent of median income as poor. This methodology is widely used in the European Union countries and builds around the idea that poverty is no longer described as the inability to afford basic things in life but rather as the possibility for some groups to fall below the general living standards of the population. The relative poverty line is counted as a fraction of household median income for each year. Countries in the European Union typically use 60 percent of median income as relative poverty line and refer to it as the “at-risk-of-poverty threshold”.

Relative poverty is construed differently from absolute poverty. The relative poverty rate captures inequalities in a society with a focus on the poor and the vulnerable. Generally speaking, an increase in relative poverty normally describes a situation where income growth rate for the households at the bottom of the welfare distribution is slower than for the households in the middle of the distribution. The concept of relative poverty is often heavily criticized because relative poverty rates also decrease when all households become poorer in absolute terms, and the income of the middle groups falls faster than that of the bottom groups (something that happened in many countries of the European Union due to the global economic crisis).

Graph 2.6 presents relative poverty trends in Armenia (green bars) and the level of equalized household median income used for the poverty calculations (red line).

Graph 2.6 – Armenia: Relative Poverty Measured at 60 Percent of Median Income and Equalized Median Income (AMD, nominal)



Source: ILCS 2008-2019

2.6. International Poverty Rate in Armenia and Comparator Countries

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 lines 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 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.

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 Purchasing Power Parities (PPPs) compiled by the International Comparison Program (ICP). The PPPs are used to convert the value of international poverty lines to local currencies, hence, affecting the calculation of comparable poverty rates across countries. Recently, the ICP conducted a revision of 2011 PPPs factors for many countries. The revision was primarily driven by countries' routine revision to incorporate new information in the estimation of expenditures and national accounts. Other revisions were driven by changes to price data. Moreover, because PPPs are multilateral indexes, changes in one country's national accounts may impact PPPs for other countries within the same comparison region. This revision was significant for Armenia: the 2011 factor decreased from 183.780 to 165.629, representing a -9.9 percentage change. Intuitively, the revised 2011 PPP for Armenia recognizes a higher purchasing power of one Armenian dram, relative to a common internationally comparable currency.

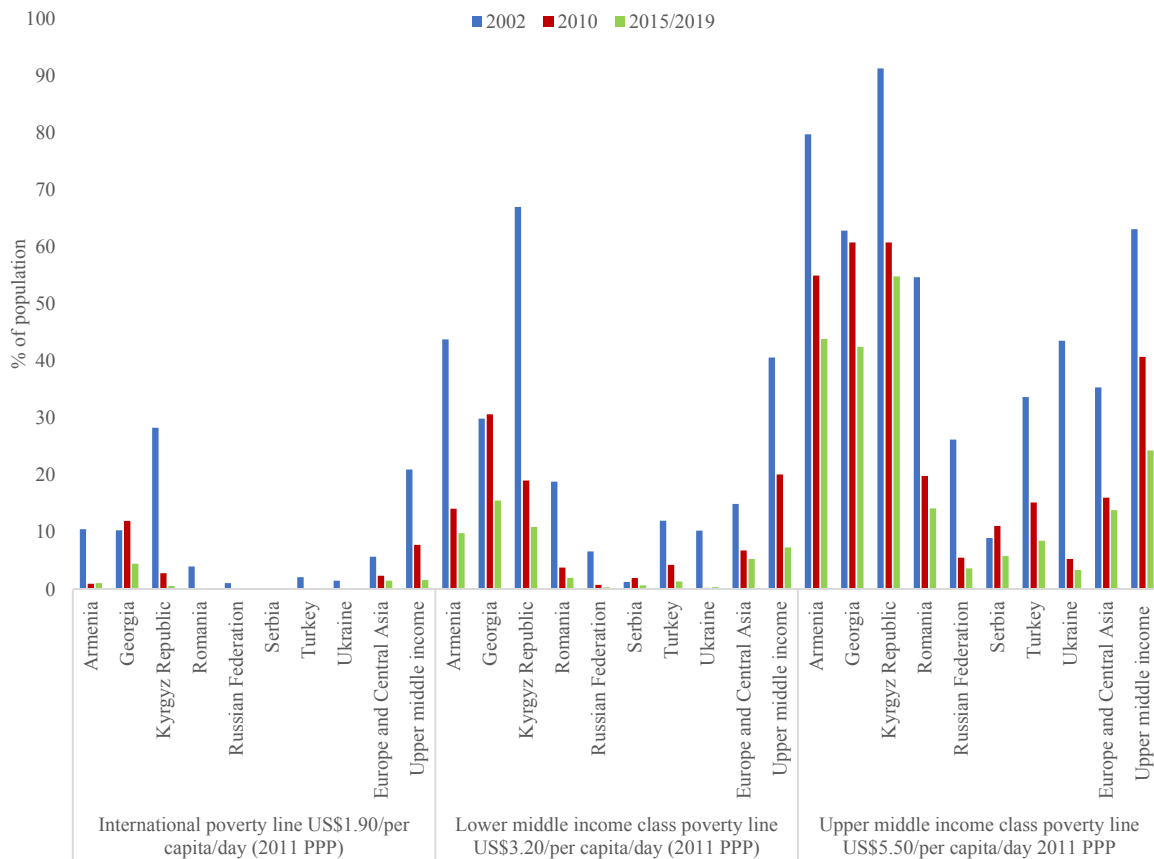
When expressed in 2011 prices, the international poverty line is equivalent to US\$1.90 2011 PPP per person per day. The international poverty line was originally calculated based on the average of national poverty lines of the then poorest fifteen countries of the world.⁶ In addition to the international poverty line, the World Bank uses income class poverty lines which facilitate comparison between countries at similar stages of development. 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 per person for lower middle-income countries and US\$5.5 a day per person, for upper middle-income countries using 2011

⁶ It was equivalent to US\$1.25 per person per day, expressed in 2005 PPPs.

PPP, and the welfare aggregate is the same harmonized aggregate used for the international poverty line.

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. Based on those welfare aggregates, 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 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 Graph 2.7.

Graph 2.7: Internationally comparable poverty rates, by purchasing power parity of US dollars, selected years 2002-2019



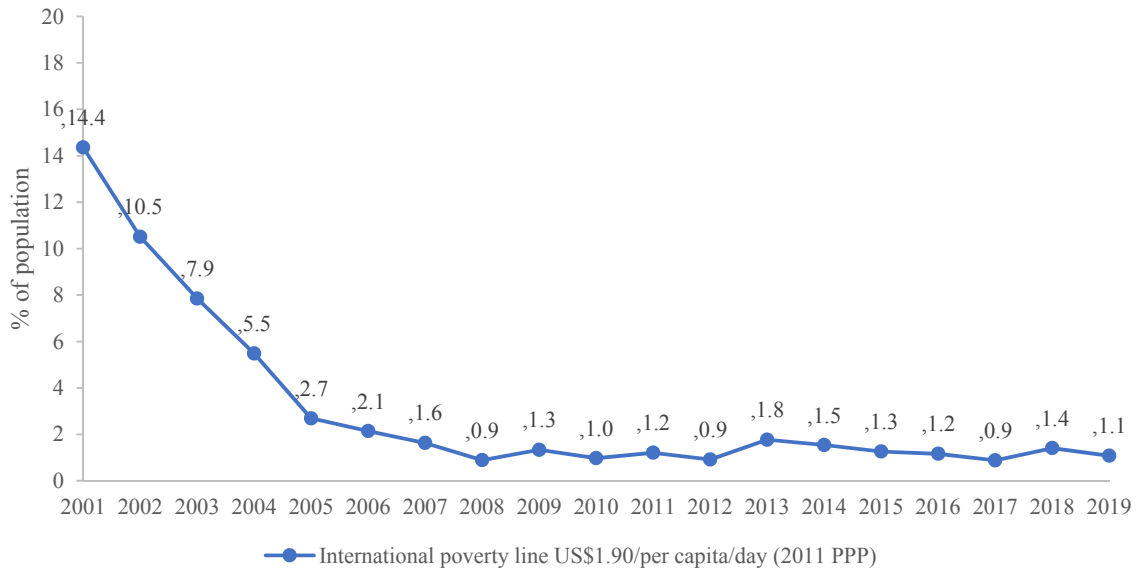
Source: PovcalNet and ECAPOV calculations.

Note: Latest available years of data: Armenia (2019), Georgia (2018), Kyrgyz Republic (2018), Romania (2016), Russian Federation (2018), Serbia (2018), Turkey (2018), Ukraine (2018), Europe and Central Asia (2015), Upper middle income countries (2015).

Graphs 2.8 and 2.9 show the trend in poverty rate at the international poverty line, as well as at lower middle-income class and upper middle-income class poverty lines applying the 2011 ICP adjustments. Poverty at the international poverty line (US\$1.90 per capita per day) has fallen drastically since 2001 and remains very low, reaching 1.2 percent in 2019. The poverty rate at the lower middle-income class poverty line (US\$3.20 per capita per day) appears to be leveling off in the last few years. The poverty

rate at the upper middle-income class poverty line (US\$5.50 per capita per day) remains largely unchanged in 2019.⁷

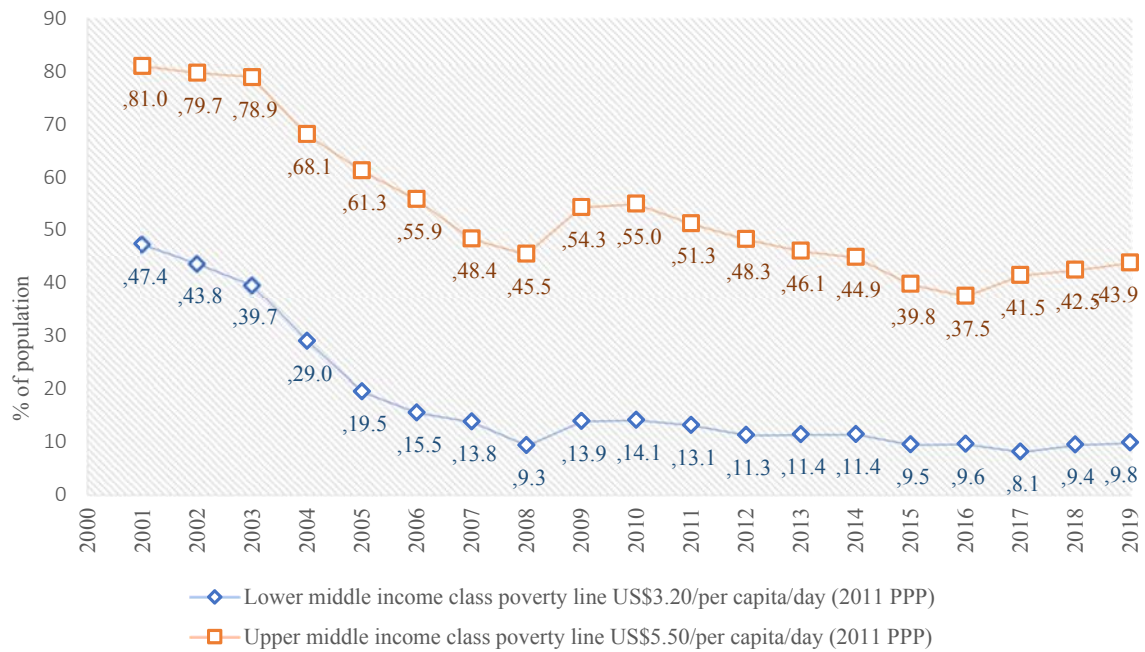
Graph 2.8: Armenia poverty trend using the international poverty line



Source: ILCS 2001-2019

Notes: Poverty calculations applying the 2011 PPP factor revised by the ICP. The historical trend has been recalculated to match the revision to the 2011 PPP.

Graph 2.9: Armenia Poverty trend using the international middle-income class poverty line



Source: ILCS 2001-2019

Notes: Poverty calculations applying the 2011 PPP factor revised by the ICP. The historical trend has been recalculated to match the revision to the 2011 PPP.

⁷ The poverty trends are consistent across the 2005 PPP and 2011 PPP series.

2.7 Multidimensional Poverty in Armenia⁸

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 Statistical Committee of the Republic of Armenia (ARMSTAT) and accompanied by a working paper and online interactive dashboard in 2017 (Martirosova et al. 2017).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 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 2.15 summarizes the dimensions and indicators which allow for a subjective evaluation of deprivations.

⁸ This sub-section was developed jointly by the Statistical Committee and the World Bank.

⁹ 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.

Table 2.15: Selected dimensions and indicators for a measure of multidimensional poverty¹⁰

Deprivation	A household is deprived, if ...
Dimension: Basic needs	
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 dependent	Being dependent on remittances to ensure basic functioning of living or being in extreme (food) poverty
Dimension: Housing	
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	
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: 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	

¹⁰ Given the changes in the questionnaire in ILCS 2019, not all indicators above could be constructed. Therefore, the following indicators are not available for 2019: Access to transportation, Quality of education services, Termination of usual activity, and Access to health services. In absence of these indicators, the construction and the comparability of the multidimensional poverty index become difficult. Below we briefly discuss the historical trends (2010-2018) in multidimensional poverty index in Armenia.

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 2.15). While, at an aggregate level, all household members are multidimensionally poor if they are deprived in more than one quarter of all weighted indicators.

Table 2.16: Share of individuals living in households which are considered multidimensionally poor, by location

	<i>(% of population)</i>			
	National level	Yerevan	Other urban areas	Rural areas
2010	41.2	32.6	37.2	52.8
2011	33.9	27.3	30.4	43.3
2012	31.3	25.1	30.1	38.3
2013	30.5	25.8	27.6	37.2
2014	31.9	28.5	31.6	35.2
2015	29.1	28.0	25.9	32.7
2016	27.8	28.0	24.7	30.3
2017	26.0	21.9	22.0	32.5
2018	23.6	18.4	22.1	29.2

Source: *ILCS 2010-2018*

Notes: *Not constructed for 2019, given the changes in the questionnaire in the ILCS 2019.*

Findings in Table 2.16 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 23.6 percent in 2018. Breaking down the share of the population being multidimensionally poor by location of residence offers useful insights and presents a different picture than that provided by monetary poverty. In 2010, 52.8 percent of rural population and 37.2 percent of those in non-Yerevan urban areas were multi-dimensionally poor; in contrast, 32.6 percent of the population in Yerevan were found to be so. During 2010-2018, multidimensional poverty declined. In 2018, it was 22.1 percent in other urban areas, 18.4 percent in Yerevan and 29.2 percent in rural areas. **As discussed above, given the changes in the questionnaire in ILCS 2019 and the unavailability of some of the questions, a full calculation of multi-dimensional poverty is not possible.** Instead

in Table 2.17, we present the percentage of the population deprived in each indicator in 2018 and 2019. Almost all indicators show a decrease in the percentage of households who are deprived. All indicators in dimension basic needs show an improvement. In the dimension, housing, all indicators show an improvement except in overcrowding and healthy heating. Similarly, the percentage of the population deprived of long-term employment, underemployment, and decent jobs decreased, the percentage of the population deprived of labor market participation increased to 25.3 percent from 21.6 percent.¹¹ Given this, it is likely that the overall multidimensionally poor and the multidimension index in Armenia would have decreased in 2019.¹²

Table 2.17: Percentages of population deprived by indicators in 2018 and 2019

Deprivation	2018	2019
Dimension: Basic needs		
Extreme poverty	1.0%	1.4%
Life in dignity	43.4%	39.3%
Humanitarian aid	2.9%	2.1%
Remittance dependent	8.5%	6.7%
Dimension: Housing		
Satisfaction of housing conditions	18.7%	15.4%
Adequate housing	14.7%	13.6%
Overcrowding	30.0%	32.8%
Healthy heating	41.5%	39.1%
Centralized water system	31.6%	25.3%
Centralized sanitation and garbage disposal	33.9%	37.8%
Hot running water	13.5%	12.6%
Quality of paid public services	11.8%	6.8%
Access to transportation	24.0%	
Dimension: Education		
No secondary education	4.8%	4.5%
Schooling enrollment rate	3.0%	3.3%
Access to education services	12.7%	5.2%
Quality of education services	1.0%	
Dimension: Labor		
Labor market participation	21.6%	25.3%
Long term unemployment	7.7%	5.5%
Decent jobs	47.5%	45.5%
Underemployment	40.9%	36.6%
Dimension: Health		
Termination of usual activity	17.4%	
Affordability of health services	10.9%	11.4%
Access to health services	12.2%	
Quality of health services	20.1%	12.4%

Source: *ILCS 2018 and 2019*

¹¹ This is likely due to changes in questionnaire in ILCS 2019. The labor force participation rate data from the labor department shows no changes in percentage of labor force participation in 2019 compared to 2018.

¹² For all other graphs and data in historical changes in MPI see Social Snapshot report 2018 (Statistical Committee of the Republic of Armenia, *Social Snapshot and Poverty in Armenia 2019*, Statistical and analytical report).

2.8 Human Opportunity Index for Armenia

Economic inequality has received renewed attention in recent years due to increasing share of income going to the top earners. The debate usually frames rising inequality to be unequivocally undesirable. A recent strand of research, however, differentiates between “good” and “bad” types of inequality. Inequality in outcomes is considered “good” if it arises out of differences in effort, choice, or talents. Differences due to predetermined circumstances such as gender, ethnicity, and race are considered “bad” (Barros et al. 2009; Ferreira and Gignoux 2011; World Bank 2005). Inequality of opportunity denotes the extent to which inequality in outcomes can be attributed to circumstances over which individuals have no control.

A focus on inequality of opportunities over inequality of outcomes is appealing for several reasons. The debate on inequality of outcomes is fraught with ideological, moral, and philosophical overtones which makes it hard to reach a consensus. Inequality of opportunity holds universal appeal as most people agree that everyone should have equal access to opportunities and that the accident of birth should not dictate one’s life outcomes. Beyond the fairness argument, equalizing opportunities is just as important for economic growth. Empirical studies show that societies with unequal access to opportunities have lower per capita income (Dabalén, et al., 2015; Grimm, 2011; Molina, Narayan, and Saavedra-Chanduví, 2013)

There are two main approaches to the study of inequality of opportunity. The first is the inequality of economic opportunity (IEO) method that extracts from an outcome variable (e.g., income or expenditure) the part of inequality that is due to circumstances outside the control of an individual. The method starts by defining a set of external circumstances. The population is divided into several “types” such that everyone of the same “type” shares the same set of circumstances. Inequality between types is considered unfair because it is attributable to circumstances alone.

The second method for analyzing inequality – Human Opportunity Index (HOI) – combines both the average level of coverage and inequality in access to basic goods and services that is agreed to be critical inputs to an individual’s income-generating capacity. Differential access to the services as a function of external circumstances lead individuals on divergent paths without any fault of their own. If in a society, access to adequate nutrition, quality education, and clean drinking water and sanitation differs based on one’s gender, place of birth, ethnicity, race, or parent’s socioeconomic status, then opportunity is said to be distributed unequally in the society.

The HOI is a product of two inputs: the coverage rate (C) and the dissimilarity index (D). The HOI is computed by “penalizing” the coverage rate with the difference in coverage rate across population types. Intuitively, the greater the dissimilarity index D, the more unequal the distribution of opportunities, and the lower the HOI.

HOI has been used primarily to measure the distribution of opportunities for children because circumstances are ‘truly’ beyond their control, whereas identification of circumstances for adults might be confounded with personal efforts. The methodology has nevertheless been adapted for access to good jobs, which depends on factors within one’s locus of control like education, experience, and skills, as well as on factors outside one’s control like gender, parent’s socioeconomic status, race, and ethnicity. HOI for good jobs would therefore partition total inequality into “good” inequality which is traced back to differences in human capital and effort, and “bad” inequality with its roots in disadvantage and discrimination.

Human Opportunity Index (HOI) Methodology

The HOI of a given opportunity provides a scalar measure of the level of coverage in the society and how equitable the coverage is among groups with different circumstances. It is an inequality-sensitive coverage rate, where the index decreases or is “penalized” based on the extent to which groups in the population with different circumstances have different coverage rates. That is,

$$\text{HOI} = \text{Coverage} - \text{Penalty}$$

In countries where all circumstance groups have the same coverage, the penalty is zero. The HOI of a society may increase through three channels: change in the underlying external circumstances (composition effect), change in the overall coverage rate (scale effect), and change in the distribution of opportunities across circumstance groups (equalization effect). The maximum value the HOI can take is the average coverage rate for that service, and the HOI can be 1 only when access is universal.

The HOI can also be expressed as the coverage rate multiplied by a factor of equality as following:

$$H = \bar{p} * (1 - D)$$

Where \bar{p} is the average coverage of an opportunity and D is the dissimilarity index (D-index) calculated as following:

$$D = \frac{1}{2\bar{p}} \sum_{k=1}^m \alpha_k |p_k - \bar{p}|$$

where p_k is the coverage rate for group k (where each group is defined by a set of circumstances unique to that group), m is the number of mutually exclusive groups, and α_k is the share of total population in group k . The D-index is a measure of the weighted average of the distance between group access and average access. D equals to 0 when coverage is the same across all circumstance groups. The D-index can be interpreted as the fraction of all opportunities that must be reallocated from groups with coverage rate higher than \bar{p} to groups with coverage rate lower than \bar{p} to achieve full equality of opportunity across all groups.

Defining the set of opportunities

It is widely agreed that early-life access to basic goods and services in education, health, and basic infrastructure services is necessary for an individual to realize her full potential. Unequal access to such services due to circumstances beyond one’s control is considered unfair. There is also a large body of empirical research to show that investments in early-life opportunities yield some of the highest economic returns, which makes the case for focusing on such inequality more compelling.

A comprehensive list of opportunities that should be available to a child to achieve her full potential would be exceedingly long, and the data requirement to support the analysis would be prohibitive. It is nevertheless possible to analyze inequality of opportunity for key indicators, and a process to select the indicators was recently completed in Armenia with the articulation of national multidimensional poverty index. Twenty-three deprivations across five dimensions – basic needs, housing, education, labor market, and housing – were identified to supplement the consumption poverty indicator. The selection of indicators followed a broad and inclusive consultation process with many stakeholders in the country. Thus, the indicators for multidimensional deprivation provides a

natural starting point for the measurement of inequality of opportunity. Specifically, inequality of opportunity arises when children lack access to opportunity in human capital inputs along the following dimensions:¹³

- **Adequate housing:** Complaint about housing and environmental conditions
- **Healthy heating:** Not heating with central heating, electricity, natural gas, or liquefied gas.
- **Centralized water system:** No access to centralized water for every day of the month and every hour of the day.
- **Centralize garbage and sanitation:** No centralized sanitation compound, or disposal of household garbage using either rubbish evacuation system or dust-cart collection.
- **Quality of paid public services:** Not satisfied with public services.
- **School enrollment:** At least one child of compulsory school age (6–17 years) not attending school.
- **Educational quality:** Not satisfied with education services.
- **Quality of health services:** Not satisfied with health services.

Access to opportunity is defined in opposition to deprivation, i.e., a household has access to an opportunity if it is not deprived in an indicator. The relevant population group for access to basic opportunities is children under the age of 15, with two exceptions. School enrollment and educational quality is defined for children of compulsory school age (6–17 years).

As discussed earlier, circumstances are factors external to one’s control, and for a society to have no inequality of opportunities, they should have no bearing on outcomes. Empirical studies from Africa, Latin America, and the South Caucasus region, however, have shown that exogenous factors do explain access to opportunities (Barros et al., 2009, Dabalen et al., 2015, Fuchs et al., 2018).¹⁴

Measuring inequality of opportunity in the labor market raises additional methodological issues. Since individuals have different level of human capital acquired through education and experience, not all inequality in access to good jobs is undesirable. Inequality due to differences in education and experience is considered fair, while that due to circumstances is considered unfair. Therefore, in addition to circumstances, inequality of opportunity to access to decent jobs will also consider age and education, and the role of circumstances will be interpreted *net of skills and experience*.¹⁵ Consistent with the multidimensional poverty framework, a worker is said not to have access to decent job if she is an own-account worker. Lastly, in addition to access to decent jobs,

¹³ Additionally, the following dimensions also impact the inequality of opportunity, however, were not available in ILCS 2019:- **Quality of transportation:** Access to roads with poor quality, **Access to school:** No easy access to kindergarten, primary, or secondary schools and **Access to health services:** No easy access to health care facilities, emergency ambulance service, or pharmacies. The source questions in the Integrated Living Conditions Survey (ILCS) for each indicator is provided in the Annex.

¹⁴ The proposed set of circumstance for children are gender, age, location, sociodemographic characteristics of the household head (gender, age, level of educational attainment, and marital status), household demographics (household size, share of young children, children, and elderly among household members), consumption group (quintile), and other household socioeconomic characteristics (receiving family benefits or pensions, and having a household member employed in the public sector).

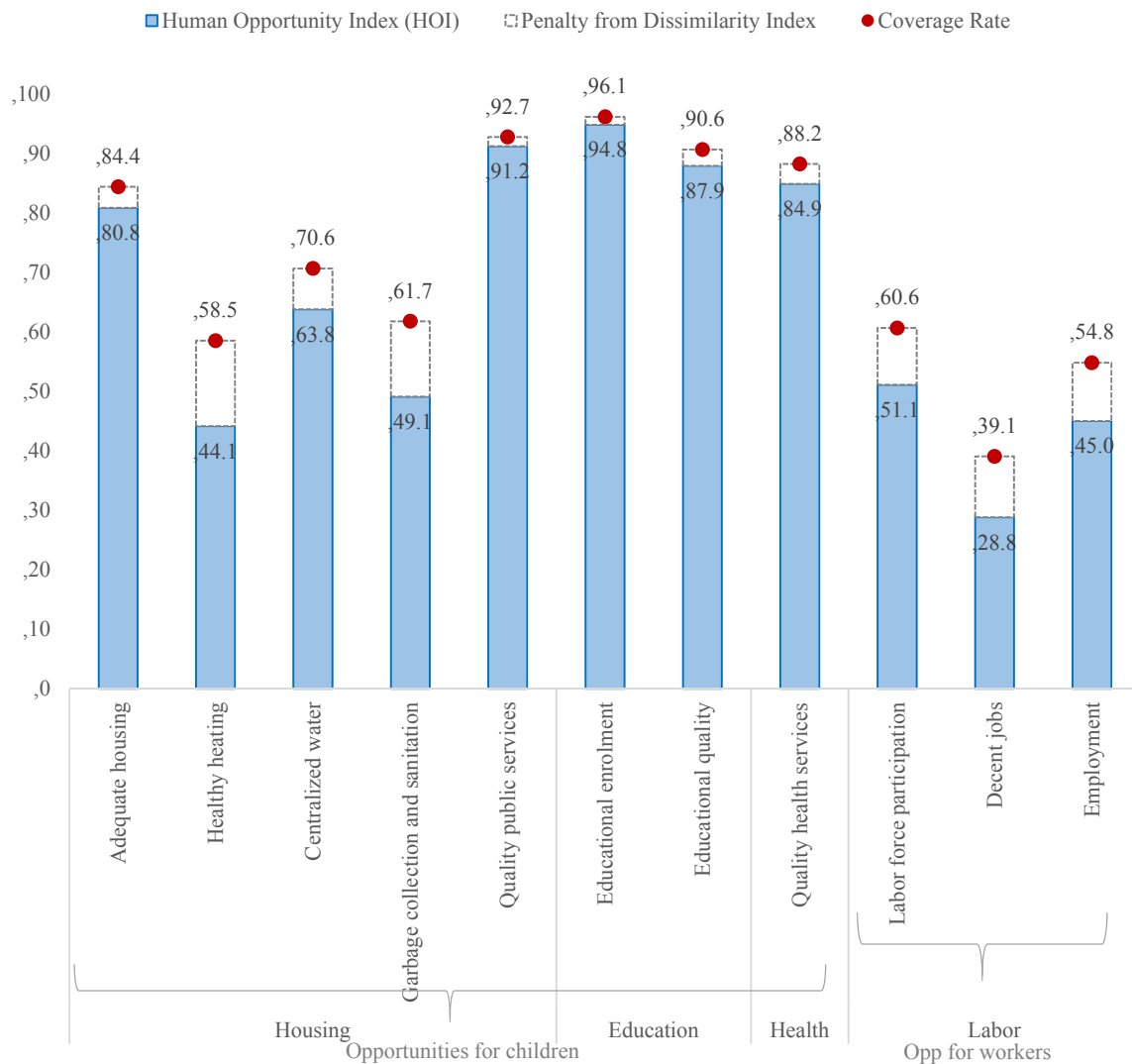
¹⁵ The circumstances considered for access to decent jobs are gender, age, location, educational attainment, marital status, household demographics (household size, whether the household members include young children, children, or elderly), consumption group (quintile), and other household socioeconomic characteristics (receiving family benefits or pensions, and having a household member employed in the public sector).

equality of opportunity to access to labor market participation and access to employment are analyzed.

Inequality of Opportunity in Armenia

Focusing on the housing dimension, HOI is particularly low for healthy heating, and services like garbage collection and quality transport have large penalty factor due to their unequal distribution across circumstance groups. HOI varies significantly for two types of education opportunity – those related to access and enrollment and those related to quality. Children in Armenia fare much better in school enrollment than in quality. The HOI for school enrollment and access is 94.8, while the HOI for education quality is 87.9. Quality of health services (84.9) is lower than quality of education. Of all the labor market outcomes, decent jobs has the lowest HOI (28.8) both because decent jobs are available to only a fraction of workers and the penalty for available jobs is large because they are unequally distributed across circumstance groups.

Graph 2.10: Coverage, Dissimilarity, and Human Opportunity Index for children and workers

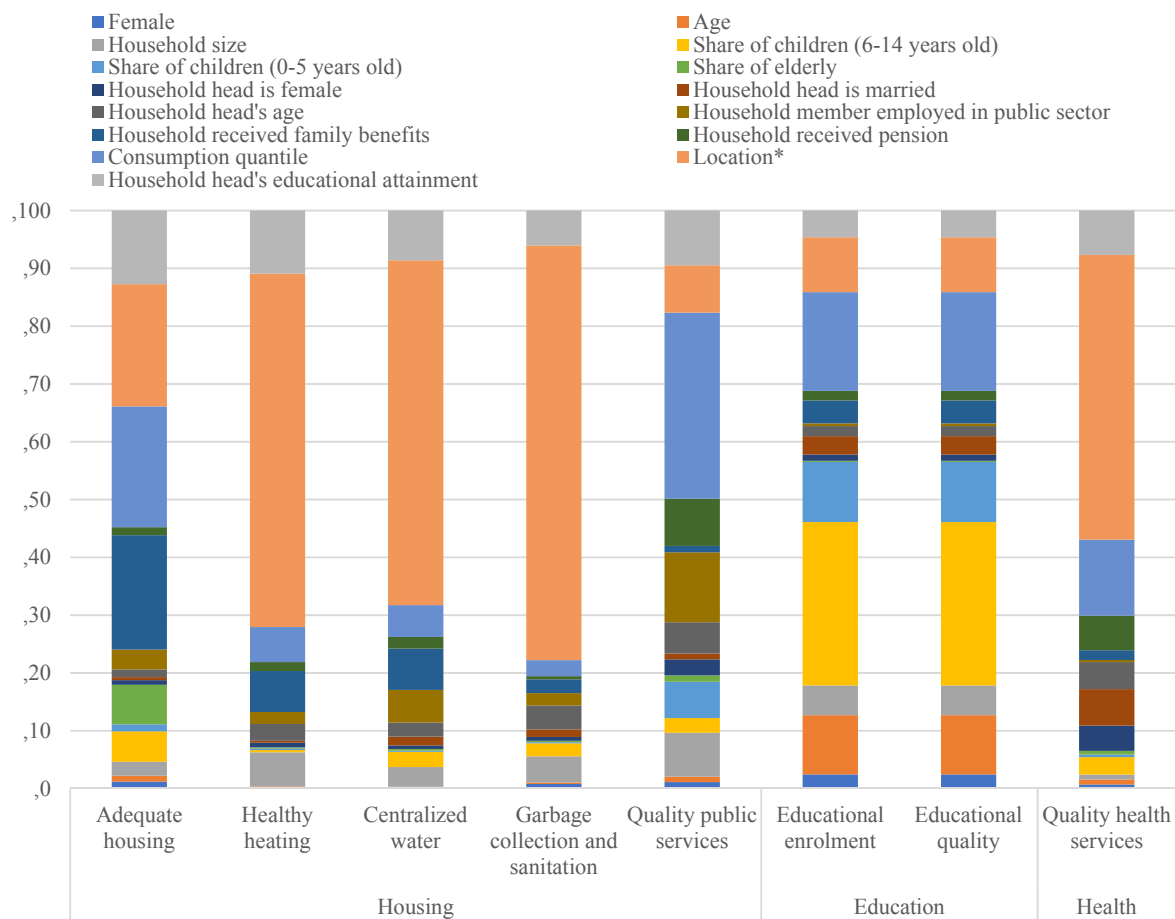


Source: ILCS 2019

To better understand the source of inequality, a decomposition method is applied to the Dissimilarity Index. The method estimates the relative contribution of each circumstance to the total estimated dissimilarity. A striking finding is that where one lives plays a prominent role in access to opportunities (Graph 2.11). For some opportunities, geography plays an overwhelmingly large role; location of residence explains approximately 70 percent or more of unequal access to healthy heating, centralized water, and garbage and sanitation. For the most part, inequality of opportunities is not a function of a child’s gender or age. Surprisingly, household’s living standard does not explain a significant share of unequal access for several indicators. If basic services are not available in a locality, having the financial means to pay for such services had they been available does not significantly increase access.

As discussed earlier, the HOI for labor market outcomes comprises both “fair” and “unfair” sources of inequality. Graph 2.12 shows that a large share of inequality in access to labor market participation, access to employment, and access to decent jobs can be attributed to “unfair” sources. In particular, marital status and location account for a significant fraction of inequality in access to labor force participation and employment, while location and access to public employment are important factors in explaining inequality in access to decent jobs.

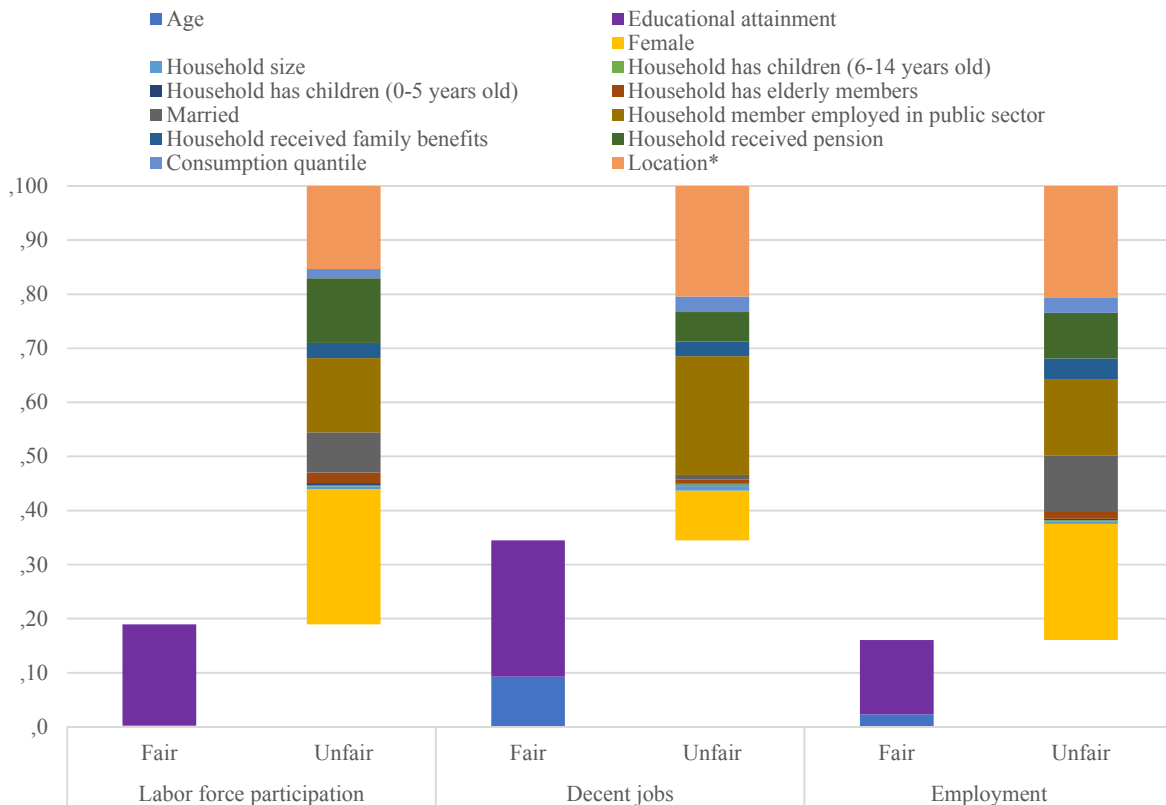
Graph 2.11: Decomposition of Dissimilarity Index in opportunities for children



Source: ILCS 2019

Note: The location variable refers to Yerevan, other urban centers or rural.

Graph 2.12: Decomposition of Dissimilarity Index in opportunities for labor market outcomes



Source: ILCS 2019

Note: The location variable refers to Yerevan, other urban centers or rural.

2.9. Social Exclusions in Armenia

According to the EU approach, material exclusion is the indicator, which reflects inability of the majority of people to obtain some desirable or even necessary goods to live an acceptable level of life. This indicator distinguishes between the people who cannot afford certain goods or services, and those who do not have such goods or services due to other reasons, for instance because they do not want or do not need them.

Within the scope of the twinning project “Strengthening of Armenia National Statistical System – II Phase”, since 2016 all households included in the ILCS fill in the social exclusions module questionnaire in order to develop statistics on social exclusions, and starting from 2018 all questions of that module are included in the ILCS questionnaire. In general, the study of social exclusions supplements the analysis of both monetary and multidimensional poverty, as well as demonstrates the explicit connections between these three different concepts. Findings of the ILCS 2019 demonstrate the level of material deprivation in Armenia.

Starting from 2019, a new set of 13 indicators is used. The deprivation prevalence (consisting of 13 indicators) is counted as follows: the threshold of material deprivation is the presence of at least 5 out of 13 items, and the threshold of severe deprivation is the presence of at least 7 out of 13 items.

Since 2019 the EU collects data on the revised indicators of deprivation, and the ARMSTAT will update its approaches according to the Eurostat methodology in order to maintain comparability.

Accordingly, the ARMSTAT has computed the rate of material deprivation using different thresholds, which are used for international comparisons of severe material deprivation.

Revised deprivation indicators

The table below illustrates deprivation indicators revised by the EU, which are used for data collection since 2019.

Table 2.18 – Armenia: 13 New Indicators of Social Exclusions, 2019

Indicators	Percent of deprived population, by indicator
<i>Cannot afford</i>	
To have at least a one-week annual vacation away from home (the whole household)	76
To replace worn-out furniture, including individual furniture items	74*
To face unexpected expenses of AMD 45.000 paid from own resources (without borrowing or asking for financial assistance)	71
To have an evening out for leisure (sports, cinema, concert etc.) on regular basis (several times a year)	77
To have a meal with meat, chicken, fish (or vegetarian equivalent) every second day	54
A car	48
To spend a small amount of money each week on oneself (without having to consult anyone)	43
To get together with friends/ family/relatives for a dinner/ party at least once a month	49
To have adequate heating at home	49
To timely repay rent or mortgage fees for dwelling	12
To replace worn-out (including old fashioned) clothes by some new, not second-hand ones	30
To own a mobile phone	3
To have Internet connection	24

Source: ILCS 2019

Note: This is the indicator for 2018, as the question “To replace worn-out furniture, including individual furniture items” is missing from the ILCS 2019 for technical reasons.

The data presented in the table below reflect the deprivation rate of the population by the specified number of indicators.

Table 2.19 – Armenia: Share of Households Deprived by at Least the Specified Number of Indicators, 2019

	Percent in the population
Deprived by 1 or more indicators	94
Deprived by 2 or more indicators	87
Deprived by 3 or more indicators	80
Deprived by 4 or more indicators	72
Deprived by 5 or more indicators	63
Deprived by 6 or more indicators	52
Deprived by 7 or more indicators	40
Deprived by 8 or more indicators	26
Deprived by 9 or more indicators	15
Deprived by 10 or more indicators	6
Deprived by 11 or more indicators	1
Deprived by 12 or more indicators	0.1

Source: ILCS 2019

2.10. Poverty in Rural Communities

In 2019, poverty rate in rural communities is higher than the national average (33.2% against 26.4%) (Chapter 2; Table 2.1).

Availability of land: Land ownership plays an important role in the reduction of rural poverty. There are 13.2% landless households living in rural communities with a poverty rate 30.2%. Among owners of land, poverty rate varies between 24.4% and 30.2% (Table 2.20).

Table 2.20 – Armenia: Poverty Rate in Rural Communities, by Availability and Size of Land, 2008 and 2019

(percent)

Size of land (hectare)	2008		2019			
	Extremely poor	Poor (excluded the extremely poor)	Extremely poor	Poor (excluded the extremely poor)	Percent, poor population	Percent, rural population
0	0.5	21.4	2.1	30.2	14.0	13.2
Up to 0.2	1.1	24.3	2.2	30.6	34.8	32.8
0.2 – 0.5	0.9	20.9	0.4	24.4	10.7	12.5
0.5 – 1	1.7	20.5	0.3	22.1	13.7	15.5
More than 1	0.5	28.2	1.1	30.2	26.7	25.9
Total, rural communities	1.4	24.4	1.4	28.3	100	100

Source: *ILCS 2008 and 2019*

2.11. Child Poverty

The data for 2019 depict gender differences in child poverty rates. In particular, 33.4% of girls and 33.7% of boys are poor, while extreme poverty rates are, respectively, 2.8% and 1.8%.

Table 2.21 – Armenia: Child Poverty Rates, 2019

(percent)

	Children below 18	Including		Total (reference) population
		Girls	Girls	
Extreme poverty	2.3	2.8	1.8	1.4
Total poverty	33.6	33.4	33.7	26.4

Source: *ILCS 2019*

Child poverty profile for 2008-2018 is presented in comparison with the data prior to the financial crisis. Table 2.22 provides an overview of the dynamics in child poverty rates, showing that poverty and extreme poverty rates in 2018 were lower (by 0.6 and 0.1 percentage points, respectively) than the respective indicators of 2008.

Table 2.22 – Armenia: Dynamics of Child Poverty Rates, 2008-2018*, 2019**

(percent)

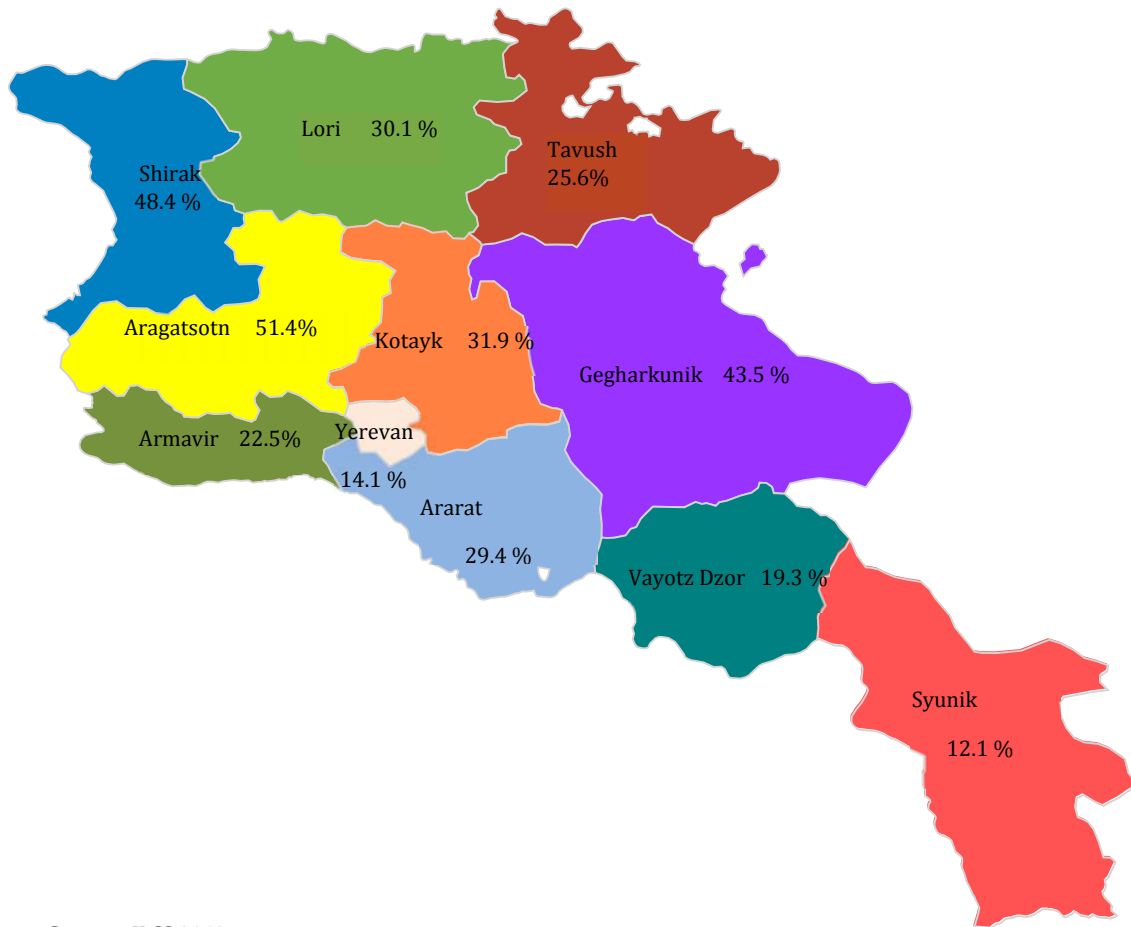
	Extremely poor	Poor (upper poverty line)	Non-poor
2008	1.6	29.8	70.2
2009	3.8	35.7	64.3
2010	3.7	41.4	58.6
2011	4.7	41.9	58.1
2012	3.3	36.2	63.8
2013	3.3	37.3	62.7
2014	3.3	34.0	66.0
2015	2.5	33.7	66.3
2016	2.0	34.2	65.8
2017	2.1	30.8	69.2
2018	1.5	29.2	70.8
2019**	2.3	51.7	48.3

Source: *ILCS 2008-2018, 2019*

* For consistency reasons, the indicators for 2008 have been recalculated as per the methodology used in 2009

** *The indicators have been calculated using the updated poverty measurement methodology based on the ILCS 2019*

**Map 1 – Armenia: Poverty Rate by Consumption Aggregate,
Across Regions and in Yerevan, 2019**



Source: *ILCS 2019*

Annex. Construction of access to opportunities, ILCS 2019

Opportunities	Population of interest	Original variable names in database
Dimension: Housing		
Access to healthy heating	Children	hous_29_1, hous_29_2, hous_29_3, hous_29_4, hous_29_5, hous_29_6, hous_29_7, hous_29_8, hous_29_9
Access to decent housing conditions	Children	hous_47
Access to centralized water system	Children	hous_13, hous_14, hous_15
Access to centralized garbage disposal and sanitation	Children	hous_service_2, hous_service_2, hous_39
Access to decent-quality public services	Children	hous_47
Access to decent transportation opportunities	Children	
Dimension: Education		
Access to educational enrolment	Children	ed_05, age
Access to educational quality	Children	hous_47
Access to educational institutions	Children	
Dimension: Health		
Access to quality health services	Children	hous_47
Access to health facilities	Children	
Dimension: Labor		
Access to labor force participation	Working age population	age, emp_04, est_14
Access to employment	Working age population	age, emp_04, est_14
Access to decent jobs.	Working age population	age, emp_04, est_14, emp_05