



MIGRATION AND HUMAN DEVELOPMENT: OPPORTUNITIES AND CHALLENGES

**ARMENIA
2009**

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FOREWORD

I believe that the time has long come for the reputed UNDP Human Development National Report to address the issues of migration.

Migration trends of varying degrees have always been a part of the Armenian reality, however during the last two decades Armenia saw unprecedented high rates and particular quality of migration flows, which went beyond the normal course of events growing into challenges that alarmingly affect different aspects of our social life. For these very reasons, the solution of migration related issues not only fails to leave the urgent to-do list of imminent challenges faced by the Armenian government but takes on even more significance, as demonstrate the reforms implemented in 2009 within the state migration management system along with the initiative to develop a new strategy for the state policy on migration.

The state management of migration related problems has always called for a complete and thorough analysis as well as solid theory-level generalizations of the migration as a phenomenon to assess its interaction with other aspects and processes of social life along with its potential impact.

I extend my thanks to the United Nations Development Programme for offering ample opportunities to do theoretical research and analysis resulting in the work that I am pleased to present to your attention. Issues such as specifics and potential effects of migration in the context of globalization, the cause-effect relationship between migration, poverty and inequality in our country, issues of migration management from the perspective of human rights protection, role of the remittances by migrants and the Armenian Diaspora in human development as well as comprehensive interplay between migration and human development from the perspective of Armenia's strategic development were given a comprehensive and thorough analysis.

I congratulate the United Nations Development Programme, the team of experts and all persons, who have worked towards the creation of this valuable report and express my hope that it will significantly contribute to enhancing policies adopted by our country in the state management of migration and will bring the issues of migrants to the public eye.



Armen Gevorgyan
Deputy Prime Minister
Minister of Territorial Administration
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PREFACE

The overarching proposition of the United Nations Development Programme (UNDP) is its commitment to accelerate human development through enhanced development effectiveness, strengthened national ownership and reinforced state capacity.

2010 marks the 20th anniversary of the Human Development Report. Since 1990 HDRs have shifted development discourse and provided alternative and innovative analysis on subjects ranging from gender and poverty to globalization, climate change and human mobility.

HDRs spark debates to improve people's lives. What is fundamental to all reports is the concept of putting people first, as first stated in the 1990 report:

“Human development is a process of enlarging people’s choices. The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living. Additional choices include political freedom, guaranteed human rights and self-respect ...”

The 20th Anniversary is a time to take stock, reflect and move forward concepts, measures and key debates around human development. The Human Development Report Office (HDRO) is supporting key new research to review and understand human development gains, and challenges, in a world experiencing unprecedented change. A central theme to the 2010 Global report will be closing the gaps in human development. The 2010 report is expected to generate an agenda for change to significantly advance human development thinking and policies.

The first National Human Development Report for Armenia was published in 1995 and since then it has become a powerful advocacy and policy making tool. It is used to define and highlight major development challenges and opportunities and recommend policy and program responses to address these issues and promote human development.

The main topic of the 2009 NHDR is migration, which is also the theme of the 2009 Global HDR. This demonstrates the importance of the subject matter for the global and national governance and human development. It is obvious that the current global crisis is setting a new thinking about the role of migration in development, the necessity of more flexible mechanisms of migration management, and the role of governments in this management. For Armenia these problems seem to be of particular acuteness as the crisis has badly hit the country.

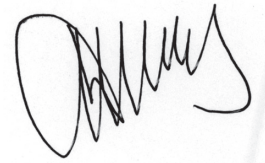
There are number of development, stability and security threats associated with the current deep economic recession which could be further exacerbated by the change in the migration situation in Armenia and in the whole CIS region.

Therefore, a thorough assessment and analysis of the underlying reasons for the dynamics and trends in migration and their impact on the poor and vulnerable groups of the population is of utmost importance. Such an analysis will define capacity assets and gaps and will recommend policy and program responses towards enhanced performance of public institutions and improved quality of services.

UNDP Armenia is well positioned to support the government in its efforts to establish flexible mechanisms of migration management and to reinforce state capacity to address the impact of the crisis and consequences of the changing trends in migration through targeted policy making and implementation.

We hope that this report will serve as a valuable platform for broad-based public dialogue and consultations on the necessary legal and institutional reforms in this area.

On behalf of UNDP, I would like to extend my sincere thanks and deep appreciation of the dedicated, professional and hard work of the team who produced the report and to acknowledge the valuable contributions provided. We welcome your feedback and look forward to our continuous cooperation in the future.



Dafina Gercheva
UN Resident Coordinator
UNDP Resident Representative

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Preparation of the National Human Development Report 2009 would not have been possible without the support and valuable contribution from different organizations and individuals.

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Thankful for all the support that they have received, the authors assume full responsibility for the opinions expressed in the Report.

ABBREVIATIONS

ADB	Asian Development Bank
AST	Advanced Social Technologies
CBA	Central Bank of Armenia
CIS	Commonwealth of Independent States
CRRC	Caucasus Research Resource Center
EAP	Economically-active population
ECA	Europe and Central Asia
EU	European Union
GDP	Gross Domestic Product
HC	Human Capital
HD	Human Development
HDI	Human Development Index
IDHR	Institute for Democracy and Human Rights
IDP	Internally Displaced Person
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IOM	International Organization for Migration
IT	Information Technologies
MIC	Middle-income Countries
NGO	Non-governmental Organization
NHDR	National Human Development Report
NRM	National Referral Mechanism
NSS	National Statistical Service
OSCE	Organization for Security and Co-operation in Europe
PAP	Participatory Assessment of Poverty
PRSP	Poverty Reduction Strategy Paper
SAC	Special Accommodation Center
SC	Social Capital
SDP	Sustainable Development Program
TACIS	Technical Aid to the Commonwealth of Independent States
UAE	United Arab Emirates
UN	United Nations
UNDP	United Nations Development Programme



UNFPA	United Nations Population Fund
UNHCR	UN High Commissioner for Refugees
USA	United States of America
USAID	United States Agency for International Development
USD	United States dollar
USSR	Union of Soviet Socialist Republics
WB	World Bank
WHO	World Health Organization

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EXECUTIVE SUMMARY

Armenia and the Armenian people have always been engaged in migration processes. In the last two decades, though, the migration flows related to Armenia, by virtue of their obvious intensity, started to affect the country's public life and development in an unprecedented manner and still require a comprehensive and profound study. There are still varying or often even inconsistent perceptions of the nature, directions, scale, and impact of migration flows, which are reflected not only in the public opinion on migration, its causes, and consequences, but also in the conduct of state institutions and officials empowered to regulate migration.

The purpose of the 2009 National Human Development Report (NHDR) entitled "Migration and Human Development: opportunities and challenges" is to contribute to clarifying the causal interplay between migration and a number of acute issues faced in public life in Armenia. NHDR consists of five chapters dedicated to the following issues concerning migration flows related to Armenia:

- Migration trends in a globalizing world in the context of human development (HD);
- Causal interplay between migration, poverty, and inequality;
- Relationship between migration governance and human rights (HR);
- Role of migrants' remittances and the Armenian Diaspora in the HD process; and
- Relationship between migration and current HD trends.

Chapter 1. Migration Trends, Globalization, and Human Development

The introduction to this chapter addresses migration patterns and trends in a globalizing world. The assertion is that, by virtue of immigration barriers of destination countries, the impact of globalization on migration is much weaker than in all other respects. The chapter notes that the current selective immigration policy of developed countries, while promoting their development, has an ambivalent impact on socio-economic realities of source countries, in fact to some extent even undermining their development potential. The international migration process is accompanied with rising irregular migration and trafficking.

It is predicted that global migration volumes will hardly grow in the foreseeable future on the backdrop of the immigration barriers and the persisting global financial crisis. The important constructive impact of migration on HD is presented, emphasizing that its potential is still not utilized to the fullest. Recent years' statistics on global migration processes are presented in the chapter.

The remainder of the chapter is dedicated to analyzing the evolution of Armenia's migration situation. The changes in Armenia's external and internal migration situation over the 20 years preceding the declaration of independence are first presented, followed by a detailed overview of migration flows caused by external exigencies before and after independence, due to which the country's population shrunk by about 30% during the period from 1988 to 2001. It is highlighted although this outflow, caused directly by exigencies, has led to adjustment and stabilization in some ways, it has also resulted in the marginalization of a significant share of the active public from the country's domestic issues, subsequently giving rise to some of the negative traits of the present-day political, social, and economic systems.

The final part of this chapter analyzes the current situation and development prospects of external and internal migration in Armenia. The following two characteristics of the external migration situation are revealed:

Firstly, a stable mass of temporary labour migrants has emerged, which consists of 15,000-17,000 persons moving abroad every year.

Secondly, there is small-scale permanent external migration, which, too, sees about 8,000-10,000 persons move abroad every year.

It is noted that the domestic migration situation has not changed considerably, despite the strong economic growth of the 2000s. Domestic migration flows remain insignificant, and contain virtually no element of labour migration.

The conclusion regarding the prospects of Armenia's migration situation is that, in the absence of articulate trends, the only certainty is that, in the years ahead, the global financial crisis will decisively influence the shape and alteration of both external and internal migration flows in Armenia and the rest of the world.

Chapter 2. Poverty, Inequality, and Migration

This chapter reviews some of the most pressing issues for Armenia and the modern world, including the interplay between migration, poverty, and inequality, in the context of the last two decades' socio-economic and migration situation in Armenia.

The *first part*:

- Presents the severity of migration, poverty, and inequality issues for Armenia and the recognition of their importance by the Armenian authorities and international organizations;
- Based on the analysis of the historical evolution of the concepts of “poverty” and “inequality,” the impermissibility of a purely economic approach to these concepts has been emphasised, and the definitions of poverty and inequality presently accepted by reputable international organizations and the leading countries, which have overcome the traditional economic approach, are proposed as guidance for pragmatic governance.

The *second part* presents the causal links between migration, poverty, and inequality during certain phases in the period from the 1980s to 2009. For each phase, there is an overview of the nature and causes of the respective migration flows (including domestic and external flows), the socio-economic situation of groups involved in migration, and the interaction between migration and the situation of such groups.

The conclusions highlight many of the objective and subjective factors upsetting the efforts of the Armenian public administration system to implement effective policies for regulating migration and eliminating poverty and inequality.

Chapter 3. Migration Management and Human Rights

The first section of this Chapter (“Migration Management”) is dedicated to the goal, objectives and general structure of the migration management system; the linkages between migration, development and human rights; the active role and general responsibility of states in the protection of migrants' rights; the international human rights instruments and the fundamental rights and obligations of migrants under such instruments. The ***comprehensive conceptual model of migration management*** proposed by the International Organization for Migration is presented as a universal model of migration management systems.

The second section, which is called “Rights of Migrants in the Republic of Armenia,” addresses:

1. The migration policy implemented in Armenia in terms of the coverage of migrants' rights;
2. The administrative organization of the migration management system, with a focus on the lack of a single state body coordinating migration management in Armenia;
3. The domestic legislation on migration from the standpoint of its compliance with the international legal instruments on migration; the provisions of the Armenian legislation concerning migrants' rights were reviewed separately in the areas of general human rights, citizenship, immigration, residency, status of foreigners, irregular migration, labour permits, labour migration, labour emigration, asylum and refugees, migrant data protection, exit, emigration, protection of the rights of Armenian citizens abroad, return and readmission of citizens, forced labour, trafficking, smuggling and so on; and
4. The actual protection of migrants' rights in Armenia, highlighting that Armenian policy-makers do not view migrants (with the exception of refugees) as a vulnerable social group.

The last section, called "Conclusions and Recommendations," draws the attention of those responsible for migration management to the fact that, in order for the state regulation of migration to be improved, the following needs to be in place –

- Development should not be viewed as a purely economic phenomenon - development and human rights are closely interconnected
- Human rights should be respected in the migration process in order for the benefits of growth to be harnessed
- Migrants should be viewed as a vulnerable social group
- Armenia [as primarily a source country of migration] should ratify the international treaties on the protection of labour migrants
- Special shelters should be created in Armenia for holding foreigners
- Human rights should be clearly reflected in the strategic documents on migration policy - such documents should focus on human development
- The activities of administrative structures dealing with migration should be properly coordinated
- Lawful labour migration opportunities should be created for the Armenian labour force by means of facilitating Armenians' free movement abroad, especially in the EU
- Special institutions (such as labour attachés in diplomatic missions of Armenia) should be created to protect the rights and interests of Armenian migrants abroad
- A system should be implemented to create comprehensive data on migrants
- The international commitments of the Republic of Armenia in the field of protection of migrants' rights should be honoured, and so on.

Chapter 4. Remittances of Migrants; the Role of the Diaspora in Human Development

This chapter dwells upon the role of migration and remittances and their impact on human development (HD), including economic development, and aims at exploring the relationship between remittances, the Diaspora, and HD.

The *first part* presents remittances as a key source of external financial flows. The recent years' trends of remittances and future expectations are addressed. Remittance trends in real terms have been assessed using two different methods (adjusted by changes in exchange rate and inflation) and have been compared with the remittances in nominal terms. The impact of the global financial crisis on remittances has been discussed. The structure of remittances is reviewed by migrant groups, remitting frequency, migrant destination countries, spending priorities, and savings. The remittance savings potential has been estimated here.

The *second part* addresses the impact of remittances on HD, as well as poverty and economic development. The share of remittances in household income is presented. The impact of remittances on household spending, savings, and investment is estimated using econometric analysis methods. The potential impact of remittance growth on the percentage shares of expenses, investments, and savings in total structure of use of remittances has been also estimated. Besides the econometric/regression analysis comparative analysis with control groups was conducted as well.

The sustainability of the impact on poverty and development is measured from the standpoint of the remittance-receiving household investment behaviour and their investment propensity; ways of efficiently capitalizing on this propensity have been discussed.

The impact of remittances on education spending and the remittance-based saving potential for education and health care purposes are estimated.

The *third part* dwells upon the Diaspora's role and impact on economic and human development in Armenia in terms of attracting direct investments and engaging the Diaspora itself in such investments.

The *fourth part* analyzes the problems caused by the absence of a complex state policy on migration and a framework for better channelling the economic potential of migration.

The "Conclusions and Recommendations" section contains a number of recommendations outlining priority directions for solving the identified problems.

Chapter 5. Current Trends in Human Development in Armenia

This chapter analyzes aspects of the interplay between migration and HD, which strongly affect the current nature and trends of the migration processes in Armenia.

This chapter consists of four parts.

The *first part* provides an overview of the main features of contemporary *development theories*, their evolution, and the HD theory in their context. The HD theory has been compared with the *economic development* or *human potential* or *capital* development theories, and the main differences have been highlighted. Unlike the other two theories, which are based on an economic approach, the HD theory views growth and human capital development as tools for enhancing opportunities and freedoms for the human being, rather than as means for developing the economy, and the declared primary objective is human, rather than economic development.

The *second part*:

- Dwells upon the issues of human capital development and realization in Armenia, and reveals the relationship between the human capital development situation and migration processes in Armenia in recent years
- Highlights different qualities of the *social capital* earned in Armenia during the transition period and their impact on the migration processes. The peculiarities of the situation in Yerevan and the regions have been analyzed.

The *third* part :

- Addresses the impact of the last two decades' migration processes on the current HD situation and its future prospects, with a particular focus on how migration contributes to the build-up of qualified human capital at the levels of the individual and society
- Discusses, in separate subsections, the positive and negative aspects of the impact of migration in the context of the challenges to Armenia's strategic development.

The *fourth* and last section summarizes the main findings and conclusions of the analysis and presents the migration-HD interplay, the possible trends, and HD policy priorities that need to be adopted in order to regularize migration and prevent its negative effects on the country's development. Other strategic recommendations on migration policies have been made as well.

Basic Facts of the Republic of Armenia, 2008

General¹

Area:	29,743 square kilometres
Capital:	Yerevan; population 1,111,300 (2008)
Official language:	Armenian
Religion:	Armenian Apostolic Church
Currency:	Dram (AMD)
Fiscal year:	January-December

		2006	2007	2008
Population, thousand, at yearend		3,222.9	3,230.1	3,238.0
Gross Domestic Product (GDP)	AMD billion	2,656.2	3,149.3	3,646.1
	US \$ million	6,384.5	9,206.3	11,916.6
GDP per capita	AMD thousand	824.6	976.1	1,127.4
	US \$	1,982.1	2,853.3	3,684.8
GDP structure, % of total	Agriculture	18.7	18.3	15.9
	Manufacturing	17.2	15.0	13.1
	Construction	23.7	24.5	26.9
	Services	31.9	32.2	33.0
External public debt, US \$ million		1,205.6	1,448.9	1,577.1
Average monthly nominal wages, AMD		62,293	74,227	87,406
Average monthly pension, AMD	Assigned	10,912	12,746	21,370
	Social	5,495.9	5,455.0	8,655.6
	Insurance	11,380.7	13,379.7	22,556.0
Average annual consumer price index, % of previous year		102.9	104.4	109.0
USD/AMD exchange rate		416.04	342.08	305.97
EUR/AMD exchange rate		521.20	467.81	450.24
Consolidated budget revenues, AMD billion		533.4	698.3	800.8
Consolidated budget expenditures, AMD billion		567.8	746.8	827.4
Exports (including services), % of GDP		23.4	19.2	14.7
Imports (including services), % of GDP		39.3	39.2	39.8
Population dependency ratio, %		52.1	48.9	47.3
Child mortality (per 1,000 live births)		13.9	10.9	10.8
Maternal mortality (per 1,000 live births)		26.6	15.0	38.8
Adult population literacy rate (ages 15 and above, as per the 2001 census, % of total population of same age)		99.4	99.4	99.4
Enrolment in all types of primary, secondary, and tertiary educational institutions (% of the 6-22 YO population)		65.5	64.4	65.7
Economically active population, thousand		1,181.3	1,184.3	1,192.5
Average annual number of the employed, thousand		1,092.4	1,101.5	1,117.6
Officially registered unemployment, %		7.5	7.0	6.3

¹ Source: National Statistical Service, unless otherwise indicated. Changes in previous years' indicators are due to adjustments of statistical information.

INTRODUCTION

A number of concurrent economic, military-political, social and other factors drew Armenia into turbulent currents of migration during the last two decades. According to the estimates of experts, **700,000-1,300,000 people** (22-40% of Armenia's 2008 nominal population) left Armenia and settled abroad during 1990-2005 alone.² Besides the quantitative impact, such an unprecedented external movement (especially emigration) of a large percentage of the country's total population has affected public life and development in a number of clearly alarming ways, including, most importantly:


- 1. Socio-demographic consequences:** The obvious prevalence of able-bodied men of reproductive age in emigration flows has distorted the demographic balance in a number of areas, leading to an abrupt decline in the birth rate (compared to about 80,000 births in 1990, the birth rate fell about 2.5 times by 2001-2002, and started slowly recovering only in 2003). Not only has the number of marriages fallen, but the number of divorces has also risen (the divorce-to-marriage ratio grew from 11.8% in 2003 to 16.1% in 2007³). Due to a higher divorce rate, the number of children without parental care is growing, triggering an increase in the prevalence of social orphanhood among children whose parents are alive. The mortality rate has grown. The population percentage share of the elderly, including that of the abandoned elderly and persons with disabilities in need of care, has increased significantly (the share of persons above the working age in Armenia's population has reached 12%⁴). The general consequence of these phenomena is that the country's population growth rate shrunk about 5-fold in 2004 relative to 1990.
- 2. Socio-economic and political consequences:** Poverty has become widespread in the country. The emigration of the more active and highly-qualified part of the population reduces the speed of development of society. Slow reproduction of the population fails to secure a sufficient number of people to replenish the country's army, thereby undermining the nation's defence. There are not enough children for the education system, which leads to a reduction in the number of educational institutions and rising unemployment among education professionals. There is not a sufficient number of consumers of goods and services in order to achieve an effective volume of production and social service infrastructures to circulate resources needed for the socio-economic development of the country.
- 3. Moral-psychological consequences:** People are becoming more likely to emigrate, more indifferent towards the future of the country, less likely to struggle for the country's development or against injustice and violations of law, more tolerant of negative phenomena, passive, and too focused on just consumption, all of which facilitates the rapid proliferation of numerous negative phenomena and an increase in the number of violations of human rights and freedoms.

In addition to the general impact on public life, migration negatively influences specific migration flows and groups of migrants in a variety of ways. In the last 20 years, migration flows out of Armenia have been loosely regulated - irregular migrants have accounted for a large share of emigrants, and the vast majority of emigrants have been labour migrants. These

2 OSCE and Advanced Social Technologies, Labour Emigration from Armenia during 2002-2005, joint survey.

3 Statistical Yearbook of Armenia 2008, p. 43.

4 Ibid, p. 28.



factors create a number of problems for the migrants and their family members, such as possible abuse during migration and return, encroachments on migrants' rights (including employment rights) in destination countries, and difficulties related to the safe movement of funds earned through labour emigration, their effective use, and the achievement of human development for migrants and their family members.

The aforementioned problems have posed the following key challenges of policy and governance before the Armenian state:

1. Creating a situation (through appropriate policies) that will considerably reduce the motivation of Armenia's population to leave the country and increase the motivation for return; and
2. Developing a framework of state regulation of migration, proportionate with the intensity and complexity of the migration problems faced by Armenia, which will help to minimize the negative impact of migration and maximize the positive contribution of migration to public life.

Migration also has a positive impact on public life, which, however, is often perceived differently by different groups of society, specialists, and policy makers; there is still a lack of clear-cut attitudes towards migration, which could underlie policies of state regulation of migration. The interplay between migration, various aspects of public life, and the existing key issues had to be analyzed comprehensively in order to demonstrate the negative as well as positive impact of migration on human development. These are the reasons why the 2009 National Human Development Report entitled "Migration and Human Development: opportunities and challenges" sponsored by UNDP and prepared by independent national experts, is dedicated to migration problems and processes in Armenia. NHDR aspires to carry out an in-depth analysis of migration in Armenia from the standpoint of development, promoting the discourse around migration and related policies, and contributing to the development of effective policies to regulate migration.

NHDR 2009 will hopefully help to improve the understanding of migration processes and their interplay with other key aspects of public life by policy makers and stakeholders. It will draw public attention to migration processes and other urgent issues closely related to migration and encourage action to resolve the remaining issues.

Chapter 1

MIGRATION TRENDS, GLOBALIZATION AND HUMAN DEVELOPMENT



CHAPTER 1. Migration Trends, Globalization, and Human Development

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Introduction

Globalization, a complex process of global economic, political, and cultural integration and unification, has led to not only the global distribution of labour, the more free and extensive movement of capital and production resources across countries, the standardization of legislative, economic, and technological processes and the cultural approximation of countries, but also the migration of the population. In most contexts, globalization is considered to have contributed to the higher migratory mobility of people.

Present-day realities of the global migration process, however, support the assertion that migration has been affected by globalization much less than the other processes mentioned above.

Undoubtedly, this situation cannot be explained by a relative decline in people's mobility or in migration activity, or people becoming more non-migratory. Rather, a key factor has been the tightening of restrictions on migration, primarily at the international level (host countries posing greater barriers to immigration). Presently being more rigid than before, they hinder large-scale movement of migrants.

Thus, globalization has so far affected migration in the following way: the number of people willing and ready to emigrate has grown on account of the fact that the more liberal and rapid dissemination of information has made it obvious that there are disparities and inequalities between regions in terms of development, and that migration to another country augments the human development choices available to people in all material respects.

The vast supply of potential emigrants leads to negative consequences for the "emigrant-exporting" countries, of which the following two warrant special attention.

First of all, this situation creates a favourable environment for destination countries to

conduct differentiated immigration policies to promote certain categories of immigrants (highly-qualified specialists, people in the active employment and reproduction age groups and the like) and to hinder the entry of "the undesirable" (low level of education and professional qualification, older persons and the like). It is obvious that this conduct, promoting the "brain drain" aspect of emigration, contributes to the development of destination countries at the expense of the development potential of source countries.

This situation gives rise to the most serious concern around present-day international migration - the fair distribution of the benefits of migration mobility between rich and poor countries, which most experts consider even more urgent than the opening of borders.

Nonetheless, a part of the emigrant wave somehow illegally overcomes the aforementioned barriers and ends up as irregular migrants with all the ensuing consequences (trafficking and other crime, deprivation of fundamental human rights, and so on).

By hindering the inflow, developed countries are effectively predetermining the source country structure of flows - while immigrants tend to concentrate in developed countries, over half of the international flows of developing countries aim at other developing countries. Only about 20-25% of the emigrants from Armenia have settled in developed countries (to a small part, the emigrants that settled in Eastern European countries that later joined the EU). The remaining part, i.e. the vast majority of the emigrants from Armenia, moved to post-Soviet countries, mostly the Russian Federation.

The impact of globalization cannot be maximized, if only a part (apparently, a small part) of the migration potential is realized. There is vast potential, which can contribute greatly to global progress, including human development, as proven by the fact that mi-

gration mobility, like all the other types and forms of human mobility (social, educational, labour, and the like), is development-centred and is planned and carried out, often successfully, in order to increase the possibilities for the emigrants and their family members.

Based on the current trends (including, first and foremost, changes in the immigration policy of developed countries that are the most desired targets for international migrants), significant alleviation of entry barriers is unrealistic at this point; moreover, further tightening cannot be ruled out.

The likelihood of further tightening of entry barriers instead of their alleviation is illustrated by the fact that the Italian Parliament is currently reviewing draft legislation submitted by the Government to criminalize irregular migration and to prescribe appropriate sanctions for it.

Therefore, it is not unreasonable to believe that, in the near term, global migration volumes will hardly grow, especially in relative terms. Moreover, on the background of the current financial and economic crisis, the external and domestic migration activity of the population is likely to diminish, though not for a long period (at least until the crisis is fully overcome).

Besides the aforementioned entry barriers and differentiated immigration policies, international migration is currently characterized by the following trends:

- *The aspiration to move to countries providing for a higher degree of human development;*
- *The formation and strengthening of rather stable ties between countries of geographic or cultural proximity;*
- *The minimization of differences between the engagement of men and women in migration flows; and*
- *The rather small scale (7-10%) of*

flows caused by conflicts and their disproportionate consequences (in the case of Armenia, they accounted for about 17% of the aggregate external migration flows in the 1990s).

Migration mobility may change in the foreseeable future on account of factors such as socio-economic, demographic, technological, political, and geopolitical shifts. More specifically, the list of potential factors may include ever-increasing inequalities, faster growth in the majority of the emerging regions, falling costs of transport and information, ageing of the population of developed countries, public perceptions of territorial mobility (positive, negative, constructive or destructive), and the attitude of individual states.

Migration mobility is a constructive factor, because it usually enhances the possibilities of more dignified existence and access to more effective health care, education, and knowledge, eventually to lead to greater human freedoms in these and other respects, and ultimately, to human development. Alongside this, however, it should be noted that the pattern typical of international migrants is not necessarily manifested in all of the individual states, especially in the source societies.

Considering that, as a rule, migration mobility is more typical of the members of society that are relatively more mobile and active in all the other respects, as well, massive migration flows affect the condition of the non-migrant population in not only positive, but also negative ways - massive emigration, for instance, involves the active elements of society, reducing society's creative potential, its economic and social "resilience" and thereby hampering economic, social, and political processes. In spite of sizeable remittances from emigrants to their source countries, the latter face the risk of stagnation in economic and human development, complicated by various other negative phenomena and trends. The non-migrant part of society

may develop a certain long-term “dependence” on the money transferred by migrants, which in various ways contaminates not only the economy, but also social and political life. In other words, the greater freedom obtained by migrants as a result of their migration may either enhance or curb the freedom of the non-migrants. Both of these processes are currently happening in Armenia, and it is hard to measure which one prevails.

This fact, taken together with information on the volume and the different effects of the various types and flows (domestic versus international, voluntary versus forced, permanent versus temporary, labour versus education) of migration, necessitate a comprehensive and thorough review and analysis of all the aspects of migration.

This principle has been applied in the following analysis of Armenia’s migration processes and the changes in the migration situation.

Box 1.1. International Migration in Numbers¹

According to estimates of experts, the total number of international migrants grew by 36 million (23.2%) relative to 1990 to reach 190.6 million in 2005. Of them, 60.5%

(115.4 million people) resided in developed countries and 39.5% (75.2 million people) in developing countries. About 14% of the latter (10.5 million people) were in the least developed countries. Despite this increase, the relative number of international migrants (ie share in the total population of the world) remained the same over the last 50 years at about 3%.

About one-third of the international migrants moved between developing countries. Another approximate one-third moved from developing to developed countries. In other words, the “South-North” and “South-South” flows of migrants had approximately the same volumes.

According to Figure 1.1 above, the largest number of international migrants was concentrated in Europe as of 2005 (more than one in three, or about 64.1 million people). Asia and North America accounted for 53.3 and 44.5 million people (about 28% and 23.3%), respectively. On this background, Africa has a rather modest share of 17.1 million people (about 9%). Even smaller are the shares of Latin America and the Caribbean (6.8 million or 3.6%) and Oceania (5 million or 2.6%).

In relative terms, migrants are more represented in Oceania, where 2 out of 13 residents are migrants, as well as in North America (2 out of 15) and Europe (one in 11). As for the other regions, migrants account for less than 2% of their total population (see Figure 1.2).

¹ Compiled on the basis of the paper by Ekaterina Scherbakova published in the electronic version of the 1-21 January 2007 (number 271-272i) Naselenie i Obshestvo newsletter of the Demography and Human Ecology Centre of the Demographic and Economic Projections Institute of the Academy of Sciences of the Russian Federation (demoscope@demoscope.ru).

Figure 1.1 Geographic Distribution of International Migrants (million persons)

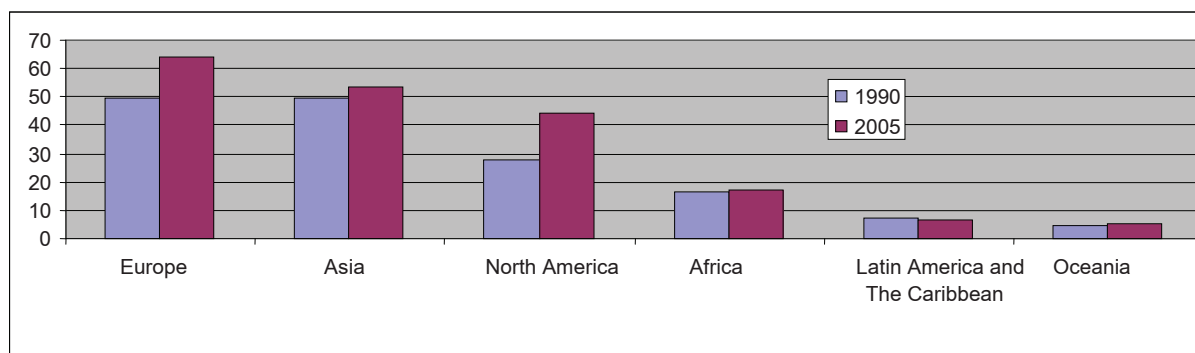
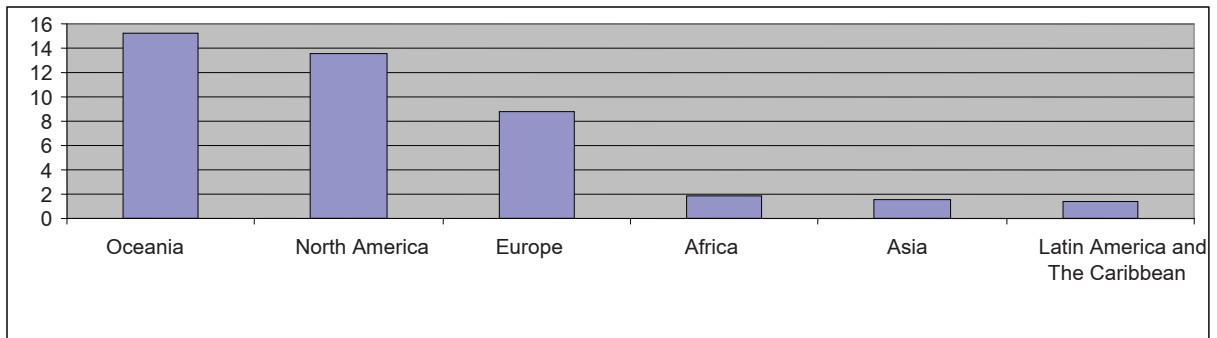


Figure 1.2. Share of Migrants in Total Population (%)



Refugees are a special category of international migrants. Interestingly, from 18.5 million in 1990, their number fell to 13.5 million in 2005. Most of them (10.8 million) are concentrated in developing countries; 2.4 million are in the least developed countries. The number of refugees fell, because 21.5 million refugees (including 6.9 million from Afghanistan) voluntarily repatriated during the same period. Nevertheless, Asia remained the “leader” in terms of the number of refugees (7.8 million). About three and two million refugees, respectively, are concentrated in Africa and Europe. Another approximate 600,000 are in North America. Thus, 2.6 million refugees resided in developed countries in 2005, excluding the ones that had already changed their status. According to the data of the UN High Commissioner for Refugees, 6.1 million asylum applications were lodged during 1994-2004 (79% in Europe, mostly in the UK, Germany, and France; 20% in North America; and the rest in Australia, Japan, and New Zealand). 40% of the asylum-seekers were from Asian countries, mainly Afghanistan, Iraq, and Turkey; about a quarter were from Europe, mostly the former Yugoslavia; another approximate one-fifth were from Africa and the rest were mainly from Central America. According to the UNHCR, only 28% of the asylum-seekers got temporary status or temporary residence permission during 1994-2003. To conclude, refugees accounted for only 7.1% of the total number of international migrants; interestingly, the number

was only 2.3% in developed countries against 14.3% in developing and 23% in the least developed countries. In terms of the continents, their share was the highest in Africa (17.7%) and Asia (14.5%). In Europe, it was only 3.2%. As for the other regions, the share was generally even lower, 1.4%.

A significant part of the arriving foreigners are not recorded as labour migrants. However, regardless of the admission category, the majority of migrants eventually start to work. According to data from the International Labour Organization, about half of the international migrants (95 million people) work.

Destination countries, primarily the developed ones, admit the majority of foreigners as immigrants with the right to permanent residence, which implies economic and social rights equal to those of citizens. After several years of residence, this is usually followed by naturalization (adoption of citizenship). The bulk of the immigration flows to developed countries is from developing countries. Immigrants are admitted on the basis of the following three main features:

- The existence of close relatives already established in the country - family reunification;
- Having a required profession; or
- Being a refugee or in need of humanitarian assistance.

Figure 1.3. Breakdown of 1990-2002 Immigration Flows by Admission Grounds (%)

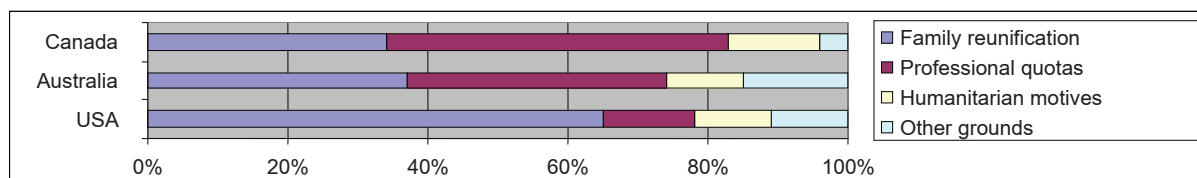


Figure 1.3 clearly reflects the breakdown of the admission grounds in three of the main destination countries. In addition, it should be noted that the share of flows on the basis of family reunification has fallen, while that of professional quotas has increased in recent years (best illustrated in the cases of Australia and Canada).

Women's involvement in international migration has tended to grow: from 47% of the total number of migrants in 1990, the number rose to 50% in 2005. The share of female migrants is growing faster in the developed regions. In 2005, they accounted for 53.4% of migrants to Europe, 51.3% of migrants to Oceania, 50.4% of migrants to North America, and only 47.4% and 44.7% of migrants to Africa and Asia, respectively. The increase in women's share is partially due to the prevalence of women in the outflows from the emigration-active region of South-East Asia - in 2003, they accounted for 66.1% of the labour migrants from Sri Lanka and over 79% of those from Indonesia.

For many of the women, migration is a means of expanding their rights and opportunities. On the other hand, though, the risks to women are usually much higher than those to men (women are more prone to trafficking).

Box 1. 2. General Overview of International Labour Migration Flows

Many countries admit foreigners only for employment purposes. Usually, they are granted the right of temporary residence and employment in the host country (often, to perform certain work with a specific employer without the possibility of changing). Non-qualified labour migrants are normally

not allowed to bring their families along. Unlike many, highly-qualified experts are often allowed to do so.

Host countries presently apply a series of employment migration programs. In addition to programs to attract "certain workers," the following categories of employment programs exist for foreigners:

1. Interns or on-the-job trainees;
2. Seasonal workers - foreigners with work permits for up to one year, who are obliged to leave the country every year at least one month prior to the expiry of the term;
3. "Free time workers" or young people from certain countries that may work during the 2-3 years of their visit to the host country; and
4. Employees of transnational corporations, which continue to work in the same corporation after migrating.

Temporary work migration programs are becoming increasingly more widespread in developed countries: as a rule, the number of people engaged in these programs is growing rapidly. In the 1990s, it grew four-fold in the USA, tripling in Australia, and doubling in the UK.

The majority of temporary workers in Continental Europe are seasonal labourers. In contrast, their share in the UK and the USA is insignificant. Countries like Australia, New Zealand, and Japan do not admit seasonal workers altogether.

The total number of immigrants to Greece, Ireland, Spain, Italy, and Portugal rose by 6.4 million relative to 1990 to reach 9.6 million in 2005.

Labour immigration intensified also in countries of Eastern Europe, especially in

the new members of the EU (164,000 immigrated to the Czech Republic and 43,000 to Hungary in 2003, for instance).

The number of work permits issued in Russia during 2000-2004 doubled to reach almost 400,000.

The labour migration situation is unique in the six countries that make up the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates). As of 2005, they had received a total of 12.8 million labour migrants (mostly from other countries in the region), which amounted to 60-90% of the total number of employed persons in the individual host countries. Besides, countries like Hong-Kong, China, the Republic of Korea, Singapore, Taiwan, Thailand, and Vietnam have become labour migrant “pull” centres in Asia in recent years.

In Africa, a foreign labour force is used in the mining industry of South Africa (about 58% of the total labour force), Cote d'Ivoire, Gabon, and Libya.

The rising demand for a qualified labour force has compelled countries to engage policies of attracting foreign experts. A total of 30 countries (of which 17 are developed countries) have such programs. The USA, for instance, has three programs to attract experts and one program to attract highly-qualified workers: in 2000-2003 alone, over 200,000 people entered the US under these programs. During the same period, Japan received 139,000 and Australia 44,000 trained experts in the same manner.

1.1 Migration Processes in the Pre-Transition Period

The pre-transition period migration flows of Armenia should be reviewed in order to make a more complete and justified assessment of the various qualitative and quantitative aspects of the migration situation in the post-Soviet period. This logic underlies the structure of the analysis presented below.

“**Pre-transition period**” implies, for the purposes of this assessment, the period from the 1960s to 1988. The external and internal migration processes of Armenia's population during this period are analyzed separately.

A. External Migration: Two types of flows clearly prevailed in the external migration flows of Armenia's population during the pre-transition period:

- **Permanent external migration** or emigration and immigration aimed at conclusively changing the place of permanent residence; and
- **Seasonal external labour migration** or cyclic travel to and return from other Soviet republics from the spring to the fall.

a. Permanent External Migration. Before presenting this phenomenon, it is worth mentioning that, in Soviet years, by virtue of Armenia being a part of a united country, the process comprised two elements - **migration between republics**, i.e. the migration exchanges of population with other USSR republics, and **migration between states**, i.e. the migration exchanges of population with foreign states.

Throughout the 1960s and 1970s, the external migration situation of Armenia was practically stable in terms of this process and had the following qualitative and quantitative features.

With annual net immigration of 13,000-14,000 people, constituting a permanent source of population increase, migration accounted for about one fifth of the population growth.

The flows responsible for this situation were clearly of an ethnic character. About 9,000-10,000 ethnic Armenians permanently relocated to Armenia every year from other Soviet republics in a process of **migration between the Soviet republics**, mainly from Azerbaijan and Georgia. Besides, about

2,000-4,000 Diaspora Armenians relocated to Armenia every year mainly from the Middle Eastern countries such as Iran, Syria, Jordan and others, through a migration process organized by the state in the context of **immigration between states**.²

The ethnic character of this inflow was not due only to the ethnic Armenians' desire to relocate to a more convenient environment, especially as both groups of immigrants moved from areas that were densely populated by Armenians or had sizeable Armenian populations. Rather, it had important economic, social and often also political attributes. At the time, the socio-economic realities in Armenia not only were favourable for admitting migrants, solving their housing and employment issue, and ensuring their quick adaptation and integration, but also, as a rule, brought about an improvement of the quality of their lives (in terms of material conditions, education, health care and other aspects) relative to their original rural and small urban settlements that had limited socio-economic potential. Understandably, the inflow from other Soviet republics mainly started as education immigration. Due to the difficulties of getting professional education in the other republics, including education of the mother tongue, families would first send their children to Armenia for education, a while after which the rest of the family would relocate to Armenia, often as a manifestation of family reunification. In essence, it amounted to relocation to an area that was more favourable for human development.

However, in the late 1970s, the situation changed completely due to a slowdown in the pace of Armenia's socio-economic development.

Migration between Soviet Republics.

As the opportunities for settling in Armenia diminished, the inflow of ethnic Armenians from Azerbaijan and Georgia declined. At the same time, however, the outflow of Armenians from Azerbaijan and Georgia actually grew considerably, which meant that the direction of the flows changed mostly to Russia, primarily the regions of Krasnodar and Stavropol (which were rather appealing to migrants and had had strong immigration potential at the time). Due to the same factor, the emigration of the permanent population from Armenia somewhat intensified. Interestingly, the majority of the emigrants also preferred the aforementioned regions of Russia.

Migration between States. In the late 1970s, the inflow of Diaspora Armenians from abroad virtually stopped. The reason was not a decline in the emigration activity of the Diaspora communities, but rather, the reduction of resources spent on the process and the redirection of the flows to countries that provided for a much better quality of life and the highest standards of human development, i.e. the USA, Canada Australia, and Western European countries. Moreover, in response to the 1975 historic Summit in Helsinki, where understanding was reached to mitigate the emigration barriers of the USSR, several hundred Armenians that had earlier relocated to Armenia started to emigrate to the West every year.

As a result of all these factors, the number of permanent emigrants exceeded the number of permanent immigrants by about 8,000-10,000 (according to official data) every year throughout the 1980s. Considering that this net emigration accounted for only 0.3% of the country's population, with a natural growth of 15-17%, it can be concluded that the process did not have significant negative consequences in social, economic or demographic terms. Moreover, there were reasons to believe that the number was actually half as high, because the indicators were based on continuous over-reporting of emigration due to the unclear re-

² Карапетян С.А., Овсепян Р.Л. "Региональные особенности социально-демографического развития Армянской ССР", Ереван, "Айастан", 1986г., 216с.

cording of seasonal work travel (for details, see point b below).

b. External Migration of Seasonal Workers. This process of labour emigration, which formed in the 1960s as a spontaneous response of the population to the significant differences between the levels of socio-economic development of the different administrative-territorial units of the country, quickly grew into a stable and large-scale phenomenon.

It involved predominantly residents of some highly-mountainous regions, such as Akhuryan, Kalinino, Martuni and others. Due to scarce opportunities for primary and alternative occupation (limited demand for agricultural labour because of a harsh climate and the underdeveloped state of the industry), these regions had a significant surplus of labour force. Over time, it did not subside, because these regions reported high natural growth and the immigration potential of the country's urban settlements was limited, despite even net emigration to other Soviet republics. This, together with the insufficient pace of socio-economic development locally and the fact that potential earnings abroad were much greater (on average about 6,000 roubles per season/year per employee, compared to only about 2,000 in Armenia), supported continuous expansion of the geographic coverage of the phenomenon and an increase in the number of emigrants. As a result, in the mid-1980s, the number of spring-fall labour emigrants reached about 1% of Armenia's total population and about 2% of the country's labour resources (annually, about 30,000-40,000 people). Though less actively, the urban population became involved, as well. The destinations were no longer limited to the Southern regions of Russia (which used to be the most popular destination for the majority of the labour emigrants) - the geography rapidly expanded to cover all of Russia, until the far North and the East, extending beyond

Russia to involve Kazakhstan as well.³

This phenomenon was not limited to only Armenia. To varying degrees, it involved the population of other regions of the former USSR that had a surplus of labour resources including Azerbaijan, Georgia, Moldova, some autonomous units in the North Caucasus part of Russia and others. The inclusion of the Armenian-populated Akhalkalaki and Bogdanovka regions of neighbouring Georgia was rather high.

This outflow, which consisted mainly of active working-age men, typically engaged in construction. Working 10-12 hours per day in crews of 5-10 members, they carried out "turn-key" construction of industrial and social real estate, making a serious contribution to the development of the destinations. According to experts, their capital investments reached about 1.5 billion roubles per annum. However, the process was not spared by problems. The migrants had frequent inter-personal and other conflicts with the locals. The employment relations of the migrants frequently had corrupt elements.

The consequences of external labour migration for Armenia were ambiguous. Undoubtedly, migration **played an important role in providing more productive employment to the population**. Besides, migration **ensured the inflow of a considerable amount of financial resources (about 150 million roubles per annum)**. In the absence of business investments, all of these proceeds were channelled to the current and long-term needs of families. Housing conditions were being improved (in quite a few cases, new

3 See "Внешняя миграция населения Армянской ССР и вопросы отходничества" (scientific report of a special survey carried out during 1984-1985 at the instruction of the Council of Ministers of the Armenian Soviet Socialist Republic, no. 594 of 17 August 1984), State Committee of Labour of the Armenian Soviet Socialist Republic, Research Institute of the Armenian Soviet Socialist Republic State Plan, Yerevan 1985.

and better homes were being built). Existing houses were being improved by installing natural gas lines and better water and sewage systems. Cars, property, and hardware were being purchased. Large sums were being spent on education, health and family events, as well as the provision of favourable housing and material conditions for young families. In other words, the human development standards were being improved in all respects, including household income, the health and education of family members and better living standards, in addition to simply providing for the family's basic subsistence. Thus, **the phenomenon that emerged because of limited opportunities for employment evolved into a strategy of development and prosperity.**

Some of the negative consequences were as follows:

- **Material prosperity was achieved by the labour emigrants' overstretching their vital forces.** Clearly, heavy physical work for 6-8 continuous months virtually without any days-off had negative consequences for the labourers' health. In addition to the long-term negative health effects, over-exhaustion and the inadequacy of technical safety conditions frequently caused workplace accidents, many of which ended in disability or even death.
- **The prolonged absence of the family fathers,** which the majority of the labour emigrants were, and the fact that spouses could only spend 3-4 months together each year affected the social-psychological atmosphere within families and exacerbated problems undermining marriage and family stability, the relations between generations, and the children's upbringing. There were quite a few cases of creating a second family in the destination place, living in two "seasonal" families or divorcing and moving to a second family.

- **A key negative consequence was the importation and spreading of infectious diseases (including sexually-transmitted diseases, see Box 1.3).** In addition to posing a serious health problem, this factor also destabilized families and marriages.
- Finally, as an alternative to both **migration between Soviet republics and emigration, temporary labour migration also led to their promotion at the same time.** The more successful labour migrants became able to move their families to urban settlements of Armenia, larger towns or Yerevan. Some of them, tired of the endless travel and related hustle, and/or considering the conditions at the destination better, would relocate permanently with all or a part of the family. The emergence of net emigration in the 1980s was most probably due to the increase of this flow.

Box 1.3. Migration and HIV

Migration poses serious problems in the health sector by increasing morbidity rates (for diseases like tuberculosis, STIs and the like) and the likelihood of contracting HIV (the human immunodeficiency virus).

During the period from 1988 to 31 July 2009, 769 cases of HIV infection were reported among citizens of the Republic of Armenia. The majority (73.3%) of the persons living with HIV are male. The main routes of HIV transmission in Armenia are heterosexual intercourse (49.5%) and intravenous drug use (41.7%). Cases of vertical (mother-to-child) transmission, infection by blood transfusion and homosexual transmission have been reported in Armenia as well.

All the persons that were infected via intravenous drug use were men; most of them had temporarily resided and probably contracted HIV in the Russian Federation and the Ukraine. All the reported cases of female

persons living with HIV during 2005-2008 had been infected by sexual intercourse. It is alarming that their absolute number has grown every year, from 13 cases in 2005 (17.8% of all the new infections) to 22 (34.9%) in 2006, 32 (30.5%) in 2007 and 32 (23.5%) in 2008.

The vast majority of the men were infected outside of Armenia - 51 cases (89.5% of all the men that became infected) in 2005, 35 (94.6%) in 2006, 63 (86.3%) in 2007, and 77 (82.8%) in 2008. However, in contrast to 2005-2006, when most of them (76.5% and 65.7% respectively) had been infected via intravenous drug use, the situation changed in 2007-2008 and infection via sexual intercourse became prevalent (54% and 59.7% respectively).

Certain factors render migrants more vulnerable to HIV - many of the labour emigrants, away from their family members and regular partners, feel relieved of the social norms that usually restrict their behaviour in the family and a "familiar" cultural atmosphere. Moreover, remoteness from the family and difficulties of adapting to a new situation (in social, cultural, linguistic and psychological terms) further isolate migrants and increase their propensity towards high-risk behaviours - migrants frequently use services of commercial sex workers, failing to use condoms or start using drugs as a means of mitigating the pressures of their reality's difficulties. Naturally, such high-risk behaviours increase the likelihood of contracting HIV.

Migrants' vulnerability to HIV is also due to the fact that migrants that are unlawfully in another country without any documents, virtually deprived of legal and social protection, can be subjected to discrimination and abuse. Labour migrants may be forced into "shadow" employment with humiliating work conditions and pay, to which they often have to agree in the absence of alternatives. Female migrants are particularly prone to HIV - they typically have fewer employment opportunities than male migrants, because of which women often have to work in the

"shadow" economy, discriminated against as women and as migrants. They are often forced into prostitution, which increases the likelihood of HIV infection.

Migrants typically do not have access to health services, including reproductive health services and information on HIV and methods of prevention. Access to relevant information is hampered due to language and the cultural specificities of certain destination countries. High-risk behaviours are propelled further by the migrants' indifference towards their own health and the neglect of the HIV threat - many migrants misunderstand the threat, thinking that the infection will not "get" them.

Partners of migrants, too, are vulnerable to HIV and STIs - upon return to their permanent residence, the vast majority of migrants neglect their high-risk behaviours and, without any testing for HIV and STIs, resume sex life with their partners, jeopardizing their life and health.

It is of particular importance to highlight that, because of the flaws in the migration act recording system, there was continuous over-reporting of emigration from Armenia, because some of the outbound labour migrants, trying to avoid red-tape, would officially record only the fact of their arrival at destination (without which they could not get employment). The failure to record some of the departures and returns meant that the Central Statistical Department of the USSR would manually increase the number of persons that left Armenia when adjusting the figures of migration between Soviet republics (under the methodology, the calculation was based on the number of arrivals).⁴

4 This fact was confirmed by the Comprehensive Survey on External Migration and Temporary Labour Migration of the Population of the Armenian Soviet Socialist Republic, which was carried out in 1984-1985 at the instruction of the Government of the Armenian Soviet Socialist Republic. The over-reporting volumes were estimated at about 4-5 thousand per annum, which, as mentioned above, accounted for almost half of the net

B. Domestic Migration. In contrast to external migration, the nature of the pre-transition period domestic migration did not change. Due to considerable disparities between the regions of the country in terms of socio-economic development, stable inflows from villages to towns, from peripheries to the centre, from mountainous areas to the plains, and from small towns to big cities emerged; on their background, the domestic migration process was accompanied with a deterioration of the regional distribution of the population. Villages in the remote and mountainous areas, as well as small and medium-sized towns were losing population, while the population of Yerevan was rising rapidly.

For the sake of fairness, it must be noted that the authorities were seriously concerned about this situation and tried to set up branches of industrial enterprises in the rural areas (especially in the mountainous regions that had a surplus of labour force), which helped the population to stay by diversifying occupation, overcoming seasonality and mitigating socio-economic problems. Unfortunately, soon after the industrial complex of the country unexpectedly collapsed, they all stopped operating. This factor, together with the direct impact of grave economic and social consequences, increased the emigration activity of the rural population in the post-Soviet period.

1.2 Migration Processes during the Transition Period, 1988-2001⁵

From the very beginning of the transition period, the migration situation of Armenia changed abruptly on account of interrelated extraordinary factors such as the inter-ethnic conflicts (first and foremost the Karabakh crisis), the 1988 Spitak Earthquake, and the political, social, and economic revolutionary transition (the collapse of the USSR, the economic and energy blockade, the transition to a market economy, the collapse of the industry and fundamental structural shifts in the economy).

However, before presenting and analyzing the processes, it should be noted that, starting from the years preceding the collapse of the USSR, two new circumstances emerged, which have to date obstructed a complete assessment of the quantitative and qualitative indicators of migration flows.

The first one is the **problem of information**. As mentioned above, the official information on migration flows deviated from reality back in the Soviet period, but was distorted beyond imagination later on - due a variety of reasons, the vast majority of migration flows was omitted from the current recording system, causing the statistics to simply stop reflecting reality. The following official data can serve as proof of this point: according to the revised estimated of the National Statistical Service of Armenia based on the 2001 population census, net emigration from Armenia during 1990-2001 had totalled 631,400, which is **about 14 times more** than the difference in the numbers of departures

emigration continuously reported in the 1980s. Without challenging this fact, the Central Statistical Department of the USSR had decided to make the final adjustment of data after the 1989 population census. However, it did not happen, because the results of the census, which was carried out in the aftermath of the earthquake, on the background of an intensive inflow of refugees and a profound political crisis, were so unreliable that the Government of Armenia did not accept them.

5 Due to differences among experts on the duration of the transition period and whether or not it has already ended, the choice of this period is somewhat conditional. 1988 has been chosen as the start of the period, as it was in many respects (including migration) a turning point in Armenia's newest history. The year of the first population census of newly-independent Armenia has been chosen as the end of the period, as the census provided a more or less credible picture of the scale of the migration flows that had happened during the respective period.

and arrivals recorded in the aforementioned system during the same period (44,400 persons). For the peak year of migration activity, 2002, the deviation is even more striking, reaching **about 35-fold** (214,300 and only 6,200 persons, respectively).⁶ In view of the fact that, according to research and expert assessments, external migration during the period in question was even more intense, the deviation is very likely to be greater.

The *second circumstance* was that the migration process had somewhat lost “**clarity**” due to the sharp rise in uncertainty caused by the sudden loss of political, social, and economic stability. In contrast to the pre-transition period migration travel,⁷ most of which were well thought-out and seriously prepared steps aimed at a clear end goal, the transition period migration process turned into some type of territorial movement in an attempt to rapidly respond to unfavourable realities and uncertain prospects. This applies only to voluntary migration and not to the involuntary migration forced by extraordinary factors related to the transition period (IDPs, refugees, persons evacuated from the earthquake zone, and the like).

Under such circumstances, special sampling surveys were the only source of credible information on the volume and qualitative aspects (trajectories and trends of certain flows and subcategories flows) of the process. The analysis below is largely based on research data and should, therefore, be treated as an expert assessment, conditional to some extent, of the emergence and dynamics of migration processes in post-Soviet Armenia.

1.2.1. External Migration⁸

In contrast to the pre-transition period, temporary or permanent travel cannot be clearly distinguished in the external migration flows of Armenia’s population during the transition period due to the aforementioned lack of information and the lack of clarity. The reason is not only the travellers’ and returnees’ failure to specify time limits and/or assume the possibility of return because of not being sure about the outcome of their travel, but also the fact that quite a few of those that relocated with the intention to settle permanently had to return, while those that travelled for a term extended and/or otherwise stayed and settled permanently.

Therefore, it is appropriate and justified to adopt a chronological approach and to classify the process on the basis of shifts in the volume and quality of the flows and/or the nature or causes of the flows that were dominant during certain periods (see Table 1.1 below).

To this end, the only exception permitted has been for **seasonal external labour migration**, which like the pre-transition period is presented separately.

6 Ruben Yeganyan and Karine Kuyumjyan, Socio-Demographic Challenges of Post-Soviet Armenia, the Eurasia Foundation, CRRC Armenia Program, UNFPA, Yerevan 2004, p. 28.

7 Arrivals and departures related to employment, education, and other activities, which resulted in a change of the place of permanent residence that was final and/or lasted long (over three months).

8 Once Armenia became an independent state, the concept of “migration between Soviet republics” was no longer valid, and any trans-border migration amounted to external or inter-state migration.

Table 1.1 Expert Assessment of the External Migration Volumes of Armenia's Population during 1988-2001, thousand persons *

External Migration Process	Item	Indicators by Years															
		1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001		
Refugees	Inflow			420													
	Outflow			170													
	Turnover			590													
	Balance			250													
Evacuation and re-evacuation of the Earth-quake Zone population	Inflow			150													
	Outflow			200													
	Turnover			350													
	Balance			-50													
Public-political emigration	Inflow			30													
	Outflow			250													
	Turnover			280													
	Balance			-220													
Mass out-flow of the population	Inflow					370											
	Outflow					980											
	Turnover					1350											
	Balance					-610											
Migration activity decline phase	Inflow									350							
	Outflow									600							
	Turnover									950							
	Balance									-250							

* The data sources are specified in the relevant parts of the narration.

Refugees (1988-1991).⁹

The external migration situation turned around in the spring of 1988, when the first wave of refugees that had escaped from the Sumgait massacres flew into Armenia. Until 1992, this wave was followed by other, more sizeable flows of refugees.

Inflow. During 1988-1991, Armenia received a total of about 420,000 refugees (350,000-360,000 from Azerbaijan, and the

rest from other parts of the former USSR, such as Tajikistan, Uzbekistan, Kyrgyzia, Abkhazia and others).

Outflow. During the same period, a total of about 170,000 Azeris that used to live in Armenia left the country.

The socio-economic hardships of the 1990s caused a large part (from one-quarter to about one-third, or about 120,000-150,000) of the refugees later to leave Armenia, mostly for Russia and some for other countries. However, as this outflow started in 1992 and

⁹ Framework Paper on State Regulation of Population Migration in the Republic of Armenia, Department of Migration and Refugees under the Government of Armenia, Yerevan 2004.

was an element of the emigration process of those years, they were accounted for as a part of the general flows of migrants.

Turnover. Thus, the external migration turnover of about 590,000 people caused by this exigency alone accounted for about 17% of Armenia's population at the time.

Balance. To date, the flow of refugees has been the only external migration process of post-Soviet Armenia, which, unlike other processes that caused the country to lose population, at least initially resulted in net immigration into Armenia of about 250,000 people (about 7% of the total population at the time).

Evacuation and Re-Evacuation of the Earthquake Zone Population (1989-1990).¹⁰

This phenomenon, constituting a direct consequence of the disastrous earthquake of Spitak, did not have to be addressed or identified as a separate phase in the country's external migration process, had it not led to a decline in the population, let alone the fact that some of those evacuated did not return.

Outflow. This process started with an outflow - during 1989, a total of about 200,000 persons (mostly women and children) struck by the earthquake were evacuated to other republics of the former USSR. The vast majority of this group (about 160,000 persons) were evacuated through a state-organized process, while the rest left on their initiative, normally at the invitation of relatives and friends.

Inflow. Later, mainly during 1989 and 1990, about two-thirds of those that had been evacuated (about 150,000 persons) returned to Armenia.

Turnover. The external migration turnover of Armenia caused by this phenomenon reached about 350,000, i.e. about one-tenth of the country's total population at the time.

Balance. As a result of this process, Armenia irreversibly lost about 50,000 citizens (1.5% of the total population).

However, the most dangerous negative consequence was not the direct loss, but rather the fact that this group became a "magnet" that pulled family members and other relatives that were in an unenviable situation in the earthquake zone, thus creating a huge wave that turned into a mass outflow of the population in the period of 1992-1994. The most painful effect of the process was that it exacerbated the grave consequences of the earthquake by further distorting the demographic balance, curbing the economic and social potential of the earthquake-struck regions and reducing the population of the Shirak and Lori borderline regions that were key links in the country's relocation system.

Public-political emigration (1989-1992).¹¹

The collapse of totalitarianism, coupled with the fall of the infamous Iron Curtain, which implied, among other things, a policy of prohibiting external migration, in a sense "opened up" the borders and set the stage for an increase in migration involving "distant" destinations.

On the other hand, the disintegration of the USSR into newly-independent nation states gave real substance to the borders between republics, which had largely been a formality in the past. This, coupled with political instability and the ensuing inter-ethnic mistrust and social friction, drove an increase in migration exchanges with the "near" neighbours, first and foremost the Russian Federation.

These processes that took place in the initial years of Armenia's independence mostly involved representatives of the following groups and layers of the population:

- People that had regularly tried to emigrate to "distant" states in the years before, but had been rejected (mostly Armenians earlier repatriated to Armenia);

¹⁰ Ibid.

¹¹ Ibid.

- Highly-qualified experts and emerging businessmen that tried to emigrate for work (mostly to “distant” countries) and/or engage in business (mostly to “near” countries);
- Representatives of the former administration that found themselves in a socially inconvenient situation and had links abroad; and
- The Russian-speaking population, including both national minorities and Armenians (some refugees).

This composition of external migrants and their clear desire to relocate permanently meant that there was a process driven by public-political factors, with elements of a brain drain and capital outflow, which with some reservations can be called “public-political emigration.”

Outflow. As a result of this process, a total of about 250,000 people left Armenia.

Inflow. The inflow volume was much smaller, around 30,000, comprising mostly migrants that returned due to various reasons.

Turnover. The turnover was 280,000 or 8% of Armenia’s population at the time.

Balance. Net emigration of 220,000 or over 6% of the country’s population, with a very low likelihood of returning.

Mass Outflow of the Population (1992-1994)¹²

This phase, a direct and indirect consequence of extraordinary economic and social factors,¹³ can surely be phrased as the period

of mass emigration of the population.

This phase, lasting only three years, was marked by surprising volumes of external migration.

Outflow. About 980,000-990,000 persons, most of whom left Armenia in the gravest period for the country, i.e. in 1992 and 1993.

Inflow. About 370,000 returning emigrants, mostly in 1993 and 1994.

Turnover. About 1.4 million people or about 40% of the country’s population.

Net emigration. About 610,000-620,000 persons or about one fifth of the country’s population.¹⁴

It is clear from the same research materials that the groups of both emigrants and returnees consisted of two main flows - labour migrants and social-subsistence migrants. The former accounted for the majority of the emigrants (about half), relative to only 40% of the returnees, while the latter accounted for about 60% of the returnees in contrast to only 35% of labour migrants. As a result, the share of people that emigrated for employment purposes in the total number of people that remained abroad (about 65%) exceeded by almost three times the share of people that emigrated because of social and subsistence reasons. This and the fact that over 60% of those that remained abroad were members of families that continued to live in Armenia (which, over time, would either return or take their families abroad) were the main factors that affected the migration processes later.

In contrast to earlier flows of the transition period, which had a more or less proportionate demographic structure, men had started to dominate the external migration flows (over 60%). The majority of both men and women

¹² Expert assessments based on a comparative analysis of the research materials of the following papers: Migration of Armenia’s Population in the Post-Soviet Period (UNFPA, Yerevan 1996) and A Survey of the External Migration Processes of Armenia’s Population during 1991-1998 (Ministry of Statistics of the Republic of Armenia, TACIS, Eurostat, Yerevan 1999).

¹³ The sudden paralysis of the national economy and the emergence of explicit and disguised unemployment, which rapidly turned into a mass phenomenon, the ensuing mass impoverishment of the population caused partly by the infamous “shock therapy” and related phenomena, an abrupt deterioration of living standards and the quality of life, and considerable worsening of

the housing and utility conditions, primarily due to the energy blockade.

¹⁴ This estimate is more than one fifth greater than the net emigration figure of 475,800 calculated through a revaluation of migration flows by the National Statistical Service of Armenia based on the 2001 census results.

were of active employment and reproductive age. As a result, the demographic structure of Armenia's population was seriously distorted (the absolute and relative size of the reproductive group diminished considerably, and gender proportions were distorted). This in turn destabilized the demographic situation, which had earlier been favourable in terms of all the key indicators, eventually turning into a crisis (the birth rate was more than halved, an even larger decline in the number of marriages occurred, the mortality rate increased and so on).

Interestingly, the education level of this flow was higher than the average education level of Armenia's population,¹⁵ possibly indicating a "brain drain." Furthermore, the shares of persons with non-public employment, the unemployed, and people with an average degree of prosperity were disproportionately high. For the latter group, the level of prosperity was both a factor and a consequence of migration activity. People with below and above-average prosperity were not active in migration because of not having either any opportunities or motivation to migrate.

Migration Activity Decline Phase (1995-2001)¹⁶

A key feature of this phase was the considerable decline in external migration activity relative to the previous period.

Outflow. About 600,000 during the period.

Inflow. About 350,000.

Turnover. 950,000 or about 30% of the country's population.

Net emigration. About 250,000 or about 8% of the country's population.

It is beyond doubt that the turnaround was due to the stabilization of the socio-economic situation in Armenia (some improvement of housing and utility conditions, in particular) on the one hand, and the fact that migration activity in the previous period had been very high, on the other. The latter had significantly reduced the emigration potential of the population. Moreover, the emigrants' remittances had more or less helped to improve the living standards of those that remained in Armenia and to minimize tension in the domestic labour market. The turnaround was possibly due also to external factors, including the reaction and the diminishing immigration potential of the destination countries, primarily the Russian Federation, as well as other factors.

Another key feature of this phase was that the shares of long-term labour migrants in the number of departing migrants and returnees grew further.

Finally, the social-subsistence emigration flow mentioned above was replaced with a so-called "social-psychological" flow, a major component of which was migration aimed at the reunification of families. The flows that typically ended in return were being replaced with emigration resulting in permanent relocation. Obviously, this transformation was caused by the slow socio-economic recovery, the unfavourable moral-psychological atmosphere in society and diminishing hopes for swift improvements.

1.2.2 Seasonal / Long-Term External Labour Migration

During the transition period, the phenomenon of seasonal/long-term external labour migration transformed, as well.

¹⁵ According to the Migration of Armenia's Population in the Post-Soviet Period (UNFPA, Yerevan 1996) survey, 46.4% of the migrants had secondary vocational and higher education, compared to a national average of only 37.9%.

¹⁶ Expert assessments based on a comparative analysis of the research materials of the following papers: Migration of Armenia's Population in the Post-Soviet Period (UNFPA, Yerevan 1996) and A Survey of the External Migration Processes of Armenia's Population during 1991-1998 (Ministry of Statistics of the Republic of Armenia, TACIS, Eurostat, Yerevan 1999).

The number of temporary labour emigrants fell already in the late 1980s. Some of them used their experience of contract work, savings, and contacts in destination countries to get involved in the emerging “cooperative” movement, mostly in Armenia, and partly in the labour migration destination countries. The latter case clearly transformed into either permanent emigration or *a new phenomenon for the migration situation of Armenia, the so-called “long-term external labour migration”* (work travel lasting a year or more, which became the most prevalent migration flow from the country in the early post-Soviet period).

In the aftermath of the Spitak earthquake, during 1989-1991, the phenomenon practically disappeared. Virtually all of the long-term external labour migrants became involved in the restoration of the earthquake zone. Unfortunately, recovery efforts almost fully ground to a halt after the collapse of the USSR, forcing many of them to resume travels as early as in 1992. However, subject to the radically changed political, social and economic conditions of the post-Soviet area (including, first and foremost, all the exigencies faced by Armenia in all these respects), the seasonal labour migration flows *again turned into a purely survival strategy*. This in turn necessitated a considerable revision of the system.

First of all, the *seasonality feature was significantly distorted*. The vast majority of the departing migrants stopped planning a specific duration for the trip, making it subject to the existence or absence of gainful employment. In other words, in case of finding employment providing an adequate earning (the threshold of which was generally lowered to the basic minimum necessary for the family’s survival), the labour migrant would be ready to postpone his return for an indefinite period of time.

The single-sector nature of migration too was distorted because of the need to provide

for subsistence at any cost. In addition to construction, labour migrants to varying degrees became engaged in trade, public catering, services, production, and agriculture.

However, *in terms of the consequences, the most significant change was the abrupt increase in the risk posed by migration. The travel itself became highly risky*. Many of the departing migrants would travel using money borrowed from others (normally, at very high interest rates exceeding 10% per month) and/or the sale proceeds of property/livestock. In other words, the future of the whole family would be jeopardized if the undertaking failed (in fact, the likelihood of failure had increased considerably).¹⁷

The nature of employment, too, became much more risky. In contrast to the pre-transition period (when work was performed exclusively on the basis of a contract), the relationship with employers began to be “regulated” mostly by oral agreements. As a result, payment delays and partial or full non-payment became widespread.

The risk increased also on account of most emigrants’ failure to comply with the legal rules on residence at the destination, i.e. having the status of irregular migrants, as well as the unfriendly or often hostile attitude of certain groups of the local population.¹⁸

Nonetheless, in the absence of serious alternatives, labour emigration exceeded its pre-transition volumes on account of the engagement of new migrants.

A large part of the emigration flows soon lost their seasonal feature and turned into long-term external labour migration; a relatively small portion of the activities retained their traditional “seasonal labour migration” nature.

17 See the Report of the Participatory Assessment of Poverty in the Tavush and Gegharkunik Marzes of Armenia, Armenia Regional Development Program, Institute for Economic Research, Yerevan 2004.

18 All these risks apply equally to prolonged external labour migration as well.

A sampling survey carried out in 2001 showed that, of the 84,100 labour migrants that left the country in 2001 and the 45,200 that returned, only 23,200 and 20,400 respectively were clearly seasonal labour emigrants. The others were either leaving for long-term employment (or not ruling out such a possibility) or returning from trips that lasted over a year.¹⁹ Unfortunately, other research, including surveys dedicated specifically to observing labour migration,²⁰ did not distinguish between the seasonal and long-term components of the phenomenon; however, judging by the fact that the average annual volumes of labour migration estimated by them virtually do not differ from those stated above, one can conclude that the correlation of long-term versus seasonal migration has not changed much.

Considering that even the aforementioned small portion would most probably delay their return in case of finding gainful employment, it can be concluded that seasonal labour migration had almost fully become dissolved in the phenomenon of long-term labour migration prior to the 2000s and was and still is a subcategory of the former. The long-term labour migration volumes are included in the numbers of emigration-immigration flows of the respective years.

This phenomenon, while having much smaller potential than seasonal labour migration, has almost fully inherited all of the negative features of the latter.

19 Report of a Sampling Survey of the Passenger Flows (Migration) at Border-Crossing Points of the Republic of Armenia, National Statistical Service of Armenia, TACIS, IOM, Yerevan 2002, p. 59.

20 Labour Emigration from Armenia during 2002-2005: Sociological Survey of Households, OSCE, Advanced Social Technologies, Yerevan, "Antares," 2005; and Survey of Migrants Returning to Armenia during 2002-2008, OSCE, Advanced Social Technologies, Yerevan, "Asoghik," 2008.

1.2.3 Domestic Migration

Domestic Evacuation and Return of the Earthquake Zone Population (1989-1990).

Armenia's domestic migration flows were largely distorted by the Spitak Earthquake - on top of about 200,000 persons evacuated to other former USSR republics, another about 400,000-450,000 were evacuated from the earthquake zone to the parts of Armenia not hit by the earthquake.

During 1989-1990, when the importation and distribution of temporary dwellings began, the majority of the domestic evacuees returned. However, like external evacuation, some of them delayed their return until the swift completion (only two years) of the recovery effort promised by the high leadership of the USSR and became convinced after the collapse of the USSR that it was clearly unrealistic, staying at the evacuation places for permanent residence. Obviously, the practical consequences of this domestic outflow are the same as those of the outflow due to evacuation abroad.

Forced Displacement

Military clashes around the border and frequent bombardments of pastures caused by the Karabakh conflict forced 70,000-80,000 people to be displaced to other parts of Armenia from the borderline areas during 1991-1993.²¹

Most of them found shelter with relatives and friends, while others were given temporary shelter in public buildings vacated by earthquake zone evacuees.

In the four to five years that followed the ceasefire signed between the conflicting sides in 1994, the majority of them returned to their original settlements, and a relatively smaller part either settled in the new places or, yielding to the economic, social, and subsist-

21 Post-Conflict Recovery Plan of Borderline Areas of the Republic of Armenia, Department of Migration and Refugees under the Government of the Republic of Armenia, Yerevan 2000.

ence problems, permanently emigrated from Armenia.

Clearly, the latter circumstance was accompanied with distortion of the demographic balance and reduction of the economic and social potential of borderline areas that had strategic importance.

Ordinary Domestic Migration

The use of the term “ordinary” is in this context is somewhat conditional, because the socio-economic factors driving the so-called “voluntary” domestic migration (at least in the initial phase of the transition) were so extraordinary that they limited alternatives and to a large extent impelled virtually all the individual migrants and households to make migration decisions.

The proof of this is the emergence of the extraordinary phenomenon of the population flow from urban to rural areas. It started in 1992 and continued, first with rising and then falling volumes, until 1994-1995. It mainly comprised those that had moved from rural to urban areas in the pre-transition period and their descendants. Despite the fact that most of them moved to the villages of their origin, what happened really was not a “return to the roots.” In the vast majority of the cases, it was a certain strategy of family survival on the background of the abrupt deterioration of the living standards of the urban population. As proven by the developments, it was predominantly a temporary flow “to the place where subsistence means (agricultural products) were originally produced.” Without the “flow of subsistence means” (food assistance to relatives living in urban areas) which was very common back then, the aforementioned flows would have been much larger.

Some of the urban-rural moves, when it really happened, as opposed to formal changes in the place of registration (which was also common at the time), simply pursued the aim of acquiring rights to participate in the privatization of agricultural lands through either

getting a share of agricultural land or helping relatives living in villages to get larger land plots. Naturally, after the land privatization ended, parallel to an improvement of the living standards of the urban population, this flow not only stopped, but also reversed, as most of the migrants actually returned, although not all of them formally documented their return.

This process was furthered by the deterioration of the living standards of the rural population starting from the mid-1990s; to date, in fact, they remain below the living standards of the urban population.

Due to objective difficulties associated with the organization of effective agricultural production on own small land plots, the aforementioned process, in the opinion of some experts, was intensified by the fact that the majority of the rural residents were excluded from the family benefits system introduced in 1999 on the ground that, as owners of land plots, they had an occupation.

This situation was very likely to create a significant wave of emigration. However, due to the lack of resources for relocation, the fact that the active part of the population had already emigrated, the insufficient liquidity of rural real estate (including land), and the strong psychological bond of people that became land owners for the first time in their lives with land as the means of production, the increase in emigration was not significant.

There were two other conducive factors as well.

One was that labour emigration of the rural population had become active in regions in which it had traditionally not been widespread (Ararat, Armavir, and Syunik). By making survival somewhat easier, it deterred the outflow of the population from villages to towns.

The other was the loss of the immigration potential of the urban settlements in Armenia.

The difficulties of resettlement and finding housing and employment in urban settlements lowered their emigration appeal and caused both the rural and the urban outflows to move outside of the country.

As a result of all of this, in the second half of the 1990s, Armenia's domestic migration flows (including the "urban-to-rural" flow) comprised mostly migrants guided by demographic family motives (family reunification, marriage, divorce and so on) and education objectives.²² In other words, the domestic relocation driven by socio-economic reasons subsided to an extent.

1.3 Current Migration Processes of Armenia and Change Prospect

1.3.1 External Migration

As the information problem remains unsolved, current estimates of the qualitative and quantitative indicators of Armenia's external migration situation are mostly based on data from sampling surveys.

22 Due to the scarcity of resources and the creation of higher and secondary vocational educational institutions in the regions, this flow had shrunk considerably relative to the Soviet period.

According to official statistics, Armenia received a total of only 9,100 immigrants and had 54,500 emigrants, with net emigration of 45,400 (see Figure 1), even though the extrapolation of the 2007 sample results onto the universe showed that, at the time of the survey, i.e. in October 2007, about 4.5 times more people (around 205,600)²³ were missing from the country due to external migration travel made since 2002 (this does not include families that left with all the members, on which the survey did not produce clear data).

According to expert calculations made on the basis of the results of the Sampling Survey of Armenia's External and Domestic Migration carried out by the UNHCR and the National Statistical Service of Armenia in 2007,²⁴ the volumes of Armenia's external migration flows during 2002-2007 were as follows:

Outflow. About 750,000.

Inflow. About 600,000.

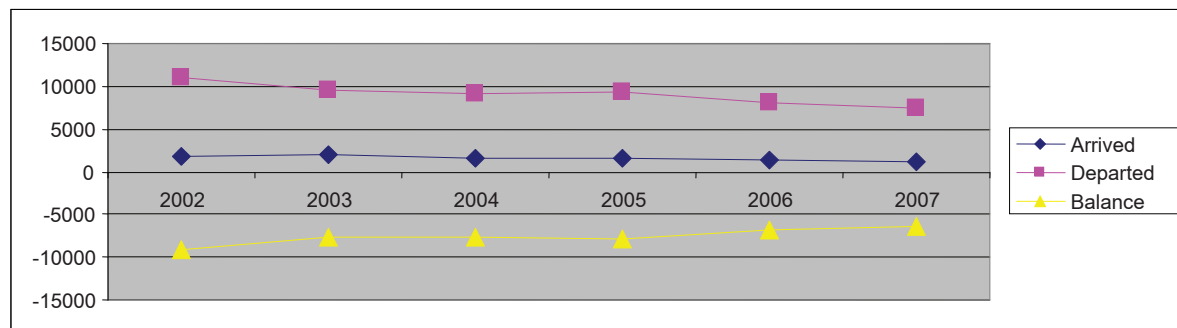
Turnover. 1,350,000 or about 42% of the country's population.²⁵

23 Report of the Sampling Survey of Armenia's External and Domestic Migration, UNHCR, National Statistical Service of Armenia, Yerevan 2008, p. 40.

24 Ibid.

25 This was used to make a conditional estimate of the external migration departures and arrivals in the

Figure 1.4. External Migration Flows of Armenia's Population during 2002-2007 as per Current Recording Data (thousand persons)*



* Compiled on the basis of official data from the "Armenia Demographic Handbook 2008 (National Statistical Service of Armenia, Yerevan 2008). Here, "official data" is understood as the data from the administrative records of the passport divisions of the Police of Armenia.

Net emigration. About 150,000 or 5% of the country's population.

Thus, average annual external migration departures and arrivals (98% of the arrivals were returning emigrants) were about 125,000 and 100,000 respectively, during the period of 2002-2007. As a result, average annual net emigration was around 25,000. A comparison of the first two numbers with the same indicators of the previous period (about 86,000 and 50,000) shows that the external migration mobility of Armenia's population intensified considerably.²⁶ As the number of arrivals grew faster than departures (arrivals almost doubled, while departures grew by only 45%), net emigration fell by over 30% or an average of 11,000 per annum.

Interestingly, only about 320,000 persons (about 10% of the country's population) were involved in all of these external migration travels. The breakdown of this number is as follows - about 150,000 persons (47% of total) returning from emigration travel, 170,000 persons (53.1% of total) currently in emigration, and about 9,000 first-time immigrants to Armenia (about 3% of total). (During the period in question, returning emigrants had made on average 2, and the current emigrants on average 2.5, trips from Armenia.)

Here, attention should be paid to the fact that the survey numbers almost coincide with the official numbers (about 9,000 and 9,100 persons respectively). Considering that these flows comprised other countries' citizens that permanently relocated to Armenia, which were not only likely, but also obliged for various reasons officially to register their arrival, the survey and official statistics on this part of the inflow are rather credible. This in turn gives reason to believe that the official numbers on departure roughly reflect the so-called "permanent emigration" situation.

This hypothesis is further proven by the fact that, in the opinion of the household members, 18% of the household members that were absent according to the survey results (over 37,000 persons) would definitely not return, and a significant part (21.7% or about 44,000 persons) did not rule out that they would not return.²⁷ While this data received from indirect sources requires critical assessment, it is clear that the number of permanent emigrants is at least not less than the number of those that officially registered their departure.

If it is the case (which is quite likely), then the persons that emigrated during 2002-2007 and have not yet returned may conditionally be divided into two groups - about 32-35% of them (55,000-60,000 persons) have permanently emigrated from the country, and the remaining 110,000-115,000 are those whose return is at least not ruled out. Therefore, the lion's share of Armenia's external migration turnover in 2002-2007 (92% of the departures and 98% of the arrivals) was carried out by an even smaller group of only about 250,000 persons²⁸ or multiple migrants. Each multiple emigrant and returnee made on average 2.8 and 2.4 border crossings during the last six years.

The following social-demographic structure of the group identified in the aforementioned survey indirectly, but firmly, corroborates that Armenia's external migration processes in recent years predominantly comprised labour migration:

- *The vast majority of the returning emigrants and current emigrants are men (about two-thirds and three-quarters respectively, relative to a national average of only 48%);*

last quarter of 2007 (which was not covered by the monitoring) in order to produce whole-year and whole-period numbers.

26 This number is the so-called "annual migration figure," ie the sum of all the migration acts.

27 Report of the Sampling Survey of Armenia's External and Domestic Migration, UNHCR, National Statistical Service of Armenia, Yerevan 2008, p. 63.

28 320,000 participants of the external migration processes; about 10,000 permanent immigrants; and about 60,000 permanent emigrants.

- 73.2% of the returning emigrants and 82.8% of the current emigrants are in the 20-54 years age group (relative to a national average of 53.3%);
- 70.6% of the returning emigrants and 67.5% of the current emigrants are married;
- 41.9% of the returning emigrants had general secondary school education, 24.8% had vocational, and 21.1% had university and post-university education, while the indicators for the current emigrants are 55.7%, 16.1%, and 18.7%, respectively (in the whole surveyed universe, the percentage shares account for 40.9%, 17.5%, and 21.6% respectively);
- 54% of the returning emigrants considered their travel “generally successful,” and only 27% considered it “generally unsuccessful or unsuccessful” (a significant number of migrants were undecided on this point), while the responses of the present members of the current emigrants were approximately 60% and 8.6%, respectively;
- 56.7% of the returning emigrants that had worked had been employed in construction, 15.3% in trade, and 10% in industry, while the figures for the current emigrants were 62.8%, 10.5%, and 4.2%, respectively with another approximate 7% of the current emigrants working in the service sector;
- Slightly over 2% of each group of the returning emigrants and the current emigrants had been unemployed, while registered and unregistered unemployment among the non-migrant population were 8.5% and 9% respectively; and
- The vast majority of the returning emigrants and current emigrants had been concentrated in the Russian Federation (80.8% and 76.6% respectively), while about 5% and 3.4% respectively

were or are in other CIS states, about 5% and 9.8% in European countries and about 5% and 3.4% in the USA.

Thus, the external migration situation of Armenia is currently characterized by two key features.

First, a rather stable group of temporary labour migrants (mostly long-term) has formed - as a result of their movement, despite the much higher turnover (mostly on account of the faster increase in the number of returnees), about 15,000-20,000 persons on average (0.5-0.6% of the country's total population) annually move abroad.

Second, there are smaller-scale permanent external migration flows, which regularly result in net emigration. According to official data, average annual net emigration is 7,500 persons (about 0.2% of the country's total population), demonstrating a rather clear trend of decline (see Figure 1.4). However, the research materials, without confirming or denying the existence of this trend of decline, show *first*, that net permanent external emigration is at least 15-20% higher, and *second*, that some of the labour migrants that remain abroad eventually will not either permanently settle or undermine the relative stability of this part of the external migration process by taking the family along.

As for the prospects of change in the external migration process, it is quite clear that, at least in the near term, they will be largely driven by the current financial and economic crisis in not only the destination countries (first and foremost the Russian Federation), but also Armenia.

It is beyond doubt that unfavourable economic conditions in destination countries will not only compel a significant part of the potential labour migrants to refrain from travelling (especially if they have not adequately prepared), but also force some of their peers abroad to return. The number of people that

refrain from travel and the number of returnees may vary considerably depending on the decline of economic activity in Armenia and further deterioration of the labour market supply-demand equilibrium. Unfavourable developments in Armenia may force some of the migrants abroad, primarily those doing worse financially, to lower the “bar” in terms of the acceptable level of earnings and the types of acceptable occupation, i.e. to accept less-paying and less-prestigious jobs instead of returning home empty-handed. On the other hand, this situation will place potential labour migrants in limbo, forcing some of them consciously to opt for employment travel subject to unreasonably high risks and uncertain prospects, with all the ensuing consequences.

In any event, regardless of the difference in the economic decline of Armenia and that of the destination countries, the vast majority of labour migrants with some savings (50,000-70,000 persons) can be expected to return.

The crisis will inevitably affect permanent external migration as well. It will most probably reduce the inflows, which are small to begin with. As for the outflow, it is hard to make credible projections, because the outflow may even grow depending on the difference between the severity of the economic contraction in Armenia and that in the destination countries.

It is even harder to project the post-crisis change in the external migration situation. One thing is clear, though: the process will be driven by the differences in the pace of economic recovery between Armenia and the destination countries. Depending on this factor, the volume and qualitative aspects of both labour and permanent migration flows may swiftly recover or change.

Revision of immigration policies by destination countries on the basis of lessons learned from the crisis can be a rather influ-

ential external factor. The most significant internal factor will probably be the development of the land market through an inevitable process of redistribution and consolidation of agricultural land plots. The number of people driven out of agricultural production may be larger or smaller depending on how this process is steered and its speed, and some of them may opt for either labour or permanent emigration.

1.3.2. Domestic Migration

It would have been reasonable to expect the strong economic growth reported from the mid-1990s till the current financial crisis to alter Armenia’s domestic migration patterns. However, judging by official data and research materials, the domestic migration situation has not changed much.

According to data from the National Statistical Service of Armenia, domestic migration during 2002-2007 involved only about 49,000 persons (about 1.5% of the country’s population).²⁹ The pace of migration fluctuated around 4.8-5.4 per thousand, without any articulate trends, indicating that the domestic migration activity of Armenia’s population remains low indeed.³⁰

Judging by the same data, it can be concluded that, in contrast to the previous year, flows driven by economic reasons have become rather articulate in the current domestic migration process. According to Figure 1.5, the “urban-to-rural” flow has been larger than the “rural-to-urban” flow in recent years, similar to the first half of the 1990s. Clearly, this situation is not due to either “demographic-

29 Armenia Demographic Handbook 2008, National Statistical Service of Armenia, Yerevan 2008, p. 104.

30 This estimate cannot be materially affected by the so-called “formal” nature of a part of the documented migration acts, i.e. the formal registration and deregistration performed for the furthering of specific objectives (purchase and sale of real estate, including houses and land plots, or the like).

family” or “educational” migration. As illogical as it may seem, this flow from an urban environment with relatively better social, economic, housing and subsistence conditions to a less favourable rural environment is mostly due to economic factors. The “urban-to-rural” flow apparently consists of three categories of flows.

The first comprises the above mentioned “demographic-family” migrants.

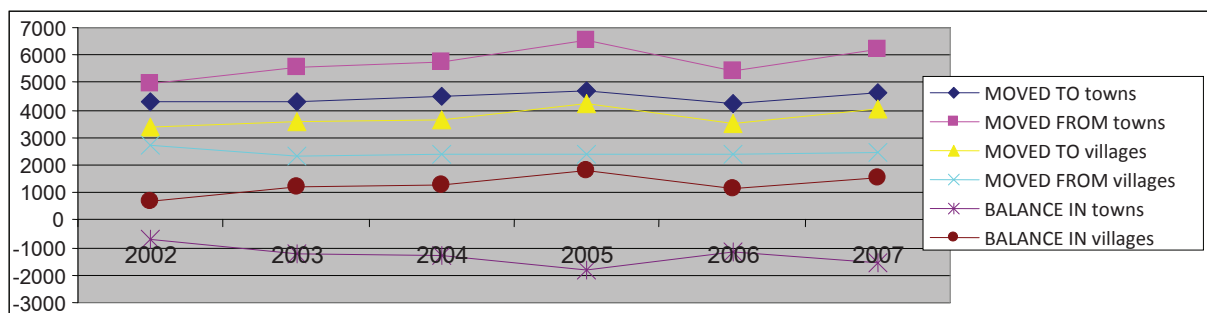
The second comprises the so-called “failed urban residents,” which, after failing their attempts at having a reasonable subsistence in their urban areas, and not having the resources and/or other features required to emigrate from the country, decide to relocate to villages, where they buy a house using a part of the urban house sale proceeds or settle with relatives or friends, or in some cases, in

the apartments of families that are away from the country.

The third category, in contrast, comprises the “successful” urban residents - having spare resources, they purchase real estate (homes and land plots) in the villages (mostly not for relocation, but rather, to use as summerhouses or for other purposes) and legally record the purchase by documenting their “deregistration” from the city and “registration” in the village, as a rule never relocating permanently to the village.

Thus, unlike the first two, the third category mostly does not involve real movement of the population. The second and third categories, unlike the first one, are clearly driven by economic factors. This structure is apparently typical of “large city to small village” flows.

Figure 1.5. Domestic Migration Flows of Armenia’s Urban and Rural Population in 2002-2008 as per Current Recording Data (thousand persons)*



* Compiled on the basis of official data from the “Armenia Demographic Handbook 2008 (National Statistical Service of Armenia, Yerevan 2008).

As for the “rural-to-urban” flows and the “small village to large city” flows, they presently consist mainly of the aforementioned first and third categories of flows, i.e. the “demographic-family” migrants and the “successful ones” relocating to or purchasing real estate in higher-class settlements (some of whom may be residents of rural areas), as well as a small “educational” category. Within the structure of these flows of the “successful ones”, there are more “real” than “formal” migrants.

In all of these flows, the labour category is virtually absent due to the shallowness of the labour market and the fact that, even in the places where there is demand for labour that is not met by the local labour supply (mostly in Yerevan, where there is unmet demand for labourers), the demand is adequately met by cyclical migration of the residents of nearby settlements.

To project the likely change of the domestic migration process, it is important to reiterate that the process has not displayed any

articulate trends in recent years. Based on this and other facts, it can be assumed that the domestic migration process, too, will be decisively influenced by the financial and economic crisis in the years ahead. Subject to the contraction of economic activity and falling living standards of the population, the crisis may cause virtually all the flows and categories of domestic migration (including those that do not directly depend on economic factors) to shrink further. In other words, like the second half of the 1990s, the domestic migration process will subside to a certain extent. The situation will hardly be affected seriously by the anticipated decline in emigration volumes and the probable return of some of the long-term labour migrants.

The only category of domestic migration flows that may increase because of the crisis is that of the “failed urban residents.” As their number will undoubtedly increase, the inflow from urban areas to villages can be expected to grow. If the consequences of the crisis worsen, one cannot rule out the revival of the temporary flow “to subsistence means” that took place in the early-1990s.

The situation will improve as progress is made in overcoming the crisis. However, the magnitude and quality of change may vary depending on the pace of economic recovery and growth and the degree to which the immigration potential of Armenia’s urban settlements rebounds.

Conclusions and Recommendations

1. As a result of extraordinary phenomena and factors of the late 1980s and early 1990s, Armenia’s external and internal migration evolution patterns changed fundamentally.
2. A revolutionary transformation of the external migration situation started in the late 1980s. The emerging emigration wave quickly became massive and, during a period of only 14 years

between 1988 and 2001, caused Armenia a total net emigration of 1.0-1.1 million (about 30% of the country’s baseline population).

3. This rapid and intensive emigration of the population, caused directly by the destabilization of political, social, economic and living conditions and the ensuing qualitative transformation, not only drove a further decline in the country’s external migration activity, but also eventually assumed and performed the role of a key factor supporting the adjustment and stabilization of the situation in all of the aforementioned respects.
4. The considerable sums imported/transferred to the country by migrants mitigated the population insolvency problem and considerably helped to halt the economic decline, to restore growth and to overcome the subsistence crisis. The migration processes and their results also played a key role in preventing the escalation of social tension to an unmanageable level and precluding the imminent threat of social shocks and even outbursts, which in turn were essential to the strengthening of statehood.
5. On the other hand, however, the process marginalized a significant part of the active population from the domestic issues of the country, most probably acting as a cause of the emergence and entrenchment of the negative aspects of present-day political, social and economic systems.
6. Finally, it must be emphasized that the past and present external migration processes of Armenia have not only supported stabilization, but also acted as a serious driving force of development, especially human development.
7. In terms of domestic migration, the transition was rather significant in qualitative respects, thought of much

smaller scale than that of external migration. The sharp decline of the economic capacity of the population paralyzed the industrial complex, distorted the urban lifestyle, almost completely stopped the “rural to urban,” “small town to large city” and “remote area to centre” flows due to the shrinking immigration potential of the urban settlements and even resulted in a tangible “urban to rural” flow, which had earlier been insignificant.

8. Starting from the late 1990s, as the country’s social and economic conditions improved considerably, the migration processes in Armenia generally returned to their normal paths of evolution, especially in terms of external migration but also, to a lesser extent, in terms of domestic migration. The evidence is that permanent net emigration fell to an average of about 10,000 persons per annum, which is only about 0.4% of the country’s total population.
9. However, despite the aforementioned process, the external migration situation in Armenia still remains alarming. Moreover, there are certain factors that give reason to assume that a new, rather massive wave of emigration may emerge.
10. The first such factor is that some of the many temporary labour emigrants continue to remain abroad (15,000-20,000 on average per annum, and a total of 100,000-115,000 during 2002-2007). Clearly, if their families eventually reunite with them outside of Armenia due to certain circumstances, Armenia will lose another 200,000-300,000 citizens (6-9% of the current population).
11. The development of the land market, the inevitable process of the redistribution and consolidation of agricultural land plots, may have similar consequences. Depending on how and at what pace it happens, small land owners will be driven out of agricultural production, and some of them will most probably opt for labour emigration or permanent emigration due to the surplus of labour force in Armenia.
12. Furthermore, Armenia’s external migration situation can be significantly affected by external factors, such as a possible revision of immigration policies of destination countries in the aftermath of the global financial crisis.
13. Thus, active intervention is necessary in order to avoid the imminent threat of further escalation of the migration situation in Armenia. Such intervention implies the development and consistent implementation of a research-based long-term state policy of migration.
14. The policy priorities should focus on the following - limiting the volume of permanent emigration, ensuring adequate conditions for labour emigrants abroad to reunite with their families in Armenia, planning and implementing effective measures to mitigate the possible impact of an anticipate redistribution of agricultural land plots on emigration, promoting and encouraging the return and repatriation of those that emigrated in the early years of independence and finally, addressing an urgent issue that has still not received sufficient attention, i.e. providing state support to the protection of the rights and interests of Armenian citizens presently in emigration, including labour emigrants.

Chapter 2

POVERTY, INEQUALITY AND MIGRATION



CHAPTER 2. Poverty, Inequality, and Migration

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2.1 Poverty, Inequality and Migration: The Key Social Challenges for Armenia

2.1.1 Scale of Migration Flows: Understanding the Significance of the Issue

Armenia has long been familiar with the social and ecological consequences of migration. Since 1988, however, especially following the collapse of the Soviet Union, Armenia faced the most turbulent migration flows in the last 70 years of its history. Poverty and inequality, too, of varying forms and magnitude, did not spare the Armenian public in the years leading to independence. Starting from the early 1990s, though, they became widespread in the Republic.

Poverty is a problem currently faced by the majority of countries in the world. Hence, many international organizations have dedicated special attention to it. In a 1995 publication entitled *Bridging the Gaps*, the World Health Organization (WHO) states: "...the greatest cause of suffering on earth is extreme poverty."¹

In its Social Policy (Basic Aims and Standards) Convention, the International Labour Organization declared the human right to a living standard that is necessary for protecting and safeguarding the health of the person and his family members in cases of unemployment, disability, or loss of subsistence means due to reasons beyond his control.

Various forms of inequality between the living conditions of different social groups are continuously growing as a consequence of rising poverty. The income gap between the rich and the poor continues to widen throughout the world. A range of studies have shown that income differences directly lead to differences in the health condition of those groups. Poverty and inequality explicitly and implicitly affect not only the health, but also the so-

cial, psychological and physical well-being of the individual, his or her position in society, access to public goods, the individual's attitudes towards society and society's attitudes towards the individual, and numerous other spheres. Poverty and inequality are closely interconnected. Income inequality is a psychosocial shock to the individuals, leading to health deterioration and eventual death. Inequality affects not only the individual, but also society, provoking mass stress and frustration, which in turn are conducive to the destruction of families, crime, suicide and violence. Many of the contemporary doctrines are increasingly more frequently viewing inequality as both a cause of poverty and an obstacle to economic development. World Bank expert Keith Griffin believes that, from the very start of the transition to a market economy, income inequality rose sharply in Armenia. It led to a higher rate of poverty in the total population. The Gini coefficient that reflects the degree of income inequality of the population rose from 0.258 in 1989 to 0.59-0.60 in the second half of the 1990s, causing Armenia to rank among the countries with the most income inequality in the world.²

Fortunately, the acuteness of the problem of poverty for the nation has been recognized at the level of government in Armenia, as reflected in the adoption in August 2003 of the Poverty Reduction Strategy Paper (PRSP), the most comprehensive strategic program document on the socio-economic development of Armenia adopted since Armenia gained independence. The PRSP viewed poverty as a threat to the country's social stability and a serious social problem obstructing long-term economic development (*PRSP, paragraph 53*). A revised PRSP was adopted in 2008, seriously addressing not only the linkage between poverty and inequality, but also migration as a problem of unprecedented gravity in the last 20 years of the country's history.

1 "Бедность, социальное неравенство и психическое здоровье", page 1, www.psyobsor.org

2 *Delovoy Express* economic weekly of Armenia, no. 08 (512), March 6-12, 2003.

Given the close causal link between unemployment and migration in Armenia, the 2008-2021 Sustainable Development Program (SDP) adopted by the Government on the basis of the Revised PRSP views expanding dignified employment through economic growth as a feasible way to overcome poverty. By regarding employment as a key factor in overcoming poverty and, thereby, preventing emigration from the country, the SDP rightly recognizes that, presently, having employment in the Armenian labour market is not necessarily an adequate safeguard for overcoming poverty, because a considerable number of employed persons are still unable to provide for a basic living standard for themselves and their family members. This is evidenced by the fact that, in 2005, 24% of the employed population (including their family members) were considered poor (compared to 49% in 1999). Nevertheless, having a job is a primary factor for overcoming poverty, as proven by the fact that the share of the poor among the employed population is 10 percentage points lower than the overall level of poverty.³

Relying on rising demand for labour and wage increase trends in the Armenian labour market on the backdrop of economic growth during 2002-2006, as well as the net immigration reported during 2004-2006, the SDP regards supply-demand mismatch in the labour market as the main cause of migration processes. More specifically, the SDP (*paragraph 313*) views the significant difference in levels of demand for labour force in the Armenian and Russian labour markets as a primary reason for emigration. The authors of the SDP believe that "...labour migration plays a dual role in terms of the poverty risk to migrants and their family members. In the short run, it plays a key role in reducing poverty on the background of persisting high unemployment in Armenia. However, in the long run, espe-

cially informal migration poses strong risk to migrants in view of the unstable nature of the employment."

While recognizing the significant impact of unemployment on poverty and emigration from the country, it is worth admitting that the SDP's analysis of this causal link is somewhat flawed. Specifically, the SDP:

1. Somewhat overestimated the impact of the demand for labour force on the migration process;
2. Did not analyze in sufficient depth the root causes of low demand for labour force in the Armenian labour market, perhaps for the reason mentioned in the paragraph above;
3. Provided a one-sided analysis of the causes of poverty and emigration, focusing too much on the economic reasons and generally overlooking the impact of other, non-economic (e.g. political) factors. The SDP does not pay sufficient attention to important determinants of living standards such as human characteristics and social institutions.

The National Security Strategy of the Republic of Armenia, too, recognizes poverty, the polarization of society and negative demographic trends (especially the unmanageable and intensive emigration of the scientific and culture potential) as internal threats to Armenia's national security and declares that they must be overcome in order to safeguard national security.

2.1.2 Definitions of Poverty and Inequality - Historical Evolution of the Concepts

To date, there are diverging perceptions of the notions of "poverty" and "inequality," including the assessment of their magnitude and forms, among governance experts researching and developing policies to overcome them. The notion of "poverty" was initially understood as the amount of material goods, includ-

³ SDP, Yerevan 2008, page 127.

ing financial resources, available to an individual or household, while “inequality” was primarily understood as the uneven distribution of such material goods between different members (groups) of society. Later, some non-material values (state of health, level of education and so on) were added to the indicators used to measure poverty; the absence of or low access to such values were considered indicators of poverty and inequality.

At the end of the last century, qualitatively new approaches to poverty and inequality emerged which measured these phenomena by not only the amounts of material and non-material values owned by an individual or group, but also the rights and opportunities of acquiring such values.

The explanations of the causes of poverty and inequality and the approaches to actions for eliminating them varied as well. The evolution of theoretical approaches to these phenomena during the last 200 years is summed up in Box 2.1 below.

Box 2.1. Historical Evolution of the Main Theories on the Concepts of “Poverty” and “Inequality”

Theoretical research into poverty and inequality issues commenced over 200 years ago. From the late-18th to the mid-20th centuries, there were two prevalent theories on these concepts:

- a) Social Darwinism; and
- b) Egalitarianism.

The Social Darwinists (British classic economists T. Malthus, H. Spencer, F. Giddings, J. Proudhon, and others) relied on the Darwinist theory of the struggle for survival based on natural selection to emphasize the inevitability of social inequality and the futility of fundamental reform aimed at its eradication. The followers of this theory believed that any act aimed at eliminating social inequality hurt society, first and foremost the poor, because it diminished their activity aimed at coming out of the state of poverty.

The Social Darwinists believed that the poor were completely responsible for their own poverty. Proudhon, one of the Social Darwinists, underlined that material needs alone were not sufficient for the survival of men and was the first to define the entirety of non-material values necessary for decent living of society during a certain period of time. In effect, it was the first mention of the concept of a minimum social standard. The followers of this doctrine were the first to differentiate between two types of poverty, relative and absolute.

The Egalitarians (E. Reclu, Marxists, and others) advocated for universal equality as an effective principle of organizing societal life. Marxists thought that poverty was mainly caused by the fact that some people did not have their own means of production, because of which they had to contribute their labour to the creation of added value by another part of the people, the owners of the means of production. The classics of Marxism, too, differentiated between relative and absolute poverty.

In the 20th century, the theory that became more prevalent claimed that poverty could not be eliminated forcibly, and that its scale could be reduced only by increasing the overall standard of prosperity. During 1940-1950, poverty research tied with the political focus of US President Johnson’s “war on poverty” led to the development of a number of quantitative indicators of the satisfaction of the basic needs of the population, including the *Engel* ratio (share of food expenditure in the total income of a household with average income), the diet as the value of the food ration necessary for maintaining health, and so on. These were the ratios primarily used in the US prior to the 1980s to measure the degree of relative poverty of a household.

In 1970, Indian scholars C. Bardham and V. Dandekar introduced the concept of “poverty threshold” or “poverty line.” In 2001, the World Bank estimated the poverty threshold for various countries relative to the 1993 purchasing power parity. Based

on these estimates, daily income equivalent to US \$1.08 per capita was recognized as the poverty threshold. Nonetheless, the poverty threshold for each country is estimated on the basis of national economic indicators and the national socio-cultural peculiarities of poverty.⁴

In the 1970s, a new approach to measuring poverty emerged (J. Marshall, P. Townsend), according to which the individual or household is considered poor, if its means do not suffice for leading a dignified life according to the standards common in society. This theory was not accepted unequivocally, because many considered it to go beyond the minimum boundaries of basic needs. This debate enriched some of the key concepts related to the assessment of poverty, such as “living standards” and “lifestyle,” resulting in the development of models for estimating the minimum food and social consumption standards; the “quality of life” concept emerged.

The theory of “**structural poverty**” that emerged in the 1980s was based on the premise that poverty was a normal phenomenon that could not be eradicated by means of only economic progress. The authors of this theory viewed the essence of poverty not as a matter of the quantity of goods, but as a matter of opportunities for the people, claiming that even in the abundance of goods, the opportunity of acquiring such goods was essential for purposes of overcoming poverty.

In the 1990s, consumer surveys in various countries gave birth to the notions of “subjective poverty” and “objective poverty.”

In the 1980s and 1990s, when it became clear that, even in Western countries with strong macroeconomic growth, poverty and inequality had not been eradicated and were regularly displaying patterns of growth, poverty researchers and social security policy-makers became all the less content with the definition of poverty as “a low level of income” or “the deprivation of necessary material goods to an impermissible extent.”

Those criteria alone could not explain the root causes of poverty and inequality. New indicators needed to characterize poverty were gradually emerging through intensive poverty research carried out at the end of the 20th century.

In the 1990s, the necessity of fighting poverty was recognized as a matter of global importance. In 1992, based on research carried out by the World Bank, the ability to purchase goods such as *health care, education and food* was added to the traditional income-based definition of poverty and *became the key indicator in evaluating the level of human development*.

In 2000, the poverty definition was augmented by indicators such as vulnerability or the lack of protection from various social risks, disenfranchisement, disempowerment and powerlessness.

With continuing globalization, the social phenomenon of poverty becomes ever more diverse and multifaceted. The comprehensive indicators of poverty have begun to vary significantly between not only regions and countries, but also districts and settlements within a country, or even more, by households and individuals, which implies a much more comprehensive and holistic definition of poverty that would incorporate all the elements of the contemporary approaches to poverty.

In view of the state’s constitutional undertakings to achieve social, economic and political development of Armenian society, it would be appropriate in terms of both academic research and pragmatic management efficiency henceforth to rely on a definition of poverty that would best embrace an individual’s or group’s access to the goods needed to satisfy all the human needs. To this end, one could adopt the following definition: *poverty is the state of an individual being deprived, to an impermissible extent, of goods relative to an average level of consumption typical of a given society during a specific period of its development, which implies:*

4 V.V. Paramonov, Social Policy, M-2006, pp. 62-63.

1. A low level of income and consumption;
2. Low nutrition;
3. Poor health and insufficient or no access to health care services;
4. Poor education and insufficient or no access to education services;
5. Lack of physical, legal and economic protection and power (security of person, equality before the law and government institutions and vulnerability to income volatility and other risk factors);
6. Lack of opportunities to participate in decision making (in the governance of the country in general or decisions affecting a given social group or individual) and disenfranchisement;
7. Low level of benefit from physical, natural and human (social) capital;
8. Limited or no opportunities to actively engage in socio-economic and political activities and a high degree of social obstacles;
9. Low level of awareness of events in the public-political and economic life of the country and limited awareness of one's own rights and
10. Limited or no possibility to supervise the performance of state, public and political institutions, etc.

2.2. Poverty, Inequality and the Migration Processes

The causal links between poverty, inequality and the migration processes are presented below through a phased analysis. The phases do not necessarily coincide with the main phases of the migration flows presented elsewhere in this Report. The phases have been distinguished based on the following circumstances:

- Significant change in the socio-economic development situation in the country and
- Peculiarities of the collection of infor-

mation on poverty and migration (existing information flows, research and poverty assessment methodologies).

Hence, the causal links between poverty, inequality, and the migration processes are examined below in the context of the following phases:

1. The Soviet-era decade that immediately preceded the declaration of independence, i.e. the 1980s;
2. The first half of the 1990s or the period of the economic decline;
3. The period from the second half of the 1990s till 2007, or the period of economic growth; and
4. The period from 2008 to 2009, or the period of the global financial and economic crisis.

While the above-mentioned definition has been adopted, one must admit that, in the analysis of the relationship between poverty and inequality of persons involved in the main migration flows concerning the Republic of Armenia (including their family members), it has been objectively impossible to make full use of the definition. Due to the fact that the definition is not widely accepted, poverty and inequality research does not address many of the characteristics mentioned therein, resulting simply in the absence of relevant data.

2.2.1. Poverty, Inequality, and Migration Flows during the Last Decade of the Soviet Period

The review of this period is aimed at demonstrating the scale of and causal links between poverty, inequality, and migration, in order to benchmark them against the post-independence situation.

In Soviet years, the only credible source of information about population migration flows was the system of recording passengers arriving to and departing from Armenia by the regional passport units of the Ministry of the Interior of the Armenian Soviet Socialist Re-

public. Even this data (which did not fully reflect the real scale of external migration flows) shows that, in the 1980s, Armenia had rather active external migration flows - from 1980 to 1988, the average annual balance of Armenia's external migration flows amounted to a net emigration of 12,700 persons.

There is no credible information proving a causal link between poverty and the migration flows from Armenia during the last decade of the USSR's existence (at least none is available to the authors of this Chapter). Hence, one can only speculate that poverty was an important reason of external labour migration. Table 2.1 shows the average monthly income of the population of the USSR republics in 1988.

According to the *Armenia Social Snapshot and Poverty National Report* published in 1996, wages were the main source of income (76% of total income) for the residents of Armenia in 1985, the most favourable year in terms of Armenia's economic development during the period preceding the economic reforms. Pensions, benefits, and stipends accounted for 11%. Income from the sale of agricultural products and other types of income together accounted for 13% of the total income. Food purchase expenses accounted for 41% of the total household expenses. Expenses on purchasing industrial products and services were 28% and 8% of total household expenses respectively. For the lower-income groups, the share of food purchase expenses was much higher than the national average.

Actual consumption of the basic foodstuffs was rather high. The daily caloric value of consumed food reached 2,546 kcal which was, however, less than the ration standard (2,710 kcal per day) established by the Food Institute of the USSR Academy of Medical Science. Besides, the types of food actually consumed and the consumption volumes of the basic types of foodstuffs did not correspond to the consumption ration standards. For example, above-ration consumption of bread and dairy

products was typical of Armenia's population (exceeding the standards by 12% and 15% respectively). The consumption of all the other basic foodstuffs was below the ration standards - for meat products, the gap was 35.8%, for fish 52.9%, for vegetable oil 84.8%, for fruit 26.4% and so on.⁵

It is clear from Table 2.1 that, immediately before the collapse of the USSR, the living standard of Armenia's population was not particularly high. As of 1988, the income of one in five residents of Armenia was below the subsistence minimum. The USSR State Committees for Labour and Statistics had set 78 roubles (US \$87 calculated at the official exchange rate) as the per capita standard subsistence minimum. The only other USSR republics that were doing worse than Armenia in terms of this indicator in 1988 were the four Central Asian republics and Azerbaijan. Moreover, Armenia was below the USSR average. Armenia was below the USSR average also in terms of the share of the high-income population in total (by 5 percentage points in the 150-200 income group and by about twice in the above-200 income group).

The external labour migration flows from Armenia that started in the 1960s continued throughout the 1980s on account of inequalities in terms of the level of socio-economic development between the different USSR republics and between different regions of Armenia. Those flows mostly comprised residents of some of the borderline and mountainous regions of Armenia, such as Akhuryan, Artik, Kalinino and the Sevan basin, mainly because those regions did not have either conducive weather and landscape for year-round income-earning agricultural occupation or advanced industrial infrastructure. Rapid population growth in those regions had created a significant surplus of labour force.

Back in the 1980s, research carried out by the State Committee of Labour and Employ-

⁵ *Armenia Social Snapshot and Poverty National Report*, Yerevan 1996, pp. 30-31.

ment of the Armenian Soviet Socialist Republic showed that the labour emigration flows from Armenia were to a large extent driven by the fact that potential earnings in other USSR republics were several times higher than what people could make in the aforementioned regions of Armenia (in other USSR republics, earnings could reach as much as 5,000-7,000 roubles per labourer per season/year). External labour migration also intensified on account of a “labour emigration tradition” that emerged in those regions over decades, contributing psychologically and practically to the engagement of new persons in the migration flows. Every next generation of labour emigrants began the labour emigration in a more favourable situation, better prepared having “inherited” from the senior generation the experience necessary to work in other USSR republics, as well as practical and personal ties and a culture. As a result of all of this, labour emigrants (30,000-40,000 persons per annum) from Armenia accounted for 1% of the total population and about 2% of the labour resource of Armenia in the mid-1980s. The population of urban settlements became engaged in these flows as well, though less than the population of rural areas.

The geographic coverage of the destinations of labour emigrants from Armenia broadened, as well - in addition to the various regions of the Russian Soviet Federal Socialist Republic, some started travelling to Kazakhstan.⁶

It is also clear from Table 2.1 that in 1988 the USSR republics with the higher living standards of the population were the Russian Soviet Federal Socialist Republic, the Ukraine, Byelorussia and the Baltic republics, followed by Kazakhstan and Georgia. As mentioned above, the intensive labour emi-

gration from Armenia during the last years of the Soviet era was primarily destined to the Russian Soviet Federal Socialist Republic, the Ukraine and Kazakhstan, where wages and living standards were higher than in Armenia. Thus, it can be concluded that the main push factors included, if not poverty in absolute terms, the low living standards and the labour market tension in Armenia. According to official data, about 120,000 people moved permanently from Armenia to the aforementioned republics of the USSR in the 1980s as a consequence of the factors discussed above.

⁶ Comprehensive Overview of Labor Migration from Armenia (scientific report on a research topic), State Committee of Labour and Employment of the Armenian Soviet Socialist Republic, Research Institute of the Armenian Soviet Socialist Republic State Plan, Yerevan 1985, p. 67.

Table 2.1. Per capital average gross monthly income

Republic	Population (million)	Of which (in %), per capital average gross monthly income (roubles)				
		Under 75	75-100	101-150	151-200	Above 200
USSR	285.5	12,6	15,7	33,3	21,2	17,2
Russia	146.8	6,3	13,1	34,0	24,6	22,0
Ukraine	51.3	8,1	16,8	38,5	22,4	14,2
Byelorussia	10.2	5,0	12,9	36,8	25,8	19,2
Uzbekistan	19.8	44,7	23,9	22,2	6,4	2,8
Kazakhstan	16.6	15,9	19,3	33,7	18,1	13,0
Georgia	5.3	16,3	17,4	31,6	18,1	16,6
Azerbaijan	7.0	33,3	22,2	27,3	10,9	6,3
Lithuania	3.7	3,6	10,7	34,6	27,1	24,0
Moldova	4.2	13,0	19,8	37,3	18,9	11,0
Latvia	2.7	3,2	9,5	31,8	27,2	28,3
Kirgizia	4.3	37,1	23,1	26,0	9,2	4,6
Tajikistan	5.0	58,6	20,7	15,5	3,8	1,4
Armenia	3.5	18,1	21,5	34,7	16,2	9,5
Turkmenistan	3.5	36,6	23,0	25,8	9,4	5,2
Estonia	1.6	3,9	9,0	28,0	25,5	33,6

[Source: Armenia Social Snapshot and Poverty, 1996, p. 30]

In the last years of the Soviet Union, material prosperity of the population was measured by the consumption of the basic foodstuffs (the consumption ration standards were devised by the Food Institute of the USSR), the consumption of non-foodstuffs, the population's access to durable goods, and the structure of population income and expenses.

From the 1960s to the 1980s (also known as the pre-transition period), external labour migration flows from Armenia had a significant impact on certain layers of Armenia's population, primarily the population of certain rural areas, in terms of higher living standards and increased competitiveness in at least the USSR labour market.

During the pre-transition period too, especially in the 1980s, Armenia's **domestic migration flows** were mainly from villages to towns, from peripheries to the centre, from mountainous areas to the plains and from small towns to big cities, which were predominantly due to the obvious disparities between

the different parts of the country in terms of socio-economic development.

An overview of data from the National Statistical Service of the Republic of Armenia on population growth shows that during the period 1980-1990, i.e. during the 11 years that immediately preceded independence, Armenia's permanent rural population grew by 56,200, while the natural growth of the rural population during the same period (i.e. the difference between the number of new-borns and the number of people who died) was 217,400. This means that a significant number of rural inhabitants - over 160,000 people - moved from villages to towns or

abroad. Comparing these numbers with the urban population figures for the same period, it becomes evident that the permanent urban population increased during those years not only on account of natural growth. The increase in the permanent urban population during those years was over 72,000 more than the natural growth figure.⁷ Thus, during the 11 years preceding independence, about 14,700 people per annum (1.33% of the 1990 rural population) permanently moved from villages to towns or abroad and about 45% of them were clearly participating in the village-town domestic migration flows.

Without dwelling upon the details, it is worth reiterating that the aforementioned domestic migration flows emerged primarily on account of socio-economic development disparities between the regions of the country, which left a considerable share of the rural population with low living standards and no access to goods essential for human development, such as quality health care, education and culture services.

2.2.2. Poverty, Inequality and Migration Flows during the First Half of the 1990s

This period in the latest history of the Armenian Republic was marked by unprecedented economic decline and related macroeconomic and social indicators, leading to widespread poverty. The gross domestic

product (GDP), a general indicator of economic development, grew in nominal terms during 1990-1994 mostly on account of price increases, while the real output of goods and services shrunk. According to official reviews by the Statistical Service of the Republic of Armenia, consumer prices of goods and services increased by more than 22,000 times in 1994 relative to 1990; the prices of services alone rose about 48,000-fold.⁸

Up to 1995, as a result of price liberalization, the monthly average wage per employee and the household income grew much more slowly than the prices and tariffs of consumer goods and services, which led to a considerable (about 15-fold) decline in the purchasing power of the population in 1995 relative to 1990. Real disposable income and the purchasing power of the population increased only when price stabilization began in 1995.

According to the *Peculiarities and Stages of Economic Reforms in Armenia during 1991-1998* report, "...from 1991 to 1994, output contracted in Armenia. The worst contraction of the GDP (42 percentage points, six times higher than the CIS average) was reported in 1992. From 1991 to 1994, output contraction was accompanied with price inflation."⁹

The period **from 1988 to 1992** was very

⁷ Republic of Armenia NSS, Armenia Demographic Handbook 2007, Yerevan 2007, p. 19, pp. 21-22.

⁸ National Accounts of Armenia 1990-1997, pp. 218-219.

⁹ *Peculiarities and Stages of Economic Reforms in Armenia during 1991-1998* report, Yerevan 1999, p. 3.

Table 2.2 Armenia GDP, 1990-1995

Year	1990	1991	1992	1993	1994	1995
GDP growth, % over the previous year*	94.5	88.3	58.2	91.2	105.4	106.9
GDP, % of 1990**	100.0	88.3	51.4	46.9	49.4	52.8

* Peculiarities and Stages of Economic Reforms in Armenia during 1991-1998 report, Yerevan 1999, p. 3.

** Armenia Social Snapshot and Poverty 1996, p. 1.

important in terms of the **external** migration processes, as Armenia reported net immigration on account of about 420,000 refugees and internally-displaced persons from Azerbaijan, Nagorno Karabakh, and other countries of the former USSR, who found shelter in Armenia (during the same period, about 170,000 Azeris living in Armenia left the country). Clearly, this period was dominated by immigration flows. While there is no direct causal link between these flows and poverty, many of the immigrants later joined the social group of Armenia's population that was the most sensitive to poverty - this was particularly true in the case of refugees deported from Azerbaijan, most of whom had less real economic power than the average resident of Armenia. Besides, the refugees had a number of other problems, as reflected in the new Framework Paper on State Regulation of Population Migration in the Republic of Armenia, which fall within the definition of poverty discussed earlier in this Chapter - most of them back then, and some even now, were or are in need of housing and had or have other socio-economic problems (high unemployment, low income and so on), including insufficient access to education services (among other reasons, due to language barriers), low awareness of their rights and the ensuing low level of legal protection, underdeveloped social ties and other problems.

From 1992 to 1995, the external migration flows affecting Armenia reversed and emigration became the dominant trend. These emigration flows were predominantly due to the threats associated with the war in Nagorno Karabakh and the fundamental socio-economic and political change happening in the country. During this period, average annual net emigration was about 100,000. From 1991 to 1995, Armenia was in a grave economic crisis, with widespread unemployment and ensuing poverty. Sociologist G. Poghosyan wrote: "The Armenian 'new poverty' is distinguished by its manifest political nature.

Unlike traditionally poor countries, where the poor population live in rural areas, poverty in Armenia predominantly struck the urban residents."¹⁰

During this period, poverty research carried out in Armenia addressed the migration issue superficially, viewing it mainly as a phenomenon solely affecting the demographic situation. It was not until later that research primarily focused on exposing the link between poverty and migration. During 1991-1995, household budget surveys were carried out by the Republic of Armenia Ministry of Statistics using the regional-sectoral sampling method (covering a sample of 1,100 households).

According to household surveys carried out in 1993 and 1994, 56% of Armenia's population was recognized as poor and 32% of people were found to be extremely poor.¹¹ The research data then showed that material poverty intensified from year to year, as illustrated by the following trends - **a)** The share of foodstuff spending in total household expenses grew continuously from 53.8% in 1991 to 65.9% in 1995; **b)** In contrast, the share of non-foodstuff spending fell from 26.8% in 1991 to 17.9% in 1995; **c)** Moreover, owing to the insolvency of the public, spending on utilities and cultural services fell, payments for housing services ran into difficulties and the share of transport spending in total household expenses grew.¹²

The same research gave rise to serious concerns over other indicators of poverty, as well - according to the data from the Ministry of Health of the Republic of Armenia, the reported rate of morbidity fell during 1990-1994 which, in the opinion of experts, was due to a lower utilization rate of health care facilities, rather than the improved health condition

10 G. Poghosyan, *Armenian Society in the Beginning of the 21st Century*, Yerevan 2006, p. 219.

11 Armenia: Confronting Poverty Issues, WB reports. 1996.

12 Republic of Armenia Ministry of Statistics, *Socio-Economic Situation and Poverty in Armenia, 1991-1998*, Yerevan 1998, p. 26.

of the population. In 1994, the reported rate of morbidity started to rise again. The total rate of mortality, too, rose from 6.2 in 1991 to 7.4 in 1993. During 1994-1996, the indicator fell and stabilized which, in the opinion of researchers, was due among other factors to the lack of information on the deaths of a rather large number of people that had emigrated earlier. At that stage, a key indicator of prevalent poverty was the housing problem, which intensified because of the slow recovery effort after the 1988 disastrous earthquake and the influx of refugees.¹³

Despite all of this, material poverty was not the only driver of intensive emigration flows during this phase. Other important reasons included, as mentioned above, the war from 1992 to 1994 and the ensuing heightened public feeling of insecurity.

In the course of the 1988-1995 phase of migration processes, **domestic** migration flows became rather intensive, driven mainly by the forced displacement of residents of the borderline regions of Armenia to other settlements in the country because of the fighting with Azerbaijan. The people in these flows fell squarely within the definition of IDPs under the UN Guiding Principles on Internal Displacement, which provide that internally displaced persons are persons who have been forced or obliged to flee or to leave their places of habitual residence, in particular in order to avoid the effects of armed conflict or natural or man-made disasters and moved to safer places within the same country and who have not crossed a state border.

In Armenia however, the problems of internally displaced persons (IDPs) had warranted less attention up to 2000 because of the unprecedented external migration flows and the large number of people displaced as a result of the earthquake. Therefore, no research was carried out up until the late-1990s on the size of this group, movement directions and

socio-economic problems, and the solution of their problems was omitted in the agendas of both the Armenian government and international organizations. Today, as in the 1990s, there is no consensus on the number of IDPs due to the Armenian-Azeri conflict - in contrast to the Armenian Government, which reports the existence of 72,000 IDPs, the US Committee for Refugees, for instance, reports 60,000.¹⁴

The differences in these indicators are explained in the following way - some (over 10,000) of the 72,000 mentioned by the Government are refugees that were displaced from Azerbaijan during 1988-1992 and settled in Nagorno Karabakh or the borderline regions of Armenia, because of which the international organizations are reluctant to treat them as IDPs.

However, the refugees that resettled villages formerly inhabited by Azeris should be viewed as IDPs, because their vast majority had not simply appropriated or settled by administrative regulation in apartments left by others (Azeris), but rather had become owners of the apartments occupied by them as a result of purchasing them from the former owners or exchanging with apartments left in Azerbaijan during 1990-1992; thus, the second time, they had to leave their apartments and settlements already as residents of Armenia.

The Refugees and IDPs working group that operated in the framework of the first IOM (International Organization for Migration) and United Nations High Commissioner for Refugees (UNHCR) joint program on IDPs' issues ("Strengthening of the Human Resource Potential in the Field of Migration Management in the Republic of Armenia") carried out research in borderline areas in 1998, which showed that IDPs had faced numerous social problems in their former places

¹³ Ibid, p. 27.

¹⁴ Presentation of Francis Deng, Special Representative of the Secretary General, "Profiles in Displacement: Armenia," at the 57th Session of the UN ECOSOC Commission on Human Rights, addendum 3 (November 6, 2000), p. 5.

of residence, including problems of physical security, housing or shelter, living conditions, social protection and access to utility services, which in the first half of the 1990s were the main reasons why those people were forced to live their places of residence. The aforementioned research revealed, in particular, that:

1. People that live in borderline settlements are constantly fired at by the opponent's snipers. Another security concern is related to landmines.
2. 75% of those displaced because of the fighting lived in summer pasture huts or other temporary shelters, 18% lived with relatives, 3% lived in dormitories and pensions and only 4% had been able to acquire their own houses or apartments.¹⁵ According to estimates of the Armenian Government, the warfare damaged over 12,300 homes in borderline areas, of which 40% were destroyed to the ground. In the Tavush region, in particular, 250 homes were fully destroyed, 935 were seriously damaged, and over 7,000 were damaged.¹⁶
3. The subsistence conditions of the population in borderline areas had deteriorated sharply, because most of them obtained food and income from land and livestock farming and the permanent bombardment and mining had drastically reduced the surface area of land (cultivated land or pasture) used for agricultural purposes. At the time of the research, 25% of the arable and 40% of the irrigated land was not in use. This situation was also caused by the damage inflicted upon the irrigation system and the reduction or destruction of the agricultural service-provision network (machines, tractors, and agricultural hardware). Loss of

effective access to the aforementioned two sources of food and income had gravely hurt the living standards of the residents of borderline settlements (*ibid*).

4. In terms of access to the social security and utility services, the situation in the borderline settlements in the first half of the 1990s was as follows - due to the fighting (especially the bombardment), the population social protection and utility infrastructure (health care, education and population service institutions, water supply, sewerage and gas supply pipes, electricity and telephone lines as well as roads) had been fully or partially destroyed in the majority of the settlements. According to data of the Armenian Government,¹⁷ over 78 educational institutions, 62 medical out-patient clinics, 515 kilometres of drinking water mains, 724 kilometres of irrigation canals and 575 kilometres of roads had been damaged in the borderline areas. 60% of the roads were estimated to be fully destroyed. 70% of the villages had been deprived of drinking and irrigation water.
5. Due to the damage or destruction of schools, many children in borderline settlements could not regularly attend school in the 1990s. In many settlements, even if the schools were not destroyed, the qualified specialists of other education and social security institutions (health care and other service providers), many of whom had gone to work there from regional centres and non-borderline central regions of the country, had left those settlements because of the fact that life there was unsafe.
6. Due to the threat of bombardment and road destructions, many borderline settlements were deprived of bus and any other regular transport services.

15 "The Problems of Persons Forcibly Displaced from Borderline Settlements of the Republic of Armenia," p. 23.

16 Post-Conflict Recovery Plan of Borderline Areas of the Republic of Armenia, Yerevan 2000, p. 4.

17 *Ibid*.

Research carried out later showed that most of the people in this group were unable later to resolve some of the problems discussed above.

2.2.3. Poverty, Inequality and Migration during the Period from the Second half of the 1990s to 2007: the Period of Economic Growth

According to a poverty survey carried out by the National Statistical Service of the Republic of Armenia in the last quarter of 1996, 1 of 17 families registered in Armenia was outside of the country as of the beginning of 1996. At the time of the survey, all the members of a total of over 50,000 families (over 200,000 people or about 5.9% of the country's population) were in other countries, though having retained their registration and apartments in Armenia. At the very least, they were temporary emigrants at the time. Besides this, 3.4% of the family members had been absent from the country for one month or more prior to the survey.¹⁸

The external migration flows during the period in question comprised predominantly labour migration, as proven by the results of the aforementioned survey - the majority of the absent family members (69% of all the absent persons) were of ages 18-39, i.e. the most active employment age. The analysis of the various age groups shows that, during the period in question, about 10% of the 18-29 age group was absent. About 5% of the members of large families were outside of the country for finding employment.¹⁹ In the years that followed, the external migration flows of the Republic of Armenia continued to comprise predominantly labour migration. During 2005-2006, working-age men continued to dominate the labour migration flows (13.1% men compared to 1.7% women).

Box 2.2 Benchmarking Key Indicators of the Migration Situation in Armenia

During the period from 1997 to 2006, migration caused the **population of Armenia** to shrink by 0.6%, while that of Georgia shrunk by 1.1%, and Azerbaijan's population grew by 0.9%. In the same period, the total population of the Europe and Central Asia (ECA) region and the middle-income countries (MIC), among which Armenia figures, grew by 0.2% and 1.0% respectively.²⁰

In terms of the absolute number of migrants, Armenia is not ahead of other South Caucasus, ECA and MIC countries; however, migrants account for a rather high share of Armenia's population (7.8%), mostly due to the number of refugees from Azerbaijan during 1988-1992, which is high in comparison to the neighbouring two countries and the respective averages for ECA and MIC countries.²¹

Emigrants from Armenia accounted for 26.9% of the country's population in 2005. This indicator is much higher than the figures for the neighbouring two countries and the respective averages for ECA (by about 1.7 times) and MIC (by about 8 times).²²

The unregulated outflow of the educational, scientific, and cultural potential has reduced Armenia's intellectual potential and undermined the opportunities for socio-economic, scientific-technical and cultural development.²³ The emigration ratio of persons with university education (percentage of emigrants in the total number of persons with university education) was 11.2% in Armenia in 2000, which was about 4.5 times higher than the ratios for Georgia and Azerbaijan, placing Armenia ahead of most other ECA and MIC countries. During the same period, about 0.1% of the persons with a medical

18 Poverty and the Socio-Economic Situation in the Republic of Armenia, Yerevan 1999, pp. 17-18.

19 Ibid, p.19.

20 Migration and Remittances Factbook. Dilip Ratha and Zhimei Xu, Migration and Remittances Team, Development Prospects Group, World Bank. <http://www.worldbank.org/prospects/migrationandremittances>

21 Ibid.

22 Ibid.

23 National Security Strategy of the Republic of Armenia.

education left Armenia - this figure is comparable to that of Georgia and about 5 times higher than that of Azerbaijan.²⁴

As was mentioned, relative economic growth had been observed in Armenia starting from 1994, which continued through 2007. Growth led to some change in the social situation of the country's population, as well. According to official statistical reviews, a certain monetary policy succeeded in 1995 in stopping the dram hyperinflation and achieving relative price stability in the economy. As a result of price stabilization, real disposable cash income and the purchasing power of the population somewhat grew after 1995. During 1995-1997, as the average monthly wage per employee grew by 7.5 times and household cash income by 5.5 times, consumer prices rose by 3.7 times. Owing to this improvement, real disposable cash income grew 1.5-fold.²⁵

In 1996, after two years of decline, the number of the economically-active population ("EAP") grew to the period highest since 1993. In 1997, the indicator somewhat fell. The employed population figure shrunk considerably from 99.3% in 1995 to 95.6% in 1997. In 1996, the unemployment figure reached an unprecedented level of more than 140,000.²⁶ In 1997, as the number of the EAP fell, the share of the employed population in the number of the EAP declined as well; in contrast, the share of the unemployed rose to 10.8% (ibid). In the five years that followed, the average annual figure remained at 10.4%.²⁷

While these latter trends were partly caused by the changes of the definitions of "employed persons" and "unemployed per-

sons" in the Republic of Armenia Law on Population Enforcement adopted in 1996 and were illustrative of the tension in the Armenian labour market, the EAP decline trend (its definition had not been changed) can be explained by the fact that the EAP emigrated actively from Armenia during the relevant period. It marked the start of intensive flows of external labour migration from Armenia. During 1996-2001, the average annual net emigration from Armenia was about 50,000.²⁸

The economic growth that began in 1994 and was sustained did not lead to a proportionate reduction of poverty and inequality. While it is true that sustained high economic growth created preconditions for improved living standards and poverty reduction, the rate of poverty reduction would depend on the extent to which growth was accompanied with changes in income distribution and the inherent inequality of resources and opportunities. Another important determinant was the impact of various factors on the indigent population's access to the fruits of economic growth.

The methodology for poverty research was changed in 1996, because the surveys carried out using the regional-sectoral sampling method applied in the first half of the 1990s did not reflect the actual reality due to a number of shortcomings. With a view to derive a more credible picture of the population living standards, the Ministry of Statistics of the Republic of Armenia carried out a random-sample survey of 5,040 households in late 1996 in line with international standards. According to this survey, 57.4% of the country's population lived below the general poverty line, and 27.7% of the population was in extreme poverty. The poverty rate continued to decline in the years that followed. Table 2.3 below presents the income poverty and inequality indicators of Armenia's population first for the period of 1993-1994 and then from 1999 to 2006.

24 Migration and Remittances Factbook. Dilip Ratha and Zhimei Xu, Migration and Remittances Team, Development Prospects Group, World Bank. <http://www.worldbank.org/prospects/migrationandremittances>

25 National Accounts of Armenia 1990-1997, p. 227.

26 Peculiarities and Stages of Economic Reforms in Armenia during 1991-1998 report, Yerevan 1999, p. 24.

27 Current reports of the Labour and Employment Department of the Ministry of Labour and Social Affairs of the Republic of Armenia.

28 Peculiarities and Stages of Economic Reforms in Armenia during 1991-1998 report, Yerevan 1999, p. 24.

Table 2.3 Income poverty and inequality indicators of Armenia's population

Indicator	Year					
	1993-1994	1999	2003	2004	2005	2006
GDP per capita (USD)						
Share of poor population in total (percent)**	.-	571,4	874,1	1113	1523	1921,1
Of which, share of poor population in total (percent)**	56,0*	55,1	42,9	39,0	34,5	.-
Share of very poor population in total (percent)***	32,0*	22,9	7,4	7,2	5,5	.-
Of which, share of poor population in total (percent)***	.-	51,6	.-	34,6	29,8	26,5
Share of very poor population in total (percent)***	.-	21,0	.-	6,4	4,6	4,1
Gini coefficient of income concentration	.-	0,57	0,434	0,395	0,359	0,369
Ratio of the income of the poorest 20% to the income of the richest 20% (times)	.-	3,6	7,5	10,6	9,5	7,6

* Estimated using the following methodology - households that spent 15% less than the per-capita median were considered very poor, and households that spent 15-40% of the median were considered poor.

** Estimated using the methodology applied during 1996-2003 based on per-capita monthly current expenses, i.e. the share of the poor in the total population and the share of the very poor (determined by the food poverty line that is below the 2,100 kcal equivalent daily food ration) in the total population.

*** Estimated using the new methodology applied starting from 2004, according to which the consumption aggregate includes not only the current consumption of foodstuffs, non-foodstuffs and services, but also the estimated household expenses on durable goods. The consumption value per adult has been applied as well, in order to account for the differences between consumption by adults and children. Besides, the food poverty line was revised in 2004 based on the average daily food energy value of 2,232 reported in Armenia in 2004, which was then applied for the several years that followed. [Source: Sustainable Development Program of the Republic of Armenia, Yerevan 2008, pp. 42-43.]

While the absolute figures of the poverty rate somewhat fell in those years, there was hardly any change in the inequality situation.

Table 2.4 below presents the 1999 GDP breakdown by the population deciles - clearly, Armenian society was very far from being a society of income equality or fair distribution, for one because the GDP share of the poorest 10% of the population was over 115 times less than the share of the richest 10%.²⁹

Table 2.4. 1999 GDP breakdown by the population deciles

Deciles	Share in GDP (%)
I (Poorest)	0,4
II	1,5
III	2,5
IV	3,5
V	4,9
VI	6,2
VII	8,1
VIII	10,7
IX	16,0
X (Richest)	46,2
Total	100,0

²⁹ G. Poghosyan, *Armenian Society in the Beginning of the 21st Century*, Yerevan 2006, p. 221.

A peculiarity of this phase was that the share of people that left Yerevan in the labour migration flows had declined relative to the years before, while the number of emigrants from small towns and rural areas had grown. It is a good illustration of disparities in the regional development of the country in the 2000s - economic growth in Yerevan was much higher than elsewhere in the country. In this phase too, poverty was more prevalent in small- and medium-sized towns and it was obvious that unemployment, poverty and especially inequality contributed significantly to emigration.

This pattern has also been identified by World Bank expert Keith Griffin, who states in his *Policy Conclusions: A Pro-Poor Strategy* report that, in addition to the fact that urban areas are poorer than rural areas, the food security of poor urban households depends to a large extent on money transfers (from labour migrants), benefits (meaning benefits paid by the state, such as pensions and allowances) and income from the sale of household items. These three sources together account for more than half of their income. In the income of the poor and extremely poor deciles of the urban population, remittances alone account for 26% and 31% respectively. This goes to emphasize that, in urban areas, being unemployed or not being in the labour market makes it much more likely that a person will become poor. The situation is different in rural areas, where agriculture occupation is high due to the fair distribution of land plots. However, due to the very small size of farms, labour productivity is very low and falling. If this trend persists, poverty will become prevalent in rural areas too.³⁰

From the beginning of the 2000s, the migration processes as well as the poverty and inequality situation changed in the Republic of Armenia. **During 2002-2006**, average annual net emigration declined drastically. According to the database on passengers cross-

ing the Armenian border, net emigration from Armenia fell to about 6,500 per annum in 2002-2003. During 2004-2006, net immigration was reported - from 2,000 in 2004, the net immigration figure reached 21,800 in 2006. According to data from the State Employment Agency of the Ministry of Labour and Social Affairs of the Republic of Armenia, unemployment fell gradually starting from 2002, from 9.8% to 7.7% in 2006.³¹

During this period, annual economic growth in Armenia was on average above 10%, resulting in a reduction of poverty from 55.1% in 1999 to 51.6% in 2006, with extreme poverty falling from 29.8% to 4.6%. However, this phase of economic growth, and a certain poverty reduction too, was not accompanied with progress in reducing income inequality. The income gap between the richest and poorest 20 percents of the population rose from 3.6 times in 1999 to 7.6 times in 2006 (hitting 10.6 times in 2004).³²

During this period as well the migration flows of Armenia mostly comprised labour migration. According to the *Migration and Development* survey of the ILO, labour migrants accounted for 94% of Armenia's external migration flows during the period 2002-2007. 14.5% of the Armenian households had at least one labour migrant in 2005-2006. Surveys have shown that the members of such households (both the migrant members and the ones that stayed in Armenia) consider migration a positive phenomenon, as opposed to households without any members involved in migration. 54% of the returnees from abroad considered their trips completely successful or more of a success than not. To this end, labour migration has been very highly rated by the household members, 60% of whom considered the trips of migrants abroad as a success.³³

30 Assessment of the Social Impact of Poverty (GTZ), Yerevan 2005, p. 23.

31 <http://employment.am/html/workmarket/empparameter.htm>

32 Sustainable Development Program of the Republic of Armenia, Yerevan 2008, pp. 42-43.

33 Sampling Survey of External and Internal Migration of the Republic of Armenia (June-November 2007),

In the 2000s, **domestic** migration flows had become rather active too. Compared to only 33.4% in 2002-2004, 66.6% of the households that moved from their settlements had relocated to other settlements within Armenia. According to the survey discussed above, 3.2% of the Armenian households were involved in the processes of domestic migration in 2007. Domestic migration flows too were mostly driven by socio-economic reasons - about 52% of the domestic migrants said that they moved to another settlement in Armenia because of a lack of employment or a sufficiently well-paying job or not being able to earn an adequate living.

On the whole, domestic labour migration has also positively influenced the living standards of households. 87.9% of the returnees from other settlements within Armenia have considered their trips “more of a success than not” or “completely successful,” justifying their return by the accomplishment of the travel objective or the termination of employment (65.9%).³⁴

The positive impact of labour migration on the living standards of the population involved in migration flows has been one-sided - while labour migration has clearly positively influenced the living standards of households that left Armenia or relocated within Armenia for employment, the same cannot be said about the living standards of households that immigrated to Armenia. Of the households that immigrated to Armenia, the living standards improved only in the case of 9.1%, with 40.9% seeing no change and 50% suffering from a deterioration of living standards.³⁵

During the period in question, despite sustained economic growth and a significant reduction in material poverty, the country did

not benefit from a considerable reduction of inequality and non-material poverty caused by inequality.

The authors of a **2003** report of the Participatory Assessment of Poverty (PAP) in the Tavush and Gegharkunik regions of Armenia noted that the factors characterizing non-material poverty, including unequal opportunities to participate in decision making, have played an important role in terms of households ending up in material poverty. The report reads: “Households and individuals that are above the poverty threshold may easily fall below it as a consequence of failed migration, illness or wrong investment decisions. The comments and analysis on the PAP of respondents belonging to virtually all the groups show that the overall decline in capital assets reported in the early 1990s has been halted and a certain growth and development has been observed in various sectors of the economy. However, the growth is unequal in terms of both its distribution amongst a community and the capital assets on which growth is based.”³⁶

The report further states that, in terms of human capital, the majority of the poor do not have the knowledge and skills necessary to work in either agriculture or any other sector.

As for political capital, the poor have very limited opportunities to participate in local self-government decision-making and other processes of government. The lack of influence on government decisions has specific short-term effects on living standards, such as the difficulty of entering into the agricultural market. The survey respondents mainly explained the high rates of poverty by the lack of access to institutional systems, as well as their inadequacies and corruption. On the whole, the poor have limited access to institutions; services and decision-making processes are not accessible due to a lack of information, limited time and financial resources and cor-

Yerevan 2008, pp. 6-7.

34 Sampling Survey of External and Internal Migration of the Republic of Armenia (June-November 2007), Yerevan 2008, p. 9.

35 Sampling Survey of External and Internal Migration of the Republic of Armenia (June-November 2007), Yerevan 2008, p. 8.

36 Regional Development Plan of the Republic of Armenia, Department for International Development, Yerevan 2004, p. 27.

ruption in systems and processes. There are also institutional flaws that can be attributed to resource scarcity and the lack of experience in certain institutions.³⁷

The analysis of the root causes of poverty and the ways of overcoming it in Armenia cannot be confined to an analysis of material poverty factors only, as proven by abundant other research that indicates that poverty has a systemic nature in Armenia due to the inability of the majority of the population to produce or reproduce their physical and financial assets, low income, exploitation of labour force, low profits of small- and medium-sized enterprises, the inadequate participation of the vast majority of the population in economic growth and the decision-making process, and finally, the absence of national wealth distribution mechanisms that would have a social focus.³⁸

The authors of another research paper believe that “the social costs of the transformation increased sharply due to phenomena, such as increases in income distribution inequality, deepening stratification of assets’ ownership, poverty taking roots as a way of life and finally *the deepening of social injustice*. All types of manifestations of social injustice, even in conditions of economic growth, create preconditions for a deep social and moral crisis in the country. This is reflected, first of all, in the country’s demographics, including emigration, as well as reproduction of human capital and extremely unfavourable shifts in society’s value system, which might reach intolerable proportions in a given country.”³⁹

Having compared indicators of material and non-material poverty of Armenia’s population, they have rightly noted that the strategic documents of state policy on overcoming

poverty in the late 1990s and the 2000s disregarded an important factor, the asymmetry of material and non-material (human) poverty of Armenia’s population. Because of it, Armenia had set the food poverty line so low that it was almost equal to the average values of the same indicator calculated for 1987-2000 for Ethiopia, Burkina Faso and Tanzania, despite the fact that, during the same period, Armenia held a position twice as high as the mentioned countries in terms of its human development index (HDI); at the same time, by its quantitative indicators for education, Armenia almost equalled the level of Western European and North American countries.⁴⁰

As summarization on the human and income poverty surveys of Armenia’s population in this period, the following conclusion of the authors of the aforementioned report can be directly quoted: “...over the long run, certain balance is formed between material and human poverty. In 1996-1998, the level of material poverty in Armenia was very high (at 55 percent), while the level of human poverty was very low. Due to the continuous economic growth recorded in recent years, the level of material poverty dropped by more than 12 percentage points. Human poverty, however, with a number of its manifestations, not only did not drop, but with regard to certain aspects, even diffused among nearly all groups of the population and introduced certain changes in the qualitative aspects of poverty.”⁴¹

This asymmetry of material and human poverty is well illustrated through the following trend revealed in the survey - at this stage, the share of those viewing their stay in the country as a way of overcoming poverty fell as the level of education rose. The vast majority of people with post-university education felt positively about permanent migration, i.e. the highly-qualified specialists do

37 Regional Development Plan of the Republic of Armenia, Department for International Development, Yerevan 2004, pp. 27-28.

38 Poverty, Survival, and Social Stratification in the Republic of Armenia, IDHR 2003.

39 UNDP Report on Human Poverty and Pro-Poor Policies in Armenia, Yerevan 2005, p. 9.

40 UNDP Report on Human Poverty and Pro-Poor Policies in Armenia, Yerevan 2005, p. 13.

41 UNDP Report on Human Poverty and Pro-Poor Policies in Armenia, Yerevan 2005, p. 19.

not see their future in Armenia and are constant potential emigrants. In general, migration and especially permanent migration are perceived during this stage as a sustainable means of living well and coming out of poverty, i.e. migration (especially from Armenia) as a rule does not result in poverty, but rather, poverty or the threat of impoverishment are often the causes of emigration.

Other poverty and migration research carried out in Armenia has shown that, in this period, poverty was not the number one cause of external labour migration, and that the poor were not the first to emigrate. There has been the opposite trend, as well - representatives of households with high living standards were more likely to practice labour emigration than those with low living standards. This is proven by the following pattern - in the population deciles, as incomes rise, the share of remittances, especially those from abroad, in the structure of incomes rises as well. Poverty research carried out by the National Statistical Survey of the Republic of Armenia in 2007 showed that, during 2004-2006, average annual remittance income from relatives accounted for 6.4% of the income of the poorest 10% of the population, of which about two thirds were received from relatives located outside of Armenia (as a rule, these were labour emigrants). In the richest decile, this indicator was 2.5 times higher - for this group, remittances from household members located outside of Armenia accounted for more than three quarters of the total remittances.⁴²

According to the database on passengers crossing the Armenian border, 2007 was again a year of net emigration from Armenia (3,200 persons), as opposed to the three years preceding it.

According to official data, 2007 was also a year of double-digit economic growth in Armenia, with the unemployment and poverty indicators falling to their lowest levels since

Armenia gained independence. Nonetheless, the revamped emigration flows could not be explained by poverty or very low living standards (though these reasons existed, they were not dominant). Labour migrants did not primarily aim at providing for the subsistence or the current consumption needs of their families, but rather, focused on development objectives such as acquiring durable goods, improving the housing conditions, carrying out large-scale events, and investing in business.

Judging by the volumes of remittances from abroad, it may seem that better-off families are more frequently involved in labour emigration than poorer ones. As was mentioned above, the share of remittance income in the total income of the richest 10% of the population was over 2.5 times higher than the indicator for the poorest 10% in 2007. The pattern was the same in terms of the ratio of the indicator for the richest and poorest 20 percents.⁴³ The relative share in total income and the absolute amount of remittance income, however, do not necessarily support the conclusion that richer families are more frequently involved in external labour migration than poorer ones, because it is possible that the labour migrants from richer households on average transfer larger amounts on account of more favourable employment opportunities in the labour market of the destination country.

To sum up, **external** labour migration flows of this period were largely caused by the desire to find well-paying employment, rather than the absence of any employment whatsoever. According to survey respondents, the reasons for emigration are the following (presented in the priority order):

- The lack of development prospects in Armenia;
- Obstacles to doing business;
- An unfavourable moral-psychological atmosphere and geopolitical instability;

42 Armenia Social Snapshot and Poverty, Yerevan 2008, pp. 78-79.

43 Ibid.

- The lack of spiritual-cultural and general human development opportunities in rural areas; and
- The desire to improve the living standards further.

Despite the fact that the households that have members involved in external migration generally feel positively about migration as a means of improving the family's living standards, their attitude towards the impact of migration on the moral-psychological atmosphere in the family is different, directly correlating to the length of the family member's stay abroad.

As for **domestic** migration flows and the links between poverty and inequality, they are partially discussed below with respect to internally displaced persons (IDPs). Unfortunately, the issues related to the other types of domestic migration have to date not been considered very important and have not been studied much.

Surveys carried out by the Department for Migration and Refugees under the Government during 2002-2004 showed that, 10-12 years after leaving their settlements, the IDPs that were forced out of the borderline regions of the country during 1988-1995 still faced the following problems:

1. About 10% of the IDPs did not have their own housing;
2. Only 47.5% were able sufficiently to provide for their expenses on their own; and
3. 11% of the IDP families partially and 1.2% fully depended on others (friends, relatives, or charitable and other organizations) to provide for their expenses.

Thus, forced migration had a profound negative impact on the socio-economic condition of a significant part of this group, which could not be overcome during more than a decade after they left their settlements and requires more attention in the context of efforts related to domestic migration.

2.2.4. Migration, Poverty and Inequality during 2008-2009 - the Period of the Global Financial and Economic Crisis

As was mentioned above, the net immigration trend reversed in 2007 and Armenia reported net emigration of 23,100 in 2008 according to the database on passengers crossing the Armenian border. The trend has intensified so far in 2009, reaching about 30,000 in the first six months of the year alone.⁴⁴

According to the integrated household survey carried out by the National Statistical Service of the Republic of Armenia in 2008, 22.7% of the surveyed household members that were absent at the time of the survey or were engaged in migration flows were from households in the lowest-income decile of the population, which was more than four-times the indicator of households in the highest-income decile. In the lowest-income 20% of the households, the indicator was three times the indicator of the highest-income 20% of the households.

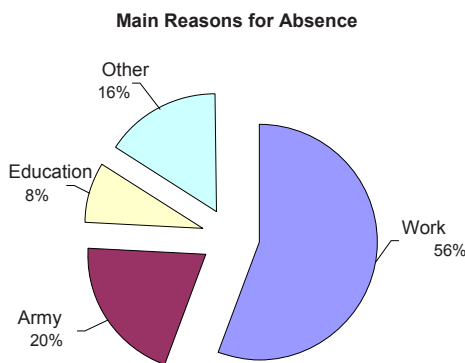
During this period, too, emigration flows were primarily caused by reasons related to employment and the economic situation, though the importance of non-economic factors such as conscription to the army, education and other family reasons (possibly defined by the authors of the survey as family conflicts, the lack of housing space and so on) has been growing. The reasons for absence are presented below in Figures 2.1 and 2.2.

Over 20% of those absent for labour migration are from the poorest decile and 38% are from the poorest 20%. The figures for the richest decile and the richest 20% are 6.7% and 14.5% respectively. Taken together with the fact that more than half of those absent for "other family reasons" were in the lowest-income decile (two thirds were in the lowest-income 20% and three quarters were in the lowest-income 30%), it becomes obvious that

44 <http://www.backtoarmenia.com/upfiles/2009balance.html>

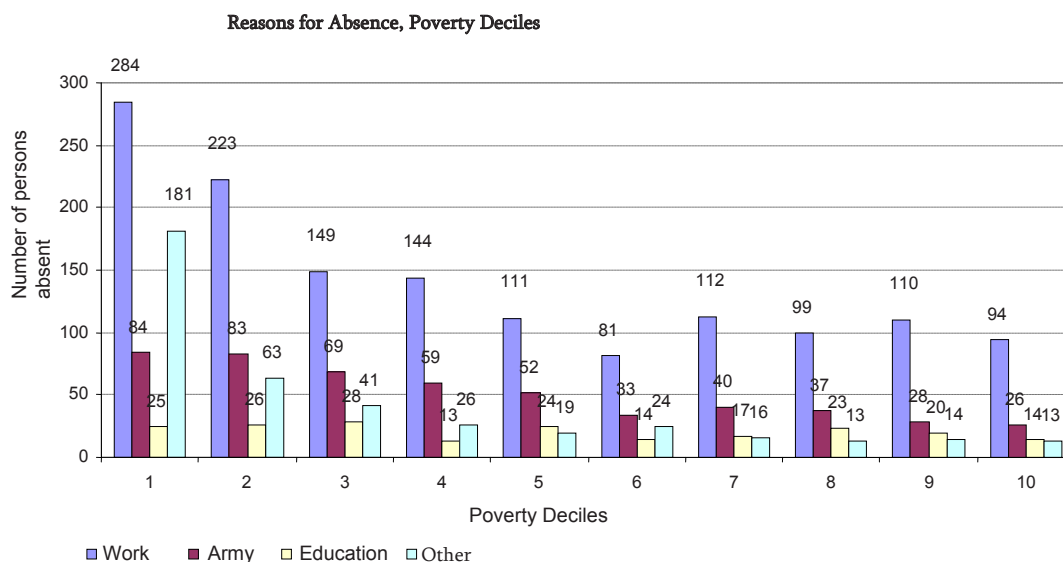
poverty and socio-economic security issues have re-emerged from 2007 as the primary causes of external migration.

Figure 2.1.



In terms of **inequality**, the income group breakdown of the household members absent because of being in the army is interesting, yet concerning. It turns out that households in the poorest decile had three times more members in the army than those in the richest decile. The difference between the 20% poorest and richest is the same. As a consequence, 46% of those currently serving in the army are members of households in the lowest-income 30% of the population and only 17.8% are members of households in the highest-income 30%.

Figure 2.2.



During this period, the links between migration flows, poverty and inequality were affected and will perhaps continue to be affected in the near term by the global financial crisis that broke in 2008.

According to research by the World Bank, the financial crisis has affected Armenia directly in the following ways:

1. Demand for trade and exports has fallen sharply, because the main trading partners of Armenia have also been seriously affected by the crisis. Accord-

ing to the database of the 2008 World Economic Outlook of the International Monetary Fund, the most significant trading partners of Armenia are Russia, Germany, the Netherlands, Belgium, Georgia and the United States of America.

2. Private capital inflows have slowed down.
3. Economic growth has been undermined, hampering the poverty reduction progress sustained by Armenia

since the early 2000s. The latest data shows that, in the fourth quarter of 2008, relative to the same period in 2007, economic growth slowed down. Moreover, according to operational data from the National Statistical Service, Armenia's GDP contracted by 16.3% during January-June 2009.⁴⁵

4. The projections for 2010 are even dimmer.
5. *Remittances from labour migrants will decline sharply in the period ahead* due to the depth of the crisis in Armenia's main trading partners and the main destination countries for labour migrants from Armenia. Studies have shown that 13% of the Armenian households had migrant members residing outside of Armenia and only 7% had domestic migrants. A large part (80%) of the migrants travelled to Russia, which has been rather severely hit by the crisis.
6. *Population living standards have deteriorated considerably due to higher prices of foodstuffs and fuel*, which will hurt the poor and socially-vulnerable groups the most. The authors of the *Armenia: the Possible Impact of the Global Financial Crisis on the Poor* report believe that the financial crisis will affect the social situation of Armenia's population in the following ways:
 - a) Exchange rate volatility (depreciation of the local currency and consumer price inflation);
 - b) Labour market (falling employment and wages);
 - c) Falling remittances (deteriorating economic situation in the destination countries for labour migrants from Armenia and tension in the labour markets of those countries due to negative public attitudes

towards a foreign labour force). According to projections of World Bank experts, remittances to residents of Armenia from sources other than immediate family members will fall by 50 and those from immediate family members by 25 percent during 2009-2010; and

- d) Falling government and private spending and shrinking social services - for instance, education, health care and social spending may inevitably fall.

Conclusions and Recommendations

It is clear that the intensive emigration from Armenia after independence was closely tied to poverty and inequality. The causal link between poverty and emigration is not limited to material poverty alone. Other key reasons of emigration, which has become a threat to the country's national security, include non-material poverty indicators such as the lack of physical, legal and economic protection (personal security, equality before the law and state institutions, income volatility and other risks); the lack of opportunities for adequate participation in decision making, socio-economic and political activities as well as oversight of state, public and political institutions; and the low return on physical, natural and human (social) capital.

Hence, a political strategy to be adopted by Armenia to eliminate poverty and inequality and to mitigate the impact of intensive emigration should address, at the very least, the following interrelated policy actions:

1. **Policy action aimed at general economic recovery**, which will reduce unemployment and poverty and increase living standards by curbing emigration activity that is largely due to the desire to find employment and subsistence means abroad or in the central cities of Armenia. To this end, it is crucial to

⁴⁵ <http://www.7or.am/hy/>

overcome the narrow economic definition of poverty in the strategic documents adopted by Armenia.

2. **Policy action to provide state safeguards of population living standards**, which should focus, regardless of the state's current economic potential, on the principle that the state safeguards minimum social standards and aspires to improve them. To date, minimum consumption standards are not legally defined or safeguarded in Armenia.
3. **Policy action aimed at improving the living standards and quality of life of poor segments of the population**, which imply effective redistribution of resources destined for the social protection of the population by means of further improving the targeting and effectiveness of policies to support the poor and those in need.
4. **Policy action to fundamentally improve the framework of the state regulation of migration flows**, which implies:

4.1. *The creation of a nationwide body with competencies to coordinate policies proportionate to the scale and intensity of the migration issues affecting Armenia.* To this end, inconsistent reforms were carried out in Armenia in the 2000s - at the end of 1999, in view of the seriousness of the issue for the country, a separate public administration body was created (as a department adjunct to the Government of Armenia) to coordinate issues of migration and refugees. As a result of its activities, Armenia developed a framework document on the state regulation of migration, which highlighted the following - **a)** The problem of irregular intensive migration remains a key threat to Armenia's national security and social stability and **b)** Creating an effective system of state regulation of migra-

tion should be a key priority for Armenia's public administration. After defining such key guidelines in a strategy document, the Armenian authorities surprisingly reduced the powers and lowered the status of the national agency for the state regulation of migration, essentially depriving it of the prerogative to coordinate. Furthermore, there is a dangerous ideological-political trend in this process, as well - the regulation of migration is being moved to the security agencies, which is a move away from the democratic government model and is a consequence of the prejudiced totalitarian concept of looking for elements of crime in what is inherently a civil phenomenon. Details of improving the legal aspects of the state regulatory system of migration are analyzed in a different section of this National Report.

4.2. *Development and implementation of a complex policy of the state regulation of migration*, which will examine migration processes in the context of all the key issues affecting various aspects of social life, including poverty and inequality. Such a policy should pursue, at the very least, the following objectives:

- Preventing migration flows undesirable for the country by implementing social, economic, cultural, awareness-raising and other activities. This policy can become a key component of economic development macro-plans and strategic programs.
- Adequate protection, both in Armenia and abroad, of the rights of individuals and groups already engaged in migration.
- Putting in place conditions for the effective utilization of the advantages acquired by migrants (financial resources, new work skills and technologies, positive cultural values and so on) for the human development of migrants and their family members, as well as

the country's economic development.

- Effective prevention of illegal migration by means of complex implementation of legislation, administrative oversight, awareness-raising and other activities.

5. Policy action to improve governance practices of the state in line with certain values, which imply the adoption and restoration of democratic values in governance practice and the elimination of double standards.

In the last 20 years, unfavourable changes have taken place in these areas - in the initial 4-5 years after gaining independence, the ideological and political focus of Armenia's public administration was on transforming the communist social, economic, and political system, which in the opinion of the people that governed the country back then, first of all required dismantling the old system and laying the foundation for a new socio-economic system by means of privatizing the economic capacity and creating a class of owners.

In those years, however, there were a number of **objective** reasons (the earthquake, the economic collapse, the warfare, the blockade, the energy crisis, the lack of independent government experience and so on) and **subjective** factors, such as:

- The theoretical or, to some extent, even rough-idealistic perceptions of the target values prescribed in the Constitution of the newly-independent state, such as liberalism, democracy, civil society, the rule of law and other non-communist fundamental values;
- The integration of the non-ideological part of the old leaders with the new groups of public administration; and
- The leaders' ambitions being placed above the ideological values of the new socio-economic system;

which allowed elements of command-control government to re-emerge in Armenia's public administration system in the years that

followed, seriously undermining the development of democratic and liberal political and government systems in Armenia, causing the newly-emerging economic and political system to retreat gradually from the values proclaimed in the Constitution, leaning more towards wild liberalism.

In the late 1990s, when the ideological allies of the new system were fully driven out of the governing elite, a crude economic governance style typical of totalitarian systems became increasingly deeper rooted in the public administration of Armenia under the disguise of liberalism. It was perhaps the reason why, in the relatively peaceful situation of the 2000s, the importance of non-economic factors (human rights, political and economic freedoms, a favourable moral-psychological atmosphere, equity, equality and the like) clearly diminished in the strategic documents produced by Armenia's public administration system (the creation of which is in itself commendable) and the day-to-day governance process.

For the sake of fairness, it should be noted that the importance of these factors was often emphasized in political documents under pressure from international organizations, but not implemented in practical governance. In the 2000s, double standards (writing one thing and doing something else) became a typical functional feature of Armenia's public administration.

Chapter 3

MIGRATION MANAGEMENT AND HUMAN RIGHTS



CHAPTER 3. Migration Management and Human Rights

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3.1. Migration Management

3.1.1. Migration Management System - Goal, Objectives and General Structure

According to UN data, the number of international **migrants** in the world has reached almost 191 million.¹ This figure constitutes three percent of the world population. Throughout the history of mankind, mobility of people has possibly never been as active. International migration flows are presently growing at an annual pace of 2.9%.² Due to contemporary trends in international migration,³ this phenomenon has become not only a key factor affecting economic and social life in states, but also a top subject on the agenda of the leading international structures. Today various issues related to people's mobility and international migration are regularly discussed between governments, inter-governmental and non-governmental organizations within the framework of the International Dialogue on Migration initiated by the International Organization for Migration (IOM).

Being a complex and interdisciplinary phenomenon that has many facets – economic, social, demographic, political, security and so on – **migration** requires comprehensive regulation and management. The international nature of migration raises the need for the global management of migration. Today almost every state is in one way or another involved in migration processes either as a

source, transit or destination country. The trans-border movement of people also strongly influences the development trends in the modern world. Presently, 60% of the total number of migrants⁴ lives in the more developed countries, mainly the European Union (EU) Member States and the United States of America (USA). Recent studies and analyses address the complex relationship between migration, development and human rights.⁵ There is already a broad recognition of the positive impact of migration on development; furthermore, there is a widespread belief that migration, if properly managed, can substantially contribute to the development of both source and destination countries. International migration can contribute to the sustainable development of through investments, transfer of knowledge and experience, brain circulation, remittances and Diaspora networks.⁶ Various studies⁷ have also confirmed the positive impact of migration on the Millennium Development Goals (poverty eradication, em-

1 UN DESA Population Division, "International Migration Report 2006: A Global Assessment," available at: http://www.un.org/esa/population/publications/2006_MigrationRep/report.htm.

2 See the website of the International Organization for Migration: <http://www.iom.int/jahia/Jahia/about-migration/lang/en>.

3 "Migration is a process of moving, either across an international border, or within a State. It is a population movement, encompassing any kind of movement of people, whatever its length, composition and causes; it includes migration of refugees, displaced persons, uprooted people and economic migrants." IOM, "International Migration law. Glossary on Migration" (2004).

4 UN DESA Population Division, *International Migration Report 2006: A Global Assessment*, available at: http://www.un.org/esa/population/publications/2006_MigrationRep/report.htm.

5 Ruhs, Martin, "Migrant Rights, Immigration Policy and Human Development." In "Human Development Research paper 2009/23" (April 2009); Global Migration Group, "International Migration and Human Rights. Challenges and opportunities on the Threshold of the 60th Anniversary of the Universal Declaration of Human Rights" (October 2008); Cholewinski, Ryszard, Perruchoud, Richard and Euan Macdonald (eds.), "International Migration Law: Developing Paradigms and Key Challenges." International Organization for Migration / T.M.C Asser Press (2007).

6 International Organization for Migration, the Berne Initiative, "International Agenda for Migration Management. Common Understandings and effective practices for a planned, balanced, and comprehensive approach to the Management of Migration." (2005)

7 Usher, Erika for the International Organization for Migration, "IOM Migration Research Series No. 20. The Millennium Development Goals and Migration" (2005); Global Migration Group, "International Migration and Human Rights. Challenges and opportunities on the Threshold of the 60th Anniversary of the Universal Declaration of Human Rights" (October 2008); United Nations Population Fund, "International Migration and the Millennium Development Goals." (May 2005).

powerment of women, health improvement, environmental sustainability and development of a global partnership). The favourable impact of migration on development, however, depends on the degree to which migrants are protected in origin and destination countries. According to the United Nations Human Development Concept, people are the real wealth of nations and their human development (HD) serves as a basis for the development of the economy and other aspects of national life.⁸ Acknowledging people's well-being as the goal of development, HD is intrinsically linked with human rights and freedoms. Freedom is vital to the exercise of rights, the realization of potential, choice and decision-making. "Human development and human rights are mutually reinforcing, helping to secure the well-being and dignity of all people, building self-respect and the respect of others."⁹ This complex interplay between **development, migration and human rights** implies the active engagement and overall responsibility of states, through transparent legislation, policies and procedures, as well as collaboration with other states, to safeguard migrants' rights (including political, civil, economic, social, cultural and labour rights) in all the stages of migration movement, including the pre-migration stage, the actual migration, departure abroad, employment, return and reintegration.¹⁰

Box 3.1. International Organization for Migration

The International Organization for Migration (IOM) is an intergovernmental organization that brings together 127 member and 17 observer states (as at July 2009). Created

in 1951, the IOM has become the leading intergovernmental organization in the field of migration. In the half century of its global activities, the organization has assisted over 11 million migrants.

The IOM has a highly decentralized structure aimed at providing support to countries. Headquartered in Geneva, Switzerland, the organization has over 440 offices worldwide.

Though the IOM is not a part of the United Nations (UN) system, it acts as an observer within the UN and maintains close working ties with UN structures and agencies.

As different elements are present in various stages of the migration process, migration management should take into account various elements or factors. The migration process begins with the impetus for migration (including root causes - the push and pull factors, and whether forced or voluntary), moving through the various stages of travel and entry (either by regular or irregular means and either facilitated or spontaneous), settlement and/or return, integration and/or reintegration and ultimately, in some cases, the acquisition of nationality. There are a number of offshoot relationships, including the potential contribution that Diaspora can make to the economic development of their countries of origin as well as cross-cutting themes such as the protection and health of migrants.¹¹

Migration management, as a component of public administration, should also be anchored in the principle of respect for human rights.

Migration management¹² has a cross-

8 The United Nations Human Development Concept: <http://hdr.undp.org/en/humandev/>

9 Ibidem.

10 International Organization for Migration for the Global Forum on Migration and Development, "Protecting the Rights of Migrants – A Shared Responsibility. A paper prepared for the Roundtable 1: Migration, Development and Human Rights". (October 2008)

11 Usher, Erica (Chief Ed.) for International Organization for Migration, "Essentials of Migration Management. A Guide for Policy Makers and Practitioners." International Organization for Migration (2004).

12 "Migration management" is a term used to encompass numerous governmental functions within a national system for the orderly and humane management of cross-border migration, particularly managing the entry and presence of foreigners within the borders of the state and the protection of refugees and others in need of protection. It refers to a planned approach to the development of policy, legislative and administrative responses to

cutting nature and contains linkages between the areas of economic, social, trade, labour, health and security policy. In addition, there are the rights and obligations of migrants and states at the national and international levels. This complex set of relationships highlights the need for a global understanding and approach to migration management that will take into account the relationship between migration and other contemporary issues of a social, economic and political nature like, for example, labour market developments, security concerns and evolving national identities. To this end, the IOM has proposed a **comprehensive conceptual model for migration management (hereinafter “the Model”)**. The Model consists of a carefully structured set of distinct but interdependent areas and components.¹³ According to the Model, migration is relevant to a wide range of state interests, objectives, policies and procedures. Describing the management of migration in a visual “model” can help to illustrate the interrelationships between areas and components and also help recognize the contributions that can be made by a range of ministries and agencies responsible for implementing the measures that make up a functioning migration management system.

Legislation, which is an integral element of the migration management system, gives concrete expression to migration policy and provides the authority for the measures required to manage migration, including recruitment and selection, authorizing entry, granting of residency, border inspection, response to illegal entry and stay as well as removal of persons from the territory of the state. Through another element of the migration management system, *administrative organization*, various

functions involved in managing migration are assigned and coordinated within a coherent framework of operational responsibility and accountability.

The main goal of *migration and development* is to help harness the development potential of migration for individual migrants and societies.

The goal of *facilitating migration* is to safeguard and improve the ability of workers, professionals, students, trainees, families, tourists and others to move safely and efficiently between countries with minimal delay and proper authorization.

Under the Model, the goal of *regulating migration* is to help governments and societies know who is seeking access to their territories and to take measures that prevent access by those who are not authorized to enter. Replacing irregular flows with orderly, regular migration serves the interests of all governments.

The goal of *managing forced migration* is to help people move out of danger during emergencies and to return afterwards.

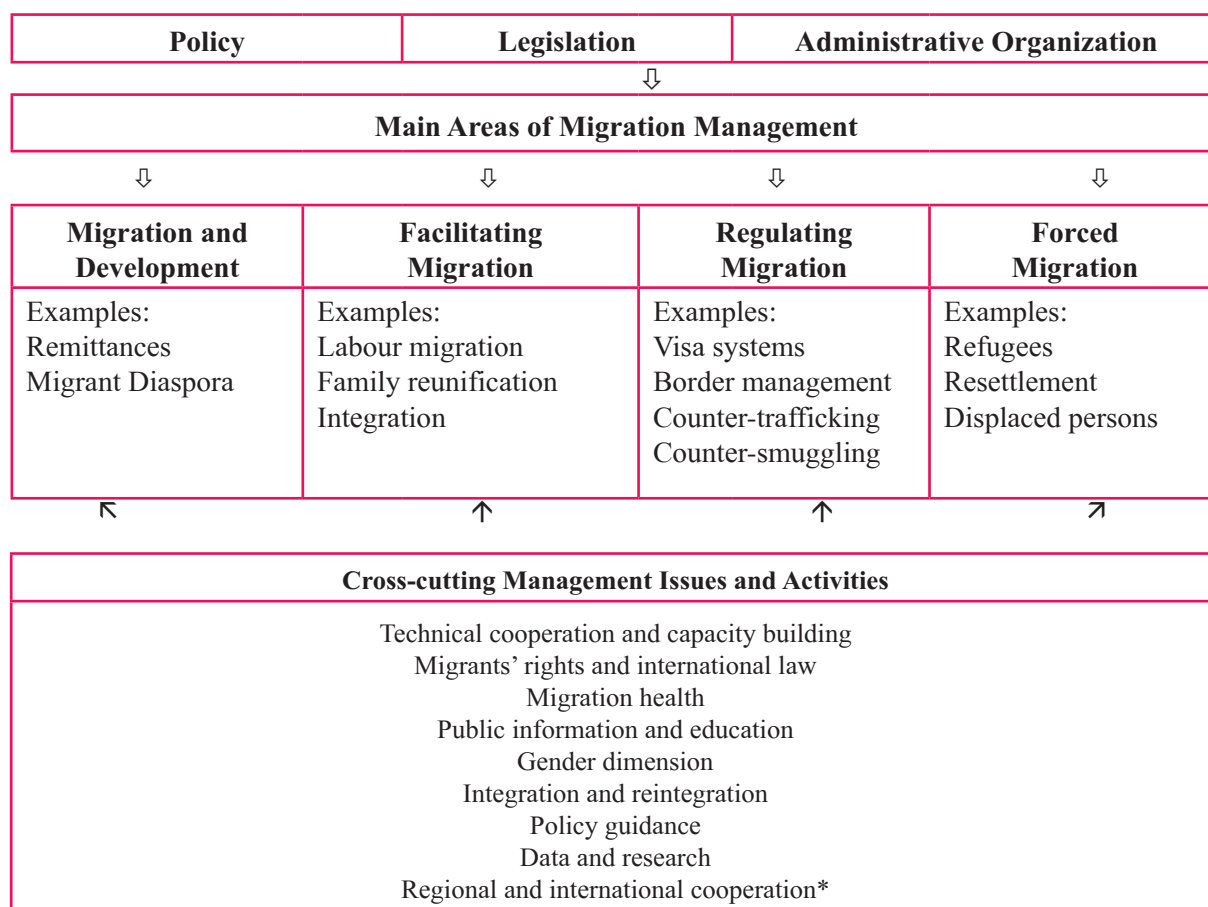
Given the complexities and numerous linkages between sectors, many migration issues and management activities are “cross-cutting” and involve more than one area.¹⁴ The migration management framework is illustrated in Table 3.1 below.

key migration issues. IOM, “World Migration 2008. Managing Labour Mobility in the Evolving Global Economy” (2008).

13 Usher, Erica (Chief Ed.) for International Organization for Migration, “Essentials of Migration Management. A Guide for Policy Makers and Practitioners.” International Organization for Migration (2004).

14 Usher, Erica (Chief Ed.) for International Organization for Migration, “Essentials of Migration Management. A Guide for Policy Makers and Practitioners.” International Organization for Migration (2004). Volume I.

Table 3.1. Managing Migration: a Conceptual Framework



* Usher, Erica (Chief Ed.) for International Organization for Migration, "Essentials of Migration Management. A Guide for Policy Makers and Practitioners." International Organization for Migration (2004). Volume I.

Modern migration management aims at facilitation as well as control. States have responsibilities as well as authority in migration matters. The relatively modest limits that regulate the exercise of state authority on migration are primarily a result of international conventions agreed to by a state, and the principles of customary international law. States, as a matter of policy rather than legal obligation, may, and usually do, choose to go much further than the minimum "obligations and standards required by international law.

A fundamental premise of national sovereignty is that a state has the power to determine the non-nationals it admits to its territory, to remove non-nationals in certain circumstanc-

es, to control its borders and to take necessary steps to protect its security. **However, this power to manage migration has to be exercised with the full respect of the fundamental human rights and freedoms of migrants that are granted under a wide range of international human rights instruments and customary international law.**¹⁵

International law now requires the observance by a state of a range of civil and political rights, as well as basic economic, social and cultural rights towards not only its nationals, but also all persons under the state's author-

¹⁵ Usher, Erica (Chief Ed.) for International Organization for Migration, "Essentials of Migration Management. A Guide for Policy Makers and Practitioners." International Organization for Migration (2004). Volume I.

ity, including foreign nationals and stateless persons.

For a long time, the main priority of state migration policy was to protect the interests of a state's nationals, which in many cases lead to the negligence of migrants' rights. Recent years have seen increasing international recognition of the migration and human rights nexus through, *inter alia*, the adoption of a number of international treaties on migration matters and the creation of a **Special UN Rapporteur on the Human Rights of Migrants**.¹⁶

Rights and obligations of migrants are a part of the fundamental elements of migration management. Therefore, to ensure the maximal protection of migrants' rights within the framework of migration policy, it is necessary to have a clear idea of the nature and origin of the rights and obligations of migrants. To this end, it is important to find the balance between a framework of control and an ap-

proach to migration management in which human rights are a fundamental component. Balanced policy development will be guided by the principles of state authority, state responsibility and universal human rights.¹⁷

Protection of migrants' rights is directly related to migration management and should not be viewed outside its context. Migration management should take place in the context of migrants' dignity, reflecting the obligations of states in the field of human rights.¹⁸

Basic rights, freedoms and obligations of a person constitute the foundation of the person's legal status, the minimum amount of relations without which a person cannot act as a full-fledged member of society. All migrants are human beings who possess fundamental and inalienable human rights and freedoms that are universally acknowledged in international instruments such as the Universal Declaration of Human Rights adopted by the United Nations General Assembly in 1948. Human rights must be guaranteed to all persons present in a state, including migrants. Besides, there are certain mobility-related rights that are particularly relevant in the migration context, for example, the right to freedom of movement, the right to seek asylum, the right to a nationality and the right to family unity.

Human rights are to be applied without discrimination. While some human rights and freedoms are not absolute and can, in certain limited circumstances defined by law, be sidelined for reasons of state security, the public order, public health or morals or the protec-

16 The mandate of the UN Special Rapporteur on the Human Rights of Migrants was created in 1999 by the Commission on Human Rights, pursuant to resolution 1999/44. The mandate of the Special Rapporteur covers all countries, irrespective of whether a State has ratified the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, of 18 December 1990. The Commission requested the Special Rapporteur to examine ways and means to overcome the obstacles existing to the full and effective protection of the human rights of migrants. The main functions of the Special Rapporteur are: (a) To request and receive information from all relevant sources, including migrants themselves, on violations of the human rights of migrants and their families; (b) To formulate appropriate recommendations to prevent and remedy violations of the human rights of migrants, wherever they may occur; (c) To promote the effective application of relevant international norms and standards on the issue; (d) To recommend actions and measures applicable at the national, regional and international levels to eliminate violations of the human rights of migrants; (e) To take into account a gender perspective when requesting and analysing information, and to give special attention to the occurrence of multiple discrimination and violence against migrant women. The Special Rapporteur presents an annual report to the Human Rights Council about the global state of protection of migrants' human rights, his main concerns and the good practices he has observed. <http://www2.ohchr.org/English/issues/migration/rapporteur/>

17 Usher, Erica (Chief Ed.) for International Organization for Migration, "Essentials of Migration Management. A Guide for Policy Makers and Practitioners." International Organization for Migration (2004). Volume I.

18 "Statement by the United Nations Special Rapporteur on the Human Rights of Migrants Mrs. Gabriela Rodrigues Pizarro", In: "International Dialogue on Migration." Fiftieth Anniversary of the International Organization for Migration. Eighty-Second Session of the Council 27-29 November 2001" International Organization for Migration (2002).

tion of the rights and freedoms of others,¹⁹ fundamental human rights and freedoms can never be suspended, for example, the right to life and freedom from torture.

There is no single distinct category of “migration rights” within the larger body of rights that has been developed by the international community. Rights that are relevant to migrants are drawn from human rights law, migrant workers law, refugee law and humanitarian law.

There is a widespread belief that international customary law provides for **fundamental human rights** that are recognized by all states and binding upon them regardless of whether or not such rights are prescribed in a written legal document. Such rights include the right to life, the prohibition of genocide, slavery/slave trade, torture or other cruel, inhuman or degrading treatment, prolonged arbitrary detention, systematic racial discrimination, the right to self-determination, the right to humane treatment as a detainee, the prohibition of retroactive penal measures, the right to equality before the law, the right to non-discrimination, the right to leave any country and to return to one’s own country and the principle of non-refoulement.²⁰ These rights apply to all people, and thus to all people involved in the migration process.

Thus, a “hierarchy” of beneficiaries is established - nationals enjoy the full spectrum of rights, followed by aliens lawfully within state territory and, finally, migrants in an irregular situation. This is why irregular migrants are most in need of international protection.

There is no body of international law or customary law that governs the **obligations of migrants**. However, according to inter-

national law, migrants are required to comply with the national legislation of the host country.

Policy makers need to recognize that long-standing and valid assumptions that migrants will integrate, will learn the language and will respect the culture of the host country are not international legal obligations. While these expectations may be made into obligations in the context of a state’s requirements for entry or for citizenship, there are no international instruments supporting such obligations. Of course, a state may legalize such requirements on the obligations of migrants in its territory.²¹ To this end, migration policy should include a comprehensive program on the integration of migrants in a state’s territory and secure appropriate funding.

3.1.2. Legislation on Human Rights

The protection of the rights of migrants, including irregular migrants, is based on international human rights treaties, especially a number of fundamental international and regional instruments on human rights, international treaties on the rights of refugees and stateless persons and international labour law and criminal law instruments. International treaties are the primary source of migrants’ rights. Non-discrimination is a core principle of the protection of the rights of migrants, including the irregular or so-called “undocumented” migrants. This section addresses only one international treaty, the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families.²²

19 International Covenant on Civil and Political Rights, Article 12(3), 1966.

20 Perruchoud, Richard, and Shyla Vohra for the International Organization for Migration, “Identifying Core Rights of Concern to Migrants. Background paper for the Regional Consultation Group on Migration’s Seminar on Human Rights and Migrants.” International Organization for Migration (1998), p. 8.

21 Usher, Erica (Chief Ed.) for International Organization for Migration, “Essentials of Migration Management. A Guide for Policy Makers and Practitioners.” International Organization for Migration (2004). Volume I.

22 “The International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families.” Adopted by UN General Assembly resolution 45/158 of 18 December 1990, entered into force on 1 July 2003. As of July 2009, 42 states participate in the Convention. The Republic of Armenia has still not

Balanced policy development must be based on a clear perception of migrants' rights. It is important to see and detect violations of migrants' rights - to do so, migrants should be viewed as a separate vulnerable social group. To this end, public awareness and training of officials and civil society are important.

A state's legislation should incorporate the key international standards to facilitate the formation of effective migration policies and migration management.

Any limitation of migrants' rights should be lawful and comply with the state's laws, which in turn should comply with international standards. Legal instruments alone are insufficient to manage migration and protect migrants. An independent body is required to oversee compliance with lawfulness. Actions resulting in limitations of human rights should be regularly reviewed by independent bodies. Importantly, necessary security measures should be applied with respect to individual migrants, rather than all the migrants. The protection of migrants' rights requires a coherent approach to managing migration, which embraces the principles of lawfulness, proportionality, awareness and transparency.

3.2. Rights of Migrants in the Republic of Armenia

3.2.1. Migration Policy of the Republic of Armenia

The current Concept Paper on the State Regulation of Population Migration in the Republic of Armenia²³ and the 2008-2012 Program of the Republic of Armenia Government²⁴ both highlight the importance of pro-

tecting the rights of migrants. Under the Government Programme, the Government will, among other things, pay close attention to the "legislative regulation of labour emigration, issues of protection by the state of rights and legitimate interests of emigrants for employment. The system of defence offered by the State to foreign citizens and persons without citizenship for humanitarian considerations will be improved to bring it into conformity with international standards."²⁵ Among the priorities of the state regulation of the migration process, the concept paper notes "the state protection of the rights and lawful interests of labour emigrants by means of concluding bilateral interstate treaties."²⁶ This document would support the creation of legislation regulating the labour emigration of Armenian nationals (elaboration of domestic legislation and accession to pertinent international conventions), the conclusion of interstate treaties for the job placement of Armenian nationals in foreign states on a contractual basis and for the legal and social protection of labour migrants, regulation of the employment conditions of foreign nationals and stateless persons in the Republic of Armenia territory, safeguarding the precedence of Armenian nationals in filling vacancies and facilitating the return of Armenian nationals that are labour migrants abroad, including primarily highly-qualified specialists and activists in culture, science, arts and sports.

The Migration Agency under the Ministry of Territorial Administration is presently elaborating the Republic of Armenia Strategy of State Regulation of Migration and Implementation Action Plan for 2010-2014, which has adopted the principles of non-discrimination, the equality of all migrants before the law, the right of free movement for those legally

joined this Convention.

23 The "Concept paper on State Regulation of Population Migration in the Republic of Armenia" was adopted as Appendix to the RA Government Session Record Decision # 24 dated June 25, 2004.

24 "2008-2012 Programme of the Republic of Armenia Government" adopted by Republic of Armenia Government Decree 380-A dated 28 April 2008 and approved by the Republic of Armenia National Assembly

Decision N-074-4 dated 30 April 2008 "On Approving the Programme of the Republic of Armenia Government."

25 Republic of Armenia Government Programme, "Section 4.4.8. Migration."

26 Section 3(2).

present in the territory of the Republic of Armenia and the protection of Armenian nationals outside of Armenia as the core principles of the migration regulation policy of the Republic of Armenia. According to the Strategy, the Government will implement effective and coordinated migration policies in line with not only the objectives of national security, sustainable human development and the demographic policies of Armenia, but also the international standards for the protection of the rights and interests of persons involved in the migration process. Elaborating on the priorities identified in the current Concept Paper on the State Regulation of Population Migration in the Republic of Armenia, the Strategy and Action Plan will try to detail out a concrete system of population emigration and immigration management. To this end, it is essential for every aspect of the migration policy to be adopted within the Strategy to take into account migrants' rights, to be anchored in the international commitments of the Republic of Armenia and to comply with the international standards on migrants' rights.

In developing the state's migration policy, it is important to pay due attention to the protection of migrants' rights regardless of the type of migration (irregular or illegal migrants, labour migrants, refugees, asylum seekers, victims of trafficking and smuggled migrants), whilst also taking into account the realization of the right to development in view of the special needs of female and child migrants and migrants held in special shelters as well as the interrelationship between migration and development. The migration policy should also take into consideration migrants' rights in developing a system of migration information management. The Strategy should address the main gaps of migration management and the legal bases in Armenia and propose legislative reforms and the ratification of key international treaties on the protection of migrants' rights. As primarily a source country, the Republic of Armenia should develop a migration policy that will harness the devel-

opment potential of migration for individual migrants and the state as a whole. At present, however, the Republic of Armenia does not make full use of the HD opportunities provided by migration.²⁷ The migration-development nexus is closely related to human rights, because rights, including the right to development, cannot be exercised and well-being cannot be attained without freedoms. The state should play an active role in promoting the human development of migrants by safeguarding their rights, thereby contributing to the development of the country as a whole.

3.2.2. Administrative Organization of the Migration Management System

The main gap identified in the Assessment of Migration Management carried out in the Republic of Armenia during 2007-2008²⁸ at the request of the Government is the absence of a single state body coordinating migration management in the Republic of Armenia. The Report recommended designating a body authorized to develop migration policy, which would undertake to coordinate the sector in the broader context of migration and review and ensure consistency between the functions performed by various state bodies presently dealing with different issues of migration (ministries of labour and social affairs, economy, health care, education and the like), as well as the sector-specific policies and strategies, with a view to mainstreaming conceptual issues related to the migration policy.

Armenia is currently implementing reforms of migration management, which are aimed at creating a body with migration functions that will deal with foreigners' entry and granting of residency, granting of asylum to foreigners, granting of citizenship and person-

27 The relationship between migration and human development is analyzed in detail in another chapter of this Report.

28 Rossi-Longhi, Pier, Themse Lindström, and Kristina Galstyan, for the International Organization for Migration, Assessment of Migration Management in the Republic of Armenia: Assessment Mission Report, International Organization for Migration, 2008.

al identification documents, granting of work permits to foreigners in the territory of Armenia and the protection of the rights and interests of labour migrants leaving Armenia.²⁹ This body should develop and implement the migration policy and underlying programs, as well as compile migration statistics. The most serious gap in migration management in Armenia today is the absence of a separate central body authorized to develop migration policy. Designating a migration policy-making body and empowering it with the necessary status and competencies will have a positive influence on migration management and the protection of migrants' rights in the country.

3.2.3. Domestic Legislation on Migration

The Republic of Armenia has ratified the majority of the aforementioned international treaties prescribing migrants' rights. Armenia is a member of the IOM,³⁰ the ILO, the UN,³¹ the Council of Europe and other intergovernmental organizations, with which it has concluded various international treaties on migration. Furthermore, Armenia has signed 29 of the ILO conventions.

As part of the CIS, the Republic of Armenia has also ratified the Agreement between the CIS States on Cooperation in Preventing Irregular Migration signed in Moscow on 6 March 1998.³² Armenia is currently in the process of ratifying the Agreement on the Formation of the Council of Heads of Migration Bodies of CIS Member States, which was signed on 5 October 2007.

International treaties signed by the Repub-

lic of Armenia become a part of the Armenian domestic legislation and shall prevail in case of conflicts with the domestic legislation.

To protect migrants' rights in the Republic of Armenia, it is important to ensure consistency between action plans, concept papers and the national legislation on migration, on the one hand, and the international standards and treaties, on the other. A serious gap in this respect is that, to date, Armenia has not signed the 1990 International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families and the 1977 European Convention on the Legal Status of Migrant Workers.

The **domestic legislation** of the Republic of Armenia on migrants' rights and migration consists of a number of laws and sub-legislative acts that are addressed below in terms of specific areas of relevance to migration.

Human Rights

Through provisions on fundamental human and civil rights and freedoms, the **Constitution** of the Republic of Armenia prohibits any discrimination based on any ground such as sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or other personal or social circumstances. Enshrining human dignity as the cornerstone of human rights and freedoms, the Constitution safeguards the following main rights to every person – equality before the law, the right to life, the right to personal liberty and security, the right to the protection of rights and to an effective legal remedy for violated rights, the right of access to justice and to receive legal assistance (provided at the expense of the state resources in cases prescribed by law), the right to the presumption of innocence, the right to respect for one's privacy and family life (including the right to secrecy of correspondence, telephone conversations, mail, telegraph and other communication), the right to the inviolability of residence, the

29 Republic of Armenia President Order NK-53-A dated 15 March 2008 "On Concept Paper for the Republic of Armenia Migration System and Introduction of System of Electronic Passports and Identification Cards Containing Biometric Characteristics in the Republic of Armenia."

30 The Republic of Armenia joined the IOM by Republic of Armenia Government Decree 601 dated 30 November 1993 "On the Accession of the Republic of Armenia to the International Organization for Migration."

31 Armenia became a member of the UN on 2 March 1992.

32 Ratified on 26 June 1999; entered into force on 1 January 2006.

right to the freedom of thought, conscience and religion, the right to freely express one's opinion, the right to freedom of expression, the right to form or join associations and trade unions, the right to hold peaceful assembly, the right to property (save for the right of land ownership, which is reserved for only citizens of Armenia), the freedom to choose occupation, the rights to rest, an standard of living adequate for oneself and one's family, social security, medical aid and service, the right to education, freedom of literary, aesthetic, scientific and technical creation, and the right to preserve one's national and ethnic identity. The Constitution of Armenia prohibits torture or other inhuman or degrading treatment or punishment, forced labour and the retroactivity of criminal law. The right to freedom of movement and choice of residence in the territory of Armenia is reserved for anyone who is legally residing in the Republic of Armenia (Article 25). Everyone has the right to leave the Republic of Armenia and every citizen of the Republic of Armenia and everyone legally residing in the Republic of Armenia has the right to return to Armenia. The rights and freedoms stipulated by the Constitution do not excluded the other rights and freedoms prescribed by laws and international treaties.

Citizenship

The amended Constitution adopted in 2005³³ defers the regulation of **citizenship** matters to the legislature, thereby permitting dual citizenship. The acquisition, awarding, restoration and termination of Republic of Armenia citizenship are regulated by the Law on Citizenship of the Republic of Armenia of November 16, 1995.

Immigration, Residency and Status of Foreigners

The legislation of Armenia regulates the stay of migrants in Armenia, as well as foreign-

ers' entry into and exit from Armenia. An essential legislative act regulating immigration is the Republic of Armenia Law on Foreigners adopted on 16 January 2007, which addresses foreigners' entry into, stay and residency in, transit through, and exit from the Republic of Armenia, as well as matters pertaining to the labour activities of foreigners in Armenia. The Law on Foreigners also regulates the registration of foreign citizens and their labour migration to Armenia; it contains provisions on visa types, the procedures of granting, refusing, validating, and extending entry visas, entry prohibition, the procedures of granting or denying residency status, the appeal procedures, the procedure of terminating residency status, voluntary departure and deportation from Armenia, extradition, the arrest and detention of foreigners and the protection of the privacy of foreigners' data. Several regulations were adopted to ensure the enforcement of the Law. However, a number of issues and gaps related to foreigners' stay in Armenia still remain.

Box 3.2. Immigration Flows to Armenia in Numbers

Though Armenia is primarily a source country of emigration, immigration flows into Armenia are not small, either.

According to data provided by the National Statistical Service of the Republic of Armenia,³⁴ 162 foreigners acquired **citizenship** of the Republic of Armenia in 2007 (of which 116 were citizens of Georgia, 16 of Iraq, 8 of Azerbaijan and the remaining ones of Lebanon, Turkmenistan, Russia, Iran and other countries). In 2008, the number reached 962 (including 703 citizens of Georgia, 136 of Russia, 29 of Uzbekistan, 20 of Turkmenistan, 17 of Iraq, 14 of Iran, 14 of Syria, 9 of the USA and citizens of other states).

In recent years, there have been quite a few applications **to grant asylum** in the Re-

33 Constitution, Article 30.1.

34 Source: Republic of Armenia National Statistical Service July 2009 letter in response to an IOM inquiry.

public of Armenia. In 2003, the Republic of Armenia received 82 applications, of which 63 were from citizens of Iraq. One hundred and sixty-two applications were received in 2004 (of which 143 were from Iraqis), 163 in 2005 (of which 123 were from Iraqis), 650 in 2006 (of which 275 were from Iraqis), 291 in 2007 (of which 271 were from Iraqis) and 205 in 2008 (of which 68 were from Iraqis).³⁵ To date, Armenia has not received any applications to grant political asylum.

About 80,000 former **refugees** have adopted Armenian citizenship (all refugees forced out of their homes in Azerbaijan).³⁶

In 2008 there were 3,198 **foreign students** in state higher educational institutions in Armenia (of this total number, 1,480 were female students), of which 904 were citizens of Georgia, 852 of the Russian Federation, 698 of Iran, 438 of India and the remaining ones of other countries, including Syria, Iraq, Kazakhstan, the USA, the Ukraine, China, Greece and so on. During 2008, a total of 813 foreign students attended non-state higher educational institutions in Armenia (of which 428 female), of which 442 were citizens of the Russian Federation, 241 of Georgia, and the remaining ones of the Ukraine, Turkmenistan, Iran, Kazakhstan and other states.³⁷

Irregular Migration

Despite the Government of Armenia Decree 127-N “Approving the Procedure on the Operation of Special Accommodation Centers at the Border-Crossing Points and Transit Zones of the Republic of Armenia and the Procedure of Holding Foreigners in these Centers” on 7 February 2008 and Decree 827-N “Approving the Procedure of the Operation of a Special Accommodation Center in the

Territory of the Republic of Armenia and the Procedure of Holding Arrested Foreigners in this Center” dated 10 July 2008, **special accommodation centers** (SAC-s) for holding foreigners still do not exist in the majority of border-crossing points of the Republic of Armenia (with the exception of two). There is no central special migrant accommodation center either.

Under the Republic of Armenia Law on Foreigners, a foreigner held in a SAC is entitled to the services of a translator, access to court and judicial appeals, the services of an advocate or other legal representative (including NGO-s), a meeting with a diplomatic or consular official of his country of origin and the required health care.

The legislation on SAC-s needs to be improved by elaborating a more detailed procedure on the operation of the SAC-s, as well as more concrete conditions and timelines for holding foreigners in the SAC-s; safeguards of the rights of migrants held in the SAC-s should be provided, and the SAC-s should be brought into line with the humanitarian standards set forth by international organizations and the EU *acquis* on migration and asylum.³⁸

At present, SAC-s exist only in the “Zvartnots” Airport of Yerevan and the Bagratashen border-crossing checkpoint, both of which, however, need to be improved and aligned with international standards. Persons that illegally cross the border theoretically can be detained. In the absence of a central special shelter, illegal migrants in Armenia are currently held in the Vardashen Penitentiary Institution. After their detention or arrest, they are granted some of the rights enjoyed by Armenian citizens, including the right to legal, social, psychological and medical counsel-

³⁵ Source: Republic of Armenia Ministry of Territorial Administration, Migration Agency, July 2009 letter in response to an IOM inquiry.

³⁶ Source: Republic of Armenia Ministry of Territorial Administration, Migration Agency, July 2009 letter in response to an IOM inquiry.

³⁷ Source: Republic of Armenia National Statistical Service July 2009 letter in response to an IOM inquiry.

³⁸ Legally-binding or other instruments that make up the EU’s legal framework, which EU Member States apply in the area of migration and asylum. See, in particular, EC Directorate-General for Justice, Freedom and Security, “EU *acquis* communautaire, Title IV of the TEC (“Treaty on European Community”), Part II of the TEC, Title VI of the TEU (“Treaty on European Union”).

ling, as well as short and long visits (organized by embassies). Foreign citizens charged with crimes are extradited on the basis of treaties; citizens of the Russian Federation are extradited through the Procuracy General and citizens of the majority of other countries are extradited through the Ministry of Justice of Armenia.³⁹

There are some gaps in the national legislation regulating the holding of illegal migrants in SAC-s and in the practice of its implementation. It is necessary: a) to define the maximum period over which foreign illegal migrants may be detained; and b) to hold foreign illegal migrants in a place separate from convicts serving sentences on other criminal charges.

To prevent and prosecute migration offences and crimes, Armenia currently makes reference mostly to other branches of law, such as the provisions of the administrative or criminal codes. Migration-related offences committed by Armenian citizens are mostly dealt with under three articles of the Republic of Armenia Criminal Code adopted on 29 April 2003, which are Article 329 (“Illegally State Border Crossing”), Article 178 (“Swindling”), and Article 325 (“Forgery, sale or use of forged Documents, Stamps, Seals, Letterheads, Vehicle License Plates”).

Thus, in contrast to other offences related to breaches of the immigration procedure, such as the failure to leave the country after the visa term has expired, for which a limited number of softer (administrative) sanctions are prescribed, illegal crossing of the border is punished with disproportionately more severe criminal sanctions. A key recommendation of the Assessment of Migration Management in Armenia⁴⁰ was to apply the administrative

law in respect of migration offences, including illegal crossing of the border (when other criminal intent is absent) and breaches of visa terms.

Furthermore, state budget financing is necessary in order to bring the SAC-s into line with international and EU standards and to provide appropriate accommodation, transport and health care services to migrants.

Labour Permits

Another gap in migration management, which has repercussions for human rights, is the lack of an effective system of granting labour permits to foreigners in the Republic of Armenia, which means that employers have no obligations in hiring foreigners, a situation that may lead to violations of foreign migrants’ rights and their unequal treatment. To this end, it is extremely important to develop clear procedures of granting visas to those that wish to enter into the Republic of Armenia for purposes of becoming employed or starting their own business, and to introduce a system of individual labour permits to labour migrants. The procedures of applying for a labour permit should be accessible to potential labour migrants both inside and outside of Armenia.⁴¹

Asylum and Refugees

The regulation of asylum and refugee status is a key component of the legislation on migration. According to the 2006 Global Report of the UNHCR,⁴² Armenia is the second top host country in the world in terms of the highest number of refugees per capita (38 refugees per 1,000 inhabitants), falling behind Jordan only.

39 Rossi-Longhi, Pier, Thernse Lindström, and Kristina Galstyan, for the International Organization for Migration, Assessment of Migration Management in the Republic of Armenia: Assessment Mission Report, International Organization for Migration, 2008.

40 Rossi-Longhi, Pier, Thernse Lindström, and Kristina Galstyan, for the International Organization for

Migration, Assessment of Migration Management in the Republic of Armenia: Assessment Mission Report, International Organization for Migration, 2008.

41 Ibidem

42 “UNHCR Global Report 2006,” Part 1. UNHCR: An Overview, page 59. Available at <http://www.unhcr.org/gr06/index.html>; <http://www.unhcr.org/publ/PUBL/4666d25b0.pdf>

The main laws on asylum and refugee matters are the Law on Political Asylum of October 19, 2001 and the Law on Refugees and Asylum of November 27, 2008. The latter brought the Armenian asylum legislation closer to international standards. The gaps related to refugee protection are due to policies and practices, rather than legislation, which is largely due to the socio-economic situation in Armenia. There are still issues such as the risk of return, the lack of a referral mechanism for asylum-seekers, and the absence of special shelters.⁴³

Data Protection

Another area closely related to migration is the **protection, collection and monitoring of data** on migrants. The Republic of Armenia Law on Foreigners prescribes mechanisms for the protection of such data in line with the Law on Personal Data of November 22, 2002.

A new Law on Protection of Personal Data has been recently drafted with the aim of regulating the handling of personal data by central and local government bodies, state or municipal institutions, natural persons and legal entities, whilst ensuring the protection of human and civil rights and freedoms in the processing of personal data, including the protection of the right to immunity of private and family life. The draft proposes to create an inspectorate for personal data protection, which will oversee the lawfulness of the collection, processing and use of personal data.

The Government of Armenia has still not signed the European Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data.⁴⁴ This Convention is the first international legal in-

strument that protects the individual from possible abuse in the collection and processing of personal data and tries to regulate the trans-border flow of personal data. The Convention allows the individual to know what data and information about him / her is compiled and, if necessary, to ask for such data to be corrected. The Convention prohibits the handling of sensitive information on a person's race, political, health, religious or sexual life or previous conviction. The rights prescribed by the Convention may be limited only for purposes of state security, public security, protection of the monetary interests of the state and the prevention of crime. The Convention is of particular relevance to the introduction of biometric electronic passports and identification cards.

Emigration and Exit

The introduction of biometric personal identification and travel documents is essential for managing emigration and outgoing flows from Armenia.

The purpose of introducing biometric personal identification and travel documents in Armenia is to contribute to the signing of a visa facilitation agreement with the European Union.⁴⁵

Visa facilitation agreements are designed to facilitate the interaction between a state signing such agreement and the EU Member States, which is a prerequisite for the sustainable development of economic, humanitarian, cultural, scientific and other ties. Wherever such an agreement exists, short-term visas (including multiple entry visas) are issued in a simplified procedure on the basis of reciprocity to citizens of the contracting states, especially members of official delegations, businessmen, drivers of vehicles performing international transportation of freight and passengers, journalists, students, participants of international sports tournaments and persons

43 "Strengthening Capacity to Protect Refugees in Armenia. National Stakeholders Consultations. Conference Report," UNHCR (2008).

44 Council of Europe "Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data". Adopted on 28 January 1981; entered into force on 1 October 1985. As of July 2009, the Convention had 41 participant states.

45 European Neighbourhood Policy (ENP) Action Plan for Armenia and EU Eastern Partnership.

accompanying them, participants of cultural and scientific events and close relatives of one State Party living in the territory of the other State Party; visits to military or civilian cemeteries in the territory of contracting states are facilitated, as well. Such agreements also regulate the procedure of granting visa fee exemptions to certain categories of applicants.

Labour Migration

The majority of Armenian laws on migration try to regulate the immigration of foreigners. Clearly, however, the domestic legislation is deficient in regulating and supporting the emigration of Armenian citizens. To this end, the Migration Agency of the Ministry of Territorial Administration of the Republic of Armenia has presented a draft Law on the Organization of Overseas Employment with a view to managing labour migration flows and protecting the rights of migrants. The purpose of the draft is to prevent the cheating of citizens for labour emigration purposes or their smuggling to foreign states, as well as to create a legal foundation to regulate labour emigration to the benefit of the labour emigrants. The draft law is currently being reviewed by the Government of Armenia.

Considering that labour emigration of Armenian citizens is a key component of migration for Armenia, it is recommended to create an appropriate legal framework for managing various aspects of labour emigration of Armenian citizens, for example, by means of bilateral agreements. A priority task in this area should be to regulate the activities of agencies that recruit Armenian citizens for employment abroad. Equally important is the protection of and support to Armenian citizens working abroad, for example, by means of concluding a bilateral agreement on labour migration with the destination country, which will include clear provisions on the protection of labour migrants, the designation of labour attaches in Armenian embassies abroad, co-

operation with EU Member States and so on.⁴⁶

Many states do have labour attaches in their diplomatic missions abroad. In view of the fact that Armenian citizens often emigrate for employment, it would be desirable for the Republic of Armenia also to have labour attaches⁴⁷ that would deal with the acquisition of employment quotas and the protection of Armenian labour migrants' rights abroad.

Labour migration from Armenia is presently unregulated and unorganized, which leads to frequent violations of migrants' rights, inadequate payment for work, lack of decent work conditions and the inability to maximize the benefits of labour emigration. The human development potential of labour migration can be harnessed with the help of state measures to acquire employment quotas abroad, organize labour emigration properly, introduce employment contracts and safeguard the rights of labour emigrants. To this end, it is essential to develop mechanisms that will regularize and amplify the development and poverty reduction impact of Armenian labour migrants' remittances from abroad.

Protection of the Rights of Armenian Citizens Abroad, Return of Citizens and Readmission

Bilateral agreements with various states are mechanisms for protecting the rights of Armenian citizens abroad. Examples include **readmission** agreements⁴⁸ or agreements on the readmission

46 Rossi-Longhi, Pier, Therése Lindström, and Kristina Galstyan, for the International Organization for Migration, "Assessment of Migration Management in the Republic of Armenia: Assessment Mission Report", International Organization for Migration, 2008.

47 Labour attaches are diplomats or staff working at a country's embassy in a foreign state, the role of which is to protect, within the remit of his diplomatic mission, his fellow nationals working in such foreign state, to facilitate the exchange of information on the labour market and labour opportunities, to support the elaboration of labour policies and to establish good relations between his country and the destination state in labour matters.

48 A readmission agreement facilitates the procedures for the return of aliens in an irregular situation (i.e. persons that do not meet or no longer meet the legal requirements for entering a state or being or residing on its territory) to

of aliens in an irregular situation. The common practice in international law is that such agreements should be in line with the 1951 Geneva Convention on the Status of Refugees and the 1967 Protocol relating to the Status of Refugees, as well as the key international human rights treaties. Agreements also ought to contain provisions on personal data protection. As of 2009, Armenia has signed readmission agreements with the Kingdom of Belgium, the Grand Duchy of Luxembourg, the Kingdom of the Netherlands, the Republic of Bulgaria, the Federal Republic of Germany, the Kingdom of Denmark, Latvia, Lithuania, the Kingdom of Sweden and Switzerland. Draft readmission agreements with Austria, Estonia, Poland, Lebanon, Cyprus, Norway, the Czech Republic, the Russian Federation, Romania and the Ukraine are currently being discussed.

Rights of Armenian labour migrants abroad and other migrants must be protected on the basis of international treaties through the bodies supervising compliance with such treaties. Hence, it is important to join conventions regarding migrant workers.

Box 3.3. Protection of the Rights and Interests of Armenian Citizens Abroad

Interests of Armenian citizens abroad are subject to protection by consular missions of the Republic of Armenia, which also organize the return of Armenian citizens to Armenia. The findings of a study of infringements of Armenian citizens' rights in various countries are presented below.

The analysis of complaints received from Armenian citizens in Ukraine, for instance, has revealed that most of them are related to violations of the migration laws of Ukraine.

Armenian citizens have lodged numerous complaints about unfavourable treatment by the migration and passport control authorities of Ukraine. There are described cases in which Armenian citizens have been denied entry into Ukraine without any explanation at airports or railway stations.

During 2004–2009, there was an increase in the number of Armenian citizens that were deported from Ukraine or voluntarily returned to Armenia as a consequence of breaching the Ukrainian migration laws. Most of them were Armenian citizens deported by Ukrainian border officials according to court decisions for illegal stay in the territory of Ukraine.

During this period, 3,696 return certificates were issued to Armenian citizens in Ukraine.⁴⁹ This number is the second highest after the number of return certificates issued to Armenian citizens in the Russian Federation (according to data from the Armenian General Consulate in Saint Petersburg alone, 7,068 such certificates were issued).

The table below illustrates that relatively more people returned voluntarily from the USA, the Russian Federation and France, while deportation of Armenian citizens was more frequent from Poland, Germany, the Russian Federation and France. According to data provided by the Consular Department of the Ministry of Foreign Affairs of the Republic of Armenia, the majority of the returnees and the deported were adult males, though the numbers of women and children were not small either.

their home country, including the establishment of their identity and the facilitation of their return or transit, whilst ensuring the fundamental rights and freedoms of persons subject to return under international treaties and domestic laws, including, but not limited to, the right to appeal to courts and other competent authorities. Cases of persons subject to return should be reviewed individually.

49 Source: Republic of Armenia Ministry of Foreign Affairs Consular Department reference letter in response to an IOM inquiry.

Voluntary Return and Deportation of Armenian Citizens from Abroad, 2004-2009, by Countries*

	Total number of Armenian citizens who returned voluntarily	Total number of Armenian citizens who were deported
Argentina	5	-
Austria	40	
Belarus	56	25
Bulgaria	168	75
Canada		20
China	-	2
France	640	429
Georgia	-	1
Germany	1307	187
Greece	35	
Israel	8	
Italy	4	79
Netherlands	74	39
Poland		1178
Russian Federation	30497	2731
Spain		53
Sweden	127	127
Switzerland	264	
Turkey	77	
Turkmenistan	98	9
United Arab Emirates	3	19
United Kingdom of Great Britain and Northern Ireland	25	76
United States of America	1961	238

* The table was prepared on the basis of data from the reference letter of the Republic of Armenia Ministry of Foreign Affairs Consular Department.

The aforementioned numbers, however, are not complete, because other Armenian citizens voluntarily returned or were deported from these countries during the same period without the knowledge of the Armenian embassies, as they had valid documents.

Forced Labour, Trafficking and Smuggling of Migrants

Trafficking in persons and smuggling of

migrants are threats of irregular migration.

Box 3.4. Migration and Trafficking in Persons

Trafficking in persons, internationally defined as a modern form of slavery, is closely connected with smuggling and exploitation of persons. Trafficking is also a consequence of irregular and unprotected labour migration flows, poverty, widespread unemployment,

gender discrimination and national and regional corruption.

Research shows that, in terms of trafficking and irregular migration, Armenia is a source country (i.e. a country where the trafficking process begins) for 85% of the identified victims of trafficking, 80% of the women and girls trafficked for sexual exploitation and 20% of the men trafficked for forced labour. Armenia was the country of transit and destination for 15% of the victims of trafficking. Women and girls involved in emigration flows to the United Arab Emirates (the UAE) and Turkey are the most frequent victims of trafficking. Trafficked Armenian men often end up in Russia, mostly in construction sites.⁵⁰

According to statistics obtained from NGOs working directly with victims of trafficking, about 160 victims of trafficking were identified and assisted in Armenia during the period from 2003 to 2008. As a result of partnership and cooperation between the Government and international and local NGOs working in the area of victim protection, 45% of the victims of trafficking were identified by law-enforcement authorities and referred to NGOs for rehabilitation. The identification and referral of trafficking victims also take place through hotlines, social security and health care institutions, the Consular Department of the Ministry of Foreign Affairs and social workers.⁵¹

International Instruments against Trafficking in Persons

Armenia ratified the Convention on the Elimination of All Forms of Discrimination against Women in 1994. Armenia has ratified other legal instruments of the UN and European organizations on the protection of human rights as well. On 25 March 2003, the Republic of Armenia ratified the United Nations Convention against Transnational

Organized Crime and its Protocols (the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children; and the Protocol against the Smuggling of Migrants by Land, Sea and Air), which are considered key international legal instruments in the fight against trafficking in persons. In 2007, the Republic of Armenia ratified the Council of Europe Convention on Action against Trafficking in Human Beings signed in Warsaw on 16 May 2005.

The “Trafficking in Persons” Report of United States Department of State

Since 2000, the United States Department of State has been publishing an annual report on trafficking in persons, in which it addresses the anti-trafficking efforts of governments of other states.

Under the requirements of the Report, Armenia was ranked as a Tier-3 country in 2002 and 2003. During the period from 2005 to 2008, Armenia was moved to the Tier-2 “watch” list (countries in this list are considered to have worse anti-trafficking indicators than those in Tier 3), mainly because, despite serious efforts undertaken by the Armenian Government against trafficking, the Government had been unable to show tangible progress in identifying and protecting victims or in tackling trafficking complicity of government officials.⁵² Owing to progress made from April 2008 to March 2009, Armenia was upgraded from the Tier-2 “watch” list to Tier 3 according to the 2009 Trafficking in Persons Report.

Government Action

In October 2002, the Government created an Interagency Commission against Trafficking, which consisted of representatives of the ministries of health, finance, economy, justice, education and science, labour and social affairs, as well as the National Assembly of Armenia, the Police, the National Security Service, the Procuracy General, the Migration Agency of the Ministry of Territorial Admin-

50 “Victims of Trafficking Assisted in Armenia” booklet compiling data gathered by providers of victims’ assistance from October 2003 till March 2007. Yerevan, 2007.

51 Ibidem, together with data received from the Republic of Armenia Police.

52 2008 Trafficking in Persons Report, Armenia, available online at <http://www.usa.am/news/2008/june/news060908.php>

istration and the National Statistical Service. NGOs and international organizations have observer status. In November, the status of the Interagency Commission was upgraded to an Anti-Trafficking Council that is presently chaired by the Deputy Prime Minister.

The Commission developed two national action plans (2004-2006 and 2007-2009) and coordinated their implementation. The plans addressed key priorities in the fight against trafficking - prevention, criminal prosecution, protection and international cooperation. A third anti-trafficking action plan for 2010-2012 is currently under elaboration.

On 28 November 2008, the Prime Minister issued Decree 1385-A to create the National Referral Mechanism for Victims of Trafficking. A unit responsible for fighting trafficking and illegal migration has been created within the Police of Armenia. Similar units were also created in the National Security Service and the Ministry of Labour and Social Affairs. Besides, in 2009, for the first time in history, the Government allocated funding from the state budget for anti-trafficking activities, mostly victim assistance, which was earlier financed by international organizations.

To prevent and suppress **trafficking in human beings**, criminal sanctions for trafficking were prescribed in the Armenian Criminal Code in 2003 (Article 132). Subsequent amendments to the Code made in 2006 aimed at providing a more clear and comprehensive definition of trafficking offences, finding a better Armenian equivalent of the term “trafficking,” and introducing more severe sentences for offenders. The third anti-trafficking strategy and national action plan are currently being elaborated.⁵³ The national referral mechanism (“NRM”) for victims of trafficking was developed in order to provide

effective protection of the rights of trafficking victims and to provide rehabilitative services to them.⁵⁴ The NRM, which only recently began its activities in Armenia, should become the main instrument for protecting the rights of victims.

Box 3.5. Statistics on Identified Victims Trafficked from Armenia to Other Countries

Nine victims of trafficking from Armenia to other countries were identified in 2004, 53 in 2005, 48 in 2006, 36 in 2007, 34 in 2008 and 44 during the first half of 2009.⁵⁵

All 36 of the trafficking victims identified in 2007 were Armenian citizens - 17 of them had been exploited in the UAE and 19 in Turkey. Of the 34 victims identified in 2008, 13 were citizens of the Russian Federation, which were exploited in Armenia; the remaining 21 victims were Armenian citizens, 8 of whom were exploited in Turkey and three in Armenia (domestic trafficking). Eleven of the 44 victims identified during the first half of 2009 were Russian citizens exploited in Armenia; the remaining 33 were Armenian citizens, seven of whom were exploited in Turkey, five in the UAE, 17 in Russia and four in Armenia.⁵⁶

Compared to the period before 2008, when the victims were women in the 18-45 age group, with no minors identified, male victims of labour trafficking were identified for the first time in 2008. Five of the victims identified in 2009 were minors, of whom 2 were male. During this period, six victims of labour trafficking (including three women and three men) were identified.⁵⁷

During 2006–2009, Armenian courts received 16 criminal cases charged under Arti-

53 The current national program was adopted by Government Decree 1598-N dated 6 December 2007 “On Approving the National Program and Implementation Timetable for the Fight against Trafficking in Persons during 2007-2009 in the Republic of Armenia.”

54 Such services include the provision of shelter, professional medical and psychological assistance and counselling, work permits and access to education or training.

55 Source: Republic of Armenia Procuracy General July 2009 letter in response to an IOM inquiry.

56 Source: Republic of Armenia Procuracy General July 2009 letter in response to an IOM inquiry.

57 Source: Republic of Armenia Ministry of Territorial Administration, Migration Agency, July 2009 letter in response to an IOM inquiry.

cle 132 of the Criminal Code (“recruitment, transportation, transfer, harbouring or receipt of persons for purposes of exploitation”), four criminal cases charged under Article 132.1 of the Criminal Code (“involvement of a person in prostitution or other forms of sexual exploitation, forced labour, services, placement or holding of a person in slavery or practices similar to slavery”), and seven criminal cases charged under Article 261 of the Criminal Code (“involvement of another person in prostitution for mercenary purposes”).⁵⁸

A Draft Law on the Fight against Trafficking in Human Beings has been developed with a view to regulating the prohibition and suppression of trafficking in human beings, the legal and organizational grounds for combating trafficking, the legal status of victims (including the principle of gender equality) and legal aspects of victim protection and assistance. Despite the fact that the Republic of Armenia has ratified the international anti-trafficking conventions, it would be desirable for the draft law discussion to be finalized and for the draft to be adopted.

To prevent trafficking and migrant smuggling, it is important to fully implement the Protocol against the Smuggling of Migrants by Land, Sea and Air as well as the United Nations Convention against Transnational Organized Crime, including the introduction into the Criminal Code of an article that criminalizes the smuggling of migrants.

3.2.4. Protection of Migrants' Rights in Armenia

As far as the protection of migrants' rights by the authorities and non-governmental organizations is concerned, not all migrants in Armenia are perceived as a vulnerable group. This does not apply to refugees - according to an IOM survey, most of the complaints regarding violations of migrants' rights in Ar-

menia are received from refugees.

The Human Rights Defender (ombudsman) of the Republic of Armenia stated, in respect of the protection of rights of refugees in the Republic of Armenia,⁵⁹ that during 2008, according to the Migration Agency of the Ministry of Territorial Administration, twelve complaints were received, most of which concerned the housing, living conditions and social protection of refugees. The staff of the Human Rights Defender counselled a significant number of applicants on refugee housing matters; they monitored 29 settlements densely populated by refugees and did not find grave violations of human rights. However, a number of examples of extremely poor housing and sanitary conditions of refugees in various places were cited.

According to the Ombudsman's report, the monitoring and follow-up analysis showed that the state bodies designed to address the problems of refugees often do not objectively present the refugees' real situation and only refer to achievements in the sphere of their naturalization and integration. Whereas, the assessment of the situation of refugees showed that “naturalization had been achieved via bargain or blackmail – e.g. “if you take up Armenian citizenship, we will give you the legal right to won the apartment built by international donors.” After the ‘transaction’ is done, the future of the refugees is left to fate.”⁶⁰ The report emphasizes housing problems of refugees as the most urgent issues, especially given the constant changes in housing prices and the new wave of refugees and asylum-seekers from Iraq, Iran, Georgia and Turkey (Kurds), to which the State cannot easily provide temporary housing and, scattered throughout Armenia, they are deprived of access to information on public services.

59 “2008 Annual Report on the Activities of the Republic of Armenia's Human Rights Defender and Violations of Human Rights and Fundamental Freedoms in the Country”.

60 Section 4: Rights of Special and Vulnerable Groups; 4.3. Rights of Refugees, page 149.

58 Source: Republic of Armenia Judicial Department July 2009 letter in response to an IOM inquiry.

The report also states that, owing to the monitoring, preventive activities, and expert advice by the Staff of the Ombudsman, many refugees and NGOs dealing with problems of refugees were able to solve their problems in administrative procedures or in court during 2008 and the number of complaints fell considerably.⁶¹

Despite the important work already carried out by the Staff of the Ombudsman, the scope of their activities aimed at protecting migrants' rights should be extended to cover the protection of the rights of irregular migrants in Armenia – in the absence of temporary housing, representatives of this group may theoretically be held in the same detention institution as perpetrators of criminal offences. Labour migrants and other groups of migrants also need additional attention to the protection of their rights.

Box 3.6. Statistics on Criminal Sanctions Applied in relation to Foreigners in Armenia

During 2006–2009, Armenian courts received 119 criminal cases charged under Article 325 of the Criminal Code (“Forgery, sale or Use of forged Documents, Stamps, Seals, Letterhead Papers and Vehicle License Plates”), 24 criminal cases under Article 329 (“Illegal State Border Crossing”) and 411 criminal cases under Article 178 (“Swindling”).⁶² In relation to crimes proscribed by Article 329 of the Criminal Code of Armenia, the General instigated 29 criminal cases in 2004 and seven of the persons punished as a result were **foreigners**. In 2005, 24 criminal cases were instigated and seven of the persons punished as a result were foreigners. During 2006, 19 criminal cases were instigated and two of the persons punished as a result were foreigners. In 2007, 29 criminal cases were instigated

and one foreigner was punished. Of all the persons punished as part of 34 criminal cases in 2008, four were foreigners. Eighteen criminal cases have been instigated during 2009.⁶³

During 2004, 18 cases were instigated in relation to the crimes proscribed under Article 325 of the Criminal Code. The number reached 37 cases in 2005 (three of the perpetrators were foreign citizens), 56 in 2006 (eight of the perpetrators were foreign citizens), 48 in 2007 (two of the perpetrators were foreign citizens), 30 in 2008 (four of the perpetrators were foreign citizens) and ten in 2009 (only one of the perpetrators was a foreign citizen).⁶⁴

The survey carried out by the IOM did not reveal any information or statistics about violations of human rights by state bodies in the migration process, perhaps because such data is not compiled yet.

It is noteworthy that **the European Court of Human Rights** has still not heard an application against the Republic of Armenia alleging a violation of the right to the freedom of movement.⁶⁵

Unfortunately, regular reports and studies produced by international organizations on human rights in Armenia do not pay sufficient attention to migrants' rights, including the right to the freedom of movement. Limitations of this right are discussed only in the *Country Reports on Human Rights for 2008* published by the US Department of State Bureau of Democracy, Human Rights and Labour,⁶⁶ which addresses the limitation of the right to the freedom of movement in Armenia

61 “2008 Annual Report on the Activities of the Republic of Armenia’s Human Rights Defender and Violations of Human Rights and Fundamental Freedoms in the Country”.

62 Source: Republic of Armenia Judicial Department July 2009 letter in response to an IOM inquiry.

63 Source: Republic of Armenia Procuracy General July 2009 letter in response to an IOM inquiry.

64 Source: Republic of Armenia Procuracy General July 2009 letter in response to an IOM inquiry.

65 Sources: <http://www.echr.coe.int/ECHR/EN/Header/Case-Law/HUDOC/HUDOC+database/> and http://www.echr.coe.int/NR/rdonlyres/C2E5DFA6-B53C-42D2-8512-034BD3C889B0/0/FICHEPARPAYS_ENG.pdf

66 “2008 Human Rights Report: Armenia” in US Department of State Bureau of Democracy, Human Rights, and Labour “*Country Reports on Human Rights for 2008*” of February 25, 2009. <http://www.state.gov/g/drl/rls/hrrpt/2008/index.htm>

(mentioning, as a limitation, the exit authorization concept).⁶⁷ The Report commends the fact that, effective from October 2008, a person is no longer required to deregister from the place of residence when emigrating from the country. Violations of the right to the freedom of movement typically occur in Armenia during the election period. As a result of the passport system reform, separate documents for personal identification and travel will be introduced in Armenia.

Even though human rights reports of non-governmental organizations operating in Armenia have failed to address emigrants' rights, reports of destination countries can provide an understanding of the violations of Armenian emigrants' rights in various countries. Interestingly, the 2009 Report of the independent human rights organization Human Rights Watch on Russia⁶⁸ addresses the abuses of Armenian immigrants' rights in the Russian Federation, among other issues. The Report states that the construction sector in Russia has grown in recent years at the expense of grave and continued encroachments of migrants' rights. In this sector, which employs about 40% of around nine million migrants in Russia, employers mostly refuse to sign employment agreements and arbitrary wage cuts, delays, physical pressure and violence have become ordinary. Employers, intermediaries or job agencies sometimes seize migrants' passports and force them to work without any pay at all. As proof of this, the Report presents testimony by officials of the

Armenian Embassy in Moscow, as well as Armenian labour immigrants working in Russia, which state that the Armenian Embassy frequently receives complaints about the seizure of passports of immigrants from Armenia, non-payment of wages and humiliation by employers or policemen. According to these statements, employers often pull another unlawful trick - they pay a migrant construction worker half of the current month's salary, deferring the other half till the following month, thereby keeping the migrant dependent.

According to the Report, this type of exploitation of human beings is so widespread that many do not even think about changing their employment, conscious of the fact that the situation in the neighbouring construction site is the same. The authors of the Report propose that the Russian Government take measures to punish employers encroaching upon migrants' rights, especially at the time of an international financial crisis, when migrants may face the increased risk of employers' arbitrary attitudes and intensifying attacks by extremist groups, which are ready to use migrants as scapegoats for the current economic hardships.⁶⁹

Conclusions and Recommendations

Development should not be viewed as a purely economic matter as it also involves human rights. Respect for human rights reinforces the migration-development nexus. Hence, the migration policy should be part and parcel of a comprehensive development strategy, ensuring the consistency of policy and the interconnection between migration and development. Migration, thus, can contribute positively to the realization of the right to development.

International law classified human rights

⁶⁷ According to the Republic of Armenia Government Decision 821 dated 25 December 1998 "On Approving the Republic of Armenia Passport System By-Laws and the Republic of Armenia Citizen's Passport Description," the passport of a citizen of the Republic of Armenia (which is the primary document identifying an Armenian citizen in foreign countries) is issued for a 10-year term and may be extended by another five years. The passport is valid in foreign states for a five-year term. A stamp duty is collected for the exit permit.

⁶⁸ "Are You Happy to Cheat Us. The Exploitation of Migrant Construction Workers in Russia," Human Rights Watch (2009).

⁶⁹ <http://www.armtown.com/news/am/rfe/20090210/2009021016/> (in the Armenian language).

by risk groups or categories of persons in need of special protection of their human rights.⁷⁰ A number of books on human rights address the protection of the rights of vulnerable groups.⁷¹ Migrants should be perceived as one of the vulnerable groups.

However, in Armenia, migrants are still not perceived as a separate group of people in need of special protection of their human rights. In contrast to women, children, persons with disabilities and ethnic minorities, all of which are seen by the State as vulnerable groups in terms of human rights protection, migrants have still not merited the special attention they deserve as a vulnerable group in terms of human rights. It is necessary to reinforce the legal thinking that migrants are a separate category in need of special protection of their human rights.

To this end, it is extremely important to apply the provisions of international conventions ratified by the country and to comply with the requirements of the domestic legislation, which should be brought into line with the international standards.

As primarily a source country of migration, Armenia should join the international treaties on the protection of the rights of migrant workers, namely the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, as well as regional conventions such as the European Convention on the Legal Status of Migrant Workers. Accession to the conven-

tions will help to protect especially Armenian citizens abroad by means of both international treaties and non-treaty mechanisms for monitoring the realization of international human rights standards and examining complaints about violations of human rights.

The absence of special accommodation centers for foreigners and the fact that irregular migrants are detained in penitentiary institutions are serious gaps that amount to violations of the rights of migrants in Armenia. The Armenian Government has taken measures to fill this gap, but it is important for the legislation and procedures on special accommodation centers to be in line with the international standards and to respect migrants' rights.

Given the essential role of migration policy for the protection of human rights in the migration process, an imperative clearly faced by Armenia is the development of a migration policy that will safeguard respect for the rights of the individual, while also upholding the State's interests. The Republic of Armenia Strategy of State Regulation of Migration and Implementation Action Plan for 2010-2014, which is currently being elaborated, should include a section dedicated to the protection of migrants' rights. Rights of migrants should be born in mind when developing Armenia's migration regulation policy and migration management system. The migration policy to be developed should allow the State to harness the development potential of the migration process and to build mechanisms guaranteeing that both the State's economy and the migrants themselves benefit from the migration process. **The goal of human development should lie at the heart of the migration policy.** The migration policy should take into consideration all the aspects that, if skilfully regulated, can lead to development and prosperity - these include brain circulation, access to international best practices, Armenia's emergence as a regional educational centre, money remittances, the Diaspora and others. It is necessary to strike a balance be-

70 Weissbrodt, David and Connie de la Vega, "International Human Rights Law. An Introduction" University of Pennsylvania Press (2007).

71 Smith, Rhona K. M., "Textbook on International Human Rights" Oxford University Press (2007); Doebller, Curtis Francis, "International Human Rights Law: Cases and Materials" (2004); Symonides, Janusz (ed.), "Human Rights. Concept and Standards" Ashgate Publishing Co. (2000); Reichert, Elisabeth, "Understanding Human Rights. An Exercise Book" SAGE Publications, Inc (2006); Alfredsson, Gudmundur, and Peter Macalister-Smith (Ed.-s), "The living law of nations: essays on refugees, minorities, indigenous peoples, and the human rights of other vulnerable groups. In memory of Atle Grahl-Madsen." Kehl, Germany: N.P. Engel (1996).

tween respect for human rights in cases of immigration and emigration. Though Armenia is primarily a source country of migration, there is already a trend of rising immigration. In order to be in a position to demand protection of the rights of Armenian migrants in other countries, Armenia should make sure that migrants' rights are respected in its territory.

Proper coordination of the activities of administrative structures dealing with migration issues is important, too. To this end, it is crucial to designate a body that will develop and implement the migration policy, coordinate the activities of Armenian public administration bodies in the field of migration, play a lead role in the protection of the rights of migrants and try to regulate labour emigration.

In addition to the above, it is necessary to try to facilitate the free movement of Armenians abroad, especially in the EU, through negotiations on the introduction of a simplified entry procedure and, in the future, its abolishment. The State should play a key role in creating regular labour migration opportunities abroad for the Armenian labour force. Jobs are being cut and people's incomes are falling because of the global financial and economic crisis. The crisis will affect vulnerable groups of the population and residents of remote regions more than others. This situation can increase the likelihood of job-seekers being subjected to labour abuse and becoming victims of trafficking. Even despite the crisis, though, there is demand for a labour force, abroad as well, and Armenian labour migrants can be engaged in lawful programs of international circular labour migration in accordance with legal employment contracts that will safeguard their rights. To this end, the Armenian Government is currently engaged in an important effort of organizing temporary circular labour migration by obtaining labour quotas for Armenian labourers.

Migrants should be legally recognized as a more vulnerable group and special atten-

tion should be paid to protecting their rights. Organizations defending Armenian migrants' rights abroad are needed. Armenia, unlike many States, does not have labour attachés in its diplomatic missions. The consular bodies of Armenia perform the function of labour attachés.

Diaspora organizations should also be engaged in the efforts to defend migrants' rights.

Given the number of Armenian migrants returning from abroad, Armenia's migration policy should clearly regulate issues related to return, including reintegration and respect for the rights of returnees.

Unfortunately, statistics on violations of migrants' rights are still not systematically collected by any agency in Armenia. People have very limited awareness of their rights in the field of migration and the mechanisms available for their protection. It is possible that the issue is not sufficiently addressed at the state level either.

Judicial statistics do not include any data on cases involving migrants and violations of the rights of labour migrants. Most of the complaints received by the Office of the Human Rights Defender were from refugees.

As international migration grows, a migration data management subsystem becomes an evolving indispensable part of modern migration management, which implies the collection of detailed data on cases and types of violations of migrants' rights, among other things. Compiling and analyzing such statistics would illustrate the extent to which migrants are protected in Armenia and ratified international treaties and the domestic laws are applied, and what gaps in policy, legislation, administration and organization require further work.

This information should be accessible to all the government stakeholders, so that they are willing to share the information at their disposal with other competent state bodies.

Other important priorities include educa-

tion on the rights of migrants, training of officials and servants as well as public awareness-raising activities.

By viewing migrants as a separate vulnerable group in terms of human rights and upholding their rights both inside and outside the country, the Republic of Armenia would be honouring its international commitments in the area of respect for human rights and would stimulate the positive impact of migration on development of the country and the people.

Chapter 4

REMITTANCES OF MIGRANTS; THE ROLE OF THE DIASPORA IN HUMAN DEVELOPMENT



CHAPTER 4. Remittances of Migrants; The Role of the Diaspora in Human Development

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Introduction

The purpose of this section is to present the impact of migration and remittances on human development, including economic development; in the context of the overarching aim of the 2009 NHDR, it may be used to revise and improve policies in this area. In line with the aim of the 2009 NHDR, the objective here is to identify the issues related to migrant remittances¹ and the Diaspora² and to make them the subject of public discussion.

Historically, migration (especially labour migration) and migrants' remittances to their families have had a positive influence on human development in the recipient country. Considering that, on the one hand, the inflow of migrant remittances to Armenia is rather large (17% of the GDP in 2007), and on the other, Armenia has a well-established and large Diaspora, it is worth paying attention to the impact of these two factors on development and poverty reduction, as well as the attraction of savings from remittances into the financial system in the form of investments, deposits, or a source of income in lending.

This analysis addresses the dynamics, trends, and risks of flows of migrant remittances, as well as the Diaspora's contribution to investments and human development. To some extent, it also presents the impact of remittances on poverty reduction.

In Armenia, there are ample opportunities related to both remittances and the Diaspora, as well as omissions or unrealized potential. The text below provides a more detailed description of the omissions and opportunities, issues related to the subject matter, and sta-

tistical evidence that supports the discussed issues and recommendations made based on analyzed statistics. The effective channeling of migrant remittances and the Diaspora potential to the Armenian economy requires mechanisms promoting the development process.

Migrant remittances, which account for a sizeable portion of Armenia's GDP, not only influence the economy in general, but also greatly impact the human development process through driving up education and health care spending, as well as the expenses of purchasing land and other real estate. Though the volume of investments financed by remittances remains virtually unchanged, savings are slowly growing, and there is rather significant untapped potential.

A number of omissions or issues related to remittances have been identified, as follows:

1. In spite of savings made from remittances, the volume of investments made using such proceeds remains virtually unchanged. There is rather significant untapped potential. Migrants and their families hold large savings both in Armenia and abroad, which, however, do not turn into investment projects in Armenia.
2. Households receiving remittances were found to have a strong propensity to make investments, which, however, has not been used efficiently yet, undermining the *sustainability* of the impact of remittances on poverty reduction and human development.
3. There are no mechanisms that could efficiently channel the "under-the-mattress" savings of remittance-receiving households into the financial system or investment sphere.
4. There are no attractive investment projects targeted specifically at the needs of migrants.

¹ According to the classical definition, "migrant remittances" are amounts remitted from individuals working abroad to their relatives in the country from which they emigrated.

² Old and new Diasporas. For purposes of the 2009 NHDR, "old Diaspora" means the ethnic Armenians that settled outside of Armenia prior to 1989. "New Diaspora" means those that emigrated from Armenia after 1989 and still reside abroad.

5. Large savings of Armenian migrants are either kept abroad or invested in non-productive assets such as real estate.
6. Remittances are about 2.5-fold higher than direct investments, which is a serious problem in the long run in terms of the sustainable impact on development.
7. Remittance flows are neither predictable nor manageable; therefore, very few financial products rely on remittances as a source of income, leaving some potential untapped. About half of the Armenian banks accept remittance-based cash flows for lending purposes or the attraction of deposits. In almost all the cases, remittances are considered a secondary or even tertiary source of income.
8. The existing remittance-based financial mechanisms are neither sufficiently widespread nor efficient.
9. The global financial crisis has created uncertainty over the inflow of remittances. Moreover, it may cause remittances to fall. Starting from the end of 2008, the flow of remittances has slowed down, and this trend may continue.

As for the role of the Armenian **Diaspora** in development, there are both opportunities and issues here. The most significant potential is in the uniqueness of the Armenian Diaspora - *Armenian migrants have strong spiritual ties with Armenia, as well as firm family ties and frequent and uninterrupted contact with relatives. Many migrants are willing to return to and permanently settle in Armenia after accumulating sufficient savings or achieving certain other targets.*

The Armenian Diaspora has greatly influenced economic and human development in Armenia. However, there are issues in this area, as well:

1. Though the Armenian Diaspora is the key player in the attraction of direct investments, the share of direct investments made by the Diaspora in total direct investments seems to remain below expected (25% of direct investments in Armenia), possibly because the Armenian economy still does not provide a sufficiently competitive and attractive investment climate from the standpoint of the Diaspora.
2. Quite a large part of the migrants' savings is kept abroad; moreover, there is a rather strong interest in investing in non-productive assets such as real estate.
3. There is no complex migration policy to regulate the flow of migrants, including their return, especially in sectors in which they are needed. Such a policy would also regulate the attraction of investments (differentiated treatment of various Diaspora groups) and the transfer of migrants' experience, technologies, and knowledge.
4. The construction sector suffers because of the outflow of a qualified labour force.
5. Because of the non-competitive nature of the investment climate, investments from the Diaspora do not grow, and the majority of remittances received are not invested, failing to secure the long-term impact of remittances.
6. Due to the financial crisis, some migrants can be expected to return.

Methodology of Analysis and Data Used

This report is based on the secondary analysis of existing research and statistical data and the materials of some primary analysis by its author. This chapter uses the databases (with data on 2005-2007) produced as a result of the household and migrant surveys provided by the International Labour Organization (ILO), the Central Bank of Armenia (CBA) and the International Fund for Agricultural Development (IFAD). World Bank data on remittances from the past ten years and projections for 2009-2010 have been used as well.

Some sections of the analysis should be referred to with some reservation; this particularly refers to the sections which compare the results of different surveys on the same indicator, but for different years. In case of discrepancy caused by methodological differences, this is specified in the comparison. Although normally there are statistical errors in the data obtained from different household surveys, the results of all the surveys used here ensure at least 95% reliability, and up to 3-5% error.

Two key analytical approaches have been combined here - 1) regression analysis (for instance, to estimate the impact of remittances on poverty, the structure of expenses, or investments); and 2) comparative analysis of households receiving remittances and those not receiving any (comparative analysis of the control group). A combination of these methods (regression and comparative analyses of the same phenomenon) provides a more realistic picture of relations between various factors. Pivot tables and cross tabulations have also been used both for the summary presentation of the results of the household survey and the comparative analysis.

The econometric analysis was performed using the Eviews software, while the databases were analyzed using Microsoft Excel.

4.1. Migrant Remittances as an Important Source of External Financial Flows

As mentioned above, migrant remittances are classically defined as amounts remitted from individuals working abroad to their relatives in the country from which they emigrated.

Remittances may be sent by temporary or permanent migrants. This analysis will rely on the definitions of the following migrant groups used in the 2008 report of the ILO:

1. Long-term migrants that have been outside of the country for more than two years, and have not visited Armenia during this period.
2. Long-term migrants that have been

outside of the country for more than two years, but have made several short-term visits to Armenia during this period.

3. Short-term migrants that are away from the country several months a year, and spend the remaining months in Armenia (seasonal migrants).
4. Short-term migrants that have recently (in the last two years) left Armenia.

The institutional (not individual) support or the assistance of funds received from abroad is not included in the definition of “remittances” and is viewed as a component of the Diaspora’s impact on development.

In practice, it is rather hard to assess the real volume of remittances, as some of them

flow through unofficial channels (including individuals). The volume of real inflows of remittances is more likely to be underestimated even if the assessment is made on the basis of household surveys, because people are usually “cautious” about how they answer questions related to their income.

Official statistics tend to underestimate the volume of remittances, because unofficial transfers are often ignored or difficult to assess. The National Statistical Service (NSS) of the Republic of Armenia has made some adjustments in its estimates to partly account for unofficial transfers; however, the deficiency is that the cash carried by returnees or returning seasonal migrants is often neglected.³ Besides, annual surveys of living standards conducted by the NSS largely focus on household expenses and poverty indicators, failing

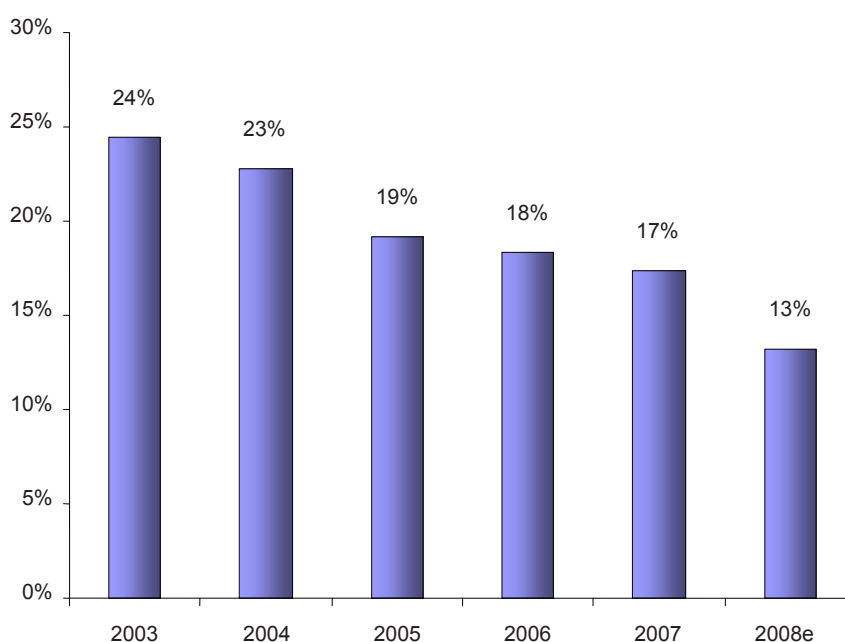
to pay special attention to remittances, including the way in which they are transferred, their frequency, or spending patterns.⁴ Starting from 2005, the Central Bank of Armenia (CBA) has adopted a methodology of estimating remittances, which is based on a household survey that enables a more precise assessment of remittances flowing to the country through official and unofficial channels. International organizations, too, are closely watching remittance flows - for instance, data provided by the World Bank has been used for many studies, including this analysis.

3 “Remittances in Armenia. Size, Impacts, and Measures to Enhance Their Contribution to Development”, USAID/ Armenia, 2004.

4 “Remittances of International Migrants and Poverty in Armenia”, Asian Development Bank, 2007-2008.

Figure 4.1.

Armenia: Remittances as a Share of the GDP, 2000-2008 (in %)



Armenia ranks among countries with large inflow of remittances. A considerable share (about 36%⁵) of the households in Armenia receives remittances from migrant members of the family abroad. Figure 1 above shows that, during the period 2003-2008, the share of remittances in the GDP was rather high, in spite of a gradual decline relative to 2003. In 2007, Armenia was among the top 20 countries of the world in terms of the share of remittances in the GDP. Besides, to compare the top five remittance-receiving countries of the world⁶ (according to 2007 data of the World Bank) with Armenia, per capita remittances to Armenia is 2.5-3 times higher than the value of per capita remittances for those countries. Therefore, it is clear that remittances are an important source of external financial flows for the Armenian economy.

Besides, research shows that remittances contribute to the reduction of inequality (the Gini coefficient) and poverty and positively influence the living standards of households in Armenia.⁷

It is also interesting to compare remittances with other external sources of development assistance and foreign direct investments (FDI).

Table 4.1 illustrates that, in 2006 and 2007, remittances were about 2.5 times greater than foreign direct investments.

The importance of remittances is also confirmed by the fact that, in the last five years, their volume exceeded the volume of state transfers on average by about 15 times. Moreover, it was over 40 times greater than the amount of other state-level financial assistance in 2004-2006 and over 85 times greater in 2007.

4.1.1. Remittance Trends in Recent Years and Future Expectations

In absolute terms, migrant remittances tended to grow during 2005-2007. They played an important role for the Armenian economy, because their share in the GDP was rather high. Besides, remittances accounted for a considerable share of the income of households in Armenia (35% on average in 2006). Starting from the end of 2008, they declined. According to the estimates of some experts, remittances fell by about 20% in the last four months of 2008 because of the impact of the financial crisis (about 4% per month). Had external negative stimuli not materialized and had the past trends been sustained, remittances might have grown by 15-20% in 2008, whereas the actual annual fall was about 2%. The share of remittances in the GDP fell from 18% in 2006 and 17% in 2007 to 13% in 2008⁸ (estimated by the CBA to exceed US \$1.5 billion in 2007) (see Figure 4.2).

Table 4.1

	Ratio of Remittances to FDI
2003	5.6940
2004	3.3103
2005	4.0395
2006	2.6105
2007	2.2825

5 Central Bank of Armenia, survey of 8,500 households carried out in 2007.

6 India, China, Mexico, the Philippines, and France.

7 "Remittances of International Migrants and Poverty in Armenia", Asian Development Bank, 2007-2008.

8 According to data of the Central Bank of Armenia and the World Bank.

Figure 4.2.

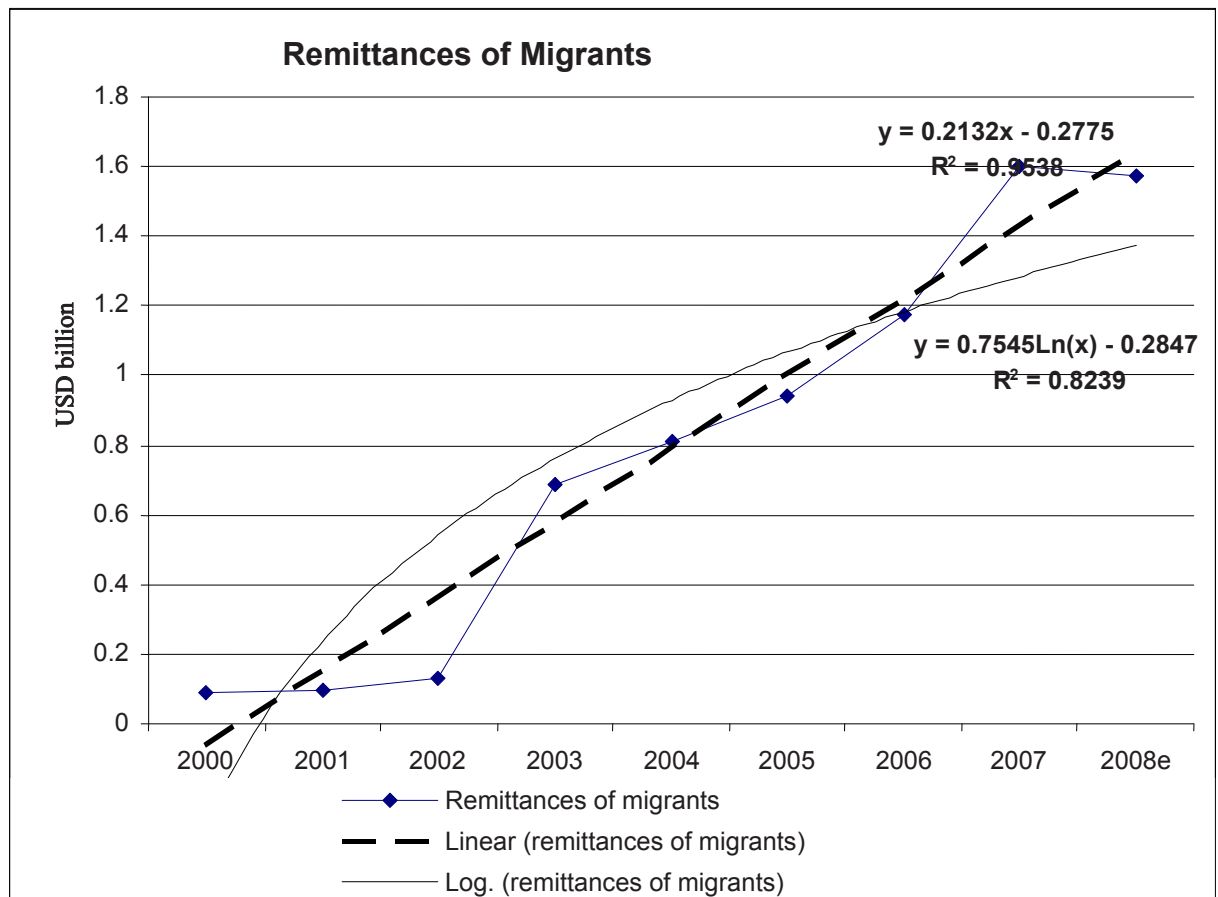


Figure 4.2. shows the trend of remittances during 2000-2008. The 2008 estimate is based on an annual 2% decline scenario. In spite of this contraction, the possibility that flow of remittances will be sustained is supported by the importance of their role and the positive linear trend, which is more reliable than the log trend (which indicates that the growth pace will slow down) ($R^2_{Linear} = 0.9538$, while $R^2_{Log} = 0.8239$)

To view the trend of remittances in real terms, their nominal values can be adjusted by the exchange rate change and inflation. Figure 4.3 presents three remittance curves. The first curve shows remittances in nominal dollar terms. After its growth rate was computed, the growth rate of the AMD/USD ratio was subtracted from it, and the adjusted pace data were used to estimate the second data series,

i.e. the remittance trend in real terms adjusted only by the exchange rate change. Then, the nominal growth rate was adjusted by both the exchange rate change and inflation, and the net growth rate was applied to the nominal values of remittances to estimate remittances in real terms or the net value of remittances adjusted by both the exchange rate change and inflation.

Table 4.2. Remittances, Nominal and Real

	<i>Remittances, nominal (\$)</i>	<i>Remittances, adjusted by the exchange rate change</i>	<i>Remittances, adjusted by the exchange rate change and inflation</i>
2003	686,131,387	721,342,586	689,527,743
2004	813,000,000	793,448,844	710,186,809
2005	940,000,000	786,051,424	699,304,530
2006	1,175,000,000	903,878,781	783,848,890
2007	1,600,000,000	1,035,385,162	863,402,631
2008e	1,572,526,769	895,529,084	668,207,691

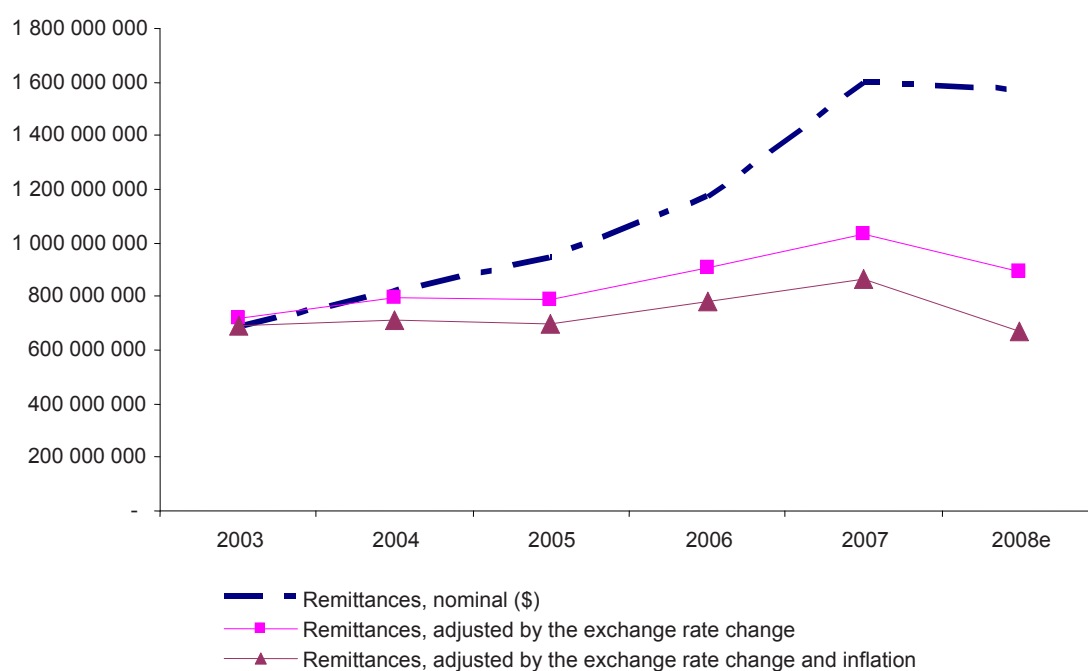
Figure 4.3. Remittances, Nominal and Real

Figure 4.3 shows that remittance flows in real terms (adjusted by the exchange rate fluctuation and inflation) grew at a more moderate pace than nominal flows. Judging by the real flows, this trend is expected to decline, rather than grow in the future.

In spite of the above analysis and two scenarios of expectations about the future inflow of remittances, forecasting them becomes difficult and ambiguous due to uncertainties

(over prices and the exchange rate) and the global nature of the crisis. Historically a stable factor that moved counter-cyclically (in the opposite direction of an economic crisis) in the recipient countries, remittances are currently affected by a different situation caused by a global crisis that has undermined the economies of numerous countries.

4.1.2. Analysis of the Structure of Migrant Remittances

Surveys have shown that about 36% of all the households in Armenia (including over 70% of the households that had migrants abroad) received regular remittances from migrants abroad in 2007. During 2006-2007, seasonal migrants, especially married men, had the highest propensity to send remittances, as corroborated by other surveys, as well - seasonal migrants were ahead of other categories of migrants in terms of both the share of remittances in their total income (over 50% of the income, or on average more than US \$3,000 per annum) and the absolute amounts of remittances (International Fund for Agricultural Development - IFAD).⁹

Regarding the amounts of the remittances, households receiving under US \$1,000 per annum accounted for about 67% of the total in 2005 and about 64% in 2006. Instead, the number of households receiving US \$2,000-3,000 grew in 2006 over 2005. In 2006, each household received on average US \$1,202 per annum (about US \$100 per month), relative to an average of US \$1,006 per annum (US \$84 per month) in 2005. Thus, the average amount of remittances grew by 19.5%.

According to a survey conducted by the ILO in 2007, about 40% of migrants were long-term, i.e. they stayed outside of Armenia for more than two years, but made several short-term visits to Armenia during their stay abroad. Migrants in the second category, which only recently left Armenia and currently account for the minority, have temporary status, because it is most likely that, after two years, they will behave as long-term migrants and join one of the other three pre-defined groups. Migrants in the next group, which settled abroad and gradually started to lose their economic interests in Armenia, thereby falling out of the potential group of savers or

investors in Armenia, account for about one quarter of the migrants. Another 20% are seasonal and temporary migrants that stay outside of Armenia several months a year and then return home for several months. According to different surveys, the majority of seasonal migrants are in the Russian Federation.

As mentioned above, over 70% of the households with migrants abroad regularly receive remittances from them. According to data for 2007,¹⁰ migrants rather frequently remit money to their families - 80% remit money at least once a quarter and about one fifth of the households receive remittances from their family members every month. Migrants in the Russian Federation and the USA have greater propensity to make remittances than migrants in other countries, regardless of their status or category (CBA, ILO, and ADB¹¹). In 2005, about 77% of the remittances were sent from the Russian Federation, 11% from the USA, and 3.2% and 1.4% from the Ukraine and France, respectively. In surveys conducted in 2007 too, the top two origin countries of remittances were Russia and the USA, followed by the Ukraine, Germany, and France.

One positive phenomenon is most remittances from Russia (84% in 2006), the country accounting for the largest share of the remittances, are made through the banking system. For remittances from the USA, banks were used less (36% in 2006). The emigrants in the USA prefer to remit money through special organizations. The fact that remittances from Russia are mostly made through the banking system or official channels may be due to the availability of efficient wire transfer mechanisms in the banking system and lower commissions due to growing competition.

About 80% of the households spend more than 90% of the remittances received on current consumption.¹² The rest is saved for fu-

9 "Study of Savings and Remittances Behaviour among Armenian Migrants and Their Families", IFAD, 2007.

10 Survey carried out by the ILO in 2008.

11 "Remittances and Financial Sector", ADB 2007-2008.

12 Survey carried out by the ILO in 2008.

ture consumption, future investments, future education and special occasions such as weddings or home renovation and refurbishment. Surveys have shown that the more frequently migrants remit money to relatives, the more likely the amount is to be spent fully or mostly on current consumption. As for savings of remittance amounts, about 85% of the recipients cannot save any of the proceeds. 9% of the households manage to save up to 20% of the income. However, these savings are almost never kept in banks (97% of the households do not keep their savings in the banking system). About three quarters of the households are not aware of the available financial products or their terms.

In 2007, households effectively managed to save about 8% of the remittances for various purposes - in absolute terms, this is a huge untapped supply or potential, which, subject to the availability of new, more effective financial instruments, can pull the money from “under the mattress” to the banking system. In 2007, about 8% of the remittances was saved, which is estimated to be about US \$129.0 million. Even if 5-10% of this amount was successfully attracted to the banking system, it would reach about US \$12.9 million.¹³ To fill this gap and to attract these amounts to the financial system, remittance-backed financial products have to be developed and efficiently applied. Currently, about half of the Armenian banks accept remittance flows as a backup for lending purposes or the attraction of deposits.¹⁴ In almost all cases, remittances are considered a secondary or even tertiary source of income. Remittance-backed financial products exist, but are not efficient enough to attract the untapped potential of savings into the system. More efficient mechanisms are needed, because even though remittances and savings based on remittances may decline due to the financial crisis, there will still be some potential, including the amounts to be brought

back by migrants returning as a consequence of the crisis.

According to the 2008 ILO survey,¹⁵ there were 800,000-1,000,000 migrants outside of Armenia as of 2007, of which about 73% were in Russia. In contrast to the estimated savings potential from remittance amounts in Armenia (which is not small), the potential of migrants savings kept abroad is huge. According to data for 2005,¹⁶ 13% of the migrants in Russia (about 95,000 migrants) saved a part of their income. Based on the average amount of savings and the number of migrants with different sizes of savings, it was estimated that Armenian migrants in Russia had savings of about US \$262 million kept in Armenia. According to the results of the survey, migrants kept on average about 1% of their savings in Armenia, with the rest kept abroad. Assuming that the US \$262 million was only 1% of the savings of Armenian migrants to Russia, the estimated potential is immense.

4.2. Impact of Migrant Remittances on Human Development

4.2.1. Impact of Remittances on Poverty and Development

Studies have proven the assumption that remittances of migrants contribute in a positive manner to poverty reduction. According to data for 2004 (USAID 2004), remittances on average accounted for about 80% of the total income of remittance-receiving households. According to CBA data, this figure was about 48% in 2005 and about 35% in 2006. Despite possible discrepancies in the presented data due to some methodological differences, the negative trend has persisted as a sign of the reducing dependence of households on remittances over the years. It may be due to reduced poverty or increase in other

15 “Migration and Development”, Armenia Country Study, ILO 2008.

16 “Study of Savings and Remittances Behaviour among Armenian Migrants and Their Families”, IFAD, 2007.

13 Over 10% of the bank deposits.

14 “Remittances and Financial Sector”, ADB 2007-2008.

income of households (such as wages and social benefits), because remittances grew during the period in question. The report of the Asian Development Bank on migrant remittances and poverty in Armenia provides further proof that, to date, remittances were a key source of poverty and inequality reduction in Armenia.

Starting from the end of 2008, remittances started to fall, and this trend of decline may continue throughout 2009. However, given that the US dollar purchasing power is now greater due to the recent fluctuation of the exchange rate, migrants can maintain the level of impact by remitting smaller nominal dollar amounts, provided that inflation remains under control.

According to the CBA's data, for 60% of the households, remittances received in 2006 accounted for up to 50% of their income, which means that those households were less vulnerable and less dependent on remittance fluctuations. However, this indicator varies across residence areas - for 70% of the households living in Yerevan, for instance, remittances were an additional source of income, comprising up to 50% of their income, compared to about 53% of such households in rural communities. The households that were almost fully dependent on remittances (90-100% of the income) were mainly occupied in agriculture or were pensioners. For this category, the share of remittances channelled to consumption was higher, too. In households with high dependence on remittances, the bulk of remittances were made by seasonal workers. Besides, as mentioned above, over 70% of the households that had migrants abroad regularly received remittances from them.

These indicators, coupled with the fact that the largest portion (on average 82%) of migrant remittances is spent on current consumption needs, indicate that households in Armenia depend rather heavily on these flows and therefore, remittances are a key factor for poverty reduction and human development

(the links between migration flows, poverty, and inequality are analyzed in greater detail in another section of the 2009 NHDR). Besides, as illustrated below, remittances positively influence the structure of spending.

As mentioned, households managed to save for various purposes about 8% of the remittances received in 2007¹⁷ (ILO database), which is slightly more than the 1-2% over 2005-2006 (CBA data). This is progress, because people have started to save more. As always, the biggest portion of remittances is channelled to current consumption needs. In 2006, this figure was 73%,¹⁸ falling slightly relative to 2005. However, surveys conducted in 2007 have shown that, on average, 82% of the remittances¹⁹ was spent on current consumption, and while it may seem at first sight that the share of current consumption spending grew relative to 2006, it is actually not so, because the survey calculation methods used in 2006 and 2007 were different (in 2007, current expenses included spending that was not included in the 2006 and 2005 surveys, i.e. current expenses on education, renovation, and etc.). If the current consumption spending is estimated using the same method, it turns out that current consumption spending accounted for 87-90% (not 73%) of the remittances in 2006, falling to 82% in 2007. This may be seen as a positive trend in terms of poverty reduction and development, because *people have begun to spend less on current needs and to save more*. For households receiving annual remittances of up to US \$3,000 (income groups of up to US \$500, \$500-1,000, and \$1,000-2,000), the spending/saving ratios are very similar. Households receiving more than US \$3,000 per annum tend to save more in percentage terms.

Besides, households most dependent

17 X% of the households managed to save Y% of the remittances; hence, the weighted- average indicator has been calculated.

18 Central Bank of Armenia.

19 ILO.

on remittances (the poorest category), which spend over 80% of the remittances on current consumption needs, have changed their spending structure in the 2-3 years - for 25% of these households current consumption spending has fallen, for 20% it increased, and it remained unchanged for 55%.²⁰ The absolute majority of households in this most vulnerable group, in spite of spending more on current consumption in recent years, have at least kept unchanged the share of their savings. In the groups that depend less on remittances, current consumption spending has fallen more, which may mean that remittances have helped households to improve their expense structure. So far, more households have at least kept their current consumption spending unchanged in recent years, because there are possibly still fewer remittance-receiving households that have reached a level of affluence beyond which the share of current consumption spending starts to fall. Remittance-receiving households have not significantly changed current investments in recent years, possibly due to the lack of attractive investment projects. A larger number of households have saved a greater share of the remittances for various family occasions.²¹

By analyzing the relations between remittances and savings, as well as the relations between remittance amounts and spending directions, it is possible to compare the estimated coefficients in terms of their reliability and impact in order to make conclusions about living standards. These relations were estimated on the basis of an econometric analysis method. The assessment results are presented in Box 4.1.

Box 4.1. The Assessment results

Expenses

Land and other real estate acquisition expenses = $0.67 \times \text{Remittances received}$ - 404.99

St.error = 0.0592

Prob = 0.0000*

Current consumption expenses = $0.57 \times \text{Remittances received}$ + 179.37

St.error = 0.0071

Prob = 0.0000

Education expenses = $0.24 \times \text{Remittances received}$ + 50.91

St.error = 0.0143

Prob = 0.0000

Renovation expenses = $0.23 \times \text{Remittances received}$ + 123.58

St.error = 0.0165

Prob = 0.0000

Household appliance acquisition expenses = $0.21 \times \text{Remittances received}$ - 21.83

St.error = 0.0116

Prob = 0.0000

Savings and Investments

Investments in business/entrepreneurial activities = $0.73 \times \text{Remittances received}$ - 34.79

St.error = 0.0501

Prob = 0.0000

Savings = $0.24 \times \text{Remittances received}$ + 97.06

St.error = 0.0275

Prob = 0.0000

* As the number indicate, all the estimated coefficients are highly significant.

Estimates based on data from 2,906 households that received remittances in 2006²² show that the impact of remittances on each direction of their use has a high degree of significance (at least 99%).

As for the expense components,²³ all the

²⁰ Survey carried out by the ILO in 2008.

²¹ Survey carried out by the ILO in 2008.

²² The survey was carried out among 8,500 households in 2007: about 36% of the households were receiving remittances.

²³ Expense components, savings, investments, and

coefficients are highly significant, but the coefficient of the remittance impact on the acquisition of land and other real estate is at the top.

It is followed by the strength of the remittance impact on current consumption expenses and the impact on education expenses, proving that remittances positively influence development.

Interestingly, the coefficient of the remittance impact on investments in business or entrepreneurial activities is the highest²⁴ as compared to impact coefficients of all other directions of use of remittances. This high propensity to invest further proves the positive impact of remittances on poverty reduction and sustainable development. Though the impact of remittances on savings is smaller than the impact coefficient for investments, it is still higher than the coefficient for other expense components. Therefore, remittances have a propensity to sustain a positive impact on further improvement of living standards, development, and poverty reduction.

To sum up the estimation results of the above regression equations, it becomes clear that, when remittances grew, households were more *inclined* in 2006 to spend those amounts on business investments, followed, in the order of priority, by land and other real estate acquisition, current consumption, education, savings, renovation, and purchases of household appliances.

Indeed, savings and investments²⁵ still account for a very small percentage of remittances, though it is interesting that, in 2006, the impact of remittances on business investments and land and other real estate acquisition²⁶ was the greatest, i.e. households showed

a higher propensity to invest or to acquire land or other real estate in case if remittances grow. And the propensity to save in case of growing remittances even exceeded the propensity to spend on other expense components. This propensity can be efficiently used, if appropriate mechanisms are developed. Based on the estimated impact coefficients, it can be concluded that remittances have positively influenced the living standards of households in Armenia.

These results were obtained on the basis of the CBA's aforementioned survey data. Similar results are attained in case of using the data of a 2007 ILO survey of over 1,000 households (Box 4.2).

Box 4.2. The Assessment Results based on ILO survey

Share of investments in business = 1.56*

Remittance growth + 0.37

St.error = 0.5519

Prob = 0.0048*

Share of savings = 1.64*Remittance growth + 0.77

St.error = 0.5955

Prob = 0.0060

Share of current consumption = -4.06*Remittance growth + 94.02

St.error = 1.5290

Prob = 0.0082

* As the number indicate, all the estimated coefficients are highly significant.

The results of the econometric analysis performed on the basis of the aforementioned data, which are presented in Box 4.2, show that the propensity of investments and savings is higher than that of current consumption expenses, which in fact is negative. According to this data, growth of remittances

and other real estate.

remittances are expressed in US dollars.

24 This result was not corroborated by the 2007 survey of the ADB.

25 The ADB's report corroborated the fact that the investments of remittance-receiving households are still small.

26 The ADB's report, too, corroborated the fact that remittance receivers are highly inclined to purchase land

caused the share of current consumption in total structure of use of remittances to decline (negative coefficient) and the shares of investments and savings to increase (the remittance growth impact coefficients in these cases are positive). These findings further illustrate the impact on improved living standards. The analysis of relations between growth of remittances and shares of expenses, investments, and savings components based on 2006 data produced similar results.

In addition to the regression/econometric analysis, comparative analysis of these relations was performed. The parallel analyses of the same phenomenon by different methods provide a more realistic picture of the impact or relations between different factors. The structure of investments and savings was

analyzed on the basis of the ILO survey²⁷ for remittance-receiving households and those not receiving remittances. It is the “control-group” analysis method.

27 Comparative analysis of the structure of current consumption by groups receiving remittances and groups not receiving them was not carried out, because households were asked what percentage of remittances, rather than total income, they spend on current consumption.

Figure 4.4.

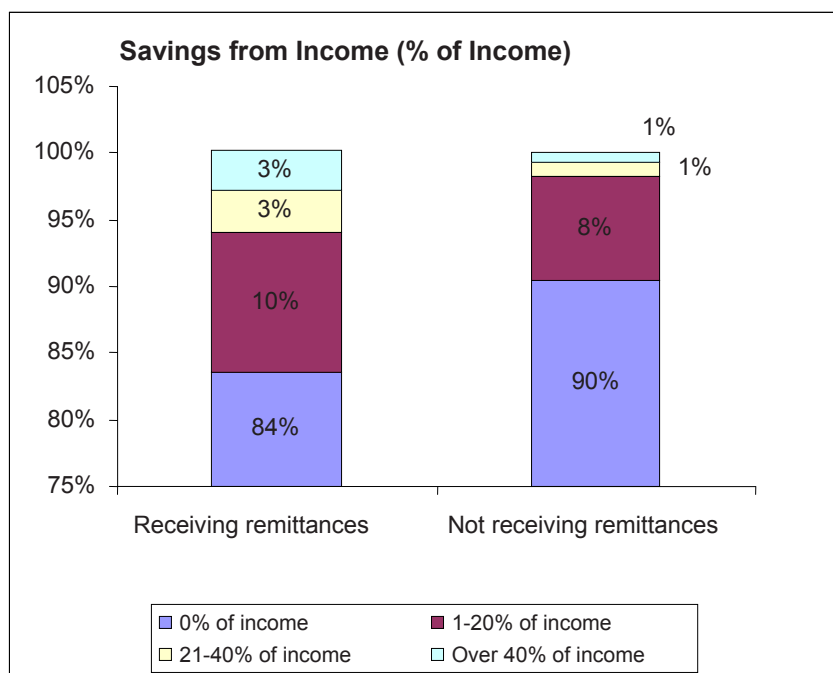


Figure 4.4. presents the breakdown of savings for two groups - remittance-receiving households and those not receiving any. Accordingly, remittance-receiving households save a larger portion of their income than households not receiving remittances. The fact that there is no inconsistency between these results and the regression analysis results provides further proof of the assumption that there is a reliable relation between remittances and savings, and an increase in the former leads to an increase in the latter. Similar analysis for investments is presented in greater detail in the “Sustainability of the Impact on Poverty and Development” section of this report.

The aforementioned indicators are criteria of development and poverty reduction. Another criterion of development is whether or not households receiving remittances have a bank account and use financial services. Though people have been making increasingly greater use of banks and official channels of remittances (the creation of new transfer systems, growing competition, and lower commissions), among households receiving remittances and those not receiving, any proportion of having vs. not having a bank account is the same, i.e. 14% have bank accounts and 86% do not (ILO). Having a bank account could be the first step towards possibly keeping remittance-based savings in the financial system. However, 97% of the people do not keep any of their savings in the banking system - 38% do so out of habit or difficulties of making behavioural changes, 30% due to not trusting banks, and the rest due to other reasons. Remittance-receiving households do not need to open a bank account, because they can receive remittances without opening an account through other systems or money transfer organizations. The introduction of efficient and attractive deposit products tied to remittances,²⁸ for instance, may increase

the number of persons with bank accounts, improve the financial literacy of the public, develop a culture of using bank services, and serve as a basis for later shifting to savings accounts. In spite of the significant poverty reduction attained in recent years due to rapid economic growth and continuously growing remittances, the World Bank now projects an increase in the poverty rate in 2009 and 2010 due to the projected lower remittance flows and slower economic growth, exchange rate changes, and general increase in utility tariffs and prices on the background of the global financial crisis. To prevent further increase in poverty, it will be necessary at least to ensure the stability of the impact of remittances that will continue to flow to Armenia, albeit in smaller volumes.

Other components of human development include gender issues, change of gender roles, potential of empowerment of women, as well as the level of participation and involvement in civic affairs. However, due to lack of disaggregated data we were unable to analyze the effect of remittances on these components of human development and to make well founded statements in this regard, which could be used in future as policy recommendations to address these issues as in the global Human Development Report (2009). In future surveys, lack of these data should be taken into consideration.

4.2.2. Sustainability of the Impact on Poverty and Development

For purposes of the development sustainability analysis, the investment behaviour of remittance-receiving households will be analyzed. The findings of a survey of 2,906 households that received remittances in 2006²⁹ indicate that a \$1 increase in remittances re-

effectively, and the number of customers using them does not grow.

²⁹ The survey was carried out among 8,500 households in 2007: about 36% of the households were receiving remittances.

²⁸ According to the ILO survey, such deposit products currently exist in some banks, but they are not working

sulted in a \$0.73 increase in investments in entrepreneurial activities (the coefficient is highly significant (99%), see Box 4.3).

Box 4.3.

Investments in business/entrepreneurial activities = $0.73 \times \text{Remittances received}$ - 34.79

St.error = 0.0501

Prob = 0.0000

* As the number indicate, all the estimated coefficients are highly significant.

It is interesting that the impact of remittances on entrepreneurial investments is higher than the impact on any other area in which remittances were used. This high propensity to invest confirms the positive impact of remittances on poverty reduction and development.

The regression equation estimation results show that, when remittances increase, households display a higher *propensity* to invest in business than to spend additional remittance amounts in other areas. Although investments and savings, unlike current consumption expenses, still account for a small percentage of remittances and the share of investments virtually does not change, however, the propensity to invest in entrepreneurial activities was the highest, i.e. when remittances grew, households were most likely to invest. These results were obtained on the basis of the data, provided by the aforementioned household survey conducted by the CBA. Similar results are attained in case of using the data of a 2007 ILO survey of over 1,000 households. The econometric analysis carried out on the basis of the latter has shown that the propensity of investments and savings is higher than the propensity to spend on current consumption (which was negative). According to these data, growth of remittances caused the shares of investments to increase.

Box 4.4.

Share of investments in business = $1.56 \times \text{Remittance growth}$ + 0.37

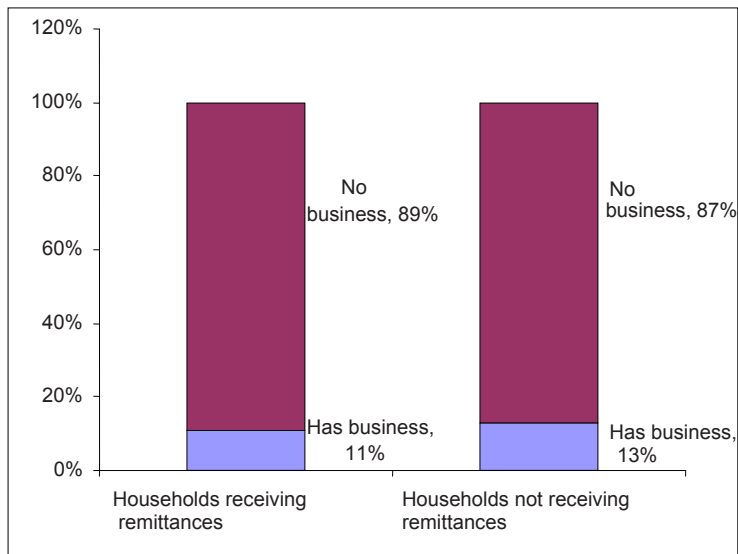
St.error = 0.5519

Prob = 0.0048*

* As the number indicate, all the estimated coefficients are highly significant.

The relation between the decline in remittances (binary variable) and the share of entrepreneurial investments was examined and estimated as well. In this case, the negative impact of a decline in remittances on entrepreneurial investments is not significant, i.e. lower remittances will not necessarily lead to a contraction of the share of entrepreneurial investments in the use of remittances. The propensity to invest may fall; however, the existing potential has to be used reasonably, even if remittance flows are projected to decline. The positive impact of remittances on investments means that, when more remittances are received, households are inclined to increase investments, and since the impact has been positive over time, this propensity should be put to efficient use by developing appropriate mechanisms and promoting investments. It is the only way in which the positive impact of remittances on development promises to be sustainable, since in absolute terms investments by remittance-receiving households are still low.

To substantiate these results of the econometric analysis further, a case-control analysis has been applied as well. The investment behaviour of households receiving remittances and those not receiving any has been studied (based on data from the 2007 ILO survey).

Figure 4.5. The investment behaviour of households

As can be seen from Figure 4.5, remittance-receiving households were slightly more passive in terms of investments than households not receiving remittances. Among remittance-receiving households, 11% had invested in business (89% had not invested in business). Among households that did not receive remittances, the breakdown was 13% and 87% correspondingly. Considering that the share of investors in the group not receiving remittances was slightly higher, it may mean that the above estimated high and significant investment propensity of remittance-

receiving households has probably not yet been efficiently used, since attractive investment projects and a favourable investment climate have not been provided for this group. In other words, there is still untapped potential,³⁰ and it is necessary to channel remittance savings into investments.

³⁰ The idea of unrealized potential was also corroborated by the Asian Development Bank's report on remittances and poverty, which concluded that, although remittance-receiving households have greater potential to impact development and generate employment, this potential remains underutilized.

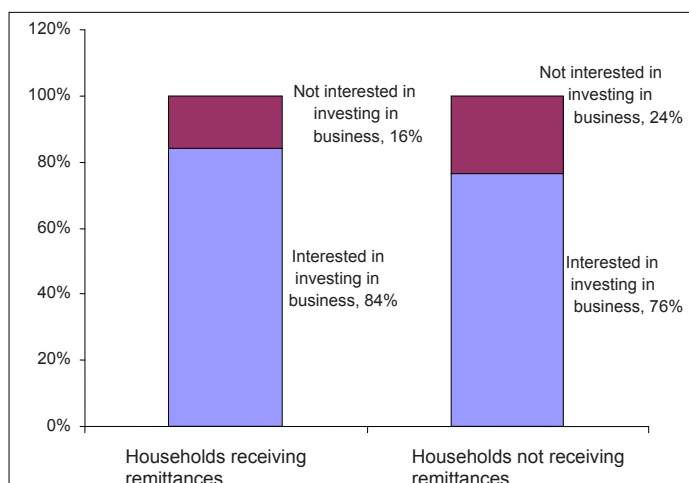
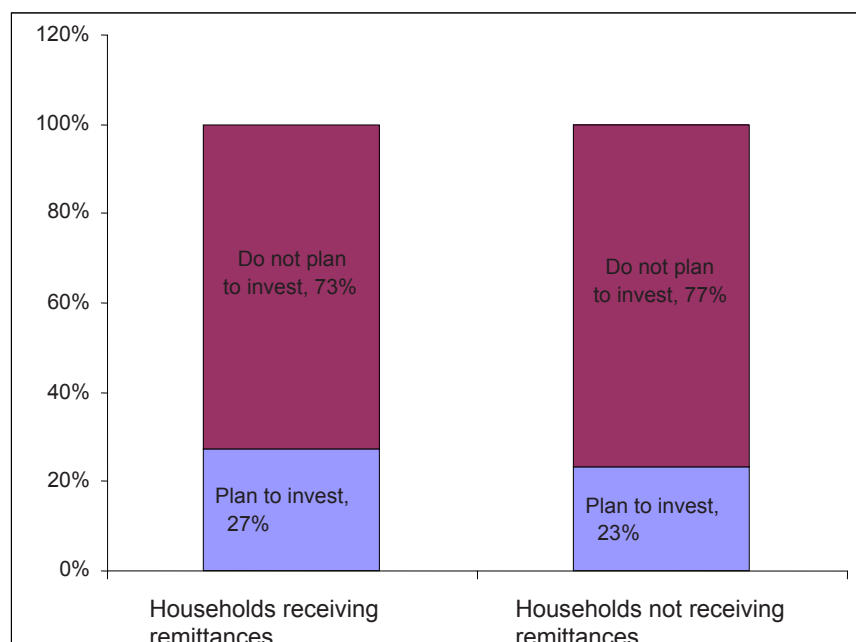
Figure 4.5a

Figure 4.5b



This assertion is further confirmed by the breakdown presented in Figure 4.5a. Clearly, the percentage of the remittance-receiving households interested in making business investments in Armenia is greater than that of households not receiving remittances. Therefore, the investment potential and propensity of this group are higher.

According to Figure 4.5b, 27% of the remittance-receiving households that are interested in business investments and have some savings, plan to invest in entrepreneurial activities in Armenia, in contrast to 23% of the households not receiving remittances.

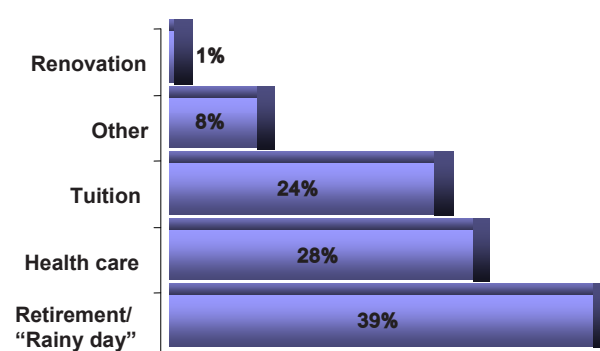
Sustainability of the impact of remittances on poverty reduction and development can be ensured, if this propensity is efficiently used. It will also help to prevent further exacerbation of poverty due to the financial crisis.

4.2.3. Migrant Remittances as a Stimulus to Education and Health Care

The latest surveys have shown that expenses related to health care, education, old age, and special occasions (for instance, weddings) are the main purposes for which house-

holds save money. Remittances can be used as a stimulus to develop these sectors, provided that appropriate financial products are developed and applied.

Figure 4.6. Savings of households per purposes



In 2007, 24% of the Armenian households saved a part of their income to pay tuition, while 28% saved for health-related expenses. As mentioned above, households saved about 8% of the remittances received by them in 2007. Based on these indicators, it is possible to calculate the total savings of households that saved a part of the remittances received

for education and health care expenses.³¹ According to the CBA's survey, about 9-10% of the remittances were spent on education. If one assumes, just for the sake of simplicity, that the same percentage of the remittance-based savings will later be spent on education purposes, then the remittance-based savings for tuition purposes can be estimated at around US \$3.1 million, which is quite significant potential to be attracted to the financial system by developing mechanisms related to education expenses. In the same manner, the savings for health care are estimated at around US \$3.3 million in 2007.³²

Besides, the results of the econometric analysis presented above illustrate, with a

very high degree of reliability, that an increase in remittances leads to higher education expenses, and the impact of remittances on education expenses is the third strongest among all the expense components. Thus, remittances act as an important stimulus for education and health care for Armenian households.

Box 4.5.

Education expenses = 0.24*Remittances received + 50.91
St.error = 0.0143
Prob = 0.0000 *

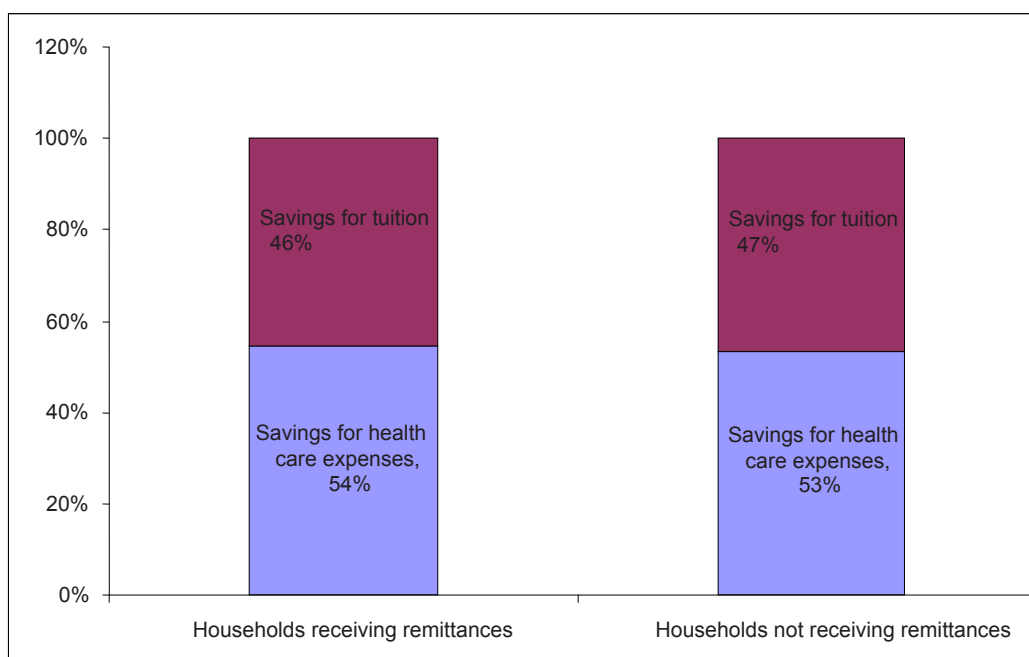
* As the number indicate, all the estimated coefficients are highly significant.

31 For simplicity, it was assumed that the breakdown of households saving for different purposes is the same for remittance-receiving households and all households. For instance, 24% of the remittance-receiving households saved for education, and 28% for health care expenses.

32 These amounts may be underestimated, because their calculation is based on an average-weighted percentage of savings made from remittances.

Even if remittances decline next year, remittance-receiving households will not stop spending on education, and the amount allocated for this purpose, which can be potentially attracted to the financial system, will remain worthy of attention.

Figure 4.7. Savings for health and education of households receiving and not receiving remittances



As for the comparative analysis of the link between remittances, on the one hand, and education and health care, on the other, Figure 4.7 shows that households receiving remittances and those not receiving any have behaved in roughly the same manner. Remittance-receiving households had a slightly greater propensity to save for health care expenses,³³ while there was almost no difference in savings for tuition, because Armenian households traditionally consider education a priority regardless of circumstances. In any event, remittances from abroad can be an additional stimulus for education spending.

4.3. Role of the Diaspora in Human Development

4.3.1. Impact of the Diaspora on Development

The Armenian Diaspora, which has traditionally maintained strong spiritual ties with the country of its ethnic origin, though split into old and new Diaspora segments, stays in frequent contact with relatives in Armenia. The Armenian Diaspora is the most significant contributor to investments in Armenia. Starting from the 1990s, it has played a key role in channelling foreign direct investments into Armenia; however, the Diaspora's own contribution to investments is apparently less than expected. According to data for 2004,³⁴ about 69% of direct investors in the Armenian economy during 1998-2004 were persons with ties to the Diaspora (about 84% in 2004); 68% of the companies that received direct investments were linked to the Diaspora. It has been estimated that, during 1998-2004, they invested US \$275 million or 25% of the direct investments in Armenia. The majority

of Diaspora investors are mainly from three countries (the Russian Federation, the USA, and Iran).

The Armenian Diaspora has been considered the strongest generator of investments for the Armenian economy since the 1990s, especially after active warfare ceased. Due to the political events and financial crisis of the late-1990s, the number of investors linked to the Diaspora declined as a share of the total number of foreign investors to 57%. However, after the celebration of the 1,700th Anniversary of the Adoption of Christianity and the Pan-Armenian Games in 2001, a rise of the indicator was observed (84% in 2004). In some sectors of the Armenian economy, the initial Diaspora investors were literally the driving force of development through engaging Diaspora investors and other foreign investors, which forced the Government to launch legislative reforms and new development projects. Diaspora representatives generally prefer to invest in the services sector. Agriculture, which is one of the important sectors of the Armenian economy, has received less attention from them.

During the transition period, the potential and development of certain sectors of the economy became guarantees for economic growth and attracted the attention of Diaspora investors. The engagement of the Diaspora safeguarded the future success of these sectors through the contribution of knowledge and experience and the achievement of recognition abroad. Those are mostly the export-oriented sectors, including IT, precious stones and jewellery, tourism, agricultural business/food processing, garments, and construction. The Armenian Diaspora brought many international brands (Marriott, HSBC, KPMG, Coca-Cola, Synopsis) to Armenia³⁵ and created branches of multinational corporations in the country.

Though the Diaspora has been the key to

33 Due to the absence of data on expenses in these two areas broken down into groups receiving remittances and groups not receiving them, the comparative analysis was performed on the basis of savings made for education and health care.

34 "The Role of Diaspora in Generating Foreign Direct Investments in Armenia", EV Consulting 2004.

35 "The Role of Diaspora in Generating Foreign Direct Investments in Armenia", EV Consulting 2004.

Armenia's development through humanitarian assistance, contacts, lobbying, political support, information and knowledge sharing, and facilitated access to various markets, the Armenian economy still does not provide a sufficiently competitive and attractive investment climate for the Diaspora and among other alternatives is not the Diaspora's first priority investment destination yet.

Notwithstanding significant external constraints, the Armenian economy has performed well against other transition countries in terms of direct investments. Though Armenia is still behind a number of developing countries in terms of direct investments per capita and the share of direct investments in the GDP, the country's performance would have been much worse without the Diaspora's contribution, because the Diaspora investors are not ordinary investors - in addition to economic interests, they are guided by patriotic emotional motives.

As was mentioned above, the Diaspora's share in direct investments remains of a cautious scale; therefore, their motives and desires should be seriously studied in order to develop targeted programs and to secure an adequate investment climate. The approaches to different parts of the Diaspora should be differentiated. An approach tailored to business needs and the special needs of different groups within the Diaspora can ensure greater success in the area of direct investments.

The impact of the Diaspora on development should be managed in two ways:

1. Efficient channelling of the resources of the Diaspora established abroad into the Armenian economy; and
2. Effective return policies for migrants whose return to Armenia can have a greater impact on development than their stay abroad and the transfer of resources from abroad. In this context, "resources" include money, technologies, and entrepreneurial knowledge and skills.

As Armenian migrants have accumulated rather significant savings abroad and have great potential in terms of knowledge and contacts, efforts should be made to channel their resources as efficiently as possible to support the development of the Armenian economy.

As mentioned elsewhere in this analysis, a rather large share of the migrants' remittances is kept abroad, and there is a rather high propensity to invest in non-productive assets such as real estate (as proven by statistical data and the regression analysis presented herein). The report of the ILO's 2008 survey³⁶ recommended the model of a Migrant Saving and Investment Trust (MSIT) specifically designed to solve this problem, which should be based on cooperation with an international organization, because migrants would trust investment projects financed by or implemented in cooperation with an international organization more (IFAD) than projects carried out through Armenian banks or state agencies. Through this model, migrants with large savings (especially those working in the Russian Federation) can contribute to the development of their homeland through investments in Armenia.

4.4. Lack of a Complex State Policy on Migration to Enhance the Economic Benefits of Migration

During 2002-2007, labour migrants accounted for the vast majority (94%) of Armenia's migration flows.³⁷ In the same period, only 3% emigrated for permanent residence and 2% for education. This picture differs fundamentally from the situation of the early 1990s, when mass emigration of about 800,000-1,000,000 people took place for purposes of permanent relocation.

Every year, tens of thousands of sea-

36 "Migration and Development", implemented by Advanced Social Technologies, ILO 2008.

37 "Remittances and Development", implemented by Alpha Plus Consulting for ILO.

sonal labour migrants would travel to Russia, without planning to settle permanently there. Moreover, had they been able to find employment with average wages in Armenia to provide sufficient living standards for their families, they would not have emigrated.

The majority of the returnees to Armenia, too, were the seasonal labour migrants. The fact of the matter is that migrants usually return as a more competitive labour force and find better-paying jobs. Though the returnees positively contribute to their new places of employment in terms of the application and transfer of experience and technology, they are not active in investing, job creation, or entrepreneurship. Mechanisms should be developed to make better use of the potential of these returnees.

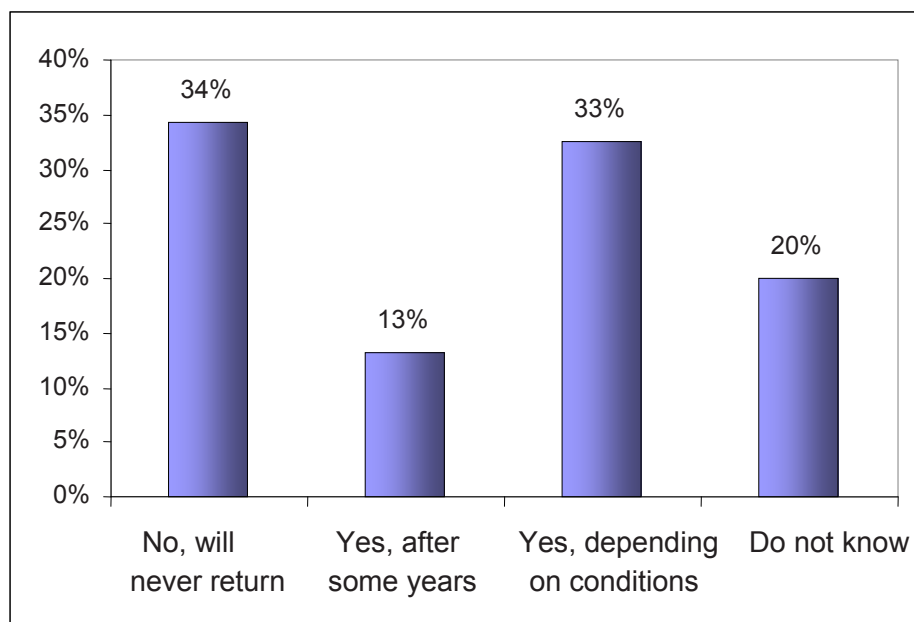
Surveys have revealed a supply-demand mismatch in many segments of the Armenian labour market. There is such an abundance of people with certain professions that the market cannot absorb them, especially in view of concerns over quality.

The construction sector suffers the most from the outflow of a qualified labour force,³⁸ because many qualified construction specialists seek employment in the Russian Federation. In other sectors, the negative consequences of the “brain drain” are not as obvious, especially because not many internationally-competitive human resources are trained within Armenia. Here, the impact of emigration is not as definite - given a high rate of unemployment in Armenia, the emigration of people that would otherwise not be employed in Armenia cannot be considered a grave loss. Moreover, there has been no observed deterioration of the quantity or quality of the output in sectors other than construction due to the lack of a qualified labour force. In view of persisting high tension in the Ar-

menian labour market, there is no need to be concerned about the unconditional return of all the categories of migrants.

Armenia has not implemented a complex migration policy that would generally enhance the economic benefits of migration for the country, assess the benefits and losses from migration flows, discover their causes, promote desirable and prevent undesirable migration flows, and rely on clearly-defined objectives and priorities. Armenia has not implemented a special state policy on investment attraction (with a differentiated approach for various parts of the Diaspora) and the transfer of the migrants’ experience, technologies, and knowledge. The international best practice suggests that such policies can be very helpful.

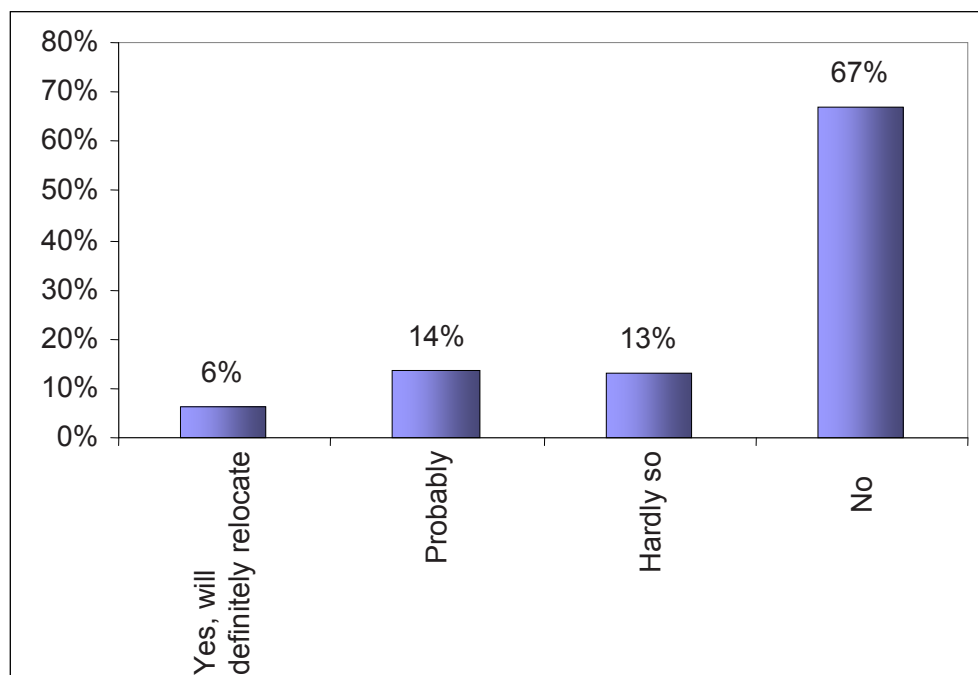
38 “Migration and Development” implemented by Advanced Social Technologies, ILO 2008.

Figure 4.8. Return intentions of migrants. ILO survey results

When asked whether their “migrants will return and permanently settle in Armenia”, 34% of the households surveyed by the ILO in 2008 responded that their migrants will never return for permanent residence, 13% thought they would return after some years, 33% believed they would return if certain conditions were fulfilled, and the remaining 20% did not know whether or not their migrants would return to and settle permanently in Armenia. The positive responses totalled 46%. Among the households that expected their migrant or migrants to return to and settle permanently in Armenia, 63% stated 0.5-3 years as the likely time of the return. Of the households that expected their migrant or migrants to return subject to certain conditions, the specific “conditions” most frequently cited were economic ones - 64% linked the return to the ability to find well-paying employment, and 8% mentioned that their migrant or migrants would return “if the situation in Armenia improved” by which they understood mainly economic factors, including a more favourable business climate and the like. Fewer mentioned political factors. -11% linked the return with their

success in the destination country of them, 6% said they would return if they do not succeed in migration, and 5% said they would return if they saved enough money to have their own business in Armenia.

Figure 4.9. Permanent relocation intentions. CBA Survey results



When asked whether they or any family member of theirs “planned to relocate to the country of the remitter during the next three years” households surveyed by the CBA in 2007 responded in the following way - 67% were definitely not going to relocate, 13% considered it unlikely, 14% considered it likely and 6% were definitely going to relocate. Thus, there was no serious threat of large-scale emigration from Armenia for permanent relocation purposes as of 2007. In 2007 and later years, seasonal migrants were the largest group of emigrants.

The return of those that settled a long time ago is a separate question, to which there is no straightforward answer. To date, construction has been the only sector suffering from the deterioration of the quality and quantity of output or added value due to the lack of a qualified labour force.³⁹ Moreover, in a situation of high unemployment in Armenia, the migration of excess labour force helped to re-

lieve labour market tension, became a source of livelihood for many, and generated a significant inflow of remittances.

Conclusions and Recommendations

Remittances have played an essential role for the Armenian economy as financial inflows accounting for a considerable share of the GDP (Armenia is in the top 20 countries of the world in terms of this indicator, and is among the world’s leaders in terms of remittances per capita). Remittances are 2.5-3 times the volume of direct investments in Armenia. Nominal remittances tend to grow, despite the decline that started at the end of 2008. The volume of remittances in real terms, i.e. adjusted by the exchange rate change and inflation, will tend to fall in the years ahead. Historically, a stable factor that moved counter-cyclically (in the opposite direction of an economic crisis) in the recipient countries, remittances are currently affected by a different

³⁹ Migration and Development” implemented by Advanced Social Technologies, ILO 2008.

situation caused by a global crisis that has undermined the economies of numerous countries. Therefore, projecting the future flow of remittances becomes even more difficult.

Migrants remit money to their families rather frequently - most migrants remit money at least once a quarter, and one fifth of the migrants remit once a month. In terms of remitting money, the most important group is that of seasonal migrants, and the leading origin countries of remittances are the Russian Federation and the USA. The majority of the remittances are still spent on current consumption needs; savings are made for purposes such as future investments, education and special occasions. Though savings still account for a small share of remittances, there is rather strong potential in terms of the volume, which can be put to effective use. Moreover, the potential of the migrants' savings abroad is even more promising.

The analysis confirms the results of research conducted to date in that remittances have had a positive impact on improving the living standards and reducing poverty. During 2004-2006, the share of remittances in household income fell. Moreover, there is a trend to consume less and to save more. Though a larger number of households have started to save, the number of households making investments has virtually not changed. According to the results of the regression analysis, when remittances grew, households were more *inclined* in 2006 to spend those amounts on business investments followed, in the order of priority, by land and other real estate acquisition, current consumption, education, savings, renovation, and purchases of household appliances. Indeed, savings and investments still account for a very small percentage of remittances, though it is interesting that, in 2006, the impact of remittances on business investments and land and other real estate acquisition was the greatest, i.e. households showed a higher propensity in case of rising remittances to invest or to acquire land or other

real estate. The propensity to save even exceeded the propensity to spend in some areas. The growth of remittances has caused changes in the structure of the use of remittances - growth of remittances caused the share of current consumption to decline and the shares of investments and savings to increase. The comparative analysis of households receiving remittances and those not receiving any using the case-control method provided additional evidence of the existence of such links, i.e. remittance-receiving households save more but still invest less than households not receiving remittances. Considering that the estimated relation between remittances and investments is highly significant and remittance-receiving households have a high propensity to invest, the impact of remittances on poverty reduction promises to remain stable, if this propensity is put to efficient use, because in absolute terms, remittance-receiving households continue to invest less than households not receiving remittances. According to the results of the analysis, remittances have a strong and reliable impact on and can, therefore, give a stimulus to education and health care.

The Armenian Diaspora has strongly influenced economic and human development in the Republic of Armenia. It is one of the main generators of foreign investments, but its own share in total direct investments apparently remains below expected (25% of direct investments in Armenia), possibly because the Armenian economy still does not provide sufficiently competitive and attractive investment climate from the standpoint of the Diaspora. A rather large portion of the migrants' savings is saved abroad, and there is quite a high propensity to invest in non-productive assets such as real estate.

As for the outflow of migrants, the current situation is not very worrying. The largest group leaving the country comprises seasonal migrants, which do not permanently settle abroad and are ready to stay in Armenia if they find employment here. The return of

those that settled a long time ago is a separate question, to which there is no straightforward answer, because the Armenian labour market remains strained. Armenia has not implemented a complex migration policy that would generally enhance the economic benefits of migration for the country, assess benefits and losses from migration flows, discover their causes, promote desirable and prevent undesirable migration flows, and rely on clearly-defined objectives and priorities. Armenia has not implemented a special state policy on investment attraction (with a differentiated approach for various parts of the Diaspora) and the transfer of the migrants' experience, technologies, and knowledge.

In view of the aforementioned gaps and the untapped potential, as well as the opportunities briefly presented in the beginning of this section, the following recommendations are made:

1. Given the insufficient amount of investments by remittance-receiving households, the untapped potential of savings or existing savings should be channelled to the investment sphere or the financial system in order to ensure the sustainability of the positive impact of remittances.
2. Savings of migrants and their families, which are kept in Armenia and abroad, should be used for the development of the Armenian economy.
3. To attract the savings of migrants and their families, efficient financial mechanisms/instruments should be developed and implemented in order to channel monies accumulated within the country into the Armenian banking system and to offer attractive projects to promote the investment of money saved abroad in Armenia. With the untapped potential and gaps identified, even if the remittance flows and remittance-based savings decline due to the global financial crisis, there will
4. still be the potential to be attracted to the financial system, and attractive investment projects will enable migrants returning because of the crisis to invest their savings in Armenia as an alternative solution to the problem of their employment.
4. A model linking remittances, savings, and investments should be developed and applied, which will target the migrants and their families. This recommendation is based on the finding that large amounts are kept abroad as savings and there is a rather high propensity to invest in non-productive assets such as real estate (as proven by the statistical data and the regression analysis presented herein). It is also recommended to pay greater attention to the model of a Migrant Saving and Investment Trust (MSIT) proposed in the report of the ILO's 2008 survey,⁴⁰ which was devised to solve this very problem and should preferably be based on cooperation with an international organization, because an IFAD survey has shown that migrants would trust investment projects financed by an international organization more than projects carried out through Armenian banks or state agencies. It is recommended to pilot this model in a project to test its feasibility.
5. Mechanisms should be developed to bring remittances into the formal sector in order to manage remittance flows better so that banks and credit organizations can rely on them as lesser-risk income sources in the lending process (and possibly also accept remittance flows as a primary source of income).
6. The general financial literacy of the Armenian population, including migrants, should be improved so that re-

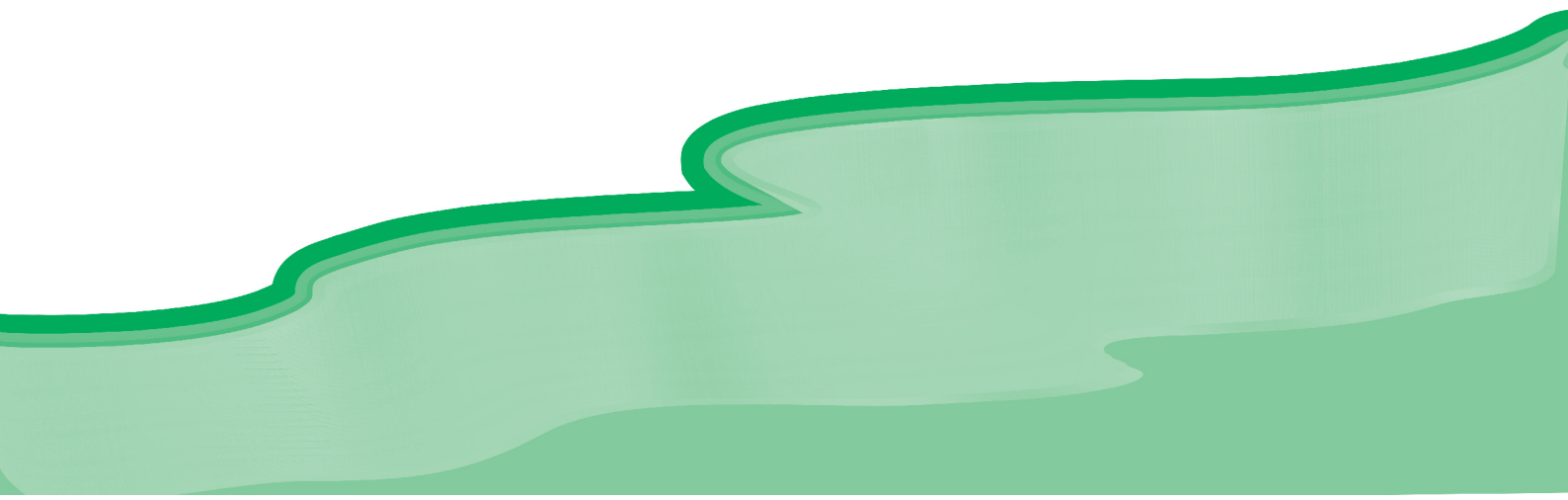
⁴⁰ "Remittances and Development" implemented by Alpha Plus Consulting for ILO.

mittance-based financial mechanisms are widely applied, allowing more effective products to be developed.

7. On the background of the uncertainty created by the global financial crisis, the changes anticipated in the remittance flows due to the crisis should be projected as precisely as possible (for example, through a new household survey).
8. Measure should be taken to mitigate the consequences of the remittance decline and the other consequences of the financial crisis (in real terms), which materialized already in late 2008. Policies should be conducted with utmost transparency, so that money-remitting migrants and receiving households feel more protected in the face of the crisis, i.e. the level of prices should be made more predictable and manageable, so that migrants can sustain the impact of their remittances by sending smaller nominal amounts after the recent fluctuation of the exchange rate.
9. The motives and wishes of Diaspora investors should be seriously studied, so that targeted investment projects can be developed and an adequate investment climate can be provided. Differentiated approaches should be adopted in respect of various Diaspora groups. A complex migration policy promoting the economic benefits of migration should be developed on the basis of the international best practices.

Chapter 5

MIGRATION - CURRENT TRENDS IN HUMAN DEVELOPMENT



CHAPTER 5. Migration - Current Trends in Human Development

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5.1. Human Development - Concept and Definition

5.1.1 General Overview of Migration and Human Development Issues

Some believe that the migration processes of Armenia began to transform in the second half of the 1990s. Then, an unusual pattern had already emerged - people started leaving Armenia due to not only social problems or the absence of employment opportunities, but also the fact that they did not consider the available employment worthy of their qualification and did not view Armenia as a place where one's potential could be adequately realized and appreciated. In other words, starting from 1991, the importance of issues related to the improvement and realization of the individual's abilities grew among the causes of migration. Changes that formed a pessimistic attitude towards the country's development prospects were among the prevalent causes of such conduct. Some of the turning points were associated with shocks affecting the country's development prospects, including the 1992-1996 struggle for survival in Armenia, the assassinations in the Armenian Parliament on 27 October 1999 and the tragic events of 1 March 2008.¹

Thus, the migration processes in Armenia were driven by not only socio-economic causes, but also deeper rooted factors, which often cannot be identified by quantitative research. To this end, development and prospects have been important factors. In-depth qualitative research into the phenomenon shows that Armenia's migration processes have been significantly affected by the development policies adopted by the country, which have not sufficiently focused on human development objectives, as illustrated by the goals and priorities articulated in the *Poverty Reduc-*

tion Strategy Paper (PRSP), the main strategic document on the country's development since 2004, which was recently revised and renamed the *Sustainable Development Program* (SDP). The approaches to development adopted in those documents need to be revised in terms of development policy, because they were elaborated on the basis of the *economic development concept*, currently considered a mistake of the past, rather than the *concept of human potential (capital) development*. To be specific, the aforementioned programs were drafted within the frames of the ideological concept of *economic growth* that was prevalent in the 1970s. Considering that the PRSP/SDP is the foundation of the Government's policy and state strategy, it can be concluded that **human development is still not treated with sufficient importance in Armenia at the level of state policies**, becoming a cause of pessimism and emigration for people in need of an environment conducive of *human development*.

Another aspect of migration and human development relates to monetary remittances sent to relatives from abroad in recent years and their role as a factor of human development. Data on the expenditure of remittances proceeds shows that remittances play a key role in improving living standards, education and health care, and in some cases, small and medium-sized businesses and agricultural activities as well.² In essence, it means that migration is not a one-sided process, and although its domestic causes in Armenia are mostly negative *in terms of human development*, its effects are not always negative.

In this context, migration can also be ex-

¹ Emigration from Armenia (ed. Hr. Kharatyan), Yerevan 2003; S.Manusyan, *Garnanamut 2009: One Year since March 1*, available at www.echannel.am

² Labour Migration from Armenia in 2005-2007, Yerevan 2007, p. 56. Research carried out in 2006-2007 by the Ethnology and Sociology Department of the Archaeology and Ethnography Institute of the National Academy of Sciences of the Republic of Armenia on "Migration Trends and Underlying Factors in the Republic of Armenia," Archives of the Ethnosociology Department (hereinafter, "ESD data"); research data of the Central Bank of Armenia (hereinafter, "CBA Survey"), 2007.

amined from the standpoint of *reverse migration (return)* - after working abroad for several years and increasing their human capital, people have returned to Armenia and influenced the local development processes.

It can be concluded, therefore, that the migration processes of Armenia in recent years have been multifaceted phenomena directly connected with human development issues. Due to various aspects of the Armenian family tradition and social culture, migration for Armenia has become a unique means of improving the conditions for human development. To analyze these issues substantively, one needs first to understand the new global trends concerning human development and the reactions in Armenia, the extent to which the human development challenges faced in Armenia are connected with the migration process and the current and anticipated positive and negative effects of migration on human development in Armenia.

It should be mentioned at the very outset that, in view of the severe inconsistencies sometimes encountered between state statistics and quantitative data from independent research, they are used here to portray the trends, rather than to provide a precise analysis of quantitative data. The data discrepancies are at times so extreme that they cause serious reservations. For instance, according to data of the National Statistical Service, 17,300 people emigrated from Armenia during 2005-2006,³ while the joint survey by the OSCE and Advanced Social Technologies (AST) put the number at 29,000-35,000.⁴ Clearly, the difference is not small; in fact it is almost double. Given this context, we have preferred to rely on qualitative data presenting materials of in-depth interviews or focus groups conducted with migrants. Materials of qualitative surveys carried out by us in the re-

gions of Armenia in different years have been used as well. As for the quantitative data cited in the text, it should be reiterated that the purpose is to present the trends, rather than definitive and ultimate statistics.

5.1.2 A General Overview of the Human Development Framework

The analysis of global migration trends shows that migration generally flows from countries with lower indicators of human development to those with higher ones. According to the latest findings, over 75% of the international migrants migrate to countries with a higher level of human development.⁵ This indicates that the human development situation and trends decisively affect a country's migration indicators and trends. Therefore, before addressing the links and correlation between migration and human development in Armenia, it is important to provide a general overview of the current concepts related to development, the underlying ideologies, philosophies and policies as well as the assessment criteria in order to have a baseline and criteria for projecting the possible development trends and migration processes in Armenia.

It is important in this respect to analyze the substance of the Human Development Concept, a prevalent development framework that is globally used to measure the development progress and achievements of states. Interestingly, the countries that have adopted development policies based on a HD framework, i.e. have economic, political, cultural and social systems that focus on creating and promoting an atmosphere in which human potential can grow and freedom of choice can be safeguarded, have the most diversified and advanced economies that, through their demand for human labour, promote the continuous improvement of education sys-

3 Armenia Statistical Yearbook 2008, National Statistical Service, Yerevan 2008, p. 45.

4 Labour Migration from Armenia in 2005-2007, OSCE, Advanced Social Technologies (AST), p. 24.

5 Human Development on the Move, Human Development Report, 2009, p. 2.

tems and the creative capabilities of humans not only in the respective countries, but also throughout the world. The labour markets of those countries are typically open to those citizens of the world that are better qualified and have human-centred views of the world. In the case of highly-qualified individuals, migration is often due to not only the pursuit of higher remuneration, but also *the convenience of an environment for one's views of the world*, which supplies greater opportunities and stimuli for creative individuals to continuously develop and realize their potential regardless of the spheres of their professional occupation.

5.1.3. Development Theories Preceding the Human Development Framework

Development theories became widespread in the second half of the 20th century. Owing to continuous criticism, they have constantly improved. For quite a long time in the so-called *era of modernism*, the unilinear development theory was dominant, which was essentially based on the idea that the development of social life is like the evolution of flora and fauna and takes place in a unilinear fashion. It has a beginning, subesequent stages and an end. The end may not mean death or elimination, but rather, the formation of a type or final result. After a final result is formed, development stops and the phenomenon spreads in quantity and simply reproduces. According to the proponents of the unilinear development theory, all nations must go through the same stages of development in the same way. It is the reason why, for a long time, mechanical efforts were made in different parts of the world to impose the development models of the European peoples on the nations that were technologically underdeveloped.⁶ However, life proved that the modernist theory is restricted and erroneous, especially if applied to

the underdeveloped nations. It became clear that imposing the same model of development on nations with different features would create extremely serious problems such as interethnic clashes, environmental disasters, higher criminality, hunger, poverty, rising migration and so on.

Recently, preference has been given to the theory that prioritizes the diversification of development paths, all of which should serve the single goal of human development.

In theory, though, many would agree that the development programs of a number of countries are still based on the outdated unilinear theory of development and economic growth.

The definition of the development objective, too, has undergone major conceptual change. The economic growth concept was first replaced with the economic development concept and later with the ideas of human resource or human capital development, which were eventually taken over by the human development framework.

5.1.4. Origins of Economic Development and Human Development Theories

For a long time, achieving high rates of growth was considered the main goal of development. The proponents of this approach thought that economic growth was sufficient to solve all the remaining problems.

The ideology of economic growth was based on the hypothesis that growth would lead to higher GDP per capita in the country, which in turn would improve people's prosperity. Of course, there is some truth to this. The experience of developed capitalist countries, in particular, has shown that steady economic growth can indeed help to solve grave social problems and raise people's overall prosperity. Experience has also shown that per capita GDP growth leads to the improvement of key indicators for humans such as the average life expectancy, education and health.

6 Sztompka P. The Sociology of Social Change, pp. 147-148.

Inspired by this success, many economists started to defend the thesis that it is sufficient to direct policies and resources at economic growth in order to solve all possible development problems. In other words, they saw economic growth as not only the medium, but also as the goal of development. *Some theoreticians even viewed it as the most important goal that had to be achieved by means of developing human potential and human capital.*

However, this theory was flawed in a number of key ways. The experience of Latin American countries in particular showed that, despite economic growth, their people continued to live in rather harsh social conditions. It became clear that the reasons were connected with distribution, redistribution, social polarization, differences between people's consumption capacity and obstacles to the self-actualization of individuals.⁷

Therefore, a new concept was developed in the form of the *economic development framework*. This framework viewed development as a complex issue involving not only economic growth, but also equitable government, the need to overcome extremes in distribution and redistribution as well as the bolstering of per capita consumption capacity.

As early as in the 1980s, though, the theory of *economic development* was criticized as well. The following deficiencies were highlighted - a) The failure to differentiate between development and material prosperity and b) Considering economic growth more important than the human being.

The *human resource development* concept, which claimed that investments in the development of human resources or human capital were important for purposes of boosting economic growth and productivity, was harshly criticized too. It viewed the human being primarily as a source of labour and human capital development as a means of raising the qualification of the labour force in

order to boost productivity. While appreciating the importance of developing human capital and resources and investing in those areas, the economic development theory viewed the human being as a means of achieving economic growth, rather than the goal. Already in the 1980s, it became necessary to revise the existing concepts from the standpoint of appreciating the human being and the *human development framework* was devised on the basis of this principle.

5.1.5. The Core of the Human Development Theory

The development of this new framework was largely influenced by the brilliant articulation of humanist or human-centred innovative development concepts in social sciences and their extension to the economic sphere by **Amartya Sen**. His new theory, coined *Human Development (HD) theory*, was essentially revolutionary because it asserted that the main goal of the economy was not either to achieve economic growth or to increase the living standards of the public, **but rather, to create and develop opportunities for the creative realization of the human being, eventually to expand human freedoms because the qualitative and quantitative increase in opportunities for creative realization provides ample room for choice, which in turns strengthens the freedom of the human being.**⁸ At first, it may seem like a very vague and arguable notion that the goal of the economy is continuously to expand the possibilities for choice and freedoms of the human being. Arguable because it defines the goal of the economy outside the economic sphere, on the level of the social or rather the humanist paradigm of human freedom. In this sense, **the main goal of human development is to create an environment for the continuous discovery, development and crea-**

7 Human development, new dimension of socioeconomic progress, M, 2006, pp. 25-27, 38-40.

8 Tungodden Bertil, A balanced view a development as freedom, WP, 2001: 14

tive realization of human capabilities, which must also become the primary objective of the activities of governments and state policies. Human development is viewed as a process that is aimed at the continuous expansion of the qualitative and quantitative aspects of human choice.

In other words, *the HD theory* rejects the ideologies and values that underlay the economic theories of development preceding it, instead suggesting to go beyond the narrow scope of the economy and to view the human being as the primary goal of the economy, building economic policies in such a way as to serve as a tool for increasing opportunities for the human being, which itself becomes much more significant.

The HD theory categorically denies the proposition that higher per capita income is the main goal of development. Without rejecting the importance of increasing incomes, the *HD theory* views it as a means for achieving the primary goal of human development.

In contrast to the preceding theories of development, which considered development synonymous with improved material prosperity, the HD theory - while largely appreciating the importance of material prosperity - distinguishes between material prosperity and development. While the economic development theory defined national wealth as the existing material and production resources and technologies, the HD theory views the human being and a high degree of human freedoms as the most important national wealth and considers that everything, including the economy, the state and culture, should serve to achieve it. HD is thought inevitably to lead to economic growth, which is important only if it positively influences human prosperity.

The HD theory proposes four main ways of using economic growth for human development:

- Larger investments in education, health and professional development;
- Putting in place more equitable mech-

anisms of income and wealth distribution and redistribution in order to create the material bases necessary for the development of the human potential;

- Balancing social spending and forming an economic foundation for social expenditures; and
- Enhancing the possibilities of realization and choice in the political, social, cultural and economic spheres.⁹

5.1.6. Key Components of Human Development (Education, Health and Living Standards) and Tools for Measuring Them

The level of HD is measured with the Human Development Index (HDI), which includes three key components:

1. Life expectancy at birth;
2. Overall literacy of the above-15 population and the index of population enrolled in general, vocational and higher education institutions; and Living standards enabling human development, measured by per capita GDP in terms of increased consumption capacity.

Clearly, these indicators do not fully reflect the real HD picture. It would be ideal to develop an HDI that would reflect all the aspects of the phenomenon. However, it is extremely difficult in terms of both developing standards and creating and consolidating the necessary databases. There are attempts to combine HD with other criteria, such as gender equity, sustainable development or environmental indicators, the human freedoms index, poverty of possibilities and so on. The HDI is used to measure a country's HD level and to grade countries by the level of development.

Though the assessed indicators are very concrete, HD assessment relies on the following core criteria:

⁹ Human development, new dimension of socioeconomic progress, p. 47.

- People should have **opportunities to increase the effectiveness of their activities and to fully participate in the generation of economic growth**. Therefore, economic growth, employment and wage increases are key to assessing the human development status;
- People should have **equal conditions and opportunities** for the discovery, development and realization of their capabilities. Nothing should obstruct human activity and realization through work;
- People should have guarantees of the future. Therefore, **stability** is a key condition for HD assessment;
- People should have **a conducive environment for developing their capabilities and increasing their opportunities**; and
- People should have **the opportunity to take part in** the development process, because it is a precondition for people to apply their capabilities and the human potential, to develop and to create added value.¹⁰

Thus, the HDI is a quantitative indicator for assessing the level of HD in a country, although there are qualitative criteria, as well, which can provide a more realistic picture of the HD situation.

5.2. Human Development and Human Capital - the Situation in Armenia and Impact on the Migration Process

This section provides a general overview of the HD situation in Armenia and the factors that now or in the future may contribute to the emergence of intensive migration flows. The analysis of the HD situation is especially important from the standpoint of incremental development of the human capital and the opportunities for reproduction. It should be

clarified from the outset that, depending on the context, the semantics of the term *human capital (HC)* may vary. It was originally conceived as the entirety of human capabilities and skills which, by improving qualities of the labour force, contributes to economic growth. In other words, HC has been perceived in theories of *economic growth and economic development* as a means of achieving economic growth. The philosophical aspects of the HD theory would require an adjustment of the meaning of the term to view HC as *the entirety of human capabilities and skills that contribute to greater opportunities and freedoms for the human being*. For instance, the more diverse and profound the skills discovered and advanced during the life of a human being, the greater his or her degree of choice and capabilities of creative self-actualization, self-expression and participation in various walks of public life. The human capital formation and development conditions and their relation with the migration process in Armenia will be discussed below from this very standpoint.

5.2.1. Human Capital Formation as a Key Factor or Prerequisite of Human Development - the Situation in Armenia

The reproduction of HC largely depends on the formation of inception “reserves.” HC formation and development benefit primarily from the institutions that are directly related to the formation, development and dynamic reproduction of human capabilities and skills. Clearly, the priorities here involve health care, education and the economic environment.

Health Care. Judging by official statistics, the current level of health care services rendered in Armenia is generally sufficient for purposes of simply maintaining public health, as illustrated by the fact that life expectancy at birth has not changed much during the last ten years (according to data of the National Statistical Service) - from 73.9 years in 1997,

¹⁰ Human development, new dimension of socioeconomic progress, pp. 43-44.

it reached 73.5 in 2007, without much fluctuation during the decade.¹¹ Clearly, it is important in terms of maintaining the HC, because the operation of the health care system so far mainly enables people to retain their capabilities. However, in terms of dynamic reproduction of HC and the solution of HD problems, the operation of the health care system is not fully adequate, because its activities have neither reduced morbidity nor increased life expectancy. On the contrary, during the period 2003-2007, morbidity grew sharply, mostly on account of diseases that can negatively affect the maintenance and enhancement of human opportunities, i.e. sharp rises in *diseases of the nervous system, sense organs, the cardiovascular system, the bone and muscular system, connective tissue as well as tumours and mental health conditions*.¹² Taken together with the fact that these diseases have become “younger,” one can conclude that they can negatively affect HD and the reproduction of human capital. For human opportunities to grow, it is important to live not only long, but also healthy in order to realize the opportunities provided by longevity. Otherwise, life can even become a burden.

While the situation described above is partly due to the poor health awareness of the public, its main reasons are the deficiencies of the health system, including the poor quality and accessibility of diagnostic services and preventive care. Despite reforms and some progress in the health system, qualitative progress in this sector is not tangible. Acceptable in terms of maintaining public health, Armenia's health care system is not adequate for ensuring the dynamic reproduction of good health.

Health care services are affected by problems of quality, accessibility, and affordability. In case of relatively serious health issues,

major problems arise in terms of both the quality and the affordability of health care. Of course, the main reason for not visiting a doctor or leaving treatment unfinished is financial.¹³ Understandably, many people have had to lower the quantity and quality of other basic needs in order to cover health expenditures, i.e. health needs were met either at the expense of other basic needs or by borrowing money.¹⁴

To sum up the evaluation of the human development situation in the health care sector, it is still not a serious cause of emigration, because it allows the basic health needs of the population to be met. However, in terms of HD, Armenia's health system is not fully conducive to increasing opportunities for the human being. Only 2.4% of migrants left Armenia for treatment purposes (see Table 5.1).

Education. Education is the next core component of HC. While health provides for physical opportunities, education supplies people with all that they need to discover their capabilities and abilities and to develop them into opportunities.

The quantitative indicators of Armenia's education sector are rather high, securing a 99.5% rate of literacy among the over-15 population and a rather high (0.909) index of the level of education. In quantitative terms, Armenia's education system largely meets the education needs of the population. However, there are problems affecting quality. Clearly, Armenia's general and higher education systems are still not adequate in terms of offering high-quality education that is internationally competitive. Whenever certain individuals succeed, it is mostly due to their personal efforts, rather than the performance of the existing education system. Analysis has shown that Armenia's education system still needs to be modernized in terms of content, quality and

11 Armenia Statistical Yearbook 1999-2001, National Statistical Service; Armenia Statistical Yearbook 2008, National Statistical Service, p. 35.

12 Armenia Statistical Yearbook 2008, National Statistical Service, pp. 139-142.

13 S. Manukyan, PRSP Impact Assessment, 2004-2006, and Stewardship Strategies, Yerevan 2006, pp. 60-62.

14 A. Tadevosyan, M. Gabrielyan, Poverty and Survival: Public Stratification Process in the Republic of Armenia, Yerevan, pp. 46-56.

teaching methodologies.¹⁵ Reforms attempted in different years have mainly failed. The education system needs to apply a key principle of HD, that of *participation*, which develops the learner's ability to handle knowledge creatively, rather than the feature of authoritarian-style acquiescence and acceptance, which limits the ability of the human being to develop new knowledge, thereby restricting the freedom of thought and expression.

Such views are expressed by not only critics of the current education system, but also public officials responsible for the sector.¹⁶ Concerns over the quality and accessibility of education have been rising in the general public as well. The conditions for discovering and developing human capabilities are extremely unfavourable in the regions of Armenia,¹⁷ which deepens parents' concerns over their children's future and induces them to emigrate. As for the quality of higher education, the trends of a possible increase in migration for education are clearly due to the fact that diplomas received abroad provide many more opportunities for self-actualization in and out of Armenia. It is noteworthy that many of the young people that are educated abroad and return to Armenia later intend to leave Armenia again due to the insufficient appreciation of their qualification here.¹⁸ Once these people emigrate from Armenia again because of the reason mentioned above, the chances of their return to Armenia become much smaller, which means that young people that left Armenia for education and became competitive are more likely than others to turn into permanent migrants. In other words, though the current standards of the education system are generally adequate for ensuring universal

literacy and achieving higher quantitative indicators, they cannot provide the competitive qualities that would bring about an increase in human opportunities and freedoms. Most significantly, the quality provided by the current system is not competitive outside of Armenia. For this reason, quite a few of the migrants that have Armenian higher education degrees engage in non-qualified work abroad. This indicates that the Armenian education system is not of a proper standard.

Though a number of improvements have been made to date, most of them have been limited to upgrading the premises and facilities of schools. Rather oddly, the quality reforms targeted also by Armenia's accession to the Bologna Treaty have still not resulted in any major improvement of either the methodology or the contents of higher education. Moreover, the current university system does not promote the recruitment of competent faculty with innovative thinking due to low wages. Another serious obstacle is the low social status of faculty members both within the university system and in the hierarchy of social roles. To sum up, the current situation in the education system gives rise to serious concerns in terms of HD. Its prominence as a factor of both domestic and external migration is rising. According to some surveys, student migration is a typical migration process for Armenia. During 2002-2007, about 7,000 students (0.3% of Armenia's population) migrated, which is a tangible number for Armenia.¹⁹

Another survey showed that, among those that remitted money to their relatives during 2006, 13.5% had left Armenia *for education purposes*; it was the fourth most important reason after the *lack of employment* (63.7%), *low wages* (20.4%), and *marriage* (19.6%) (see *Table 5.1*). In other words, student migration caused by the inadequate quality of Armenia's education system may grow over

15 Education Reforms in Armenia: NHDR 2006, UNDP 2006, Yerevan 2007, pp. 21-22.

16 Interview of Manuk Mkrtchyan, the Director of the Evaluation and Testing Centre, in the Hall of *Ria Novosti*, *Haikakan Jamanak* daily, 17 April 2009, # 71.

17 S. Manukyan cited above, pp. 86-87.

18 Survey of Migrants Returning to Armenia during 2002-2008, Yerevan 2008, pp. 62-63.

19 Survey of Migrants Returning to Armenia during 2002-2008, pp. 12-14.

the years. It means that Armenia has much to do in not only the education system, but also the policies on student migration.

Table 5.1. Reasons for Leaving the Country, Remitters in 200620

<i>Reason for Leaving Armenia</i>	<i>Percentage Share</i>
Lack of employment	63.7%
Low wages	20.4%
Lack of professional employment	3.1%
Marriage	19.6%
Education	13.5%
Born abroad	11.9%
Reunification with relatives	11.0%
Socio-economic situation in Armenia	9.8%
Refugee	4.3%
Work-related	4.3%
Treatment	2.4%

20 Source: 2007 CBA Survey.

Indebtedness	2.1%
Other	21.1%
Do not know	1.1%
Do not wish to respond	0.5%

Living Standards. The next core component of HC is that of people's *living standards*. This factor is also essential for migration. According to official data, Armenia has achieved impressive results by more than halving the poverty rate through the implementation of the PRSP/SDP since 2004. Despite these impressive achievements in the area of improved living standards presented by official statistics, emigration from the country has not declined much. According to independent surveys, below-average living standards were a key reason for migration during this period. In 2005-2007, about 50% of the households that had migrants considered their living standards *below average* and *low* relative to Armenia's population.²¹

21 Labour Migration from Armenia in 2005-2007, p. 21.

Table 5.2.* GDP per capita

	<i>1999</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
<i>GDP per capita (US \$)</i>	571.4	874.1	1113	1523	1982.1
Poverty (%)	56.1	42.9	34.6	29.8	26.5
Extreme poverty	21	...	6.4	4.6	4.1
Gini coefficient of income concentration	0.57	0.434	0.395	0.359	0.369
Ratio of the income of the richest 20% to that of the poorest 20% of the population	3.6	7.5	10.6	9.5	7.6
Migration	9500	9200	9300	8000**

* The data presented in the table is taken from the SDP. The migration data is taken from the 2008 Statistical Yearbook of Armenia.

** The official data on migration does not coincide with the data produced through different surveys. According to the joint survey carried out by the OSCE and Advanced Social Technologies (AST), the number of labour migrants that left Armenia during 2002-2005 was 116,000-147,000, of which 42,500-53,800 did not return (see Labour Migration from Armenia in 2002-2005, p. 63). In 2005-2006, the number was 104,000-155,000, of which 29,000-35,000 did not return (see Labour Migration from Armenia in 2005-2007, p. 76). Thus, migration research is still rather inadequate in terms of numbers, which is why this analysis tries to avoid conclusions based on numbers, because major discrepancies between different numerical surveys make analysis very difficult.

As the Table 5.2 shows, per capital GDP has grown considerably in recent years, partly contributing to poverty reduction. In spite of the officially-reported poverty reduction figures, the rich-poor income gap has gotten deeper since 1999, which means that, while the economy has grown rapidly, the distribution and redistribution mechanisms have remained inefficient and the resource base needed for the formation of opportunities is extremely inequitable. Official statistics also show that the “high” pace of economic growth and improved living standards for the poor have not really helped to lower migration. Moreover, the official statistics reflecting the income gap between the richest 20% and the poorest 20% of the population are highly questionable. Taking into account that, **according to the SDP**, the poverty line is 21,555 drams,²² the income of the poorest population can be expected to be lower than the poverty line. Even if this poverty threshold were used as a basis for the assessment, the income of the richest would be 7.6 times higher than the threshold according to official numbers, i.e. it would be 163,818 drams. Such a conclusion, though, can hardly be considered realistic. Simple observation shows that the real income gap in Armenia is more than several tens of times more. The real gap between the richest 10% and the poorest 10% is possibly even much higher.

The poverty threshold in Armenia is measured on the basis of the minimum food basket, rather than the minimum consumer basket, which means that the economic growth policy adopted by Armenia does not correspond to the HD ideology, which focuses primarily on improving consumption capacity through economic growth, rather than just survival. If economic growth does not improve the consumption capacity, it cannot be considered to

have a positive impact on HD. To this end, the most basic requirements of the HD theory in the area of economic policy can be complied only by 2018, because it is the year starting from which the poverty threshold will be measured on the basis of the minimum consumer basket.²³ In the past 18 years, the economic policies carried out in Armenia mostly followed an economic development framework, rather than one of HD, as illustrated clearly both in the SDP,²⁴ which has been declared the main document on Armenia’s socio-economic development as well as the economic policy priorities pursued at through structural reforms in Armenia, namely measures aimed at achieving macroeconomic stability, such as the reduction of the role of the state, trade liberalization and the curbing of inflation. Real policy priorities need to be revised to pursue the objectives of HC development and accumulation, enhancement of labour market entry opportunities, creating a level playing field for doing business and protecting competition, protecting the environment, enhancing people’s participation in economic strategies and the like.

The Government of Armenia and a number of international structures such as the World Bank and the International Labour Organization have highlighted the importance of the last few years’ double-digit economic growth of Armenia, which naturally boosted general activity in the country. Growth was primarily driven by construction, mining, the diamond industry and several other sectors. In other words, the structure of growth was extremely homogeneous, which runs contrary to the objective of creating an environment conducive of HC development. Many professions are simply not demanded in Armenia - about 60% of the graduates in 2002, for instance, did not find professional employment for three years after graduating from universities

22 The poverty line was estimated in Armenia on the basis of the minimum food basket. Sustainable Development Program, p. 37.

23 Sustainable Development Program, p. 37.

24 Sustainable Development Program.

and over 40% did not find any employment whatsoever.²⁵

References herein to a qualified labour force do not apply to the perceptions circulating among some governing circles in Armenia, according to which a qualified labour force is generally perceived as qualified construction workers and craftsmen; rather, it applies to the much more competitive human potential that has a higher spectrum of creative capabilities. Though the problem has been repeatedly raised in the Government, it is very poorly reflected in the Government's Program for 2009 and the investments planned under the SDP.

To this end, it is essential that the long-term plans (up to 2021) stipulated by the SDP adopt this policy focus. Though the SDP contemplates some increases in the amount of education spending, only 73% of the education spending will go to general public education in 2021, in contrast to the present 76.6%. Expenditures on university education, which is responsible for the training of highly qualified professionals, will reach 11% of general education spending in 2021 from the current 6.2%.²⁶ This means that *the current and planned economic policies of Armenia need new reforms to create a favourable environment for building up qualified HC.*

Therefore, the creation of a favourable environment for human development, including the enhancement of human opportunities and freedoms, should be incorporated in Armenia's economic strategies and real policy priorities of the Government in order to promote the prospects of HC formation and development at the level of society and the individual.

5.2.2. Human Capital and Social Capital - Qualitative Aspects of Human Development and Emigration

The term *social capital* ("SC") is used exclusively in the context of the HD theory.

25 Education Reforms in Armenia, National Human Development Report 2006, Yerevan 2007, p. 93.

26 Sustainable Development Program, pp. 261-262.

Therefore, it is understood to include all the forms of cooperation between humans and the rules, traditions, habits and institutions regulating them and contributing to the implementation, circulation and promotion of the HC in social, political, economic and cultural spheres. To this end, every sphere, regardless of its core purpose and meaning, acquires HD value as well, i.e. becomes a sphere forming opportunities for the actualization of the human being. Therefore, SC is widely perceived as the environment of human opportunities and freedoms, and narrowly defined as every individual socio-cultural, political or economic institution as a component of the aforementioned environment. Every institution that can contribute to the realization of opportunities and freedoms for the human being also plays a role for SC or, to be more precise, itself turns into SC. If an economic institution, for instance, allows people or even one person to realize and develop their capabilities, it is SC because it enables people to circulate their HC and to develop.

An overview of the causes of migration shows that many of them are work-related problems such as the lack of employment generally or the lack of well-paying jobs or professional work. Other important causes include the lack of prospects in Armenia, obstacles to doing business and an unhealthy moral-psychological atmosphere.²⁷ According to qualitative research, the decision to migrate is often driven by the insufficiency of conditions for people to realize their potential and to be appreciated adequately.²⁸ Favouritism, cronyism and nepotism are viewed as particularly serious issues. Ethnographic research has also shown that emigration is partly due to the growing divide of "being privileged"

27 Labour Migration from Armenia in 2005-2007, p. 82. ESD data, p. 10. M. Galstyan, Sociological Survey of Labour Migration of Armenia's Rural Population, Yerevan 2006, p. 71. Electronic resources of the Caucasus Research Resource Centre, www.crrc.am

28 Emigration from Armenia (ed. Hr. Kharatyan).

or “not being privileged” in public life.²⁹ The “privileged” are members of a small number of families or groups of close people connected with each other by inner-circle interests in both the capital city and the regions, which manage in various ways to get the levers of power and use them for the interests of their own group or relatives. The rest of the population, in contrast, is deprived of adequate access to resources. Thus, the opportunities of a privileged “inner circle” grow at the expense of the “non-privileged” majority of the public. These “closed” groups have been able locally, regionally or nationally to take control of economic, political and power levers.

This phenomenon has had various reasons, but the fact is that in the first half of the 1990s, “closed” qualities already provided more opportunities of self-actualization than “open” ones in Armenia. The order that emerged in Armenia and the SC regulating it also have a “closed” nature. Therefore, the people that, regardless of their education level and professionalism, are keen on the reproduction of the social and cultural capital that is significant for the closed-type system, have greater opportunities for social mobility and success. As a consequence, individuals striving to realize their HC have found themselves in a very difficult situation, as the largely “closed”-type SC formed in Armenia does not allow them to realize their opportunities and freedoms. The individuals that wish to make change often face serious resistance, marginalization and pressure, some in physical forms endangering one’s life.³⁰ Thus, it can be concluded that the “closed-group” nature of the SC formed in Armenia is in many ways typical of virtually all the spheres of human activities, including the political, economic, cultural and

social ones and needs considerable reform in HD terms, which is possible through the implementation of special coordinated policies. To this end, it is important to rely on the PRSP participatory process, namely the social partnership compact, which, despite serious problems of implementation, is a positive step towards the formation of a new type of social capital. Effectively, a key issue in Armenia is *the need to transform the predominantly inner-circle nature of social capital to new forms of “open” institutions built around a participatory culture that can promote the build-up of human capital, its introduction in public spheres and the creation of added value. This in turn can significantly influence the recent years’ noted increase in the emigration tendency of the qualified human capital.*³¹

5.2.3. Human Capital Reproduction and Human Development Opportunities - the Migration Mood

The preceding two parts addressed this issue rather thoroughly. This section will try to summarize the issues persisting in the areas of HC reproduction and HD, which can affect the migration mood and flows.

Education and Greater Opportunities. There are people in Armenia that are poor in terms of their capabilities, because they have not had the possibility to discover or develop them. To this end, it is essential to have an education system that will allow children to discover their capabilities that will help them to feel successful in life and to choose the right profession. Quantitative and qualitative surveys carried out in Armenia’s regions have shown that many parents think that their towns or villages need to put in place the basic conditions and opportunities for discovering their

29 See A. Tadevosyan, Impact of Value Orientation on the Formation of Public Capital in Armenia, *21 Dar*, Yerevan 2004, # 2, pp. 43-45. A. Tadevosyan, Value Processes and Trends in the Republic of Armenia, Yerevan 2000, ACNIS, pp. 12-15.

30 Evidence of this can be found in the latest surveys on corruption: see the 2008 Public Opinion Survey on Corruption in Armenia, Yerevan 2009, p. 23.

31 According to foreign researchers, though the actual number of migrants from Armenia is not large, the share of the population that intends to migrate is rather high at about 46.7%. Zhakevich V.D., Migration tones in the CIS countries (international survey results), Sociological surveys, # 10, 2008, p. 91.

child's capabilities. Many settlements need possibilities for discovering art, sport, technical and other human capabilities, because the general public schools only provide basic literacy. All children should have opportunities for discovering their capabilities regardless of place of residence and socio-economic status. This will affect a child's future. If such conditions are present, a child will have a future, if not, the fate of the protagonist of the tale "My Friend Neso" written by Armenian writer Hovhannes Tumanyan at the turn of the last century will befall the child.³²

Based on publications concerning the education sector³³ and our research and field work of many years, it can be concluded that the general public education system in Armenia's villages, small and medium-sized towns, or even in Yerevan provides limited opportunities for **fully discovering children's capabilities** and needs to be reformed profoundly. The university system faces the same challenges in terms of **developing capabilities and skills**. The key issue is that both systems need reforms that will turn the learners into **participants** of the education process in order to promote their creative thinking, which is a basic precondition of opportunities and freedom of choice, as well as migration-related movement in the modern dynamically-evolving world.³⁴ Individuals with better qualities of human capital have more opportunities of free movement; to this end, the education system reform can enhance people's freedom of movement. Countries with a higher HD profile generally provide greater opportunities of free movement to own citizens and foreign migrants.

Many parents' concerns about discovering and developing children's capabilities and about their future, as well as the sense of guilt in case of the failure to do so has been an increasingly more important factor both for domestic migration from the regions to the capital city and for emigration from Armenia. In quantitative terms, though, the process is still mostly limited to wishes and predisposition, without much influence on the causes of actual emigration. However, its impact may grow. Quantitative aspects of student migration were analyzed above - apparently, it may be influenced by certain traits of the national mindset, such as the importance attributed to children's education, the readiness to migrate for a prosperous life, adaptability to foreign environments and the existence of social ties on account of a large Diaspora. The assertion that Armenia's higher education system faces serious problems in terms of international competitiveness is proven by the fact that the vast majority of Armenian migrants to Russia that are university graduates are not employed in their professional spheres and perform work that is inappropriate for their level of education.

It is no secret that developed countries have their legislative "filters" for regulating migration flows. Migrants with high educational professional qualification are likely to pass them successfully and to become established and developed as full-fledged members of the host society. In other words, safeguarding HD to emigrants depends largely on the education system of developing countries, including Armenia. In terms of HD, the link between education and migration has not only domestic, but also external importance. ***In other words, it can not only reduce the currently tense migration mood and flows, but also help migrants from Armenia to have greater opportunities for free movement and to end up in a more favourable situation in terms of HD in the destination country.*** The problem is that migration from Armenia is

32 In the story, the writer describes the tragedy of a young village boy with strong aspirations to study, whose parents cannot send him to the city to get educated.

33 Education Reforms in Armenia, NHDR 2006, S. Manukyan cited above.

34 The inadequacy of such qualities often causes Armenians to emigrate to the Russian Federation, where there is more demand for low-qualified labour force, as opposed to European countries where there is rising demand for qualified human potential.

higher. Besides, the vast majority of emigrants travel to the Russian Federation, which is not very attractive in terms of HD. Here, migration is viewed in the context of pure physical reproduction of one's life, rather than a process for expanding opportunities and freedoms for the human being. Therefore, so long as the level of HD growth is slow in Armenia, the potential for solving external and internal problems related to migration will be slow to grow as well. A key objective of the state is to ensure the development of the Armenian migrants' human potential. *Before migrating, people should have access to a high-quality functional system of professional training in order to improve their qualification and to enhance their possibilities of free movement prior to emigrating to developed countries that provide an environment conducive of the growth of human opportunities from a standpoint of HD, rather than the economically less-developed Russian Federation, which only has demand for non-qualified labour force without a high standard of education.* Even if only the Armenian emigrants with university and vocational education are trained, it will help many to realize their potential in developed countries, which will have a long-term positive impact on Armenia through the importation of not only financial resources, but also experience. Though not an issue to be analyzed here, one can insist that the regulation and organization of this process are feasible.

Another key cause of intensive emigration is the change of the place of residence to provide proper education for the children or to find employment to pay the expenses of the children's education. The spending structure of the migrants' earnings shows that education spending is a priority.³⁵ Education is a key factor affecting both domestic and external migration. Young students account for a large portion of the "rural-to-urban" flow. With

changes regarding high schools in smaller villages in the near future, this flow is likely to become more active. One cannot rule out that whole families become more likely to relocate to a different settlement.

Economy and Growth of Opportunities.

According to the HD theory, economic development is about achieving diversity of spheres in which humans can self-actualize based on their capabilities. The aforementioned discussion regarding the economic sphere showed that the main reasons of emigration from Armenia are related to the fact that Armenia's economy is not attractive enough in terms of HD. *From the standpoint of migration, the following challenges in the Armenian economy should be overcome in order to regularize people's migration from Armenia:*

- Creation of new jobs that will pay people decent salaries;
- Reforms to safeguard sufficient and adequate pay for the demanded work;
- Development and implementation of policies to diversify the structure of economic growth and provide greater opportunities for finding professional employment; and
- Enhancement of economic opportunities for people's self-actualization and professional growth.

All the economic problems contributing to emigration are related also to HD. On the one hand, they are connected with meeting basic subsistence needs, which is a matter of human life and health, because the inadequacy of food, heat and shelter create malnutrition, cold, mental stress and other undesirable conditions that contribute to the spreading of disease and reduce life expectancy. In other words, the main economic cause of emigration is that of inadequate living standards, which is an essential indicator of HD. It is not clear whether the life expectancy indicator could have been maintained in Armenia in the last decade without migration and the associated remittances to Armenia.

To sum up, it should be emphasized that

³⁵ CBA Survey, p. 76. See also the section of this Report called "Remittances of Migrants - The Role of the Diaspora in the Human Development Process."

many of the problems connected with the regularization of migration in Armenia are related to the area of HD. The following issues should be resolved as a matter of priority:

1. Creation of an economic system targeted at providing for adequate living standards to the population at large;
2. Adopting economic policies that present the demand for qualified human potential and are, therefore, supportive of advancing human capabilities and freedoms;
3. Creating an economic system that demands participation and engagement of the population at large and provides equal opportunities for competition; and
4. Developing an education system that is internationally competitive, promotes creativity and is conducive to the discovery and development of human capabilities.

The majority of the aforementioned problems are related to the need to revise Armenia's SDP in terms of the HD framework. *Thus, Armenia can achieve considerable progress in overcoming the flaws of the inadequate HD environment within Armenia that gives rise to migration and providing safeguards for Armenian migrants to end up in countries with more favourable conditions for HD, if the country builds its development strategy on the basis of the HD framework.*

5.3. Impact of Migration on Human Development - Upside and Downside Trends

The impact of migration on HD is difficult to measure unequivocally - it has had both positive and negative effects. The impact can be measured at both the individual and national (societal) levels. Results that are positive at the individual level often affect the societal level negatively. It is very difficult to determine whether the ultimate impact of a phenomenon caused by migration was posi-

tive or negative - in terms of HD, the impact at the individual level may be the opposite of that at the societal level. Besides, it is necessary to measure the long-term versus short-term effects of migration.

5.3.1. Impact of Migration Processes on Human Development

The first intensive wave of emigration from Armenia started back in 1991. According to unofficial sources, about 677,000 people had emigrated from Armenia by 1996,³⁶ while some other sources put the figure for the 1990s at about 800,000.³⁷ The more prevalent opinion, which is presented in the beginning of this report, is that about 800,000-1,000,000 people have emigrated from Armenia to date. Reportedly, emigration from Armenia has mainly involved qualified human resources. The emigration of the intellectual resources in the 1990s is considered to have been particularly grave. According to unofficial sources, about 46% of the emigrants had complete or incomplete university education, compared to only 25% in the general population of Armenia. During these years, one third of the specialists with university degrees in humanities and natural and technical sciences left Armenia. In those years, 75% of the emigrants were urban residents.³⁸

The emigration of qualified human resources had significant **negative** effects on Armenia's development process in several respects. This group of people, accounting for an important part of the intellectual labour force mainly of the capital city, was HC with essential qualities, which safeguarded an adequate level of HC accumulation based on which the urban *social and cultural capital* was reproduced and transferred to the next generation. The gravest negative con-

36 Armenia Human Development Report 1996, Yerevan 1996, p. 14.

37 Zhakevich V.D., Migration tones in the CIS countries, p. 88.

38 Armenia Human Development Report 1996, Yerevan 1996, p. 14.

sequence of emigration caused by the outflow of the qualified human potential is that **the human capital build-up process faces problems**, which have essentially disturbed the reproduction of *urban social and cultural capital*. The reproduction of human, social and cultural capital necessary for development has been additionally hampered by the fact that the qualified human potential that left the capital city has mainly been replaced, due to domestic migration, with not-so-qualified middle-age and young people from the provinces engaged mostly in retail trade. Therefore, the emigration of the 1990s has seriously affected the HD process and a key priority for the years ahead should be to create an environment conducive to human development in Armenia and to enhance the mutually reinforcing bonds between migration and HD.

Later, the outflow of human potential with university education declined, reportedly to 34% of total emigration in 2005 and 27% in 2006³⁹ (the share of people with university education was about 20% of the general popula-

tion of Armenia). In spite of the falling share of emigrants with a university education in the emigration total, the figure still remains above the national average, which means that the accumulation of qualified human potential still remains a slow process in Armenia. Thus, the accumulation of human, social and cultural capital that can support progress in terms of HD is still slow in Armenia, partly due to the current nature of migration. Besides, virtually all the surveys show that only a small percentage of the people with university education are engaged in work that is fit for their qualification. The situation is detrimental in terms of emigration flows to Russia and slightly better in the case of emigrants to the USA. Only 1% of the money-remitting Armenian emigrants in Russia are employed in the spheres of *education, science and health care*, compared to 8% in the USA. The latter is quite a good indicator for the USA, ranking as the third among the spheres of employment for migrants, while the indicator for Russia is extremely low (see Table 5.3).

39 CBA 2007 Survey, p. 70.

Table 5.3. Remittances in 2006, by Sectors and Key Countries (in %)*

Country	Construction	Commerce	Services	Industry	Transport	Public catering	Education, science and health care	Other spheres, recipients of allowances and unemployed	Total
Russia	55	14	10	11	2	1	1	6	100
USA	8	12	22	7	1	1	8	41	100
Total	45	14	13	10	2	1	2	12	100

* Ibid.

Migration to the Russian Federation has had particularly unfavourable consequences for those with a high level of education, because it has not enabled them to self-actualize in spheres that match their qualification. Some researchers have noted that the labour migration of highly-qualified people results

in downward social mobility, because they mainly become employed in construction and do menial work.⁴⁰ In 2006, migrants' involvement in non-qualified employment spheres was 67% (see Table 5.4).

40 M. Galstyan cited above, p. 38.

Table 5.4. Remitters of Money in 2006, Education and Employment Spheres (in %)*

Actual Employment Education	Non-qualified	Qualified	Business	Other	Total
Higher education	14.8	70.5	52.1	33.1	27.0
Incomplete higher education	3.1	4.5	3.3	2.3	3.2
Vocational	28.5	15.1	22.0	21.8	25.6
Secondary school	48.3	7.4	20.5	34.1	39.2
Incomplete secondary school	3.9	1.6	0.9	1.0	3.0
Other	1.5	1.0	1.2	7.8	2.1
Total	67.1	10.7	11.6	10.6	100.0

* CBA 2007 Survey, p. 71.

People with higher education prefer to travel to the USA.⁴¹ Migrants that seek high-quality education also prefer the USA. The aforementioned matrix of migrant employment spheres shows that migration to the USA is more favourable in terms of HD than to the Russian Federation.

A number of researchers have drawn attention to the fact that the emigration of the qualified human potential to the Russian Federation has negatively affected the development and reproduction of the basic educational qualities of such human potential and has undermined the preliminary stage of the educational process aimed at the accumulation of HC in Armenia. Its negative consequences are tangible in terms of the emigration of regional school teachers.⁴²

Qualitative research has revealed another negative factor affecting HD - many of the migrants end up in rather grave conditions in terms of health, unequal opportunities and discrimination. The problem is rather acute among labour migrants to the Russian Federation, a large percentage of which (about

37.3% worked 10-12 hours per day⁴³) are not only subjected to overexploitation of labour, but are also deprived of the basic conditions of living and hygiene, access to health care services, the freedom of movement and numerous other opportunities.⁴⁴ According to some sources, one third of the labour migrants to the Russian Federation lived in detrimental conditions as far as sanitation and hygiene were concerned.⁴⁵ They said that they tolerated such conditions in order to earn money and to return home quickly. Qualitative research has shown that quite a few return home with serious health problems. The potential longer-term negative consequences of such conditions were reported, as well - overexploitation leads to physical exhaustion of the body, which is not immediately expressed in the form of an illness, but may lead to morbidity or reduce life expectancy in the long run

To sum up the analysis of the negative consequences of migration on HD, the following negative effects can be identified at the level of the individual:

- Obstruction of the growth and development of the capabilities of individuals with strong human potential;
- Creation of health risks with short-term and more dangerous long-term effects;

41 Labour Migration in Armenia, Pilot Sample Survey, NSS of Armenia, available at http://www.armstat.am/file/article/mig_rep_07_05.pdf

42 M. Galstyan, for instance, states, based on statistics compiled in only the Lori and Shirak regions, that about 20 teachers with extensive experience and skills and over 370 various specialists with higher education had to emigrate in 1995 and 1996, p. 38 of the paper cited above.

43 Labour Migration from Armenia in 2005-2007, pp. 38.

44 Survey of Migrants Returning to Armenia during 2002-2008, pp. 35-38, 48-49.

45 ESD data, p. 15.

- c) Inadequate living and housing conditions for migrants, turning the period of migration into a negative period in terms of HD for the individual; and
- d) Deprivation of individuals with development potential of the opportunity adequately to realize their capabilities in appropriate spheres, rendering them unable to turn human capabilities into capital; consequently, in spite of earning the desired amount of money, migrants lose in the long run in terms of HD. Therefore, many university graduates turn into labour migrants selling physical force.

Besides the individual level, there are negative consequences for society and the state as well, which have distorted the natural build-up of the human, cultural and social base capital necessary for human development in Armenia. To restore the process, migration policies effective from the standpoint of HD should be developed and implemented.

5.3.2. Positive Impact of Migration on Human Development in Armenia

In spite of all the negative consequences described above, migration has significant **benefits** as well. Some believe that, in the first half of 2008, economic performance, the socio-economic conditions of the people and purchasing power fell mainly due to shrinking remittances from abroad. Research has shown that migrants' remittances have been essential for their families and for economic growth in Armenia. These issues will not be analyzed in any further detail here, given that the chapter on migrants' remittances has already done so. It should be mentioned though that migration contributes significantly to improving key HD indicators such as living standards and children's education in Armenia. Moreover, migration helps to solve health care problems.

Another positive aspect of migration is that it enables people to actualize themselves. As people leave Armenia because of the lack of employment or the scarcity of professional or adequately-paying jobs, they gener-

ally gain better opportunities due to migration than they would in Armenia. Not everything is always perfect though. As discussed above, grave problems affecting HD arise too. However, with all of its shortcomings, migration provides opportunities that exceed the conditions available to people in Armenia.

One may conclude that, at the individual level, migration leads to more benefit than harm. Despite the serious hardships that many migrants have to suffer, they would have suffered worse if they stayed in Armenia. Sometimes at the expense of personal sacrifice and suffering, migrants manage to solve a much more important issue in terms of their value system by providing for their families' basic subsistence and often even more. A study of the structure of expenses of families with migrants shows that many families would find it impossible to provide higher education to their children without migration. Of course, this is also important in terms of the reproduction of human resources with a sufficient level of education in Armenia. It is essential in the field of university education.

Various surveys have shown that two-thirds of the migrants that left Armenia considered the experience gained by them as a result of migration as positive.⁴⁶ Though not all of them managed to use this experience in Armenia after their return due to the limited opportunities provided by the Armenian labour market, it represented progress in the development of their human capital and about 40% of the returning migrants believe that it has increased their chances of realization in the labour market.⁴⁷ Even the ones that advanced as a result of migration, but were not satisfied with the supply in Armenia's labour market, which they considered to lack any prospects in terms of both adequate pay and career growth, considered that the migration experience made them more competitive in Armenia and abroad. In addition to professional qualities, the achievements include

⁴⁶ Migration and Development, Armenian Country Study, International Labour Organization (ILO), 2008, p. 21.

⁴⁷ Migration and Development, ILO, 2008, p. 21.

improved foreign language skills, the cultural experience of integrating with other societies, travel experience, skills of communicating with people abroad (qualitative improvement of cultural capital) and ties and contacts (expanded social capital).

To sum up, migration has had the following positive effects at the individual level:

- Growth of people's capabilities and opportunities;
- Increased competitiveness of migrants in domestic and foreign labour markets;
- Greater opportunities for the expansion and growth of cultural and social capital at the individual level;
- Contribution to forming the material and financial base of HD for the migrants' families and generally a positive impact on human development indicators of Armenia;
- Student migration forming HC values that make the individual competitive in Armenia and the international labour market;
- Contribution to greater individual mobility and chances of successful migration for the migrant's and family members' HD; and
- Helping to protect, develop and realize the professional qualities acquired by the qualified human potential.

This applies especially to specialists in arts, science, education and other spheres of engagement of the qualified labour force, which have few opportunities to realize their capabilities in Armenia due to the primitive and limited nature of the domestic labour market. Migration is one of the ways to dynamically reproduce this human quality, because the realization prospects would be more limited in case of staying in Armenia.

Therefore, given the existence of this problem in the migration realities of Armenia, it is necessary to enhance migration opportunities by incorporating elements of evaluation and regulation in Armenia's migration policies.

As for the positive impact of migration on the human development process *at the level*

of society and the state, the following outcomes can be highlighted:

- Migrants' individual success in employment and money earned by migrants improves their families' prosperity and positively influences the HC and HD processes;
- Migration supports improved personal capabilities and investments in children's education, which generally have a positive impact on the preservation of HC qualities at the level of society and the state and partly mitigating the grave consequences of the emigration of the qualified human potential;
- Social and cultural capital accumulated at the level of the individual has indirect positive effects on the HD processes at the level of society and the state;
- Human qualities of migrants improve during migration, which helps to meet the economy's demand for qualified labour force;⁴⁸ and
- Finally, migrants' remittances to family and relatives has a crucial impact on GDP growth and increased trade in Armenia by boosting purchasing power⁴⁹ and generally making a positive impact on Armenia's national HD indicators. Without the contribution of migrants, Armenia's indicators would be lower.

Conclusions and Recommendations

As was illustrated above, migration processes have a number of deficiencies in terms of human development, which should be overcome by developing and implementing appropriate policies.

Despite the significant positive impact of

⁴⁸ Migration and Development, ILO, 2008, p. 26.

⁴⁹ According to the CBA, remittances accounted for 20% of Armenia's GDP in 2005; A Study of Migration Management in Armenia, IOM Assessment Mission Report, Yerevan 2008, p. 31.

migrants to the Russian Federation on HD indicators of their family members, Armenian migrants to the Russian Federation face greater risks to their own human development than those who go to Western countries; therefore, migration flows should be managed through policies that will allow migrants to choose destination countries that will have a more favourable impact on their human development. It can also diversify and increase the effectiveness of the impact of their migration on the Republic of Armenia - besides remitting money to relatives, they will, by integrating with more dynamic societies and improving their human and social capital, be able to help the Republic of Armenia in other ways as well.

Hence, it is recommended to develop and implement favourable policies to promote the improvement of human capital qualities of likely migrants. It can enhance the migrants' individual success and increase their impact on the human development process in Armenia. The latter can be manifested in the following ways - a) migrants providing more stable financial support to their relatives in Armenia, b) migrants applying their competitive international expertise in Armenia, and c) migrants utilizing their ties and new qualities of cultural and social capital for the benefit of Armenia.

It is also important to develop and implement migration policies to facilitate the successful integration of labour or permanent migrants from Armenia with developed Western societies, which will certainly have a positive impact on Armenia as well.

Migration should be perceived not only as a negative phenomenon, but also as a process with many advantages that can be used in developing migration policies.

The analysis above addressed the main aspects of the positive impact of migration on human development in Armenia. Considering that, during about 20 years of independent state-building in Armenia, certain realities have emerged and underpinned the positive impact of migration on human development, it is recommended to study them carefully so that the positive experience and lessons

can be integrated in the migration policies of Armenia.

Given that migration has influenced Armenia not only negatively, but also positively, it is important to study this experience and develop policies that will help to overcome local problems of human development at the individual level - in particular, it is recommended to develop policies to promote migration in cases when an individual with a certain level of qualification cannot realize or develop his or her potential in Armenia due to the absence of the necessary conditions.

Policies should be developed to facilitate the return of migrants to Armenia and to integrate and dynamically reproduce the human capital acquired during migration.

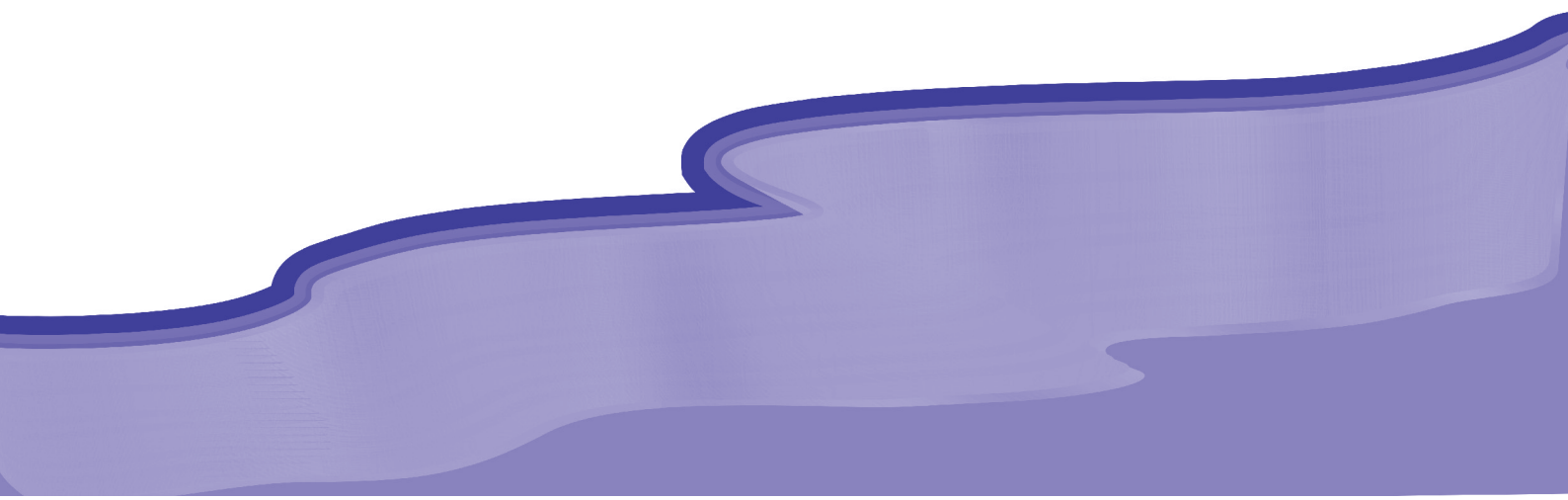
In general, Armenia's migration policies should be built on the human development framework that views migration as a tool for the realization of the individual's opportunities and freedoms. With this approach to regulate migration inside Armenia, to overcome the root causes of migration, and to promote the return of migrants, it will be necessary to create an environment that will enhance opportunities and freedoms for the discovery, realization, and development of creative and constructive human capabilities and skills.

It would be incorrect to try with mechanical steps to prevent the outflow of qualified human potential and to keep such people in Armenia. Even if highly-qualified human potential could be successfully retained in Armenia, it would degrade over the years in the absence of opportunities for growth and realization and would lose the ability to contribute to societal or even individual progress.

Migration policy priorities should focus on steering migration processes in such a way as to encourage the accumulation of innovative and creative human resources with the strategic potential of contributing to human development prospects in Armenia.

Annex 1

STATISTICAL TABLES



STATISTICAL TABLES¹

1. Human Development Index (HDI)

	2000	2005	2006	2007	2008
Life expectancy at birth, years	72.9	73.5	73.3	73.5	73.8
Adult population literacy rate (15 YO and above), %	99.4				
Enrolment in all primary, secondary, and tertiary educational institutions (% of the population number of the respective age)	0.650	0.736	0.733	0.736	0.743
GDP per capita, US \$	593.5	1523.1	1982.1	2853.3	3684.8
GDP per capita ² (PPP US \$)	2314.3	4691.1	4556.8	5330.0	5774.1
Life expectancy index	0.798	0.808	0.805	0.808	0.813
Literacy rate index	0.877	0.908	0.907	0.908	0.910
GDP index	0.524	0.642	0.637	0.664	0.667
Human development index (HDI)	0.733	0.786	0.783	0.793	0.800

2. Gender-related Development Index

		2000	2005	2006	2007	2008
Life expectancy at birth, years	Female	72.9	73.5	73.3	73.5	73.8
	Male	75.8	76.5	76.4	76.6	76.9
Enrolment in all primary, secondary, and tertiary educational institutions (% of the population number of the respective age and sex)	Female	0.681	0.781	0.786	0.789	0.792
	Male	0.620	0.693	0.702	0.709	0.718
Adult population literacy rate	Female	0.98	0.992	0.992	0.992	0.992
	Male	0.98	0.997	0.997	0.997	0.997
Female and male earnings distribution (%)	Female	38.9	37.0	39.4	39.0	39.0
	Male	61.6	63.0	60.6	61.0	61.0
Gender-related Development Index (GDI)		0.731	0.781	0.780	0.792	0.798

3. Gender Empowerment Measure

	2000	2005	2006	2007	2008
Female members of the National Assembly (% women)	3.1	5.3	5.3	9.2	8.4
Administration and management positions (% women)	31.3	32.9	32.4	33.4	34.3
Professional and technical positions (% of total)	64.6	63.4	63.1	62.9	62.7
Ratio of female and male earnings	0.637	0.587	0.650	0.639	0.639
Gender empowerment measure	0.351	0.400	0.399	0.451	0.448

1 Source: National Statistical Service, unless otherwise indicated. Changes in previous years' indicators are due to adjustments of statistical information.

2 GDP per capita (PPP US \$) is calculated on the basis of the purchasing power parity data published by the World Bank for Armenia (available at <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers>).

4. Demographic Indicators

			2000	2005	2006	2007	2008	
Population at yearend		Thousand	3215.3	3219.2	3222.9	3230.1	3238.0	
Annual rate of population growth		%	0.1	0.1	0.1	0.2	0.2	
Life expectancy at birth (years)		Total	72.9	73.5	73.3	73.5	73.8	
		Female	75.8	76.5	76.4	76.6	76.9	
		Male	70.1	70.3	70	70.2	70.4	
Total birth rate			10.6	11.7	11.7	12.4	12.7	
Total mortality rate			7.5	8.2	8.5	8.3	8.5	
Adult population literacy rate, %		Total	98.8	99.4				
		Female	98.8	99.2				
		Male	98.8	99.7				
Maternal mortality rate (per 100,000 live births)			52.5	18.7	26.6	15.0	38.8	
Child mortality rate (per 1,000 live births)			15.6	12.3	13.9	10.9	10.8	
Under-5 child mortality rate (per 1,000 live births)			19.9	13.7	15.8	12.3	12.1	
General fertility			1.3	1.4	1.3	1.4	1.4	
Urban population (% of total population)			64.6	64.1	64.1	64.1	64.1	
Urban population annual growth trends (%)			-0.9	0.01	0.16	0.22	0.14	
Population of cities with population over 750,000		% of total population	34.3	34.3	34.3	34.3	34.3	
		% of total urban population	53.5	53.5	53.5	53.5	53.6	
Largest city		Name of city	Yerevan					
		Population at yearend (thousand)	1104.4	1103.8	1104.9	1107.8	1111.3	
Dependency ratio (%)			66.6	54.8	52.1	48.9	47.3	
Percentage share of 65 YO and older population (% of total population)			9.7	10.8	10.8	10.4	10.5	
Outcome after 65 years of age, likely causes of death (per 1,000 residents)		Cardiovascular disease	Female	34.3	33.6	30.49	30.5	30.9
			Male	35.7	39.4	35.11	34.9	36.1
		Cancer	Female	4.7	5.7	6.7	6.5	6.9
			Male	9.1	11.2	13.2	13.3	14.3
Number of divorces (per 1,000 marriages)			122	148	166	162	164	
Number of live borns per 1,000 mothers in the 15-19 age group			31.6	26.8	25.4	25.5	25.7	

5. Social Indicators

		2000	2005	2006	2007	2008
Share of pregnant women in the 15-49 age group with anaemia (%)		15.7	10.7	13.5	14.3	12.4
Number of deliveries managed by qualified health care providers (% of number of pregnant women)		99.1	99.4	99.7	99.9	99.9
Share of underweight (less than 2,500 g) newborns (% of live births)		8.2	7.3	7.9	7.3	7.3
Share of children under 1 vaccinated against (%)	Tuberculosis	96.8	94.8	90.4	93.6	98.0
	Measles	91.6	94.4	91.9	92.0	94.5
AIDS morbidity (per 100,000 residents)		0.0	1.3	1.4	1.8	2.6
Number of reported tuberculosis cases (per 100,000 residents)		143.5	200.5	176.0	119.7	107.8

		2000	2005	2006	2007	2008
Number of reported malaria cases (per 100,000 residents)		3.8	0.2	0.0	0.0	0.0
Contraceptive prevalence (per 1,000 women of fertile age)		50.1	12.4	18.1	15.7	11.6
Number of people per doctor		310.0	261.4	260.0	263.4	250.1
Number of people per nurse		168.0	176.6	173.5	173.7	174.1
Number of hospital beds per 1,000 residents		5.5	4.5	4.4	4.1	3.8
Persons with disabilities (% of total population)		2.7	4.4	4.6	4.9	5.3
Newspapers and journals (print run per one resident)		5.4	8.3	9.3	10.3	10.8
Number of books and brochures published (per 100 residents)		14.2	24.8	22.6	38.5	54.9
Mandatory education (duration, years)		8.0	8.0	8.0	8.0	8.0
Scientists and technical specialists engaged in science and research (per 1,000 residents)		1.71	2.1	2.1	1.8	2.1
Enrolment in education system, thousand	Public general education total	564.6	477.9	465.4	431.3	414.8
	Female	271.5	234.7	228.1	209.3	199.9
	Male	293.1	243.1	237.3	222.0	214.9
	Primary and secondary vocational total	26.9	30.8	34.9	35.4	36.4
	Female	17.6	20.6	21.2	21.4	21.8
	Male	9.3	10.2	13.7	14.0	14.6
	Higher vocational total	60.7	97.8	105.8	112.2	114.4
	Female	33.3	53.6	58.2	61.6	61.2
	Male	27.4	44.2	47.7	50.6	53.2
Number of persons convicted (per 100,000 residents)		178.7	119.1	100.6	90.1	97.1
Number of juveniles convicted (% of total number of persons convicted)		3.9	5.0	5.2	6.2	5.7
Premeditated murders committed by men (per 100,000 residents)		4.8	4.9	2.3	2.0	3.6
Drug-related offences (per 100,000 residents)		12.7	22.9	29.7	33.6	23.5
Number of rapes committed by adults (per 100,000 residents)		0.4	0.4	0.3	0.2	0.2
Number of fatal car accidents (per 100,000 residents)		5.6	5.8	6.1	7.0	7.2

6. Labour Market Indicators

		2000	2005	2006	2007	2008
Economically active population, thousand	Total	1447.2	1195.8	1181.3	1184.3	1192.5
	Female	689.4	569.7	562.8	589.9	602.8
	Male	757.8	626.1	618.5	594.3	589.7
Share of labour income (%)	Female	38.9	37.0	60.6	61.0	61.0
	Male	61.1	63.0	65.1	64.4	64.0
Women's share in labour income		0.637	0.588	0.651	0.644	0.640

		2000	2005	2006	2007	2008
Administrative employees and managers, % at beginning of year	Female	31.3	32.9	32.4	33.4	34.3
	Male	68.7	67.1	67.6	66.6	65.7
	Ratio of number of women to number of men (%)	52.7	49.0	47.8	50.1	52.3
Professional and technical specialists, % of total	Female	65.2	63.4	63.2	63.1	63.0
	Male	34.8	36.6	36.8	36.9	37.0
Specialists and technical employees	Women's share, % of total number of specialists and technical employees	64.6	63.4	63.2	63.1	63.0
	Ratio of number of women to number of men (%)	182.5	173.4	171.7	171.0	170.2
Office employees and trade sector employees (only trade and public catering)	Women's share, % of total number of trade and public catering employees	36.9	50.4	36.8	38.5	41.1
	Ratio of number of women to number of men (%)	58.5	101.7	58.2	62.5	69.7
Service sector employees	Women's share, % of total number of service sector employees	62.4	59.8	59.4	58.5	59.0
	Ratio of number of women to number of men (%)	159.7	148.9	146.2	141.2	144.1
Women in government bodies	Total share (% of total number of persons employed in government)	39.0	42.4	44.1	45.1	45.9
	In ministries (%)	2.4	4.1	4.8	5.0	3.7
Female members of the National Assembly, % of total number of members of the National Assembly		3.1	5.3	5.3	9.2	8.4
Share in labour force (% of total population)		38.1	37.1	36.7	36.7	36.9
Women's share in adult labour force (15 years and above)		47.7	47.6	47.6	49.8	50.5
Labour force future placement ratio		147.9	88.4	83.0	88.0	88.9
Annual growth pace of real income per employee (% based on average monthly wage)		13.3	19.1	16.3	14.1	8.0
Employees that have to work part time (% of total labour force)		2.8	0.4	0.2	0.1	0.1
Wage earner members of trade unions (% of total)		70.0	77.1	77.1	77.1	77.1
Labour market-related program costs	(% of GDP)	0.092	0.027	0.031	0.060	0.072
Number of unemployed	Thousand	153.9	98.0	88.9	82.8	74.9
Unemployment rate (%)	Total	11.7	8.2	7.5	7.0	6.3
	Male	4.2	2.4	2.2	1.9	1.6
	Female	7.5	5.8	5.3	5.1	4.7
Unemployment rate among youth, %	Total (ages 18-22)	0.8	0.1	0.2	0.3	0.2
	Male (ages 18-22)	0.3	0.1	0.1	0.2	0.1
	Female (ages 18-22)	0.5	0.1	0.3	0.4	0.3
Long-term unemployment prevalence, %	Total, over 6 months	89.5	90.8	86.4	83.1	81.8
	Male	88.8	90.4	83.8	82.6	79.9
	Female	90.0	91.0	87.4	83.3	82.5

7. Household Survey Results

		2000	2005	2006	2007	2008
Population share (% of total population) with access to:	Health care services	81.3	88.6	91.5	82.3	80.2
	Potable water	86.5	89.4	91.3	94.1	97
	Sanitation (% of urban residents)	69.1	77.3	77.1	80.1	80.9
Daily calorie ration		1810	2124	2156	2267	2223
Share of food consumption (% of total personal consumption)		69.0	58.3	58.2	55.9	54.1
Share of fish and other seafood consumption per capita (annual), kg		4.3	3.1	2.5	1.7	1.8
Number of TV sets (per 1,000 people)		230	252	250	253	261

8. Industry Indicators

		2000	2005	2006	2007	2008
Electricity generated	kW/hr million	5959.0	6317.0	5941.3	5897.6	6114.4
	kW/hr per capita	1850.0	1963.0	1844.0	1827.9	1890.6
Electricity exports	kW/hr million	814.8	1151.1	754.4	451.3	359.6
Electricity imports	kW/hr million	352.0	337.6	354.9	418.7	343.4
Electricity consumed (including losses)	kW/hr million	5105.0	5130.0	5202.0	5539.6	5763.1
	kW/hr per capita	1585.0	1594.0	1615.0	1717.0	1782.0
Losses	kW/hr million	1514.0	779.0	674.9	775.4	860.1
Glass and glass container production	Million	12.1	33.4	64.3	98.2	104
Corrugated cardboard production	Sq. M thousand	32.6	3530.9	2176.8	1351.3	823.5
Transportation container (corrugated box) production	Sq. M thousand	643.7	2305.7	4013.3	3386.2	3478.6

9. Telecommunication Indicators

	2000	2005	2006	2007	2008
Number of post offices (per 10,000 people)	2.4	2.8	2.8	2.8	2.8
Number of mobile telephony subscribers (per 1,000 people)	4.6	211.2	367.8	572.9	731.3
Number of telephones (subscribers) in total general use telephony, thousand	527.4	605.2	603.9	623.7	625.6
Number of Internet subscribers (per 10,000 people)	6.5	22.9	20.6	19.4	70.5

10. Land Indicators, as at 1 July 2009

(Government Decree 1938-N dated 28 December 2006)

(hectares thousand)

	Total	Of which, irrigated
Agricultural land	2120.31	155.76
Of which: Arable land	449.41	122.42
Perennial plants	32.56	31.84
Grassland	127.35	1.5
Pastures	1116.56	-
Other land	394.43	-
Land of settlements	151.63	52.69
Of which: household farm and orchard land	94.88	52.53
Industrial, mineral use, and industrial land	29.36	-
Energy, communication, transport, and utility infrastructure facilities land	12.39	-
Land of special protected areas	229.89	-
Special-purpose land	31.71	-
Forest land	369.76	-
Water land	28.59	-
Reserve land	0.62	-

11. Natural Resources and Environment Indicators

		2000	2005	2006	2007	2008
Country surface area	1,000 hectares	2974.3	2974.3	2974.3	2974.3	2974.3
Agricultural land	% of country surface area					71.3
Irrigated agricultural land	% of agricultural land					7.3
Arable land	% of agricultural land					21.2
Of which, irrigated arable land	% of total arable land					27.2
Forest land	% of country surface area					12.4
Area covered by forests (excluding special protected areas)	% of country surface area					10.2
	% of forest land (excluding special protected areas)					82.7
	Hectares per capita					0.09
Annual pace of forest restoration	% of area covered by forests (excluding special protected areas)					1.7
Special protected areas	% of country surface area					9.8
Renewable internal water resources per capita	Thousand cubic meters per annum					2.81
Water intake, million cubic meters		1871	2771	2827	3012	2873
Water removal, million cubic meters		375	340	303.0	294.5	205.1
Discharge of wastewater, million cubic meters		237	102	150	90.7	83.4

		2000	2005	2006	2007	2008
Discharge of hazardous materials to atmosphere, total, thousand tons		155.6	199.3	188.4	183.9	206.5
Of which, from automobile transport		125.3	148.2	145.1	149.7	172.1
Nature conservation and nature use fees per capita, drams		249.3	1065.5	1278.2	1272.6	1198.0
Household waste	Kilograms per urban resident	247	260	266.5	274.0	287.5

12. Prices and International Comparisons

	2000	2005	2006	2007	2008
Average annual inflation (%)	-0.8	0.6	2.9	4.4	9.0
Inflation at yearend (December over previous December, %)	0.4	-0.2	5.2	6.6	5.2
USD/AMD exchange rate	539.52	457.69	416.04	342.08	305.97

13. Macroeconomic Indicators

		2000	2005	2006	2007	2008
GDP	AMD million	1031338.3	2242880.9	2656189.8	3149283.4	3646111.3
	US \$ million	1911.6	4900.4	6384.5	9206.3	11916.6
GDP per capita	AMD thousand	320.2	697.1	824.6	976.1	1127.4
	US \$	593.5	1523.1	1982.1	2853.3	3684.8
Annual GDP growth, %		5.9	13.9	13.2	13.7	6.8
GDP structure, % of total	Agriculture	23.2	19.1	18.7	18.3	15.9
	Manufacturing	25.2	21.7	17.2	15.0	13.1
	Construction	10.2	19.6	23.7	24.5	26.9
	Services	32.3	31.0	31.9	32.2	33.0
Consumption, % of GDP	Private consumption	101.2	79.6	76.1	75.9	75.0
	Government consumption	7.7	6.4	6.3	5.9	7.3
Gross domestic investment	% of GDP	18.7	30.5	35.9	37.8	40.9
Gross savings	% of GDP	-0.6	19.1	23.1	25.8	
Net indirect taxes	% of GDP	9.1	8.6	8.5	10.0	11.1
Exports (including services)	% of GDP	23.4	28.8	23.4	19.2	14.7
Imports (including services)	% of GDP	50.5	43.2	39.3	39.2	39.8

14. Financial Indicators

		2000	2005	2006	2007	2008*
External public debt	US \$ million	859.5	1099.2	1205.6	1448.9	1577.1
	% of GDP	45.0	22.4	18.9	15.7	13.2

		2000	2005	2006	2007	2008*
State budget tax revenues and duties	% of GDP	14.8	14.4	14.5	16.1	17.0
State budget expenditures	% of GDP	21.6	18.6	18.1	20.2	22.2
Defence expenditures	% of GDP	3.6	2.9	2.9	3.0	3.3
	AMD million	36715.9	64414.1	78309.3	95818	121159.6
	% of total expenditures on education and health care	93.2	69.4	69.6	66.5	74.3
State budget expenditures	AMD million	222886.4	417505.9	481183.2	634734.6	810574.5
Social expenditures	AMD million	64099.0	146460.5	177470.0	221728.5	382084.3
Social benefits	AMD million	21953.0	44145.7	52304.1	63121.6	212559.1
Education	AMD million	27176.0	56702.6	66975.8	89218.5	103530.8
Of which, general public education	AMD million	21675.0	47851.2	56214.7	77683	59754.8
Secondary vocational education	AMD million	1113.5	1439.3	1813.1	2216.7	2388.6
Higher education	AMD million	3101.4	4318.2	5294.7	5498.4	6691.8
Science	AMD million	1420.0	4124.9	5160.1	5856.7	...
Health care	AMD million	9846.0	31079.7	39437.0	46851.1	49972.5
Culture and sports	AMD million	3704.0	10407.6	13593.0	16680.6	16021.9
Community budget expenditures	AMD million	12714.0	32600.8	38079.6	53647.0	49717.1
Of which, education	AMD million	2369.2	4972.1	6084.3	7984.0	9528.8
% of GDP	Social expenditures	6.22	6.53	6.68	7.04	10.48
	Education expenditures	2.86	2.75	2.52	2.83	2.84
	Health care expenditures	0.95	1.39	1.48	1.49	1.37
	Science expenditures	0.14	0.18	0.19	0.19	...
	Social benefits	2.13	1.97	1.97	2.00	5.83

* The 2008 state budget indicators were classified in accordance with the Government Finance Statistics 2009 (GFS-2001) manual.

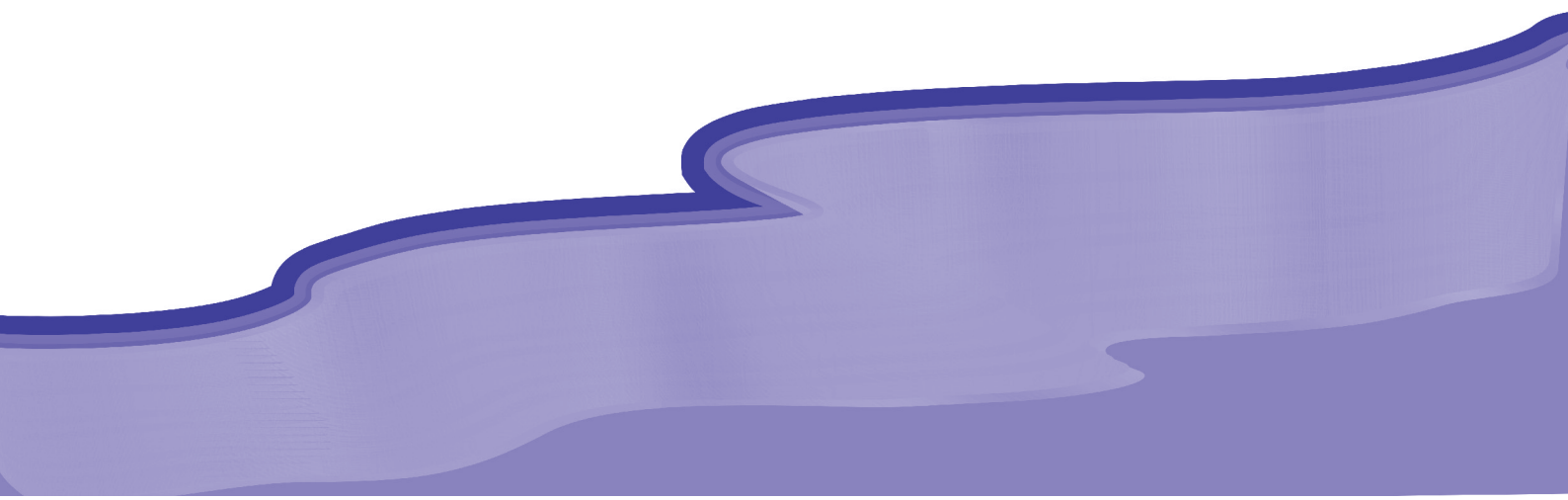
15. Balance of Payments and External Trade Indicators

		2000	2005	2006	2007	2008
Share of imported food products (% of total products)		24.8	17.5	15.6	16.5	17.2
Wheat imports (thousand tons)		375.2	339.8	350.2	542.0	380.7
Wheat received as aid (thousand tons)		51.8	0.5	0.4	0.015	0.025
Official aid	US \$ million	104.5	69.7	80.0	94.5	75.2
	% of GDP	5.5	1.3	1.3	1.0	0.6
	Per capita (US \$)	24.5	20.6	24.9	29.4	23.4
Net foreign direct investment (% of GDP)		5.5	4.7	7.0	7.6	7.8
Ratio of exports to imports (exports as % of imports)		34.0	54.1	44.9	35.3	23.9

		2000	2005	2006	2007	2008
Current account deficit, excluding official transfers	US \$ million	-380.9	-117.8	-197.1	-683.7	-1457.1
Exports (including services)	% of GDP	23.4	28.9	23.7	19.3	14.7
Imports (including services)	% of GDP	50.5	43.3	39.7	39.0	39.8
Exports of goods	% of GDP	15.7	19.9	15.4	12.5	8.9
Export growth, %, relative to import growth		116.6	101.0	83.2	78.4	67.7
Openness (trade dependence)	Imports plus exports, % of GDP	73.9	72.2	63.36	58.3	54.52
Net monetary remittances of workers abroad	US \$ million	78.2	295.8	446.32	576.6	760.22
Current account	US \$ million	-278.4	-51.7	-117.1	-589.3	-1381.8

Annex 2

HUMAN DEVELOPMENT INDICATORS



HUMAN DEVELOPMENT INDEX

The human potential development index (HDI) is a summary measure of three dimensions of human development: the index of longevity (measured by life expectancy at birth), being knowledgeable (measured by the adult literacy rate (with two-thirds weighting) and the combined primary, secondary, and tertiary gross enrolment ratio (with one-third weighting), and the standard of living (measured by GDP per capita (PPP US \$)).

According to the UN-recommended methodology, the HDI dimensions are calculated using the following formula:

$$\frac{(\text{actual value} - \text{minimum value as accepted internationally})}{(\text{maximum value as accepted internationally} - \text{minimum value as accepted internationally})}$$
, with the exception of the standard of living index, which calculates the logarithms, rather than absolute values.

The internationally-accepted minimum and maximum values of the indices ("goalposts") are as follows:

- Life expectancy at birth: 25 years (minimum) and 85 years (maximum);
- Adult population (15 years and above) literacy rate: 0% and 100%;
- Combined gross enrolment ratio: 0% and 100%; and
- GDP per capita (PPP US \$): \$100 and \$40,000.

The human development index calculation methodology is presented in detail in the Technical Notes (1) to the 2005 Human Development Report (available at http://www.un.org/Russian/esa/hdr/2005/hdr05_ru_backmatter.pdf).

GDP per capita (PPP US \$) is calculated on the basis of the purchasing power parity data published by the World Bank (available at <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers>).

Figure 1. Trends of HDI and Dimensions

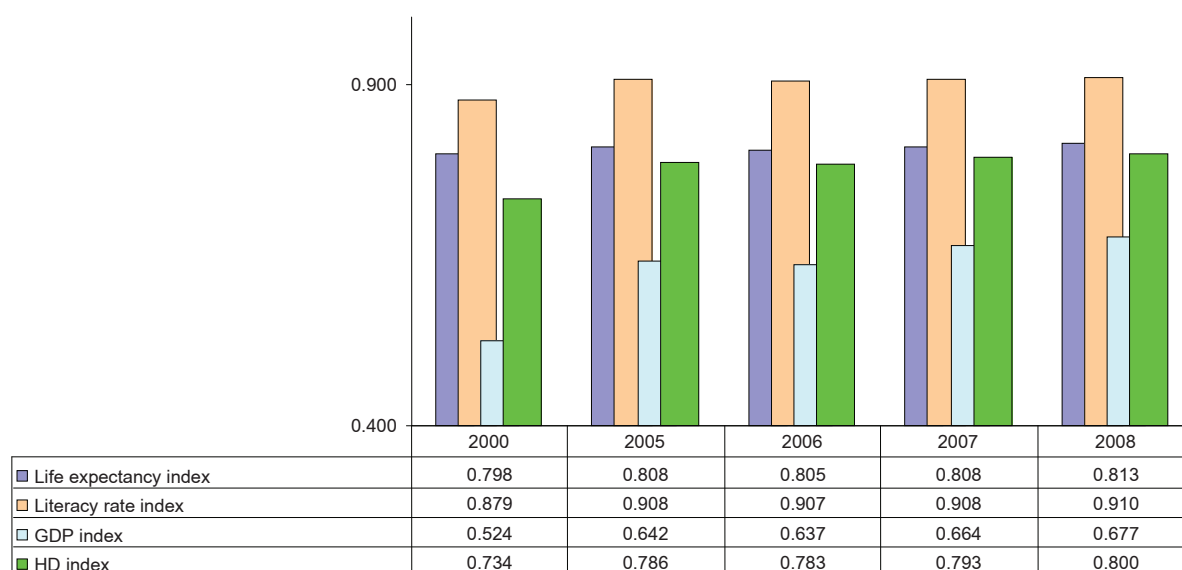
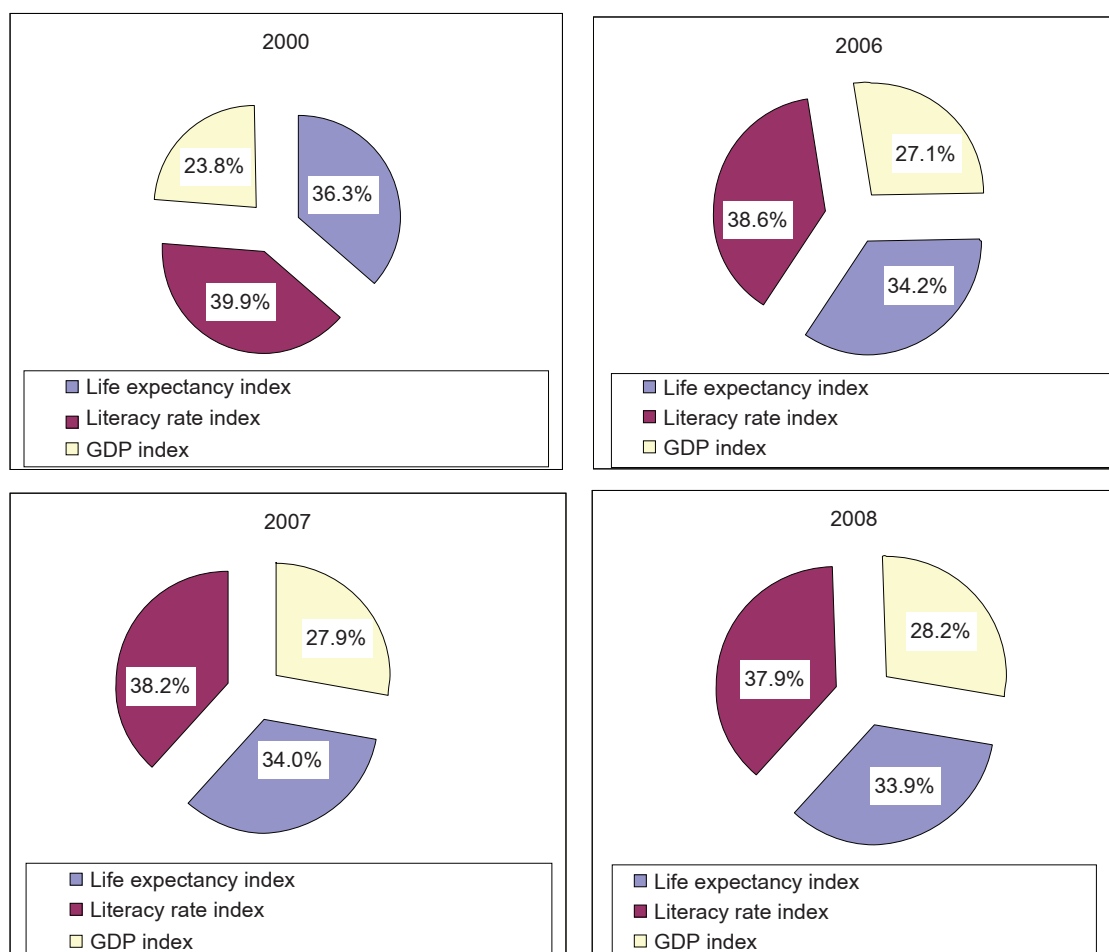


Figure 2. Weights of HDI Dimensions in Composite Index

GENDER-RELATED DEVELOPMENT INDEX (GDI)

The peculiarity of the gender-related development index is that it adjusts the average achievement to reflect the inequalities between men and women in the respective dimensions of the index.

The calculation of the GDI involves three steps.

First, female and male indices in each dimension are calculated separately in line with the Human Development Index calculation methodology by dividing the difference between the actual and minimum values by the difference between the maximum and minimum values. This approach is used to calculate the life expectancy, literacy, and standard of living indices.

Then, the female and male indices in each dimension are combined in a way that penalizes differences in achievement between men and women, addressing the concerns that overcoming such differences could be undermined. The resulting index, referred to as the equally distributed index, is calculated according to this general formula:

$$\begin{aligned} &\text{Equally distributed index} \\ &= \{[\text{female population share (female index}^{1-\epsilon})] \\ &+ [\text{male population share (male index}^{1-\epsilon})]\}^{1/1-\epsilon} \end{aligned}$$

“e” measures the aversion to inequality. The greater “e”, the greater the damage that society suffers as a result of gender inequality.

When $e=0$, there is no aversion to gender inequality, and the human development index will be equal to the gender-related development index. In the present calculation, $e=2$, as per the internationally-accepted methodology (harmonic mean of the female and male indices).

Third, the GDI is calculated by combining the three equally distributed indices in an unweighted average.

The gender-related development index calculation methodology is detailed out in the Technical Notes (1) to the 2005 Human Development Report (available at http://www.un.org/Russian/esa/hdr/2005/hdr05_ru_backmatter.pdf).

GDP per capita (PPP US \$) is calculated on the basis of the purchasing power parity data published by the World Bank (available at <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers>).

Figure 1. HDI and GDI Trends

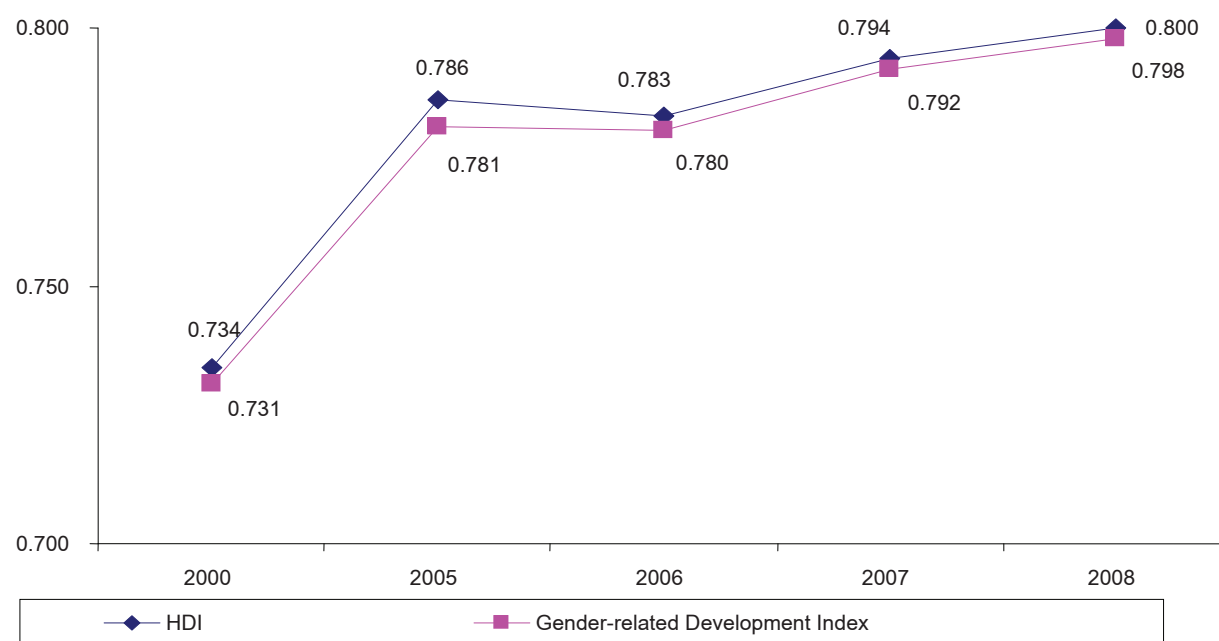


Figure 2. Life Expectancy and Average Expectancy Equally Distributed Indices as per the HDI and GDI

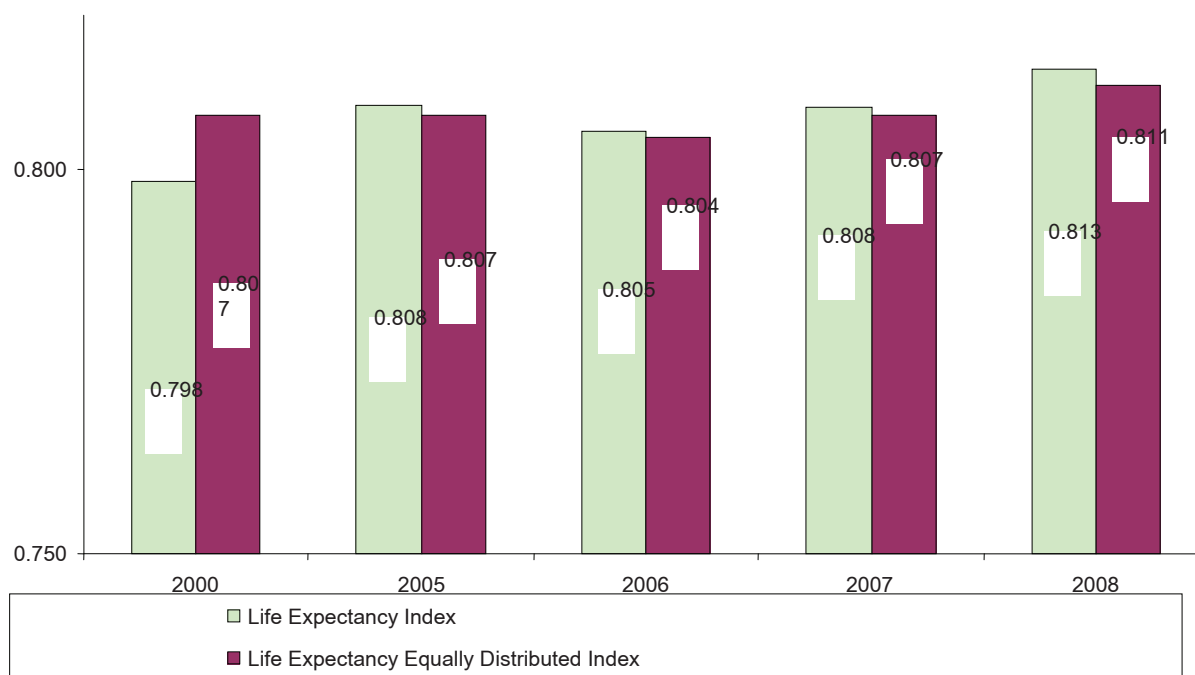


Figure 3. Literacy Rate and Equally Distributed Indices as per the HDI and GDI

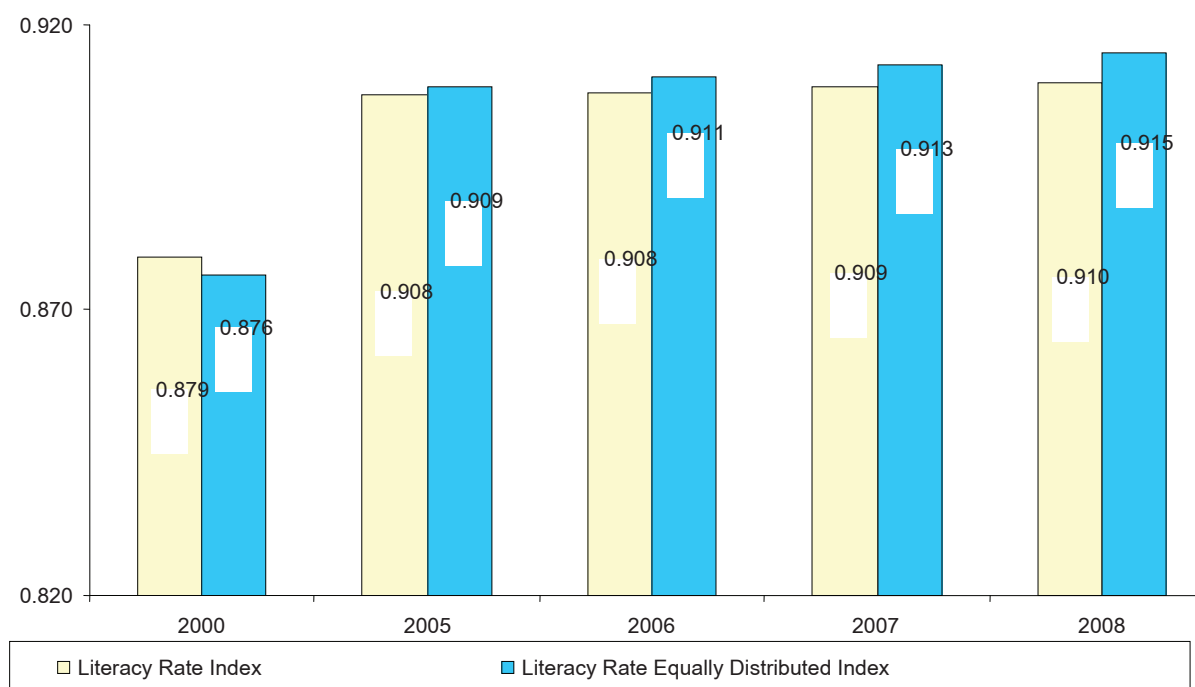
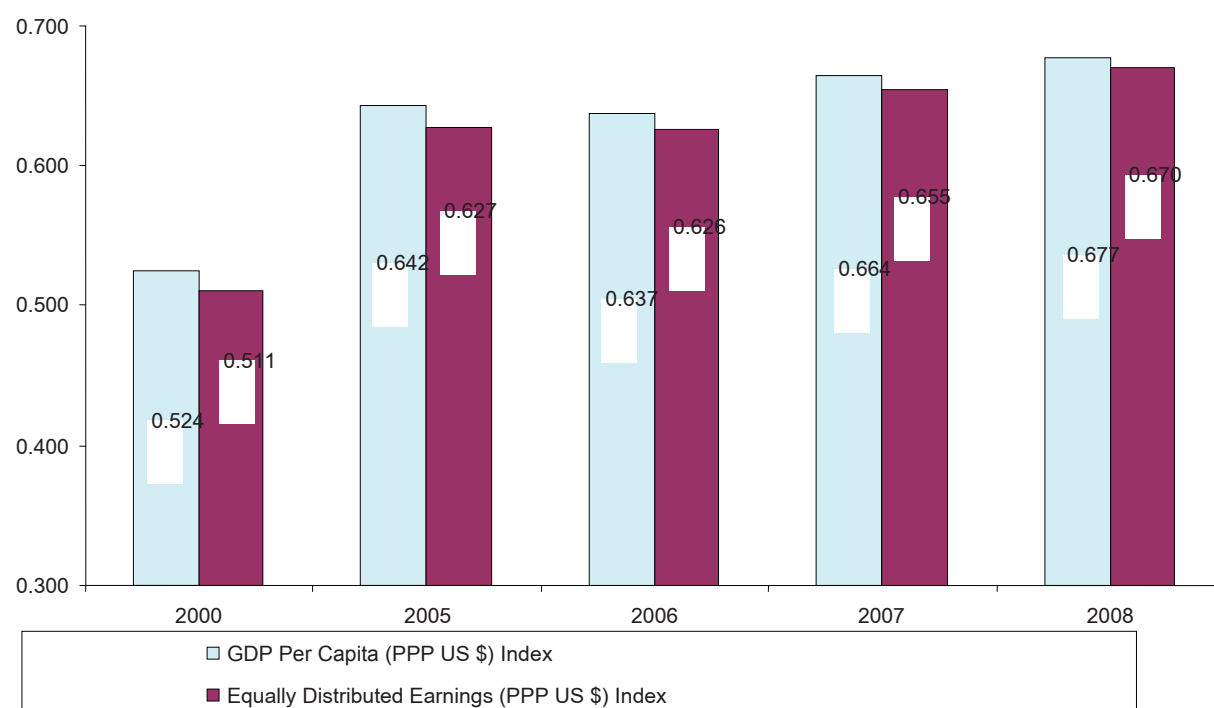


Figure 4. Trends of Adjusted GDP (as per HDI) and Equally Distributed Earnings (as per GDI) Indices



GENDER EMPOWERMENT MEASURE

The Gender Empowerment Measure focuses on women's practical opportunities in public, political, and economic spheres of life, rather than their capabilities, as measured by the percentage shares of women and men. The measure captures three dimensions. The first one is women's political participation and decision-making power, as measured by women's and men's percentage shares of parliamentary seats.

The second dimension is women's economic participation and decision-making power, as measured by two indicators, women's and men's percentage shares of positions as legislators, senior officials and managers and women's and men's percentage shares of professional and technical positions. The latter indicator is measured at half the weight.

The third dimension is women's power over economic resources, as measured by women's and men's estimated earned income (see "Women's and Men's Estimated Earned Income").

For each of these three dimensions, an equally distributed equivalent percentage (EDEP) is calculated, as a population-weighted average. "e", a measure of society's aversion to gender inequality, is taken to equal 2 for purposes of the Gender Empowerment Measure. Besides other conditions, it is done to ensure the consistency of the methodology for calculating other indices of human development (for instance, the Gender Development Index). Subject to this reservation, the equivalent percentage calculated for different spheres has the same social value as the actual inequalities of gender participation in the respective spheres. The rationale for this indexation: in an ideal society, with equal empowerment of the sexes, the GEM variables would

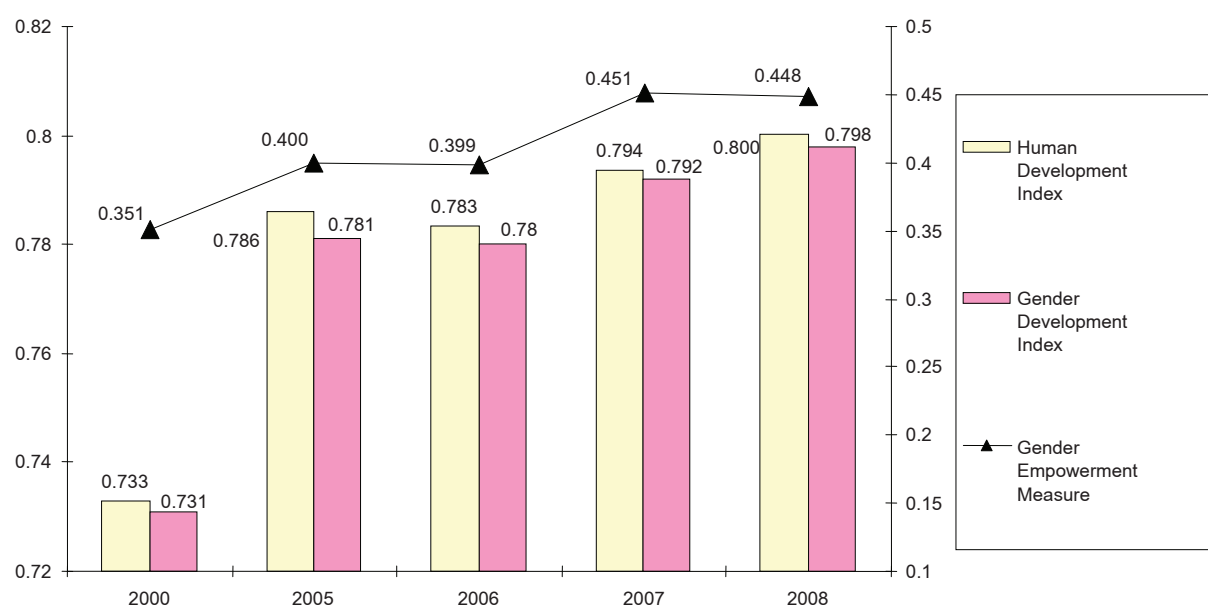
equal 50%—that is, women's share would equal men's share for each variable. For political and economic participation and decision-making, the EDEP is indexed by dividing it by 50 to reflect maximum equality between women and men in terms of their participation in public life in an ideal society. The higher the inequality of women's and men's percentages, the smaller the equivalent percentage (the EDEP is zero in case of no participation of women).

Finally, the GEM is calculated as a simple average of the three indexed EDEPs.

The calculation methodology of the GEM and its dimensions is detailed out in the Technical Notes (1) to the 2005 Human Development Report (available at http://www.un.org/Russian/esa/hdr/2005/hdr05_ru_backmatter.pdf).

GDP per capita (PPP US \$) is calculated on the basis of the purchasing power parity data published by the World Bank (available at <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers>).

Figure 1. Percentage Shares of Dimensions in the Gender Empowerment Measure



FEMALE AND MALE EARNED INCOME INDEX

This index provides comprehensive information on income earned by women and men, which cannot be derived from the data contained in the statistical tables of the Human Development Report.

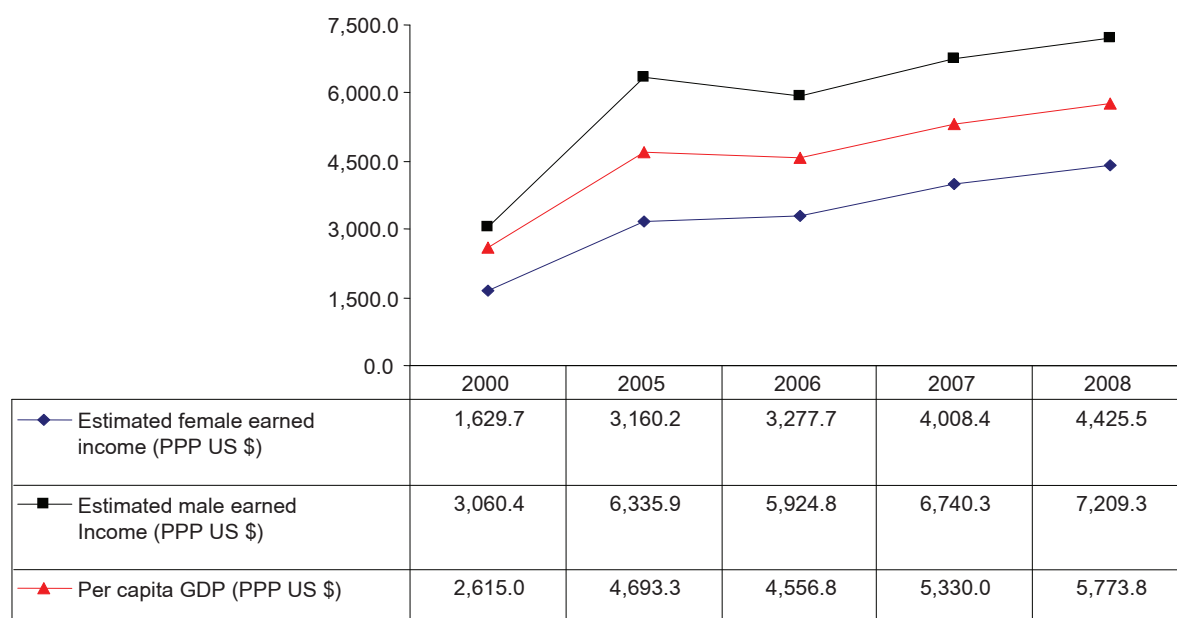
Income can be seen in two ways: as a resource for consumption and as earnings by individuals. The use measure is difficult to disaggregate between men and women, because they share resources within a family unit. By contrast, earnings are separable, because different members of a family tend to have separate earned incomes. Therefore, disaggregation of the earnings of women and men is more realistic. However, it, too, is associated with a number of difficulties, such as the disaggregation of agricultural value created by members of a family

between them (let alone disaggregation by gender). Given the lack of comprehensive and accurate information on earnings in household farms and on wages in the informal sectors of the economy, the methodology makes these calculations on the basis of the non-agricultural wages and assumes that the ratio of female wages to male wages in the non-agricultural sector applies to the rest of the economy. The calculation uses relative indicators corresponding to the ratio of women to men in the economically active population, rather than absolute indicators.

The female and male earned income index calculation methodology is detailed out in the Technical Notes (1) to the 2005 Human Development Report (available at http://www.un.org/Russian/esa/hdr/2005/hdr05_ru_backmatter.pdf).

GDP per capita (PPP US \$) is calculated on the basis of the purchasing power parity data published by the World Bank (available at <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers>).

Figure 1. Female and Male Earned Income and Per Capita GDP Trends



HUMAN POVERTY INDEX (HPI-1)

This index measures deprivations in the three basic dimensions of human development captured in the HDI: deprivation of longevity, knowledge, a decent standard of living, and social exclusion. The HPI is measured for developing and developed industrial countries. The methodological differences are due to the number of dimensions in each index and the goalpost values of each dimension.

The Human Poverty Index for Armenia as a developing country is measured below.

The definitions of the index dimensions measured and the calculation methodology are as follows. The first index (P_1) is related to survival and is defined by the trends of mortality at a relatively young age. It is the percentage of the population that is expected not to survive to age 40. The knowledge level deprivation index (P_2) measures exclusion from the world of

reading and communications: in other words, it reflects the illiteracy rate in the adult (15 YO and above) population. The third index of deprivation (P_3) is related to the lack of access to overall economic provisioning, as a cause of a low standard of living: it is measured as the unweighted average of three components ($P_3 = (P_{31} + P_{32} + P_{33})$), where P_{31} is the percentage of the population without sustainable access to an improved water source, P_{32} is the percentage of the population without access to health services, and P_{33} is the percentage of children (under 5 YO) under weight for age.

According to the Human Development Index calculation methodology, the Human Poverty Index for developing countries is measured using the following formula:

$$\text{HPI-1} = \left[\frac{1}{3}(P_1^3 + P_2^3 + P_3^3) \right]^{1/3}$$

The calculation results are as follows:

	P1, %	P2, %	P31, %	P32, %	P33, %	P3, %	HPI-1
2000	3.5	0.6	13.5	18.7	2.5	11.57	8.10
2005	3.6	0.6	10.6	11.4	2.3	8.1	5.78
2006	3.9	0.6	8.7	8.5	2.3	6.5	4.81
2007	3.7	0.6	5.9	17.7	2.3	8.63	6.14
2008	3.5	0.6	3	19.8	2.3	8.37	5.94

Figure 1. Human Poverty Index (HPI-1) Trends

