

**RESEARCH PROJECT**

# **THE DEPOPULATION CRISIS IN ARMENIA**

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**[www.depop.am](http://www.depop.am)**

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## **The Depopulation Imperative**

\* \* \*

My country is facing an internal genocide. The government leaves no chance to young people, stifling them till they flee the country. The problem is now past the political one – it turned into a universal issue to be addressed immediately. The government won't stir a finger to help common people.

**Charles Aznavour, Philanthropist, Chansonnier, Ambassador of Armenia to Switzerland and UNESCO, December 2011**

\* \* \*

We must continue to keep Armenia in isolation from all international projects. This tactic and policy are bearing fruit...

If we look a little bit ahead – the demographic situation will also play and plays a positive role. Today Azerbaijan's population reaches 9.5 million people. Less than 2 million people live in Armenia. If our population grows at this pace, and the Armenian population declines, then after about 5-7 years, our population will be ten times more. This is itself a source of strength. If we take into consideration our successful economic policy, energy policy of Azerbaijan, I think we will achieve what we want.

- **Ilham Aliyev, President of Azerbaijan, May 2013**

\* \* \*

We are losing villages – one of the key sources of natural demographic reproduction and growth. If the situation does not change within the next 5-7 years, for the first time in the history there will be no natural demographic growth and reproduction in Armenia, i.e. the number of deaths will be higher than the number of births... The context of emigration is different now and the existing trend is that mainly intellectual people are emigrating; there is a huge **“brain drain.”** The only people that stay are the ones that work for the government and those that cannot emigrate.

- **Bagrat Asatryan, former President of the Central Bank of Armenia, June 2013**

\* \* \*

The greatest problem of our country is not with the people, is not with the corruption, and nor with the criminals; our country's greatest problem is the grim attitude. This grim attitude must go. Help us to get rid of that attitude. It's not the sole responsibility of the authorities. Emigration is predominantly the authorities' problem but not solely, because people leave Armenia not, as it is often said, because of the shortage of justice or jobs. The core reason for emigration is this grim atmosphere, people don't see light in the end of the tunnel, they have no hopes... What can I do, if there is no civil activity? Please help, I urge you all, let's change this atmosphere...

- **Serzh Sargsyan, President of Armenia, March 2013**

## OPEN LETTER FROM THE SPONSOR OF THE RESEARCH PROJECT,

VAHAN KOLOLIAN

October, 2013

Dear Compatriots:

Re: The Study on the de-population crisis in Armenia

The shrinking population of Armenia is a very serious issue. “One day we shall have a free and independent Armenia” had become the battle cry of all Armenians for 70 years, following the genocide and the Bolshevik revolution. At the time of Armenian independence in 1991, the population of Armenia stood at 4.0 million. Today it is below 3.0 million. A free, independent Armenia was achieved, and yet today we are witnessing the dissipation of Armenia, resulting from unprecedented levels of emigration. This exodus is now at crisis proportions. It represents an existential threat to the country. Armenia’s adversaries are watching. They continue their blockade, and watch with satisfaction as Armenia empties itself.

### **Background of this Research Project**

While it would be easy to lodge criticism at current government policy, particularly from the diaspora, we felt that a more constructive and researched based approach was called for. It was felt that a research project should be launched from within Armenia on *the demographic trends and the de-population of Armenia*.

In co-operation with the International Centre for Human Development (“ICHD”) in Yerevan, a selection process was conducted, resulting in four research institutions or groups being selected:

- Russian-Armenian (Slavonic University) Research Team
- Research and Business Center of the Faculty of Economics of Yerevan State University
- Research Group of Arshak Balayan, Armen Gakavian and Avetik Mejlumyan
- Researchers from Hrayr Maroukhian Foundation

The role of the Kololian Foundation has been to fund the research and its related costs. The independence of the researchers has been maintained throughout the project.

## **Objective**

It was felt that an academic and disciplined approach needed to be taken, to search for the root causes of population decline.

## **Limitations of the Study**

The real desire of those supporting this study, and of the researchers themselves, is for this paper to be a catalyst for a robust national dialogue, not resulting in finger pointing, but consisting of real self-examination of what needs to be done by all state and non-state actors in Armenia and the Diaspora. Only when the taboos come down and we bare our souls to one another, can we begin the process of addressing the fundamental issues which are driving citizens out of Armenia.

## **Some Positive Developments**

There are some initiatives being taken by the current government that are commendable. One such initiative is the Ministry of the Diaspora's Syrian-Armenian resettlement project. It is early days, but one hopes that Syrian Armenians will stay in Armenia, long after Syria returns to a post-war calm.

There are also some positive signs where the private sector is participating in nation building activities. Micro Lending is being developed by certain banks as an active way to make loans to job creating enterprises and projects. Artsakh Bank is a good example of Micro Lending where micro loans are increasingly a part of its commercial activities. Artsakh Bank reports good take up of its micro lending program, in agriculture, processing and small scale manufacturing. And most importantly it reports a very low failure rate, where their portfolio has performed above expectations.

## **Follow on Work Required**

This paper does not pretend to address all issues or offer all solutions. The issues not addressed in depth in the current paper, which need to be examined are:

- the need for organized and effective parliamentary opposition;
- a study of citizens' purchasing power, where basic goods and services in Armenia are 3 to 4 times more expensive than neighbouring countries. Blockades and other trade barriers such as tariffs need to be studied. The question must be asked, "is there a section of Armenian society that benefits from such restricted trade by driving and maintaining higher prices?"
- the need to review Armenia's post high school education where more emphasis could be put on trades and less on the arts and humanities;
- the need for private ownership of land, in combination with expansion of an agricultural policy, where land grants are made (similar to "Homesteading" in

North America, 1800 – 1900), to families who show capability to farm such lands. Such a program can be supported financially by the Diaspora.

- better co-ordination of diaspora support. Since independence, diaspora organizations such as *The All Armenia Fund*, *The Armenian Relief Society* and *AGBU* have donated money to bricks and mortar projects, schools, clinics, and hospitals. Is it time for the state to take over funding infrastructure and the diaspora to fund programs in health, housing, job creation, relocation, and most importantly, enticing and integrating of immigrants?

The sponsor and the researchers of the current paper, invite others to take up these issues and join us in bringing forward ideas for the betterment of Armenia.

### **Let's be Positive**

It is important that we approach the issues afflicting Armenia with a sense of optimism. Negative tone and negative attitude produce negative results. Let's remember the words of William Saroyan:

“Go ahead, destroy Armenia. See if you can do it. Send them into the desert without bread or water. Then see if they will not laugh, sing and pray again. For when two of them meet anywhere in the world, see if they will not create a new Armenia.”

The resilience and determination of Armenians is legendary. Let's turn these attributes to addressing and conquering the social issues of Armenia.

Respectfully,

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## Executive Summary

### Introduction

Emigration from Armenia has reached unprecedented levels. According to a recent Gallup report, 40 percent of adults want to leave the country—the highest rate of would-be emigrants among the 12 former Soviet Union countries covered.<sup>1</sup> This trend poses major threats to Armenia’s well-being. ‘Brain drain’ saps the country of intellectual resources that could be used to produce and export knowledge-based products and foster economic growth. As well, the recent phenomenon of family emigration, together with a low national birthrate and aging population, endangers Armenia’s demographic prospects.

This report analyzes Armenia’s demographic situation, with the aim of identifying reasons behind current trends and possibilities for their reversal. Drawing on statistical data, other research sources, media reports, focus groups and surveys, researchers in Yerevan assembled various analyses to show common patterns. They also undertook case studies of successful strategies for repopulating remote areas and attracting diaspora immigrants. Together, these sources have produced a set of policy recommendations through which the Armenian government and other stakeholders could take action to reverse population decline.

Contributors to this project include six researchers from the Russian-Armenian (Slavonic) University; three researchers from the Research and Business Center of the Faculty of Economics at Yerevan State University; three independent researchers from Armenia; and one researcher from the Hrayr Maroukhian Foundation.

### Subjective reasons for emigration

Despite enjoying periods of strong economic growth following the collapse of the USSR in 1991, Armenia lacks good governance and properly functioning markets. Its spending on health, education, and public investment is among the lowest in the world (as a percentage of GDP). The presence of monopolies or oligopolies as powerful players in imported goods limits growth and production opportunities, leading to higher prices and reduced opportunity for small business. Roughly a third of Armenia’s population lives below the poverty line.

Given these factors, it is not surprising that according to 2010 data from the National Statistical Service of Armenia, the leading motivations for Armenians’ decision to emigrate are economic. Finding or improving one’s income, are the most common reasons cited, followed by family reunification and various other factors.

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<sup>1</sup> Esipova, N., Pugliese, A. (2013, April 4). Desire to Leave FSU Ranges Widely Across Countries. *Gallup*. Retrieved from <[http://www.gallup.com/poll/161591/desire-leave-fsu-ranges-widely-across-countries.aspx?utm\\_source=alert&utm\\_medium=email&utm\\_campaign=syndication&utm\\_content=morelinks&utm\\_term=All+Gallup+Headlines+-+World](http://www.gallup.com/poll/161591/desire-leave-fsu-ranges-widely-across-countries.aspx?utm_source=alert&utm_medium=email&utm_campaign=syndication&utm_content=morelinks&utm_term=All+Gallup+Headlines+-+World)> (accessed July 16, 2013)

Surveys undertaken for this report shed further light on reasons for emigration.

- One survey of relatively young and well-educated Armenians found that in addition to economic factors, the desire to emigrate is driven by concerns with professional growth and development, and by the desire to live in a society with high standards of rights, democracy and governance.
- A second nation-wide survey found that a third of respondents are considering emigration within the next two years. Many of the currently-employed respondents look to emigrate in search of higher income in jobs that make better use of their professional qualifications. The desire to emigrate is predominantly connected with long-term goals which motivate emigration or permanent residence in other countries (most often Russia, EU countries or the United States).

### **Systemic factors driving emigration**

Individual choices and perceptions driving emigration are rooted in larger systematic features of Armenia's economic, political and social situation. Examination of those conditions can shed light on the background informing individual choices, and highlight reforms that might lead Armenia's citizens to invest in a future for themselves and their families inside the country.

Problems in the economy and business environment include:

- *Business centralization and monopolies:* Business throughout the country is run by a small number of business groups who are also directly involved in state administration, with each group controlling a specific sector and region. This system of monopolies makes small competitors vulnerable (and often non-viable), fosters unemployment, and produces marked inequalities in wealth. Investment and growth cannot thrive in these unfair market conditions.
- *Business-related procedures:* Many procedures in areas such as tax reporting, regulations, import/export, finance, property protection, and contract enforcement are inefficient and unfair.
- *Independence of the judiciary* is a major concern. The Judiciary must be totally independent of the government and powerful economic interests. An independent judiciary is required to preserve the civil rights of citizens and to give foreign investors assurance that they will be treated fairly in commercial disputes.
- *Lack of effective economic institutions:* Existing institutions, such as the State Commission for Protection of Economic Competition, are ineffective at regulating the economy and supporting free competition; small businesses lack influence; and civil society and the media are unable to exercise oversight and participatory governance.
- *Educational system:* Higher education institutions are not adapted to market demands for trained specialists, and do not provide adequate professional development opportunities for graduates in technical fields.

Problems with the rule of law mostly concern the application of existing law in the judicial and law enforcement systems. The investigative and pre-trial phases of criminal

procedures are susceptible to corruption and police abuse, with lawyers having little power to intervene.

Armenia's governance system is seen to be weak by International observers. Popular participation is limited to elections, and decision making is non-participatory and opaque. Independent organized civil groups are still underdeveloped and ineffective. Parliamentary opposition continues to be fragmented, lacking in structure and organization.

Top-down efforts by the Armenian government to improve national shortcomings can be effective over the long term only through the development of institutions at all levels.

- Institutions, such as coalitions of lawyers' and human rights organizations, non-for-profit organization and media, must be created and strengthened to improve the rule of law, secure property rights, advance equal economic opportunities and public services, and foster transparent and participatory decision-making.
- Better economic institutions are required, such as, for example, an institute of economic ombudsman and/or coalition of organization for protection of economic competition and property rights, to provide equal access to markets and free competition, prevent manipulation of markets, stimulate innovation and growth, and protect investors from risks.
- Transparent media and a stronger civil society will help to develop institutions faster and to hold the government accountable for improving incomes, access to health care, education, public services, with economic and social opportunities.

### **Learning from the Israeli experience**

Because part of the solution to Armenia's demographic problems must consist in attracting and retaining diaspora migrants, lessons can be taken from Israel's success at this enterprise. Even prior to gaining independence in 1948, Israel began repatriation planning to populate a new country. Large financial inflows from the global Jewish diaspora enabled the development of infrastructure and agricultural projects; and settlers were given housing and citizenship upon arrival. A well-planned strategic approach, sound policies, and good governance led to Israel's success. Today, Israel's Ministry of Absorption manages the arrival and absorption of immigrants from around the world, starting with their decision to migrate through the entire subsequent process.

Israel and Armenia share significant features: locations in a conflict zone, small territories with few resources, and a large globally dispersed diaspora. However, unlike Israel, where the diaspora actively cooperates with the government and invests in the economy, the Armenian diaspora currently refrains from investing in Armenia (due to the business environment and issues connected with rule of law).

Armenia should follow Israel's model in key areas:

- Undertaking business and governance reforms, and attracting diaspora investment, in order to move toward an innovation-driven economy aimed at importing new ideas, technologies, and investments. For this to happen,

enshrining the Rule of Law is critical. Without such Rule of Law, the political risk of investing in Armenia will remain high;

- Investing in infrastructure and ensuring that funds donated or invested by the diaspora are properly spent;
- Coordinating Diasporan grant making bodies, (All Armenia Fund; AGBU; etc.) to financial support repatriation programs; and
- Actively encouraging diaspora repatriation through the Ministry of Diaspora.

### **Success Stories/Repopulation in Kashatagh and Shahumyan**

Modest successes at repopulation in two regions of Nagorno-Karabakh provide some insights into repopulating. Since the late 1990's, the Shahumyan and Kashatagh regions of the Nagorno-Karabakh Republic have seen population growth following their depopulation during the conflict of 1991-94. Though details of organized administrative efforts at repopulation are difficult to secure due to political sensitivities, a variety of methods have been used at different stages. These include the provision of privileges, attractive employment, material support, and support for entrepreneurship.

Most of those who moved to the regions did so to escape difficult social conditions and housing shortages in the Republic of Armenia. Their decision to move was also influenced by information about the region they had received from family and friends already settled there. While considerable numbers of migrants to these regions have subsequently left, it appears that those emigration rates have now stabilized.

Key lessons learned from the past two decades' experience in Shahumyan and Kashtagh include:

- the need for a repopulation *strategy and action plan*;
- the need to ensure proper socio-economic conditions to attract target migrant groups before bringing in migrants;
- sound consideration of the merits of promoting natural growth (higher birth rate) and the development of existing communities.

Combined with better administration, housing and property rights, and active outreach to make repopulation attractive to various target groups, these measures could produce more successful repopulation efforts in these regions and elsewhere in Armenia.

### **Repatriation from the Middle East**

Some members of Armenian diasporas caught up in recent conflicts in Middle East countries were surveyed to find out what factors led them to repatriate to Armenia and what factors would lead them to stay. Though the vast majority had visited prior to immigrating, most experienced significant difficulties in relocation (notably a lack of a coordinated welcome and integration program). A real example for Armenia to follow is that of Israel's emphasis on its Ministry of Absorption.

## **Recommendations**

Based on its analysis of current conditions and potentials in Armenia, the report gives recommendations for action by Armenia's government. The following are some highlights of these recommendations:

- **Employment and the educational system**
  - Jobs could be created by promoting investment in Armenia's economy—which in turn requires reforms to make the business environment more friendly to small firms
  - The educational system must be reformed to produce skilled workers suited to labour market demands. New programs are needed offering training in trades and technical fields.
- **Business environment**
  - Small and medium businesses must be provided with a better operating environment through reforms in business procedures, tax reporting, customs, and the implementation of previous reform measures.
- **Economic and Judicial reform**
  - The current ineffectiveness of commercial law to address business disputes should be addressed through new mechanisms such as mediators or financial ombudsmen capable of protecting the rights of businesses and investors.
- **Rule of law and the legal system**
  - The legal system needs to be reformed to ensure that all businesses, large or small, are treated equally under the law. All individuals must receive fair treatment under the law, with no impunity for wrongdoing by police or persons of influence.
- **Government accountability**
  - Government institutions must become more transparent and more consultative in decision-making. The pace of current government reforms must be accelerated to produce visible results improving citizens' lives.
- **Diaspora relations**
  - The Armenian government must be more receptive to seeking cooperation with the diaspora, using the Ministry of Diaspora to conduct active forums with diaspora representatives. The Government must also demonstrate protection of property rights and investment so as to attract diaspora investment.
- **Repatriation strategy and immigrant settlement**
  - The Ministry of Diaspora needs to develop a clear strategy and action plan for repatriation and resettlement, along with appropriate policies and programs to attract immigrants and ensure successful settlement.

## Chapter 1: Demographic Crisis in Armenia

### 1.1 Introduction

According to official government statistics, the population did not grow during the last 10 years because of a low birth rate and high emigration rates.

‘Brain drain’ and family emigration, a more recent phenomenon, acutely threaten the country’s demographic prospects. In past decades, people would leave Armenia to work in other countries and then return home with money. Even though in many cases they established themselves in their host countries and took their families with them later, this trend was not large-scale. In more recent years, however, people have started to emigrate with their families.

In 2009, Russia introduced its ‘Compatriots’ immigration program aimed at bringing immigrants to the Russian North. The program offered a grant, job and privileged conditions to buy property, along with the prospect of Russian citizenship. According to the data from the Armenian Migration Service, a total of 26,000 Armenians applied to the program during the past four years, of whom 1,500 gave up their Armenian citizenship and moved. The overwhelming majority of these applications was filed for emigration with families, and included skilled young people of working age (which was one of the program’s requirements). The demand for emigration through this program was so high that the Armenian government urged the Russian government to close the program office in Armenia. Armenian Prime Minister Tigran Sargsyan said “the program that effectively encourages outward migration is unacceptable for Armenia.”<sup>2</sup> The program was suspended in Armenia in 2013. Radio Liberty Armenia reports that “the term of the immigration program agreement with Armenia finished on April 1, and the agreement was not renewed.”<sup>3</sup>

The dramatic increase in emigration trends has caused concern not just within the Armenian government but among international organizations as well. In 2013, for instance, the European Union Delegation and UNICEF, in cooperation with the Ministries of Labor and Social Issues and Territorial Administration of Armenia, launched a three-year project aimed at mitigating the social consequences of labor migration for families and communities in Armenia.<sup>4</sup>

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<sup>2</sup> Hakobyan, J. (2012, November 4). End of “Compatriots”? Government Says Russian Immigration Program Unacceptable for Armenia. *ArmeniaNow*. Retrieved from <[http://www.armenianow.com/society/40234/russian\\_program\\_compatriots\\_concerns\\_armenia\\_labor\\_migration](http://www.armenianow.com/society/40234/russian_program_compatriots_concerns_armenia_labor_migration)> (accessed July 16, 2013)

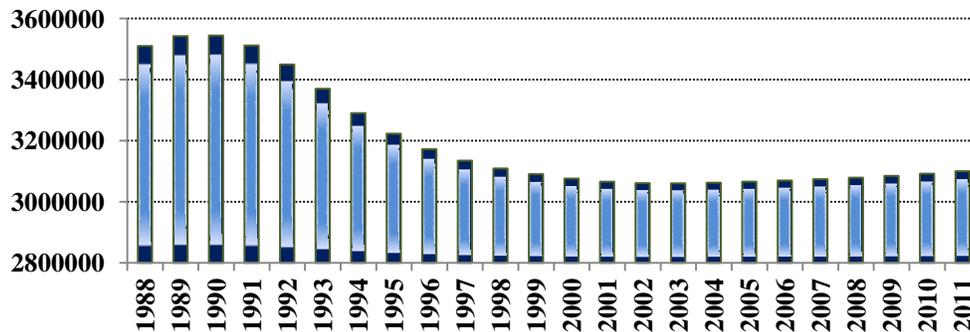
<sup>3</sup> Mkrtchyan, A. (2013, May 24). “Compatriots” Immigration Program Temporarily Suspended. *RFE/RL*. Retrieved from <<http://www.azatutyun.am/content/article/24996140.html>> (accessed July 16, 2013)

<sup>4</sup> United Nations in Armenia, “EU, UNICEF Launch Project on Labour Migration in Armenia,” Retrieved from <<http://www.un.am/en/News/1188>> (accessed July 16, 2013)

## 1.2 Demographic trends

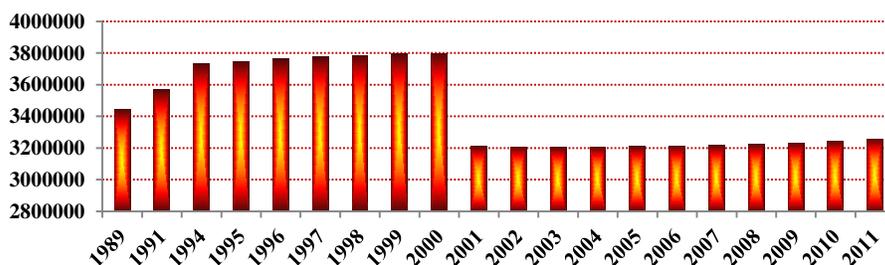
According to recent official census data, the resident population of Armenia was 3,041,000 in 2011. According to the CIA World Factbook, the population of Armenia was 2,970,495 in 2013.<sup>5</sup> As Chart 1 below shows, the population declined by 11% from 1991-1998.

Chart 1: Population dynamic, 1988-2011 (World Bank)<sup>6</sup>



However, that data is in conflict with data provided by the National Statistical Service of Armenia, according to which the population grew steadily until 2000. In 2001 alone, Armenia suffered from a nearly 15% slump in population. No significant growth occurred from 2001-2010.<sup>7</sup>

Chart 2: Population 1989 – 2011 (National Statistical Service of RA)<sup>8</sup>



The ongoing tendency toward emigration is exacerbated by a low birth rate. In 2010 the birth rate was 1.7 children per woman, which signals demographic decline.<sup>9</sup> Chart 3

<sup>5</sup> CIA World Factbook. *Armenia*. Retrieved from <<https://www.cia.gov/library/publications/the-world-factbook/geos/am.html>> (accessed July 16, 2013)

<sup>6</sup> The World Bank. *Population Database*. Retrieved from <<http://data.worldbank.org/indicator/SP.POP.TOTL>> (accessed July 16, 2013)

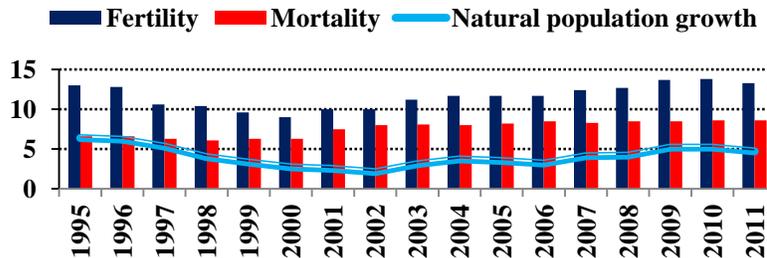
<sup>7</sup> Statistical Service of Armenia. *Armenia Demography and Health Survey, 2010 (Fertility)*. Retrieved from <<http://www.armstat.am/en/?nid=80&id=1338>> (accessed July 16, 2013)

<sup>8</sup> National Statistical Service of Armenia. *Yearbooks 2000-2012: "Population."* Retrieved from <<http://www.armstat.am/en/?nid=45>> (accessed July 16, 2013)

<sup>9</sup> Statistical Service of Armenia. *Armenia Demography and Health Survey, 2010 (Fertility)*. Retrieved from <<http://www.armstat.am/en/?nid=80&id=1338>> (accessed July 16, 2013)

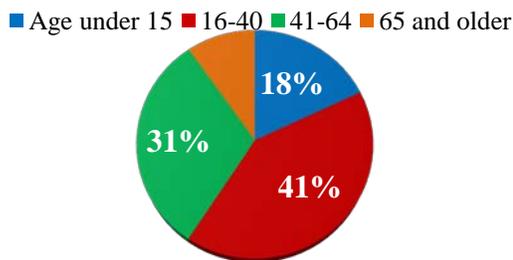
below shows that natural population growth in Armenia has been insignificant since 2000, while the mortality rate is almost at the same level as at the beginning of 2002.

Chart 3: Population dynamics indicators, per 1000 people



As Chart 4 below shows, 72% of Armenia’s population is now of working age. However the dynamics of demographic change is moving toward populating aging, which will create additional pressure on social expenses and decreased savings.

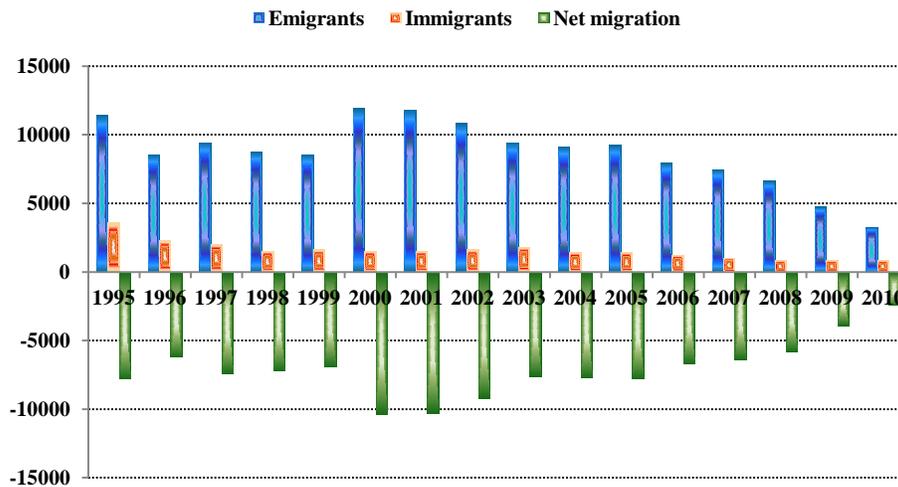
Chart 4: Age structure of Armenia’s population, 2012 (Source: National Statistical Service of Armenia, Yearbooks, “Population”)



### 1.2.1 Tracking migration flows

It is difficult to measure real migration flows from Armenia, since discrepancies exist between data from the National Statistical Service of Armenia and the World Bank. Statistics on total numbers of arrivals and departures are provided by the State Migration Service of Armenia, which does not classify specific types of migration. For that reason, information provided by the National Statistical Service of Armenia was taken as the most authoritative data source for this chapter. The analysis also draws on data from reports provided by organizations such as United Nations Development Programme (UNDP) and International Labor Organization (ILO), as well as academic studies.

Chart 5: Migration flows, 1995-2010 (sources: Source: Statistical Yearbook of Armenia, 2010)



While it is difficult to calculate the exact number of emigrants, rough estimates exist of migration inflows and outflows. Table 6 below shows that the negative balance of migration (i.e. the difference between the number of people leaving and arriving) from 1988–2001 was about 1.3 million people, which equals 40 percent of the current size of the Armenian population.

Table 6: Migration flows, 1989 - 2001 (Source: “Migration and Human Development: opportunities and challenges”, UNDP Armenia, 2009)

		1988	1989	1990	1991	1992	1993	1994	1995-2001
Refugees	Inflow	420							
	Outflow		170						
Evacuation of the earthquake zone population	Inflow			150					
	Outflow		200						
Public - political emigration	Inflow			30					
	Outflow	250							
Mass migration	Inflow					370			350
	Outflow					980			600

Another means of estimating emigration is to look at the difference between arrivals and departures by air. According to data from the General Department of Civil Aviation, in 1992-2000 the difference between the number of people leaving from Armenia and arriving by air was 644,000.

According to the UN Human Development Report on Armenia, in 1988-2001 up to 1.1 million people emigrated from the country. According to the same report, in 2002-2007 the difference between numbers of departures and arrivals was 150,000. In this period the average difference between the number of departures and arrivals was 25,000, with 9,000 having ceased their registration in Armenia and moved to another country permanently. Since 2008 the emigration flow has increased, and the average annual difference of the numbers of departures and arrivals is 35,000 (see Table 7 below).

Table 7: Ridership in 1992-2011<sup>10</sup> (thousands)

Year	Arrivals	Leavers	Migration saldo (+,-)
1992	636.9	865.5	-228.6
1993	689.9	831.0	-141.1
1994	470.0	597.8	-127.8
1995	469.5	507.0	-37.5
1996	496.9	517.4	-20.5
1997	473.6	504.9	-31.3
1998	415.3	439.7	-24.4
1999	311.4	318.6	-7.2
2000	399.7	457.2	-57.5
2001	508.2	568.6	-60.4
2002	590.7	593.4	-2.7
2003	618.3	628.5	-10.2
2004	739.9	737.8	2.1
2005	845.8	833.3	12.5
2006	983.7	962.0	21.7
2007	1293.6	1296.8	-3.2
2008	1397.2	1420.2	-23.0
2009	1432.0	1457.0	-25.0
2010	1754.2	1800.9	-46.7
2011	1945.1	1988.9	-43.8

Non-official research by Armenian academic Vladimir Khodjabekyan suggests that in 1991-2000 the Armenian population decreased by nearly 1.27 million, including both legal (official) and illegal emigration (see Table 8 below).<sup>11</sup>

<sup>10</sup> The table was prepared based on publications of the RA National Statistical Service and the State Migration Service, RA Ministry of Territorial Administration. Ridership refers to total numbers of passengers across all transportation modes. Retrieved from <[http://www.smsmta.am/?menu\\_id=3](http://www.smsmta.am/?menu_id=3)> <<http://www.armstat.am/en/>> (accessed July 16, 2013)

<sup>11</sup> Potosyan, A. Khoyetsyan, A. Manasyan, M. Migration of the Armenian Population. *Migration Research Center (Moscow, Russia)*. Retrieved from <[http://migrocenter.ru/publ/konfer/kavkaz/m\\_kavkaz045.php](http://migrocenter.ru/publ/konfer/kavkaz/m_kavkaz045.php)> (accessed July 16, 2013)

Table 8: Ridership in 1992-2000 (thousands).

Year	Outflow	Inflow	Balance
1992	865,5	636,9	- 228,6
1993	831	689,9	- 141,1
1994	597,8	470	- 127,8
1995	507	469,5	- 37,5
1996	517,4	496,9	- 20,5
1997	504,9	473,6	- 31,1
1998	439,7	415,3	- 24,4
1999	318,6	311,6	- 7
2000	318,5	292,8	- 25,7

While the main source of tracking emigration trends remains the difference between departures and arrivals by air, there is a huge outflow of people from Armenia to Russia by bus, and no way exists for tracking emigration by land. Emigrants to Russia from northern Armenia prefer leaving for Russia by bus. Levon Barseghyan, a journalist and head of Asparez (a nonprofit organization in Gyumri, the second largest city in Armenia), writes:

The population of Gyumri is at 40-45% of that number in 1988. Every second person in Gyumri is poor, i.e. 13,000 children go to bed hungry every day. Every third citizen in Gyumri is unemployed. Every day 1-4 buses full of emigrants are leaving from Gyumri[.]<sup>12</sup>

On June 10, 2013, a news agency representative met with emigrants at the border with Georgia who were going to cross the border by bus to find employment in Russia. People in the bus were frustrated and said that they did not want to leave; they were forced to leave as they had no hope or chance to change anything in Armenia.<sup>13</sup>

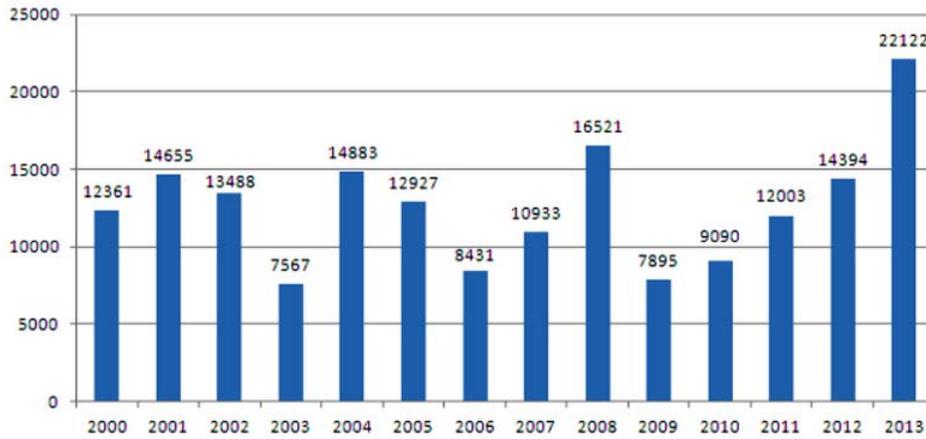
In 2013 the emigration trend has accelerated, reaching its highest point in recent years. According to the State Migration Service information, in January-February 2013 the number of departures was 272,918 and the number of arrivals was 250,796. The difference between the number of departures and arrivals was 22,122<sup>14</sup>.

<sup>12</sup> Barseghyan, L. (2013, May 19). Humanitarian Crisis in Gyumri. *Asparez Club of Journalism NGO (Gyumri, Armenia)*. Retrieved from <<http://www.asparez.am/gyumri-hy/human-crisis/>> (accessed July 16, 2013)

<sup>13</sup> Hetq TV Armenia (2013, June 10). Retrieved from <[http://www.youtube.com/watch?feature=player\\_embedded&v=MNDYZUYhXws#at=160](http://www.youtube.com/watch?feature=player_embedded&v=MNDYZUYhXws#at=160)> (accessed July 16, 2013)

<sup>14</sup> Current situation of the RA border crossings. *State Migration Service of the RA Ministry of Territorial Administration*. Retrieved from <[http://www.smsmta.am/?menu\\_id=17](http://www.smsmta.am/?menu_id=17)> (accessed July 16, 2013)

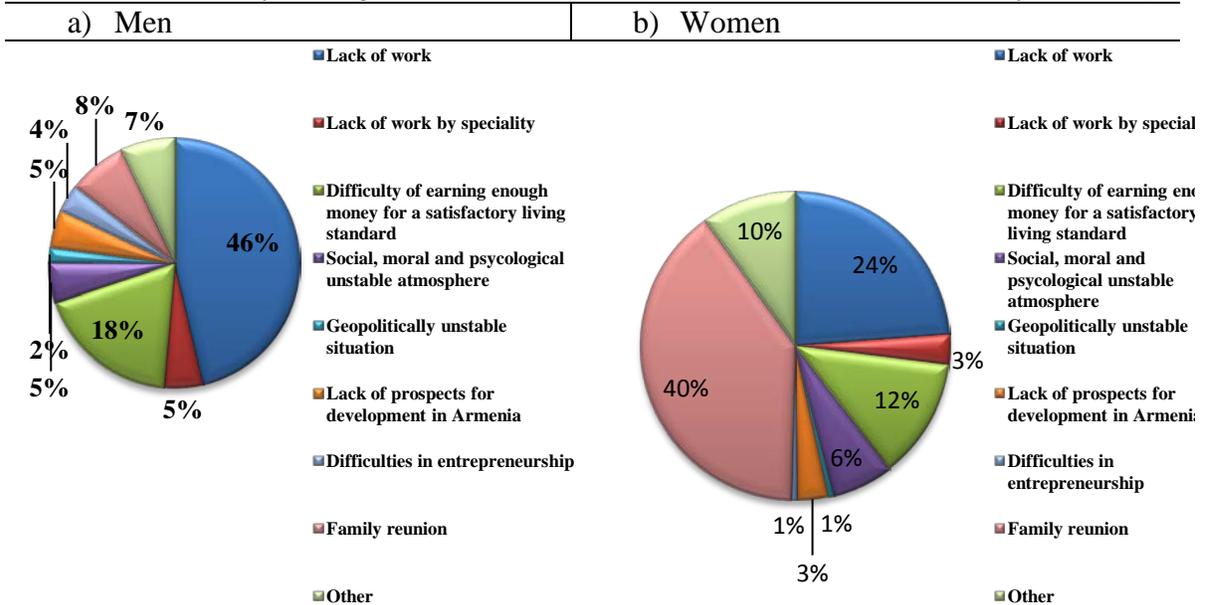
Chart 10: Difference between departures and arrivals in January-February in 2000-2013 (number of people)<sup>15</sup>



### 1.2.2 Reasons for emigration

As Chart 11 shows, in the period 1991-1998 most men left Armenia because of unemployment and the difficulty of earning enough money to cover basic needs. Those reasons apply to women as well, but 40% of women reported leaving for the purpose of family reunification.

Chart 11: Reasons for emigration in 1991-1998 (National Statistical Service of Armenia)



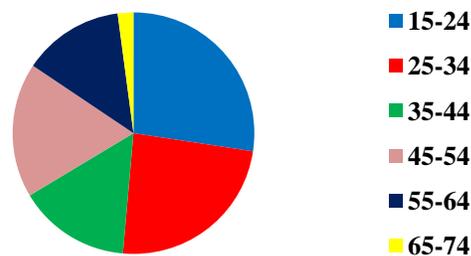
<sup>15</sup> Volumes of International Border Crossings (2013, February 08). *State Migration Service of the RA Ministry of Territorial Administration*. Retrieved from <[http://www.smsmta.am/?menu\\_id=18](http://www.smsmta.am/?menu_id=18)> (accessed July 16, 2013)

Table 12 shows that those motivations are relatively unchanged as of 2010 (for a group of respondents of which 37.6% of respondents had a higher education, and the rest had a secondary or vocational education).

*Table 12: Reasons for emigration*

	Number of answers	Share
Looking for a job	762	22.6
Lack of work by specialty	78	2.3
Looking for a high-paid job	814	24.1
Family reunification	691	20.5
Social, economic and political instability	101	3
Uncertainty about the future in Armenia	49	1.5
Education	144	4.3
Other	733	21.7
Total	3372	100

*Chart 13: Unemployment structure according to age, 2011<sup>16</sup> (Source: National Statistical Service)*



### 1.2.3 Birth Rate

According to UN Population Fund research from 2009, 68.3 percent out of 1139 Armenian households surveyed do not plan to have a second child, 16.4 percent said that they were going to have a second child, and 13.6 percent could not answer the question.<sup>17</sup>

<sup>16</sup> National Statistical Service of RA, Yearbook 2012 (Employment). *National Statistical service of the Republic of Armenia*. Retrieved from <<http://www.armstat.am/en/?nid=45&year=2012>> (accessed July 16, 2013)

<sup>17</sup> Experts Believe Population in Armenia will Shrink to 2,5 Million by 2050 (2011, July 11). *PanArmenianNet*. Retrieved from <<http://www.panarmenian.net/rus/news/74183/>> (accessed July 16, 2013)

**The survey shows that the main reasons for reluctance to have children are financial issues and uncertainty about the future.** In addition, according to polls, more and more women in Armenia tend to choose career growth over childbearing. The sex ratio in Armenia is 0.89 males to females, meaning that Armenia has more women than men. The number of childbearing-age women born in the 1990s is smaller than those born in the 1980s. All these factors reduce the birth rate.

The government of Armenia has made a decision to offer free medical services for pregnant women, child birth and children up to seven years old. Even though this is a significant improvement, many families still have difficulties taking care of their newborn children. There are reports of many families having difficulty affording baby food, and there have been accounts about children taken to hospital because of malnutrition. Even though women receive social payment for pregnancy leave, the amount is not significant and cannot cover many expenses.

Creation of a fund for supporting families to have children by providing financial support, baby food and other items for child care could help to encourage child birth and the upbringing of healthy children. For example, in 2007 the Russian Federation introduced a program called “Maternity Capital,” according to which families are paid a lump sum for having babies or adopting children. This program has proven to be successful.<sup>18</sup>

In Armenia, families are paid 50.000 AMD (\$120) for the first baby and second baby, and 430.000 AMD (\$1036) for every baby after the third one inclusively.<sup>19</sup> The basic social payment amount to families that qualify for social assistance is 16.000 AMD (\$40\$). Families with teenaged children receive an additional 6,500 AMD (\$16) for every child (or 7,000 AMD (\$17) for families living in remote mountainous areas). Creation of a fund to support families in need, especially those with small children, could help to pay for childrearing and perhaps be an incentive to have more babies.

### **1.3 Macroeconomic indicators**

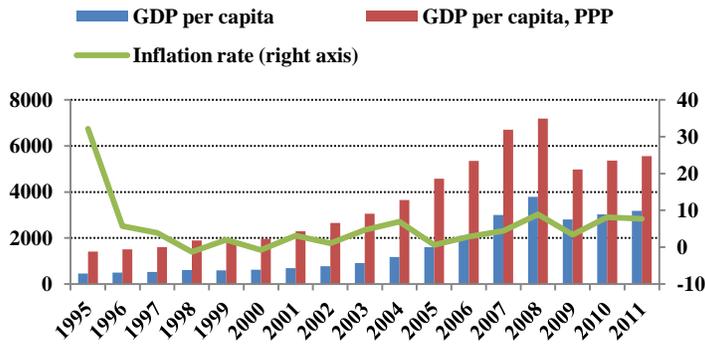
As Chart 14 below illustrates, Armenia had stable growth till 2008, when its economy was hit by the global financial crisis.

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<sup>18</sup> Birth Rate Highest in 22 Years (2013). *Expert (Russia) & Russian Federal Statistical Service*. Retrieved from <[http://expert.ru/data/public/393979/393995/expert\\_822\\_021-2.jpg](http://expert.ru/data/public/393979/393995/expert_822_021-2.jpg)> (accessed July 16, 2013)

<sup>19</sup> State Subsidy Amounts and Provision Policies 2012. *Ministry of Labour and Social Affairs of the Republic of Armenia*. Retrieved from <[http://www.mss.am/home/index.php?code\\_id=320&menu\\_id=317](http://www.mss.am/home/index.php?code_id=320&menu_id=317)> (accessed July 16, 2013)

Chart 14: GDP per capita; Purchasing Power Parity; Inflation Rate<sup>20</sup>.



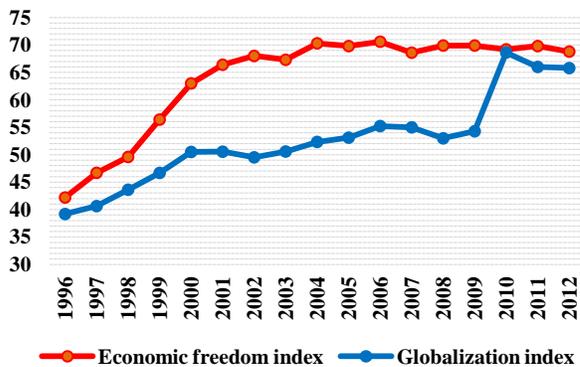
Since the national currency was adopted in 1993, there has been drastic growth in inflation. In 2006, the Central Bank of Armenia began implementing a policy of targeted inflation rate, mainly in the range of 5-7%.

Since 1990, Armenia has become a part of global political and economic processes, focusing on transitioning to a market economy. Multilateral relationships are expanding the openness of the Armenian economy and society. However, this positive phenomenon has led to some negative consequences, primarily a very high cost of living, which is a contributing factor to emigration.

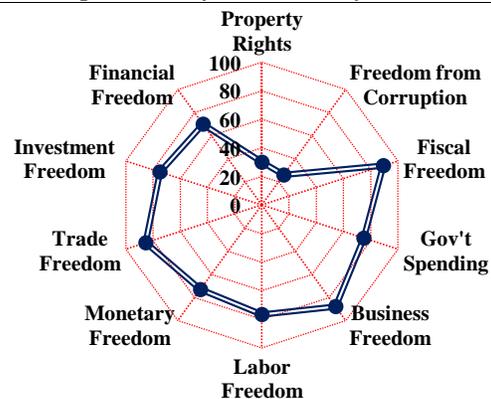
Some of the reasons of emigration are suggested by economic freedom indices in Armenia. As the charts below show, the worst indices are in the categories of property rights and corruption.

Chart 15<sup>21</sup>

a) Economic Freedom and Globalization



b) Components of Economic freedom



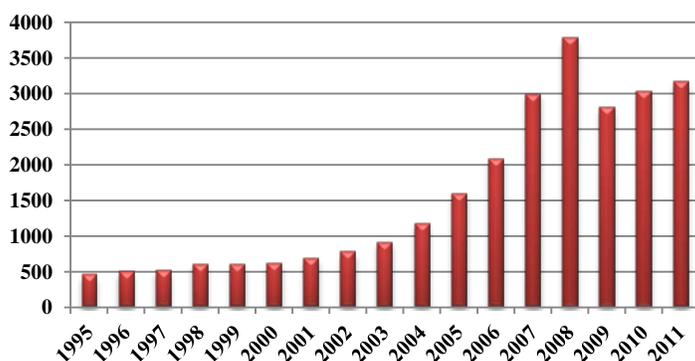
<sup>20</sup> Indicators. *The World Bank*. Retrieved from <<http://data.worldbank.org/indicator>> (accessed July 16, 2013)

<sup>21</sup> 2013 Index of Economic Freedom. *The Heritage Foundation (USA)*. Retrieved from <<http://www.heritage.org/index/>> (accessed July 16, 2013)

KOF Index of Globalization. *KOF Swiss Economic Institute (Switzerland)*. Retrieved from <<http://globalization.kof.ethz.ch/>> (accessed July 16, 2013)

Another important shortcoming in the economic system is the tradition of informal relations: many processes and policies in the economy and business sector are governed not by laws and markets but by relations between groups and individuals. This malformation distorts the functioning of the economic system as a whole and worsens the welfare of the society. Chart 16 below illustrates Armenia’s GDP per capita dynamics, a key macroeconomic indicator.

Chart 16: GDP per capita dynamics, current USD<sup>22</sup>



## 1.4 From independence to the present

Armenia’s return to growth in 1994—the first among the former Soviet republics still recovering after the collapse of the USSR—was a significant achievement, since the economy was still coping with the shocks of a devastating earthquake and full-blown war with Azerbaijan.<sup>23</sup> Economic growth and activity were undermined by speedy and largely unsuccessful privatization of small and medium-sized state-owned enterprises and lands.

Since then, key impediments to progress have been created by the failure to create conditions for proper functioning of the market and by the lack of a meaningful and efficient role for the state. The legacy of an industrialized economic structure did not help, as facilities were outdated and in most cases lacked efficient management. Many factories and other buildings with inherited facilities were sold in parts, resulting in a shortage of jobs and production.

Even though the period after the collapse of the USSR was followed by reports about double-digit growth of GDP and macroeconomic stability, the country still lacked good

<sup>22</sup> GDP Per Capita (Current US\$). *The World Bank*. Retrieved from <<http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>> (accessed July 16, 2013)

<sup>23</sup> Grigorian, D., PhD (2012). Armenia’s Economy since Independence. *International Monetary Fund and Policy Forum Armenia* (London-based Foreign Policy Centre). Retrieved from <<http://fpc.org.uk/fsblob/1426.pdf>> (accessed July 16, 2013)

governance and properly functioning markets. The construction sector absorbed huge amounts of credit and labor resources, driving interest rates, exchange rates, and wages up throughout the rest of the economy. Because the main investment flows were directed to the construction sector and there was not an efficient intervention policy on the part of the government, the economy failed to diversify investment flows. Even so, there were very strong signs for development prospects in some other sectors (mainly IT and the processing of agricultural products).

As a result of this failure to diversify investment flows, GDP declined dramatically in 2009 following on the first blows of economic crisis to construction and real estate. Remittances and other transfers from abroad, which fueled this construction boom, complicated macroeconomic management and created adverse dependence at the microeconomic (household) level.

On the budgetary side, the period was characterized by a highly pro-cyclical fiscal policy, with the budget being in deficit even during the years of double-digit growth. **Notwithstanding this growth, however, Armenia’s spending on health, education, and public investment continued to be among the lowest in the world as a percentage of GDP.** Tax policy was poor too, and failed to provide efficient budget inflow. Monopolies had established themselves in the market and become the main players in import and production, which limited growth opportunities and resulted in higher prices. Unemployment and higher prices steadily created social tensions.

**The number of people living in poverty remains very high, with almost a third of Armenia’s population below the poverty line as of 2010.** In December 2012, the Minister of Finance said that poverty had remained unchanged during the past two years at the level of 35.1 percent and “no significant change is expected, with an estimated drop of poverty at 2-3 percent in 2013.”<sup>24</sup>

Table 17: Poverty indicators<sup>25</sup>

	Poor	Not poor
2004	53.5	46.5
2008	27.6	72.4
2009	34.1	65.9
2010	35.8	64.2

<sup>24</sup> Armenia’s Poverty rate to remain Unchanged (2012, December 24). *PanArmenianNet*. Retrieved from <<http://www.panarmenian.net/eng/news/139051/>> (accessed July 16, 2013)

<sup>25</sup> Social Snapshot and Poverty in Armenia 2011. *National Statistical Service of RA*. Retrieved from <<http://www.armstat.am/en/?nid=82&id=1301>> <<http://www.worldbank.org/en/news/press-release/2011/11/29/social-snapshot-and-poverty-in-armenia>>(accessed July 16, 2013)

## 1.5 Survey outcomes: Framework 1

This section draws on a survey aimed at revealing the main reasons behind the decision of young (and mostly high-skilled) people to emigrate. For survey purposes 445 people were selected: 392 Armenian citizens who had always lived in Armenia, and 53 who had studied abroad and returned to Armenia. The survey targeted people within the age group of 18-30 from different sectors and with different levels of education. The geographical distribution of respondents encompassed the three largest cities of Armenia (Yerevan, Vanadzor and Gyumri). A separate survey also collected opinions of students who left for another country to study and did not want to come back.

Round table discussions showed that the older respondents are more interested in high-paid jobs. Younger respondents, by contrast, are very enthusiastic about inspiring work, opportunities for self-realization, and possibilities for studying abroad. They intend to return in order to use their skills and improve their country's social environment. **Despite the fact that most younger respondents are concerned about issues such as social security, corruption, and the protection of human and property rights, this younger cohort does believe in potential improvement. They may constitute a powerful force capable of changing the social and economic situation in Armenia.**

Summarizing the answers of respondents and focus group discussions, below are the main reasons behind decisions to emigrate (in addition to economic reasons and the lack of jobs):

- Lack of favorable conditions for human development and challenges with human rights (about 40 percent of respondents);
- Absence of democracy and rule of law (about 60 percent of respondents);
- Psychological complexes (about 20 percent of respondents).

In answer to the question of what would be the primary consideration(s) for their career/work, 40 percent of respondents said that professional growth was their most important priority and 27 percent said interesting and inspiring work was their primary concern; only 20 percent noted salary as most important. The survey also found that 65 percent of respondents are concerned about having a high enough salary to save for the future.

All the points mentioned above are very important for the group of potential migrants. Some are students who leave Armenia for better education temporarily with the intention of returning, but later decide to stay abroad as they see more opportunities for professional and personal growth, physical mobility, multiculturalism and a number of other values in Western societies.

The survey also targeted a group of 53 people who had obtained their higher education mostly in Western countries. The goal of this survey was to find out the motives behind their wish to resettle to another country, since they have had experience in the West and can compare both sides of the coin. Only 5 respondents said that their motivation to study abroad was to find a well-paid job and stay there, while the vast majority (37) said that

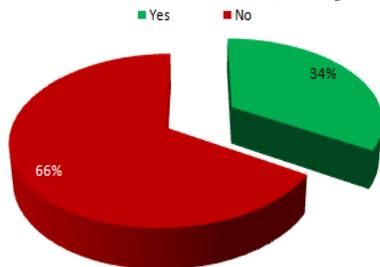
they had planned to get a good education and become experts in their field. At the same time, in answer to a question of what would still motivate them to leave if they had a well-paid job in Armenia, only 17 said that they would not leave, while 50 percent said they would leave because they preferred working in an international environment and in larger organizations (12 respondents), or because they like the social and cultural environment abroad (15 respondents). **The answers of respondents show that even though international students may not plan to stay in a foreign country, after coming back to Armenia almost half of them want to emigrate.**<sup>26</sup> Financial compensation is not a priority, as only 11 out of 53 respondents emphasized it as the main reason for wanting to emigrate. Furthermore, 19 respondents said that the biggest obstacle they had faced upon returning to Armenia was re-adaptation to life back home.

In answer to the question what types of changes they wanted to see that would make life good enough for them to stay in Armenia, the majority (28) of respondents named political and social reforms, along with the development of ‘open society’ values. Only 3 respondents emphasized competitive salary as priority. Most of the respondents (37) indicated that they had returned to Armenia because they either did not want to leave their families (10) or because they wanted to contribute to the development of their country (27).

## 1.6 Survey outcomes: Framework 2

The section includes results from another survey drawn from the entire territory of Armenia.<sup>27</sup> Initially respondents were divided in two groups: a group termed Residents, who were 18-50 years old; and a group termed Returned Emigrants, who had previously left Armenia at the age of 18 or older, worked in a foreign country consecutively for at least three months, and returned to Armenia no more than ten years ago. In the Residents group, 35.6 percent of respondents were male and 64.4 percent were female. Those with no intention to emigrate from Armenia made up 66 percent of the group, while 34 percent said they wanted to emigrate (see Chart 18).

Chart 18: Intentions to emigrate among the Residents group

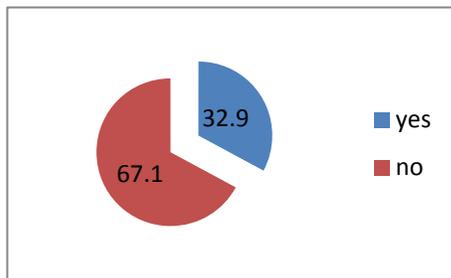


<sup>26</sup> Karaslanian, j., Director of Education Programs at the Luys foundation (2013, May 18). Most of Armenian Youth, 54%, Return to Armenia After Studying at Prestigious Universities. *News.am online media*. Retrieved from <<http://news.am/arm/news/154174.html>> (accessed July 16, 2013)

<sup>27</sup>The survey was initiated by the European Training Foundation (ETF, [www.etf.eu](http://www.etf.eu)) and implemented by CRRC/Armenia ([www.crrc.am](http://www.crrc.am)). The survey covers the entire territory of Armenia. Based on a predefined methodology, the sample included 2630 and 1426 respondents in separate groups.

Even though two-thirds of those who had never emigrated expressed no general intention to leave Armenia, one-third responded that probably they would emigrate during the coming two years. In other words, 79.3 percent of those who expressed an intention to leave (33.9%) considered emigration possible during the coming two years. Based on the respondents' answers above, a new category was added to the research: Potential Emigrants, who expressed an intention (very or quite likely) to leave Armenia within the coming two years. Chart 19 shows that 32.9 percent of respondents reported an intention to leave the country. The difference between the responses of the entire group of Potential Emigrants and the subgroup of employed Potential Emigrants is only percent, which means that employment is not a high priority in their decision to emigrate.

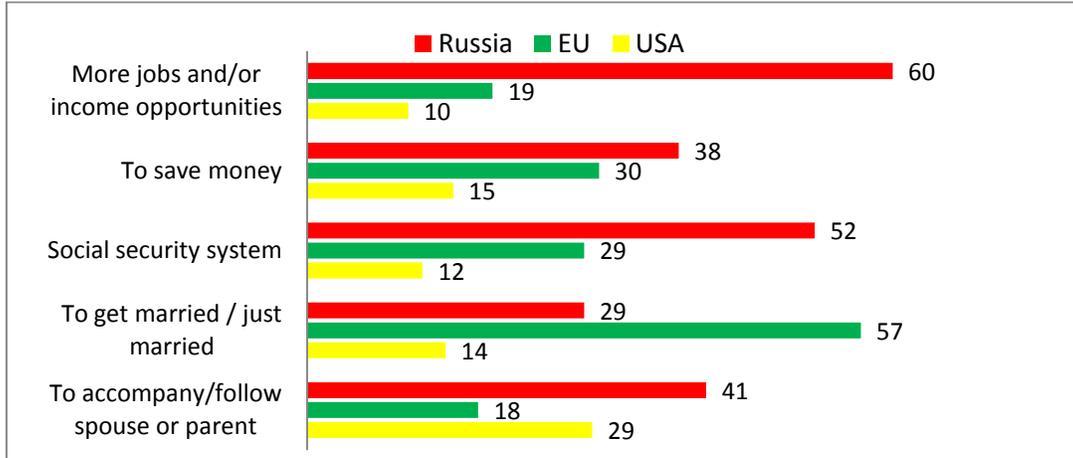
*Chart 19: Intention to emigrate among employed respondents in the Residents group (%)*



Respondents were also asked questions about salaries and their motivations connected with payment. Almost half of all respondents with secondary and higher education said that they thought they were overqualified for the job they were doing (49 percent and 45 percent respectively). Meanwhile, 31 percent of respondents with higher education said they thought they were overqualified for the job they were doing.

Russia was the favored destination for most (57%) potential emigration; other top preferred countries were the US (13%), France (6%), Germany (5%), Great Britain (4%) and Spain (3%). The majority of respondents who had plans to emigrate during the next two years mentioned Europe and the US as their destination; families with real plans for emigration target European countries or North America for the sake of better opportunities and a secure life. Most of the potential emigrants are aged 18-30, and plan to leave for countries with long-term opportunities for growth. The second-largest group of Potential Emigrants, those aged 41-50, mostly target Russia for emigration due to its cultural similarity and the lack of language barriers present in other countries.

Chart 20: Reasons for emigration according to countries for Potential Emigrants, aged 18-30.



The survey and analysis of responses reveal that those who have jobs are concerned about the low level of salaries. Respondents with higher education make plans for emigration because they cannot fully use the skills and knowledge they have.

Another survey group consisted of Returned Migrants, who had migrated and returned to Armenia. As Chart 24 shows, two-thirds of persons in this group were planning to emigrate.

Chart 24: Intentions to emigrate among Returned Migrants (%)

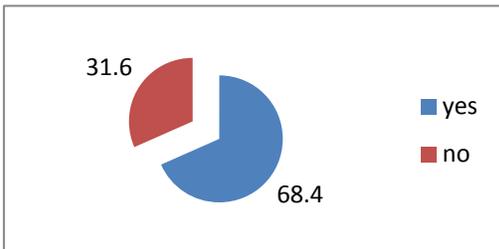
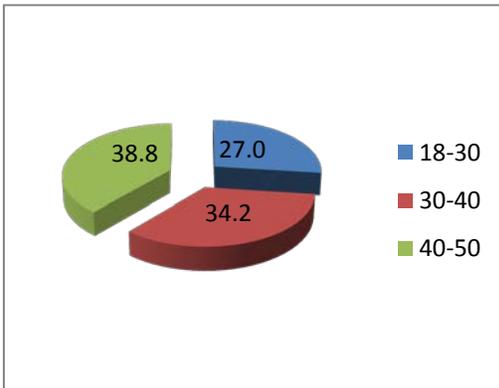
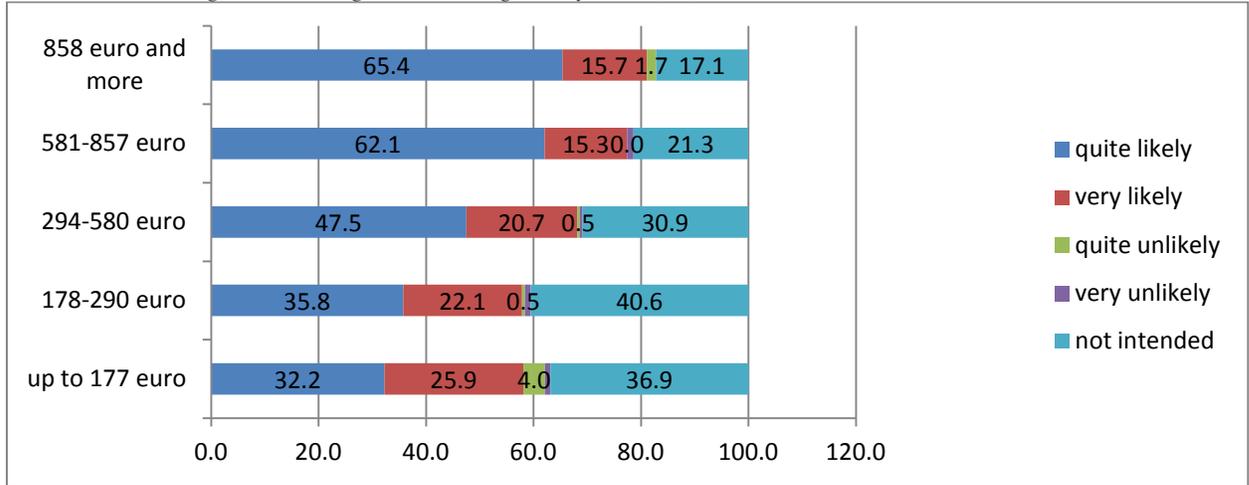


Chart 25: Age structure of Returned Migrants who intend to emigrate (%)



The survey found that 33.2 percent of Returned Migrants had jobs, while 42.8 percent were having challenges finding a job, and 37.5 percent of those who were employed said they thought they were overqualified for the work they were doing. Chart 26 illustrates the relation between salaries of Returned Migrants and their intention to emigrate.

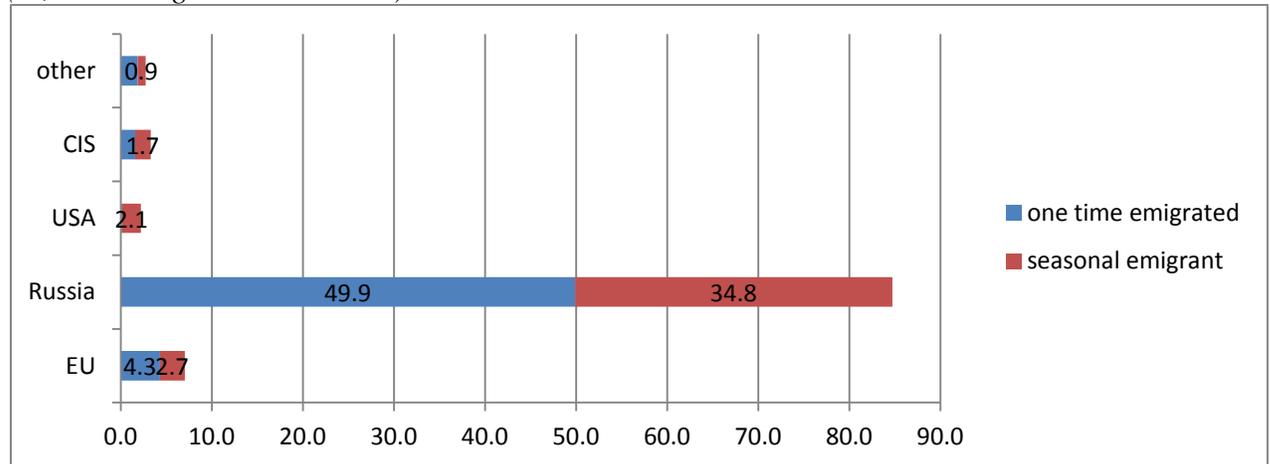
*Chart 26: The relationship between salaries of employed Returned Migrants and their intention to emigrate during the coming two years (%)*



Since the respondents' willingness to emigrate increases in parallel with their salary levels, it follows that increased salaries do not affect the decision to emigrate.

A distinct group within the Returned Migrant category were Seasonal Migrants (39.6 percent of the total), who had been abroad for two or more times with durations over three months, mostly for working purposes. Of the Seasonal Migrant group, 84.7 percent had spent time in Russia earning money. They mainly choose Russia for migration because of cultural similarities (primarily the language) as well as easy access without an entry visa. Chart 27 illustrates the classification of countries for seasonal migrants.

*Chart 27: Classification of countries for Seasonal Migrants and the frequency of trips (% according to the countries)*



The overwhelming majority of focus group respondents were men, since they are usually the ones in Armenian families who leave for longer times to work and bring money home. The survey found a trend toward emigration among all focus groups. Though salaries and income level, age, employment, and education are not the only factors influencing their decision to emigrate, they were the main factors discussed.

The results of the surveys can shed light on Armenia's future demographic structure. Through the use of probit regression models,<sup>28</sup> different scenarios were analyzed and compared for the purpose of drawing the most realistic conclusions. It appears that in all target groups, educational level and salary/income level changes did not have a significant impact on the decision to emigrate. Permanent employment is not an essential factor in the Potential Emigrants group, but it may affect the Returned Migrants' decision whether to re-emigrate in the future or not. Since in most cases people in this group were mostly middle-aged and above, the research group considered that the people in that category were already familiar with difficulties related to moving and working abroad.

The research group also observed a gender pattern: most of the people willing to emigrate were either young men or older women. The majority of respondents who expressed intention to emigrate were men, and most of those were young men seeking stable jobs, salaries, and quality of life. In other words, their intention to leave assumes long-term planning and goals. Women's intention to leave is conditioned by the opportunity of reunion with their families, and secondly by finding a stable and well-paid job in the host country. Because Armenia's demographic structure changed due to massive emigration in early 1990s and the war, in most cases these women are not married.

### **1.6.1 General observations**

The focus group discussions and survey revealed a willingness to emigrate among the majority of respondents in the groups of Returned Migrants and Potential Emigrants. In recent years, priorities and attitudes about emigration have changed. While in the early post-independence period most emigrants left for other countries mainly to make money and take care of their social needs, now people have different motives for emigration connected with long-term goals. Accordingly, people have started seeking opportunities for long-term emigration or permanent residence in other countries.

Most of the focus groups involved young people as the main target, with the goal of understanding the main factors that 'force them' out of the country and attract them to other countries. The survey found that the 'push' factors that force people out of the

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<sup>28</sup>A probit model is a type of [regression](#) where the [dependent variable](#) can only take two values. The purpose of the model is to estimate the probability that an observation with particular characteristics will fall into a specific one of the categories, which are compared against scenarios with most likelihood.

country and the ‘pull’ factors that attract them to other countries are two sides of the same coin, being negative in one place and positive in another place.

Informational influence has a major role in this process. For example, young people may be concerned about the lack of jobs in Armenia and aware of attractive information about the availability of many jobs in another country. Specifically, respondents had the impression that there were no jobs and opportunities in Armenia at all, and so many jobs in other countries that they would make a very good living anywhere else. Both of these viewpoints are exaggerated. The main target destinations for potential emigrants are Russia, EU countries and the US. Young people mostly tend to go to European countries and the US. There were significant differences between the understanding of prospects for emigrants in European countries and the US, on the one hand, and Russia, on the other. Young people have a ‘myth’ about the West, and it seems to them that everything is good in those countries. This ‘myth’ has formed among the youth mainly due to globalization, the availability of information, and stories told by people they know.

The main reasons for emigration specified by respondents are:

**Jobs:** Most of the respondents want to work in other countries out of the belief that there are not many jobs in their own country—and that even if there are, they need connections to help them find employment. They think better opportunities to find jobs exist in other countries.

**Education:** Young people think that the education system is better in Western countries, and want to study in those countries in order to achieve more in their lives.

**Social protection:** Respondents mentioned two main factors resulting in bad social protection: (i) a lack of connection between the labor market and education, and (ii) ‘social traditions’ in the society. Referring to ‘social traditions’, respondents explained it with the term ‘social justice’, conveying the idea that while in developed countries people are promoted according to their skills, merits and the benefit they can bring, in the Armenian government and organizations people are promoted due to influential contacts (cronyism).

**Perception of welfare:** There is an exaggerated perception of life in Western countries among youth. They think that everything is much better there, people live better, have more opportunities, life is easier and people have more fun. Mostly this information is highly exaggerated, causing them to neglect opportunities existing in their own country and raising higher expectations for emigration. In many cases this is a wrong perception, especially since following emigration people have to start anew in a strange place. After leaving their career and status in Armenia, many people are unable to succeed in their new countries, since they are not young and lack sufficient enthusiasm.

**Rule of law:** Respondents (mostly younger ones) often mentioned their desire to live in countries where there is strong rule of law and legal protection. Respondents often

compared Armenia with Western countries to show how Western governments and societies would protect their citizens.

## Chapter 2: Reasons and Solutions for Armenia's Demographic Crisis

### 2.1 Introduction

The previous chapter presented the facts of Armenia's demographic crisis, outlining research findings about the scope of emigration and the perceptions informing Armenians' choice to emigrate. Those individual choices and perceptions are rooted in larger systematic features of the country's current economic, political and social situation. This chapter examines those systematic realities to shed a fuller light on the background informing individual choices, and to highlight reforms that might lead Armenians to invest in a future for themselves and their families inside their country.

The reasons for current emigration trends are a mosaic of state violations and malfeasance that have accumulated over many years, coupled with the inability of citizens to speak out and effect change through social institutions. Among the reasons of emigration are a lack of jobs and economic opportunities, underdeveloped infrastructure, unsecure property rights and poor rule of law.

On January 25, 2001, Armenia became a fully-fledged member of the Council of Europe. In so doing, it committed to accept the main principles and values of the Council, to implement reforms that would develop democracy, and to make progress in peacefully resolving the Nagorno-Karabakh conflict. It also promised to introduce reforms strengthening the rule of law in spheres including political parties, the media, and non-governmental organizations. These reforms included securing the full independence of the judicial branch of power, respecting prisoners' rights, and turning the national television channel into a public channel managed by an independent administrative board.

Among the main reforms implemented in the period from 1999-2001 were ones related to the role of the private sector in the framework of market relations (for instance, through adoption of the Civil Code of RA in 1998)<sup>29</sup>; economic policy (e.g. laws related to tax and customs policies)<sup>30</sup>; and definition of state policy in the scientific and educational sectors (for instance, through the Law on Education<sup>31</sup>). The new codes and laws improved a number of sectors in Armenia to bring them in consistency with Council of Europe requirements. However, many state sectors and institutions remain considerably deficient in ways that continue to inform the emigration decisions and intentions of Armenia's citizens.

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<sup>29</sup> RA Law on Enforcement of Civil Code (1998, June 17). Retrieved from <<http://www.arlis.am/DocumentView.aspx?docid=61792>> (accessed July 16, 2013)

<sup>30</sup> RA Customs Code. Retrieved from <<http://www.parliament.am/legislation.php?sel=show&ID=1208&lang=rus>> (accessed July 16, 2013)

<sup>31</sup> RA Law on education. Retrieved from <<http://parliament.am/legislation.php?sel=show&ID=1494&lang=rus>> (accessed July 16, 2013)

## 2.2 The economy and business environment

One of the main challenges facing Armenia's economy is the centralization of business markets and the monopolization of profitable businesses, which are coordinated by oligarchs and groups entrenched in the political elite. Business throughout the country is run by a small number of groups, each controlling a specific sector and region. These oligarchic groups are directly involved in the state administration process, since most of the owners are members of the National Assembly.

This type of economic system, which lacks functioning economic institutions to control free competition in the market, is one of the main reasons for unemployment and emigration. By centralizing businesses through giving privileges to the largest monopolies, the system makes small competitors vulnerable and often non-viable. The rights to import certain types of goods are reserved to these oligarchic groups, accruing lucrative profits for them and driving competitors out of the market. (For example, one of the largest companies in the food industry, which holds a monopoly for the import of sugar and many other products, built a chain of supermarkets; other small businesses were not able to compete, leading to the loss of many jobs.) The system enriches a small group of people at the expense of many, producing a highly unequal distribution of wealth.

In May 2013, the International Monetary Fund's office in Yerevan issued a statement calling for liberalization of the business sector:

Armenia should implement series of activities to stimulate the private investments, being the main engine for economic growth. Specifically, efforts should be made to protect investors' right of earning profits. Still there are widespread precedents when privileged market conditions are provided to businesses with connections, or businesses are losing their incomes in unfair competition. As far as there is no decisive policy and adequate stimulus to take a risk, there will not be good investments, jobs and hope for the future of Armenia[.]<sup>32</sup>

Subsequently, the U.S. Ambassador to Armenia, John Heffern, commented that “[f]or Armenia's economy the transparency of the tax and customs sectors, and free market competition are important.... This is an economic rule, according to which competition reduces prices and improves qualities [and] services... This principle is true both for sugar import, airline transportation and any other business sector.”<sup>33</sup>

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<sup>32</sup> IMF Expects Faster Reforms from Armenia (2013, May 15). *RFE/RL*. Retrieved from <<http://www.azatutyun.am/content/article/24986915.html>> (accessed July 16, 2013)

<sup>33</sup> Harutyunyan, S. (2013, May 17). John Heffern Agrees with the Estimations of IMF Representatives. *RFE/RL*. Retrieved from <<http://www.azatutyun.am/content/article/24989393.html>> (accessed July 16, 2013)

In 2012, Armenia placed in 32<sup>nd</sup> place in an international “Doing Business” ranking by the IFC and World Bank.<sup>34</sup> This represented a breakthrough, since the country advanced from 55<sup>th</sup> place to 32<sup>nd</sup> in one year. However, the report noted that Armenia still needs improvement in areas such as business registration, international trade and provision of loans. Performance in categories such as property registration, contract enforcement and resolution of insolvency remained unchanged. In other categories such as building permits, connection to the power supply system, taxation and investor protection, significant improvements have been achieved.

### **2.2.1 Burdens on business**

Recently Armenia introduced a new procedure for business registration, which has made it easy and fast to register a business. The government has switched to a system of electronic tax reporting. While these changes are positive, many complaints remain about the difficulties of conducting business in Armenia. For instance, frequent unannounced in-person check-ups by tax officers are intimidating, and force businesspeople to spend undue time on paperwork and relations with representatives of tax bodies.

Companies surveyed in the World Economic Forum’s 2012-2013 Global Competitiveness Report<sup>35</sup> identify tax regulations and inefficient government bureaucracy to be among the most problematic obstacles (other than corruption) to conducting business in Armenia. This is also supported by the World Bank and IFC’s 2009 Enterprise Surveys<sup>36</sup>, which found Armenian companies reporting that senior management spent more than 10% of their time dealing with government regulations. According to the 2008 Business Environment and Enterprise Performance Survey by the EBRD and World Bank, 12% of senior management time is spent in dealing with public officials about the application and interpretation of laws and regulations, and in maintaining access to public services. Nearly two-thirds of companies reported that regulatory policies were a problem for doing business in Armenia.

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<sup>34</sup> Ease of Doing Business in Armenia 2013. *The World Bank*. Retrieved from <<http://www.doingbusiness.org/data/exploreeconomies/armenia/>> (accessed July 16, 2013)

<sup>35</sup> The Global Competitiveness Report 2012-2013. *World Economic Forum*. Retrieved from <<http://reports.weforum.org/global-competitiveness-report-2012-2013/>> (accessed July 16, 2013)

<sup>36</sup> Running a Business in Armenia. *Enterprise Survey Country Note Series. The World Bank*. Retrieved from <<http://www.enterprisesurveys.org/~media/FPDKM/EnterpriseSurveys/Documents/Country%20Notes/Armenia-09.pdf>> (accessed July 16, 2013)

## 2.2.2 Foreign investment

According to the Armenian Development Agency, foreign investors are given incentives such as tax holidays and the ability to carry forward losses indefinitely.<sup>37</sup> The Law on Foreign Investment protects foreign investors against land nationalization, expropriation and confiscation (except in cases of state emergency, in which case, the Constitution of Armenia provides for compensation to be paid in advance). However, foreign investors encounter problems with regulatory changes.

## 2.2.3 Import/export

Businesses wishing to import or export goods face obstacles in the form of **bureaucratic procedures** as well as obscurely-formulated and often-changing laws. For example, although the government has declared the development of IT sector a priority for economy, a 32% import tax currently exists on laptops and other equipment.<sup>38</sup> As well, many import procedures lack a centralized transparent database, instead being carried out manually by customs officers. For a company to move a product it has imported out of customs storage, for instance, a company representative must to go from window to window talking with various customs officers who exercise discretion in defining the customs fees of imported items. The prices of imported products are set at the highest applicable rate of import—meaning that a business seeking to import a laptop produced two years ago will have to pay a 32% customs fee based on the fixed price established when that item was first imported (which may be higher than the real price the importer has now paid). Such procedures create difficulties for businesses and increase the risk of corruption, since they leave room for customs officers to define the import price.

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<sup>37</sup> *Armenian Development Agency*. Retrieved from <<http://www.ada.am/rus/about-ada/overview/>>, <[http://www.fao.org/fileadmin/user\\_upload/Europe/documents/Publications/AI\\_briefs/AI\\_briefs2012/fao\\_armenia.pdf](http://www.fao.org/fileadmin/user_upload/Europe/documents/Publications/AI_briefs/AI_briefs2012/fao_armenia.pdf)> (accessed July 16, 2013)

<sup>38</sup> Laptops and a number of other electronic devices shipped by post arrive at the customs centralized storage near Zvartnots airport in Yerevan, and recipients are notified about delivery by mail. Even for one laptop a recipient has to go to the customs storage at his or her expense and go through a customs clearance process. For example, to receive a laptop, one has to pay a 10% fee (according to the price of the product in the customs system) for import established by the Customs Code of the Republic of Armenia (adopted on July 6, 2000, retrieved from <[http://www.customs.am/Shared/Documents/CL/RA\\_Customs\\_Laws/or\\_2000\\_ho83.pdf](http://www.customs.am/Shared/Documents/CL/RA_Customs_Laws/or_2000_ho83.pdf)>), 20% VAT and commission fees (in total 32%). In the customs office the clearance process is not centralized and people have to go from window to window, or pay customs brokers for this service. In addition, the procedures of customs clearance of products shipped by post service are governed by a decision of the government (Decision N4, dated January 8, 2001, retrieved from <[http://www.customs.am/Shared/Documents/CL/RA\\_Government\\_Decrees/vr\\_hhk\\_2001\\_4.pdf](http://www.customs.am/Shared/Documents/CL/RA_Government_Decrees/vr_hhk_2001_4.pdf)>), which does not clearly specify fees, terms and policies for defining customs clearance fees, leaving room for customs officials to define prices and establish payment rates.

## 2.2.4 Public budgeting / misappropriation of funds

Public budgets in Armenia are not transparent, and often funds are spent without going through a budgeting procedure. According to media reports, state institutions spend considerable funds on trips and expensive hotels, as well as on corrupt procurement tenders. On the threshold of the 2013 presidential election, Armenian president Serzh Sargsyan criticized his own government for permitting unfair tenders and allowing state officials to earning huge kickbacks from these tenders. While the wide broadcast of his criticisms by the media led to the dismissal of some officials for embezzling public money and receiving kickbacks, the state administration of these matters has not been systematically reformed. A recent IMF report criticized the government for using state funds to bail out badly-managed companies.<sup>39</sup> To prevent malfeasance, Armenia needs economic structures that operate systematically regardless of the political elite in charge, bringing transparency to financial transactions and the spending of public money.

## 2.2.5 Commercial law

Armenia's business environment also suffers from the low level of efficiency, independence and professionalism in its courts. By law, disputes may be brought before any court, provided that the Armenian government is not a party to the dispute. The Economic Court of Armenia was established in 2008 to deal with matters including commercial disputes. Armenia's Law on Arbitration Courts and Arbitration Procedures provides rules for the settlement of disputes by arbitration<sup>40</sup>; and Armenia is a signatory to several international conventions regulating the mutual acceptance and enforcement of foreign arbitration, including the 1958 New York Convention<sup>41</sup> and the 1965 Washington Convention<sup>42</sup>. Nonetheless, enforcing a commercial contract in Armenia requires a company to go through 49 procedures, taking 440 days at a cost of 19% of the claim.<sup>43</sup>

Armenian citizens are generally reluctant to go to court because the judicial system is considered to be corrupt, inefficient and vulnerable to political influence. Respondents in the 2010 Armenia Corruption Survey of Households by Caucasus Research Resource

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<sup>39</sup> IMF Urges Expects Faster Reforms from Armenia (2013, May 15). *RFE/RL*. Retrieved from <<http://www.azatutyun.am/content/article/24986915.html>> (accessed July 16, 2013)

<sup>40</sup> Law of the Republic of Armenia on Arbitration Courts and Arbitration Procedures. Retrieved from <[http://www.lexadin.nl/wlg/legis/nofr/oeur/arch/arm/arbitration\\_law.pdf](http://www.lexadin.nl/wlg/legis/nofr/oeur/arch/arm/arbitration_law.pdf)> (accessed July 16, 2013)

<sup>41</sup> Convention on the Recognition and Enforcement of Foreign Arbitral Awards – the “New York” Convention. (1958). *United Nations Commission on International Trade Law*. Retrieved from <[http://www.uncitral.org/uncitral/en/uncitral\\_texts/arbitration/NYConvention.html](http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention.html)> (accessed July 16, 2013)

<sup>42</sup> ICSID Convention, Regulations and Rules. *International Center for Settlement of Investment Disputes*. Retrieved from <<https://icsid.worldbank.org/ICSID/ICSID/RulesMain.jsp>> (accessed July 16, 2013)

<sup>43</sup> Doing Business 2012. *The World Bank*. Retrieved from <<http://www.doingbusiness.org/reports/global-reports/doing-business-2012>> (accessed July 16, 2013)

Centers<sup>44</sup> named the judicial system as the institution with the highest level of corruption in Armenia. At a government meeting in April 2012, Prime Minister Tigran Sargsyan compared the notary system to an “oligopoly” in which citizens are charged an unreasonably high rate; subsequently, the head of the notary department adjacent to the Ministry of Justice and its entire department was dismissed. A new inspectorate has been established to combat judicial corruption, and the European Integration Department at the Ministry of Justice has been given increased authority.<sup>45</sup>

Despite the government’s reform efforts, however, the majority of businesspeople and investors still do not consider the court system a viable resource. Business executives believe that corruption and nepotism largely determine the outcome of court decisions. Given the lack of trust in the court system, alternative dispute resolution methods are very important for foreign investors. However, international arbitration options are excluded in disputes involving the Armenian government; only bilateral investment treaties provide for international arbitration.

Insufficient protection of property rights and enforcement of contracts also cause risks for businesses, investors and individuals. In the construction sector, for instance, companies have sold the same properties multiple times to different buyers without incurring significant punishment.<sup>46</sup> Armenia needs professional institutions that could prevent such practices by analyzing the sector, developing recommendations for improving laws, and monitoring the operation of state institutions involved in enforcing contracts.

### **2.2.6 Small businesses lack influence**

Armenia’s economic growth and attractiveness to investment are also hampered by the lack of a stable business environment within public administration. Without institutions that control decision-making transparently, the government often issues abrupt orders affecting various economic sectors, making the business environment unstable and risky.

In 2011, for example, arbitrary decisions by successive mayors of Yerevan to demolish, retain or relocate sidewalk kiosk businesses led to the closing of a popular café and a wave of youth protests. The café owner (an expatriate who had returned to Armenia to open her business sixteen years previously), left for France, saying:

Countries with small economies should encourage their taxpayers to stay in the country. I cannot stay in Armenia because there are no favorable

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<sup>44</sup> Armenia Corruption Survey of Households 2010. *Caucasus Research Resource Centers*. Retrieved from <<http://www.crrc.am/research-and-surveys/completed-projects/armenia-corruption-surveys-2008-2010?lang=en>> (accessed July 16, 2013)

<sup>45</sup> Judicial Framework and Independence 2012. *Freedom House*. Retrieved from <<http://www.freedomhouse.org/report/nations-transit/2012/armenia>> (accessed July 16, 2013)

<sup>46</sup> Mkrtchyan, G. (2011, December 12). Sold Out: Aram Street Home Buyers Seek Justice. *ArmeniaNow*. Retrieved from <[http://www.armenianow.com/social/human\\_rights/34109/armenia\\_housing\\_apartments\\_billed\\_customers](http://www.armenianow.com/social/human_rights/34109/armenia_housing_apartments_billed_customers)> (accessed July 16, 2013)

conditions for business here.... For 16 years, I invested all that I had in Armenia, and I am considered one of the first investors, but so far our government has created only obstacles for both me and the companies I manage.... My example will be a lesson for many who will be careful in investing in Armenia.<sup>47</sup>

While small and medium businesses are trying to survive, monopolies find it very easy to navigate or bypass market regulations due to their influential government contacts. Large businesses owned by oligarchs use aggressive market tactics that suppress smaller firms. Securing free competition and equal rights for all market participants is crucial to foster economic development.

The goal of stimulating economic growth and innovation is also currently hampered by Armenia's poor protection of patents and intellectual property rights. Although the government has identified information technology and science as priority economic sectors, growth in these areas will be hindered without an efficient policy for protection of intellectual rights.

### **2.2.7 Effective economic institutions are lacking**

Though a number of institutions exist aimed at regulating the economy and supporting free competition, these are not yet efficient in practice. For instance, the State Commission for Protection of Economic Competition was established in 2001,<sup>48</sup> but partial implementation and loopholes in the law are preventing this institution from exercising its potential. Although it has investigated reports about fake products and food being sold in Armenia,<sup>49</sup> the negligible fines imposed on a violating company were too small to deter future offences. Another example of abuse in the economy is price manipulation: egg production companies have colluded to raise prices several times before New Year and Easter (when egg consumption volumes are high), in violation of the law.<sup>50</sup>

Such examples have resulted in a lack of entrepreneurial initiative in Armenia. The widespread opinion that all businesses are government-controlled and small ones cannot thrive has created an environment with few incentives rewarding work. A society in

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<sup>47</sup> Le Café du Paris Owner Finally Decides to Close up Shop and Leave Armenia (2011, December 26). *ePress*. Retrieved from <<http://www.epress.am/en/2011/12/26/le-cafe-de-paris-owner-finally-decides-to-close-up-shop-and-leave-armenia.html>> (accessed July 16, 2013)

<sup>48</sup> State Commission for the Protection of Economic Competition of the Republic of Armenia. Retrieved from <<http://www.competition.am/index.php?menu=137&lng=2>> (accessed July 16, 2013)

<sup>49</sup> Armenian MP's Fake Vodka to Come Out of Sale (September 28, 2011). *News.am online media*. Retrieved from <<http://news.am/eng/news/75721.html>> (accessed July 16, 2013)

<sup>50</sup> Egg Prices Skyrocket in Armenia (2010, December 28). *Arka.am electronic media*. Retrieved from <<http://arka.am/en/news/economy/23283/>> (accessed July 16, 2013)

which a bodyguard earns fifty times more than a scientist or teacher is one in which people wanting to exercise their potential will emigrate to do so.

Changing this situation calls for not just the improvement of existing laws and institutions, but also the collaboration of nonprofit organizations and media. To develop an efficient and functioning system of sustainable economic growth, civil society and media should become more active, and the government should let a broader range of social groups participate in the governance process.

### **2.2.8 Agriculture**

Developed economic institutions make economic growth sustainable and reduce risks. In their absence, Armenia's government deals haphazardly with crises. For example, in May 2013, several regions of Armenia were hit by heavy hail that damaged farms and crops. Farmers organized protests and closed the national highway in the north, demanding that the prime minister and president compensate them for their loss. Because most of the farmers had taken loans from banks, they had to leave their villages and work elsewhere to pay off the loans.<sup>51</sup> The highway remained closed for several days. Following the crisis, the Armenian government initiated a fundraising campaign and suspended the farmers' bank loans to compensate them for their loss. Despite this stop-gap solution, however, institutional measures for effective management and security should have been in place to secure both the economy and government from potential risk.

Agriculture is one of the most important economic sectors in Armenia—and given that the country is under blockade and the threat of war, it is crucial that industry and agriculture be better developed to meet local demand and be more resistant to external threats. By contrast, the banking sector is one of the most developed economic sectors in Armenia, with institutions protecting the interests of banks and their customers (namely, a security fund to compensate bank customers in case their deposits are lost due to bankruptcy or other reasons). Similar institutions should be created for agriculture and other sectors as well. This could boost agricultural productivity, which would later be taxed to generate state revenues.

Given that the financial system is advanced, banks should be encouraged and supported to provide financial products that could provide security to non-financial sectors such as agriculture. One such product would be crop insurance.

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<sup>51</sup> Villagers of Armavir Close Roads and Demand the President and Prime-Minister Come to See Them (2013, May 20). *Ilur.am*. Retrieved from < <http://www.ilur.am/news/view/13700.html>> (accessed July 16, 2013)

## 2.2.9 A transitional economy

Currently Armenia's economy is service-oriented, with active private investments in the construction and mining industries. A major part of Armenia's exports in 2009 (40%) consisted in mining exports. In 2012, Armenia's GDP distribution by sector was 19.2 percent in agriculture, 40.8 percent in industry and 40 percent in services.<sup>52</sup>

In recent years, the construction sector has been hit by economic crisis, and the service sector largely depends on market conditions. Armenia needs to diversify its economy to create wealth and value, which could be done by boosting manufacturing and industry. The government should do this by encouraging small and medium businesses, and by attracting foreign investments through improvements to the business climate and economic institutions.

## 2.2.10 Unemployment

Since the collapse of the Soviet Union and the achievement of independence in 1991, Armenia has faced high rates of structural unemployment. This has been caused by the closing of many factories and companies, poor economic conditions due to war with Azerbaijan, blockade (by Turkey and Azerbaijan), and an inherited system of poor economic conditions.

Some of these causes are difficult for the government to address effectively: the legacy of war and an insecure geopolitical environment; blockade; an inherited system of economic relations lacking institutional regulation; a bad privatization policy that closed factories; and high transportation costs. However, many other reasons for unemployment are within the government's power to reform: monopolies, lack of substantial control over economic relations by nonprofit organizations and media, and inefficient tax and customs policies.

Reports about unemployment rates in Armenia are controversial, as different sources have published different data. According to the Armenian National Statistical Service (NSS), the rate of unemployment was 17.3 percent in 2012, 18.4 percent in 2011, 16.4 percent in 2008, 28.7 percent in 2007, and 38.4 percent in 2001.<sup>53</sup> That information is based on a survey among 5,184 households;<sup>54</sup> however, the rapid reduction in the unemployment rate from 2007-2008 could be caused by change of analysis methodology used by the State Statistical Service. According to another survey based on a different

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<sup>52</sup> Armenia Economy Profile (2013). *Index Mundi*. Retrieved from [http://www.indexmundi.com/armenia/economy\\_profile.html](http://www.indexmundi.com/armenia/economy_profile.html) (accessed July 16, 2013)

<sup>53</sup> Unemployment Rate (2013). *National Statistical Service of the Republic of Armenia*. Retrieved from <http://www.armstat.am/en/?nid=126&id=08010> (accessed July 16, 2013)

<sup>54</sup> Social-Economic Indicators. *National Statistical Service of the Republic of Armenia*. Retrieved from [http://armstat.am/file/article/f\\_sec\\_1\\_13\\_4.doc.pdf](http://armstat.am/file/article/f_sec_1_13_4.doc.pdf) (accessed July 16, 2013)

methodology, the current unemployment rate in Armenia is 27.5 percent.<sup>55</sup> This report suggests that “unemployment is a bigger challenge especially in rural communities, where about 61.5 percent of people have left their places of residence seeking temporary jobs abroad.” A report published by the European Commission in 2011 states that one in four economically active people in Armenia are unemployed, and two-thirds of the employed depend on incomes from low-productivity agriculture and trade.<sup>56</sup>

Citizens of Armenia are entitled to receive unemployment benefits subject to a number of conditions. The amount of the benefit payment is 60 percent of the minimum monthly salary amount, payable for a maximum of 12 months after layoff.<sup>57</sup> Minimum monthly salary in Armenia is equal to \$108 (in AMD), and the amount of the unemployment benefit payment is \$65 (in AMD). Even though this procedure is established by the government, in practice it very is difficult to apply for and receive unemployment benefits due to bureaucratic difficulties.

### **2.2.11 Education**

Most of Armenia’s unemployed are young people between the ages of 15-35. A major reason for their situation is a lack of jobs, connected mostly with the low capacity of the domestic market and limited access to foreign markets due to the transport blockade. A second reason, however, lies in the education system, which is not adapted to market demands for trained specialists.

Most of the country’s 13 higher educational institutions offer a limited range of academic fields that do not provide marketable skills. The most popular majors are in areas such as international relations, political science, history, economics, management, marketing and law. There is high demand for professionals in construction and engineering, and the State Engineering University does offer professional programs in those fields—but those graduates fail to find jobs due to a lack of professional development opportunities (e.g. training, internships, foreign experience, and field placement).

## **2.3 Rural poverty in post-earthquake Gyumri**

With a high level of urbanization (officially reported at 64%) and an aging population, Armenia suffers from rural poverty. Most companies are concentrated in Yerevan,

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<sup>55</sup> Analyzes and Researches: Actual Employment Rate in Armenia. *Ministry of Labour and Social issues of the Republic of Armenia*. Retrieved from <<http://employment.am/en/38/free.html>> (accessed July 16, 2013)

<sup>56</sup> “Armenia: Social Protection and Social Inclusion” Country Report (2011). *European Commission*. Retrieved from <<http://ec.europa.eu/social/BlobServlet?docId=6881&langId=en>> (accessed July 16, 2013)

<sup>57</sup> Unemployment Benefit Payment. *Ministry of Labour and Social issues of the Republic of Armenia: State Employment Service Agency*. Retrieved from <<http://employment.am/en/27/free.html>> (accessed July 16, 2013)

although recently the government has compiled an industry development strategy aimed at expanding IT activities and infrastructure to Armenia's regions (primarily focused on Gyumri).<sup>58</sup> Armenia is experiencing shortage of skilled workers (including health and education workers) in rural areas; most of them are based in the capital city, which does not reflect the country's population distribution.<sup>59</sup>

Armenia's poorest people are concentrated along the nation's borders, in mountain areas and earthquake zones. Shirak in north-eastern Armenia, and Lori and Kotayk in the central part of the country, are among the poorest provinces.<sup>60</sup> The highest level of poverty, homelessness and unemployment was registered in Gyumri. According to official information, the poverty rate in Gyumri is 47.7%.<sup>61</sup> (By comparison, the child poverty rate in Armenia stands at 41.4%).<sup>62</sup>

Even though 25 years have passed since the devastating 1988 earthquake in the Shirak region, an estimated 6,500 families there are still living in temporary trailer homes or makeshift housing.

The 1988 earthquake took at least 25,000 lives, which was an exceptional loss for an earthquake of a moderate size. Some 514,000 people were left homeless, and 31,000 were injured.<sup>63</sup> Even though 25 years have passed since the earthquake, Gyumri—once a developing industrial city and one of the main cultural centers of the South Caucasus—has not yet recovered. More than half of the 6,500 homeless families in the Shirak region (some 3,500 families) are not eligible for new housing, since the government does not consider them direct victims of the earthquake.

According to research by the Shirak Center, a nonprofit organization, in 2009 the official list of people who were homeless as a result of the earthquake in Gyumri included 4,270 families. Most of these families received housing during the past three years. However, 1034 families are still on the waiting list. Some 300-400 families have been refused housing, and 300 families were not able to submit the required documents even though they had lost their houses as a result of the earthquake. In addition to the official list,

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<sup>58</sup> Doing Business in Armenia: 2012 Country Commercial Guide for U.S. Companies. *U.S. & Foreign Commercial Service and U.S. Department of State*. Retrieved from <[http://photos.state.gov/libraries/armenia/328666/key\\_reports/ccg2012.pdf](http://photos.state.gov/libraries/armenia/328666/key_reports/ccg2012.pdf)> (accessed July 16, 2013)

<sup>59</sup> Hakobyan T. et al. (2006). Armenia: Health System Review. *Health Systems in Transition*, 8(6):1–180. Retrieved from <[http://www.euro.who.int/\\_data/assets/pdf\\_file/0004/96430/E89732.pdf](http://www.euro.who.int/_data/assets/pdf_file/0004/96430/E89732.pdf)> (accessed July 16, 2013)

<sup>60</sup> Rural Poverty in Armenia. (2010). *Rural Poverty Portal*. Retrieved from <<http://www.ruralpovertyportal.org/country/home/tags/armenia>> (accessed July 16, 2013)

<sup>61</sup> Armenia Poverty Profile and Labour Market developments in 2008-2011. *National Statistical service of Armenia*. Retrieved from <[http://www.armstat.am/file/article/poverty\\_2012e\\_2.pdf](http://www.armstat.am/file/article/poverty_2012e_2.pdf)> (accessed July 16, 2013)

<sup>62</sup> Gyumri: Thousands of people Still Living in temporary Housing. (2012, April 26). *Hetq online media*. Retrieved from <<http://hetq.am/eng/news/13560/>> (accessed July 16, 2013)

<sup>63</sup> Wood, P. R. et al. (1989). Earthquake of 7 December 1988, Spitak, Armenia Report of the NZNSEE Team Visit of 1989. *Bulletin of the National Society for Earthquake Engineering: vol. 26, no 3, September 1993*. Retrieved from <<http://www.nzsee.org.nz/db/Bulletin/Archive/26%283%290253.pdf>> (accessed July 16, 2013)

some 3,500 families are not registered for housing. Currently there are over 4,500 families with 'homeless' status in Gyumri; this number includes families that are not eligible for new housing but are waiting for emergency improvements to their buildings.<sup>64</sup>

According to the Shirak Center, 22,000 apartments and houses collapsed as a result of the 1988 earthquake. However, just 18,000-19,000 apartments were built since then ; and in 2001-2008 only 3,000 apartments were built. In the same period, 13,347 families received funding from different sources to reconstruct or improve their housing conditions (USAID: 6,596 families; Linsy Foundation: 4,126; government of Armenia: 2,282; community budget: 251; Jon M. Huntsman Foundation: 64; and Armenia Pan-Armenian Fund: 28 families).<sup>65</sup>

In June 2008, the government of Armenia adopted a strategy committing to end earthquake-related homelessness in Gyumri by 2013. However, the deadline was missed and was extended till 2014.<sup>66</sup> In March 2013, the city council of Gyumri submitted an official letter to the Prime Minister of Armenia stating that housing and poverty problems in Gyumri were fueling emigration and social crisis, which could become an irreversible trend. According to the government's official response, there are 30,000 people residing in makeshift shelters and with a status of 'homeless' in Armenia, and the government would treat those 4,300 homeless families in Gyumri in accordance with the national "Poverty Reduction Strategy."<sup>67</sup>

Even though 25 years have passed since the earthquake, many people still live in extremely poor conditions in Gyumri, in the same shacks they occupied immediately after the earthquake.<sup>68</sup> Infrastructure and 85% of roads in Gyumri are in extremely poor condition. These unacceptably poor circumstances, together with the government's failure to solve longstanding problems, are among the main causes of emigration from the North of Armenia. Many people have fled to different countries in order to earn a living for their families. The emigration level from Gyumri continues to be high. Even though no official emigration records from Gyumri exist, various accounts agree that people mainly leave the region via bus to Russia. According to the Asparez journalists' club,

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<sup>64</sup> Tumasyan, V. (2013, March 20). Real Statistics on Homelessness in Gyumri. *Shirak Center non-for-profit organization*. Retrieved from <<http://shirakcentre.org/hy/news/20141-shirak-centre-ngo>> (accessed July 16, 2013)

<sup>65</sup> Report on Monitoring of Distribution of Apartments in Earthquake Zone. (2010, Gyumri). *Shirak Center non-for-profit organization*. Retrieved from <[http://www.partnership.am/res/POS%20Publications\\_Arm/Monitoringi%20zekuyci%20girq.pdf](http://www.partnership.am/res/POS%20Publications_Arm/Monitoringi%20zekuyci%20girq.pdf)> (accessed July 16, 2013)

<sup>66</sup> Housing Construction Stopped in Shirak Region. (2013, 31 July). *Shirak Center non-for-profit organization*. Retrieved from <<http://shirakcentre.org/hy/news/20337-shirak-centre-ngo>> (accessed July 16, 2013)

<sup>67</sup> Tumasyan, V. (2013, March 20). Does the Government Give Up on Problems of Homeless People in Gyumri? *Shirak Center non-for-profit organization*. Retrieved from <<http://shirakcentre.org/hy/news/20139-shirak-centre-ngo>> (accessed July 16, 2013)

<sup>68</sup> Life in Gyumri Shacks Unbearable. (2013, August 6). *168 Hours newspaper*. Retrieved from <<http://168.am/2013/08/06/260231.html>> (accessed July 16, 2013)

every day between one and four buses full of people (including both seasonal workers and emigrants) depart for Russia from Gyumri.<sup>69</sup>

After a visit to the North of Armenia, Hrant Bagratyan, Member of Parliament and former prime minister of Armenia, shared his concerns with the media:

Visiting the North of Armenia and crossing the Georgian border on Sunday [April 21, 2013], I saw something that shocked me. Hundreds of people were crossing the border on foot, leaving Armenia and carrying along with them their luggage and beds. I was terrified by the number of people who crossed the border in Bagratashen. On April 21, 6000 people crossed the border, while normally this number should be below 1000. Usually 400-500 people leave through this border point every day.<sup>70</sup>

## 2.4 Rural communities and security

Unemployment, poverty and emigration are a bigger challenge in rural communities. This report suggests that “in rural communities about 61.5 percent of people have left their places of residence seeking temporary jobs abroad.” Most of these people are young men. The security of Armenia's borders is a national preoccupation, when two of its neighbors are hostile to it. It is imperative that Armenia maintains its population, where today it is already the smallest country in the Caucasus in terms of population. It is painful to read the words of the President of Azerbaijan who has not hidden his delight at the de-population issues facing Armenia:

We must continue to keep Armenia in isolation from all international projects. This tactic and policy are bearing fruit... If we look a little bit ahead – the demographic situation will also play and plays a positive role. Today Azerbaijan's population reaches 9.5 million people. Less than 2 million people live in Armenia. If our population grows at this pace, and the Armenian population declines, then after about 5-7 years, our population will be ten times more. This is itself a source of strength. If we take into consideration our successful economic policy, energy policy of Azerbaijan, I think we will achieve what we want.<sup>71</sup>

It is essential for Armenia to improve its performance in economy, protection and law, as well as make more efforts to attract investments from diaspora and foreign investors to rural communities.

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<sup>69</sup> Barseghyan, L. (2013, May 20). Humanitarian Crisis in Gyumri: Every Day 1-4 Buses Full of People Flee. *168 Hours newspaper*. Retrieved from <<http://168.am/2013/05/20/227240.html>> (accessed July 16, 2013)

<sup>70</sup> MP Shocked By What He Saw At Border with Georgia. (2013, April 30). *Lragir.am online media*. Retrieved from <<http://www.lragir.am/index.php/eng/0/society/view/29764>> (accessed July 16, 2013)

<sup>71</sup> Stamboultsyan, G. (May 28, 2013). In seven years Azerbaijan's population will be ten times more than Armenia's population. *Radio Free Europe / Radio Liberty*. Retrieved from <<http://www.azatutyun.am/content/article/24999633.html>> (accessed July 16, 2013)

## 2.5 Rule of law

The rule of law is one of the main elements providing wellbeing and protection in any society. While there may be loopholes in the laws of developing countries such as Armenia, the real challenges concern the application of law. Armenia suffers from corruption due to the selective application of laws, and citizens receive unequal protection under the law. The 2012 Freedom House report on political rights and civil liberties in Armenia says:

Corruption is believed to be a serious problem in law enforcement. A five-year initiative to combat graft, announced in 2008, has not made meaningful headway against the country's entrenched culture of corruption... The judiciary is subject to political pressure from executive branch and suffers from considerable corruption. Police make arbitrary arrests without warrants, beat detainees during arrest and interrogation, and use torture to extract confessions.<sup>72</sup>

Institutional weaknesses in the judicial and law enforcement systems produce abuses and violations of human rights during the investigation process and in courts. In recent years Armenia has started to lose more cases in the European Court of Human Rights (ECHR). Most of the applications sent to the ECHR concern the 6th provision of the European convention, protecting the right to fair trial. The ECHR has issued rulings requiring the Armenian government to pay compensation to citizens who mostly suffered from abuse in violation of the European Convention on Human Rights Article 3 (prohibition of torture) and Article 5 (the right to liberty and security).<sup>73</sup>

### 2.5.1 Judicial and police abuse

A former judge and now president of a legal NGO, Pargev Ohanyan, believes that the majority of ECHR cases filed by citizens of Armenia concern illegal actions on the part of investigative bodies in the pre-investigation phase:

The problem is that during initial investigation, the lawyer and advocate is not even entitled or allowed to see his client and talk to him, and has no right to raise objections till the end of the investigation. This means that the accusation is already made and confirmed at the time when the advocate starts working.... Even when an advocate submits objections before the start of the judicial proceeding, the failure to follow due

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<sup>72</sup> Freedom in the World 2012: Armenia. *Freedom House*. Retrieved from <<http://www.freedomhouse.org/report/freedom-world/2012/armenia>> (accessed July 16, 2013)

<sup>73</sup> European Convention on Human Rights. *European Court of Human Rights*. Retrieved from <[http://www.echr.coe.int/Documents/Convention\\_ENG.pdf](http://www.echr.coe.int/Documents/Convention_ENG.pdf)> (accessed July 16, 2013)

procedure, the investigators' arbitrary behavior and independence, and the prosecutor's 'patronage' make it impossible to be effective in this phase.<sup>74</sup>

In the existing system, investigators even have a right to suspend cases (a right that should be reserved for the court, which is charged with deciding guilt or innocence). Because investigators have the right to make accusations in the preliminary investigation phase, they have room to maneuver, which creates corruption risks. The system makes it easier to fabricate cases from the very beginning; and it is very difficult to protect people being investigated because from the outset of the investigation process, suspected persons can be called criminals (in violation of presumption of innocence).

The system would be improved if the right to issue investigation conclusions and to question witnesses were removed from the pre-investigative phase, giving the former right to the investigation body and the latter one to the court. Georgia's more efficient investigation system could be adopted as a model for Armenia.

Throughout the whole process of investigation and trial, moreover, the role of lawyers is limited. Investigation bodies have the right to accuse any suspected person in any phase of investigation, which narrows the role of lawyers and weakens legal protections. In 2012 and 2013, Armenian lawyers went on strike to protest against arbitrary, biased and negligent rulings by the state Court of Cassation.<sup>75</sup>

Other judicial mistreatment occurs when investigation bodies and police violate human rights by beating and torturing detainees before trial in order to obtain confessions or information. In May 2007, for instance, Yerevan restaurant owner Levon Gulyan was brought to the police station as a witness in a murder case and died in custody (from what many suspect was a beating at the hands of police). International human rights watchdogs and Armenian organizations condemned the Armenian police for the murder, and the government for failure to punish the culprits.

That failure to punish has created an environment of impunity in which further high-profile episodes of police brutality have occurred. And while it is mostly fatal incidents that get reported in the media, there may be many cases of torture and human rights violations by police that stay secret under threats and pressure.

Recently the ECHR ruled that the Armenian government must pay opposition activist Grisha Virabyan 31,000 Euros in moral and monetary compensation for a beating he received from Ararat Regional Police in 2004.<sup>76</sup> In 2013, the person who committed the human rights violations, Ashot Karapetyan, was appointed chief of Yerevan police. This

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<sup>74</sup> Ohanyan, P. (2012, June 30). The Preliminary Investigation Body is a Cancer That Must Be Removed. *168 Zham newspaper*. Retrieved from <<http://archive.168.am/en/articles/8734>> (accessed July 16, 2013)

<sup>75</sup> Alumyan, H. (2013, May 25). Lawyers to Declare Strike Against Court of Cassation. *Tert.am online media*. Retrieved from <<http://www.tert.am/en/news/2013/05/25/lawyers-strike/>> (accessed July 16, 2013)

<sup>76</sup> Case of Virabyan v. Armenia: Application no 400 94/05 (Strasbourg, Final Judgment, 2013, January 02). *European Court of Human Rights*. Retrieved from <[http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-113302#{"itemid":\["001-113302"\]}](http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-113302#{)> (accessed July 16, 2013)

appointment caused massive criticism and distrust of the police among Armenian youth. The episode shows how the legal and judicial systems are malfunctioning. Citizens pay taxes to have security services who commit violations—and then taxpayers must pay the costs for those violations.

In June 2012, Armenian doctor Vahe Avetyan was beaten to death by bodyguards of Ruben Hayrapetyan (then a member of parliament) inside Hayrapetyan's restaurant.<sup>77</sup> Social networks and electronic media were used to mobilize massive demonstrations, mostly consisting of youth activists demanding justice and punishment. In a *Nouvelles d'Arménie* interview<sup>78</sup>, Hayrapetyan responded by saying that “those who had bothered his family by terrorizing and threatening them would suffer with their families.” This led to the launch of a public initiation that filed a case against Hayrapetyan in Yerevan's Court of General Jurisdiction.

These examples demonstrate the outright corruption, the lack of efficient administration, control and punishment in Armenia's police and judicial systems. Atrocities recur even though the government and officials revise policies and aim to impose stricter controls. In a recent visit to Armenia, the Estonian minister of justice said, “conditions to move forward with judiciary reforms in Armenia are good. The question for me, and probably the European Union, is not legislation but implementation.”<sup>79</sup>

## 2.5.2 Civil society support

If reforms are made and law enforcement is improved by the government, the process will be made faster and more effective through the involvement of civic institutions and groups. Today Armenia is developing responsive civic groups; but to make their activities more focused, these groups should have greater legal awareness and train people to know their rights and act in cooperation with the media to bring about institutional changes. Such cooperation will not only help the government to develop democracy, reforms and governance efficiency faster, but may also develop an institutional platform for monitoring and reporting.

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<sup>77</sup> The Killing of Vahe Avetyan. *Human Rights Work in Yerevan*. Retrieved from <<http://humanrightsinerevan.wordpress.com/2012/07/04/the-killing-of-vahe-avetyan-current-news/>> (accessed July 16, 2013)

<sup>78</sup> Activists of “Vahe Avetyan” Public Group Launch Case against Ruben Hayrapetyan (2012, October 8). Retrieved from <[http://armenianow.com/society/40288/ruben\\_hayrapetyan\\_threats\\_vahe\\_avetyan\\_group\\_court\\_case](http://armenianow.com/society/40288/ruben_hayrapetyan_threats_vahe_avetyan_group_court_case)> (accessed July 16, 2013)

<sup>79</sup> Estonian Justice Minister: Armenian people should know more about their rights (2013, May 21). *News.am online media*. Retrieved from <<http://m.news.am/eng/news/154543.html>> (accessed July 16, 2013)

## 2.6 Governance system institutions and a need for better/organized parliamentary opposition

Armenia's political system consists in a representative republic with a president as head of government, and a multi-party system. Executive power is exercised by the government, while legislative power is vested in the parliament. The Armenian parliament (National Assembly) is a unicameral body comprising 131 members elected for five-year terms. There are 41 members elected by proportional representation, and 90 members elected by majoritarian representation.

Political powers currently represented in the parliament are the Republican Party of Armenia (RPA) with 70 seats, the Prosperous Armenia Party (PA) with 36 seats, the Armenian National Congress (ANC) with 7 seats, the Rule of Law Party (RL) with 6 seats, the Armenian Revolutionary Federation (ARF) with 5 seats and the Heritage Party with 5 seats. There are two independent parliamentarians in the National Assembly.<sup>80</sup>

The RPA holds most seats in parliament and most portfolios in national government, regional administration and positions in local government. The president, prime minister and Speaker of the National Assembly are representatives of RPA. PA is the second largest political power represented in the government and parliament. It brands itself as an 'alternative political power' and neither pro-government nor a pro-opposition party. PA, RPA and RL comprise the political elite group of the country, and act in consensus in relation to political and governance issues.<sup>81</sup> Freedom House categorized Armenia as a "semi-consolidated authoritarian regime" in its Nations in Transit 2011 report.<sup>82</sup>

Currently the opposition of Armenia (the ANC, ARF and Heritage parties) is not widely represented in the parliament, and the only venues to make the voice of people heard are parliamentary sessions, media, and demonstrations. The economy is dominated by oligarchs with close ties and political leverage in the government and parliament.<sup>83</sup> The vast majority of parliamentarians are "wealthy businesspeople heavily reliant on governmental levers and financial resources."<sup>84</sup>

The government's stated aim is to build a Western-style parliamentary democracy. However, international observers have questioned the fairness of Armenia's parliamentary and presidential elections and its constitutional referendum since 1995.

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<sup>80</sup> National Assembly of the Republic of Armenia. Retrieved from <[www.parliament.am](http://www.parliament.am)> (accessed July 16, 2013)

<sup>81</sup> Iskandaryan, A. (2012). Nations in Transit 2012. *Freedom House*. Retrieved from <[http://www.freedomhouse.org/sites/default/files/Armenia\\_-\\_final.pdf](http://www.freedomhouse.org/sites/default/files/Armenia_-_final.pdf)> (accessed July 16, 2013)

<sup>82</sup> Nations in Transit 2011: The authoritarian dead end and in the former Soviet Union. *Freedom House*. Retrieved from <[http://www.freedomhouse.org/sites/default/files/inline\\_images/NIT-2011-Release\\_Booklet.pdf](http://www.freedomhouse.org/sites/default/files/inline_images/NIT-2011-Release_Booklet.pdf)> (accessed July 16, 2013)

<sup>83</sup> IMF Country Report No 11/366 (2011, December). *International Monetary Fund*. Retrieved from <<http://www.imf.org/external/pubs/ft/scr/2011/cr11366.pdf>> (accessed July 16, 2013)

<sup>84</sup> Country Profile: Armenia. *European Forum for Democracy and Solidarity*. Retrieved from <<http://www.europeanforum.net/country/armenia>> (accessed July 16, 2013)

Violations of the most recent elections include polling deficiencies, lack of cooperation by the Electoral Commission, use of administrative resources by parties represented in the government, intimidation, bribery, poor maintenance of electoral lists and polling places, as well as procedural violations.<sup>85</sup>

In a recent report about Armenia, the Freedom House said:

Armenia's political system operates on the basis of consensus among elite groups that control economic and political resources. Society has little leverage over legislative processes or political decision making; consequently, trust in governing institutions is very low. Results of every national election since 1995 have been challenged by the opposition, which is personality-driven and passive between elections.<sup>86</sup>

It is believed that the only fully fair election in the history of independent Armenia was the first presidential election in 1991.<sup>87</sup> Each subsequent election was said to be unfair by opposition parties, causing public protests and demonstrations. The most vigorous protests followed the 2008 presidential election, resulting in the death of ten people due to excessive use of force by police against anti-government protesters.<sup>88</sup>

Since its independence, Armenia has chosen a policy that enriches political elites at the expense of the rest of the society, entrenching a system of non-formal administration based on money and power, and sustained by monopolies and privileged treatment. Power is preserved by buying the support of crucial groups to get votes during elections, by giving privileged conditions to elites in business, and by strongly controlling the judicial system and media in periods between elections. Elections are coordinated not only at presidential and parliamentary levels but at the local government level as well, sometimes with oligarchs and local elites controlling electoral processes personally. There have been reports about voter intimidation, use of administrative resources during electoral campaigns, bribe-taking by voters, and other forms of electoral violations.<sup>89</sup> After each election cycle, international observers have reported modest improvements, but the electoral system in Armenia still needs improvement to be able to provide free and fair elections.

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<sup>85</sup> Post-Election Interim Report: Armenia Presidential Election 18 February 2013 (2013, March 2). *OSCE Office for Democratic Institutions and Human Rights: Election Observation Mission*. Retrieved from <<http://www.osce.org/odihr/elections/99931>> (accessed July 16, 2013)

<sup>86</sup> Iskandaryan, A. (2012). Nations in Transit 2012. *Freedom House*. Retrieved from <[http://www.freedomhouse.org/sites/default/files/Armenia\\_-\\_final.pdf](http://www.freedomhouse.org/sites/default/files/Armenia_-_final.pdf)> (accessed July 16, 2013)

<sup>87</sup> Ishkanian, A. (2008, March 4). Democracy Contested: Armenia's Fifth Presidential Election. *OpenDemocracy non-for-profit public media*. Retrieved from <[http://www.opendemocracy.net/article/democracy\\_power/caucasus/armenia\\_elections](http://www.opendemocracy.net/article/democracy_power/caucasus/armenia_elections)> (accessed July 16, 2013)

<sup>88</sup> Armenia: Skewed Prosecution over 2008 Clashes (2009, February 25). *Human Rights Watch*. Retrieved from <<http://www.hrw.org/news/2009/02/24/armenia-skewed-prosecution-over-2008-clashes>> (accessed July 16, 2013)

<sup>89</sup> Amnesty International: Authorities Must Investigate Violations (2013, March 3). *The Armenian Weekly*. Retrieved from <<http://www.armenianweekly.com/2013/03/03/amnesty-international-authorities-in-armenia-must-investigate-violations/>> (accessed July 16, 2013)

Given that local institutions are weak and fail to demand accountability effectively, international organizations such as the Council of Europe, the World Bank and the IMF are the main institutions demanding governance policy changes. In a May 2013 visit to Armenia, the mission chief of an IMF delegation said:

The Armenian government must end the privileged treatment of some businesspeople, improve tax collection and embark on other “deep and swift” reforms... Decisive changes, made quickly and comprehensively, should persuade Armenians and others abroad that society rewards those who work and that the game is fair, open and reaching for the best solutions for ordinary Armenians... It is still common for well-connected parties to have privileged market position, or for profits to be wrongfully lost. Until a more decisive approach and proper incentives for risk-taking are well established, there will not be enough investment, jobs, or hope in Armenia’s future.<sup>90</sup>

In April 2011, the United States announced it was cutting aid to Armenia through the Millennium Challenges program, since Armenia’s government had failed to meet conditions related to democracy and market liberalization. The cancellation of the next phase of provision (to the amount of \$235.6 million) was explained by the U.S. Ambassador to Armenia: “The reason for the decision...was Armenia’s failure to show progress in good governance areas such as freedom of press and assembly.”<sup>91</sup>

On the level of governmental commitment, Armenia is cooperating with international organizations to improve the quality of public services. In 2010 it received a credit from the World Bank to improve provision of public services,<sup>92</sup> and in 2011 it joined the Open Government Partnership initiative by committing to promote greater transparency and accountability in providing public services to its citizens.<sup>93</sup> In 2011, it adopted a Law on Public Services establishing rules on ethics, the prevention of corruption and the declaration of assets by high-ranking officials. The year 2012 saw the establishment of the Ethics Committee of the National Assembly and the adoption of a decree on setting up the procedure of reporting about corruption related offences within the public service.<sup>94</sup>

Notwithstanding these measures, however, the only tangible institutional improvement is an electronic government system enabling the provision of various public services

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<sup>90</sup> Danielyan, E. (2013, May 15). IMF Urges Democratic Policy Changes in Armenia. *RFE/RL*. Retrieved from <<http://www.azatutyun.am/content/article/24987273.html>> (accessed July 16, 2013)

<sup>91</sup> Grigoryan, M. (2011, April 20). Armenia Debates Reason for Millennium Challenge Cancellation. *EurasiaNet*. Retrieved from <<http://www.eurasianet.org/node/63337>> (accessed July 16, 2013)

<sup>92</sup> World Bank Supports Armenia in Improving Public Sector Performance. *The World Bank*. Retrieved from <<http://www.worldbank.org/en/news/press-release/2010/03/16/world-bank-supports-armenia-in-improving-public-sector-performance>> (accessed July 16, 2013)

<sup>93</sup> Country Commitments: Armenia. (2011, October 17). *Open Government Partnership*. Retrieved from <<http://www.opengovpartnership.org/countries/armenia>> (accessed July 16, 2013)

<sup>94</sup> Armenia Progress Report (2012, February 20). Organization for Economic Co-Operation and Development: Anti-Corruption Network for Eastern Europe and Central Asia. Retrieved from <<http://www.oecd.org/corruption/acn/49910824.pdf>> (accessed July 16, 2013)

through one online portal. Even though this is a significant improvement, Armenia still has to implement a number of reforms, and lacks monitoring and reporting mechanisms for the prevention and punishment of violations. Consequently, there are many loopholes in the law and much abuse on part of officials.

According to the Nations in Transit 2012 report by Amnesty International, Armenia's political system operates on the basis of consensus among elite groups that control economic and political resources. Civil society has little leverage over legislative processes or political decision-making, trust in governing institutions is very low, and the political opposition is personality-driven and passive between elections.<sup>95</sup> The Armenian National Congress, once a consolidated opposition party that was a coalition of 13 non-parliamentary opposition parties and played a key role in 2008 mass protests, lost the support of many parties following its leader's decision not to run for president. The Heritage party became active and led the opposition movement following the refusal of major political opponents of the incumbent president to participate in elections.<sup>96</sup> Currently, opposition parties have few seats in parliament and no major influence on public policy and decision-making. Non-parliamentary opposition is weak, too, as it lacks consolidation and collaboration with other political powers. There is a need to consolidate many opposition powers into a few parties that are not personality-driven and that can serve as an umbrella group for many political parties otherwise excluded from power.

### 2.6.1 Tackling corruption

Corruption in Armenia exists at different levels of governance and is a major factor in relations with government bodies and business regulation. According to Transparency International, Armenia improved its index of corruption perception in 2012 but the level of corruption still remains high, placing the country at 105th out of 176 countries surveyed. "Despite legislative revisions in relation to elections and party financing," the report states, "corruption either persists or has re-emerged in new forms."<sup>97</sup>

The main anti-corruption institutions of the Armenian government are an Anti-Corruption Council (headed by the prime minister) and the Anti-Corruption Strategy Monitoring Commission, which was established in 2004 to strengthen the implementation of anti-corruption policy. To function efficiently, these anti-corruption institutions should: 1. be apolitical/nonpartisan, 2. not be a political office, 3. involve Transparency International.

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<sup>95</sup> Iskandaryan, A. (2012). Nations in Transit 2012. *Freedom House*. Retrieved from <[http://www.freedomhouse.org/sites/default/files/Armenia\\_-\\_final.pdf](http://www.freedomhouse.org/sites/default/files/Armenia_-_final.pdf)> (accessed July 16, 2013)

<sup>96</sup> Armenian Opposition Takes Stock After Election Defeats. (2013, May 27). *Radio Free Europe / Radio Liberty*. Retrieved from <<http://www.rferl.org/content/armenia-opposition-takes-stock/24998864.html>> (accessed July 16, 2013)

<sup>97</sup> Global Corruption Report 2008. (Chapter 7, Page 122). *Transparency International*. Retrieved from <[http://archive.transparency.org/publications/gcr/gcr\\_2008](http://archive.transparency.org/publications/gcr/gcr_2008)> (accessed July 16, 2013)

The government adopted an Anti-Corruption Strategy and Implementation Action Plan in 2003, focusing on organizational and legal tools to combat corruption in areas such as banking, taxation, customs, health care, education, environment, licensing, public procurement, public administration, and the judiciary system. The government has since revised the strategy, and the existing Anti-Corruption Strategy 2009-2012<sup>98</sup> focuses on the implementation of existing laws, particularly taxation and customs services (which are considered to be most affected by corruption). Other priorities include improvement of legislation and infrastructure to combat money laundering, increased transparency in the public sector, and enhancement of accountability in all branches of government. In 2008, Armenia's Criminal Code was amended to provide better mechanisms for combating corruption. In 2011, some measures to combat corruption were carried out in several state ministries and agencies: revised procedures were introduced for obtaining drivers' licenses, passports, and business registration in order to discourage the acquisition of such documents through bribery.

However, these anti-corruption efforts are not proving sufficient or effective. While the reforms are achieving significant improvements, according to the Council of Europe Group of States Against Corruption (GRECO) Evaluation Report on Incriminations 2011<sup>99</sup>, legal provisions should be further amended to comply with the Council of Europe's Criminal Law Convention on Corruption. This would enable Armenia to prosecute requests for bribes as well as all corruption offenses committed by citizens abroad. Nevertheless, in recent years the number of high-ranking officials arrested and convicted on charges of bribery and corruption in Armenia has increased. Prime Minister Sargsyan initiated a series of top-level dismissals in November 2011, focusing on the ministries of agriculture, finance, education and health.<sup>100</sup>

The strong links between the government and business within the Armenian governance system do not allow the government to be independent. By law, government officials are banned from engaging in business activities, but in practice they often have extensive business interests and many parliamentary deputies and state officials run companies on the side. Reports about high-ranking officials holding properties include a general prosecutor building a power plant despite the protests that a nearby village would lose its water source;<sup>101</sup> and a multi-million dollar deal involving high-ranking officials (including a representative of the church), resulting in confiscation of another

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<sup>98</sup> Anti-Corruption Strategy: Anti-Corruption Plan and Its Implementation Strategy 2009-2012. *The Government of the Republic of Armenia*. Retrieved from <<http://www.gov.am/files/docs/437.pdf>> (accessed July 16, 2013)

<sup>99</sup> Evaluation Report on Armenia on "Incriminations (ETS 173 and 191, GPC 2)." (2010, November-December). *GRECO – Group of States against corruption*. Retrieved from <[http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3%282010%294\\_Armenia\\_Online\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3%282010%294_Armenia_Online_EN.pdf)> (accessed July 16, 2013)

<sup>100</sup> Iskandaryan, A. (2012). Nations in Transit 2012. *Freedom House*. Retrieved from <[http://www.freedomhouse.org/sites/default/files/Armenia\\_-\\_final.pdf](http://www.freedomhouse.org/sites/default/files/Armenia_-_final.pdf)> (accessed July 16, 2013)

<sup>101</sup> Yenokyan, T. (2013, May 10). Aghvan Hovsepyan Escaped from Questions. *Lragir.am online media*. Retrieved from <<http://www.lragir.am/index/eng/0/society/24483/29845>> (accessed July 16, 2013)

businessman's properties.<sup>102</sup> Reports about such malfeasance, including the involvement of church representatives in business and political activities, shatter the popular trust in the state and church.

## 2.6.2 Civic activism and participatory governance

Much of the current tension in Armenian society is due to citizens' alienation from the government. Popular participation in the process of governance is limited to elections, since no other mechanisms and institutions exist to provide for participation of larger groups in governance. Decision making is non-transparent and non-participatory. Even at local levels, decisions about major issues affecting community life are made without prior discussions or community participation. The level of accountability is very low, which gives people the feeling that they are not the owners of their communities.

Examples of such non-participatory governance include the government's decision to take down the Youth Palace of Yerevan<sup>103</sup>, to permit demolition and new construction in the Pak Shuka (an indoor market on Mashtots avenue),<sup>104</sup> and its modification of historical buildings such as the one at 25 Pushkin.<sup>105</sup>

Recent years have seen increasing demonstrations by different groups demanding social justice. This trend has gone so far that even former freedom fighters in the Karabakh war have resumed protests demanding solutions to their "social problems." They demand justice and law, and claim that they are in extremely poor condition and ignored by the government.<sup>106</sup> Many experts believe such issues constitute the crux of social disappointment in Armenia. If demands are ignored and the struggle for justice and improvement is unsuccessful, the only alternative people may find is emigration.

While civic activism and consciousness is not at a high level in Armenia, it has become significantly more noticeable. Every year, more people are involved in demonstrations calling for justice and good governance. In 2012, the mass protests demanding justice related to Vahe Avetyan's case were larger than the protests over Levon Gulyan's case in

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<sup>102</sup> Hraparak: Financial Problems behind Misha Kalantaryan's Suicide? (2012, August 21). *Lurer.com online media*. Retrieved from <<http://lurer.com/?p=36796&l=en>> (accessed July 16, 2013)

<sup>103</sup> Tert.am: Youth Palace Destroyed 9 Years Ago Becomes Macadam Mine, Architect Says. (2013, January 30). *Ecolur.org online media*. Retrieved from <<http://www.ecolur.org/en/news/mining/youth-palace-destroyed-9-years-ago-becomes-macadam-mine-architect-says/4521/>> (accessed July 16, 2013)

<sup>104</sup> Sanentz, A. (2012, September 10). Yerevan's "Pak Shuka": An Iconic Market's Uncertain Future. *The Armenian Weekly*. Retrieved from <http://www.armenianweekly.com/2012/09/10/yerevans-pak-shuka-an-iconic-markets-uncertain-future/> (accessed July 16, 2013)

<sup>105</sup> Sukiasyan, L. (2013, April 25). Citizens Concerned About Possible Demolition of the Building at Pushkin 25. *Aravot newspaper*. Retrieved from <<http://www.aravot.am/2013/04/25/235671/>> (accessed July 16, 2013)

<sup>106</sup> Freedom Fighters resume Si-Down Strike t Liberty Square. (2013, June 04). *Armtown.com online media*. Retrieved from <<http://www.armtown.com/news/en/prm/20130604/264257/>> (accessed July 16, 2013)

2007. The majority of people in these demonstrations are the same ones fighting for environmental and human rights issues. For example, the Mashtots Park movement<sup>107</sup> was spontaneous, mobilizing many young people from different political and civic groups without centralized coordination. It points to social energy and tension that have accumulated through many years as a result of popular alienation from the government.

Nonetheless, civic activism is not solving institutional problems, as it is uncoordinated and spontaneous. The trend of non-participatory decision making, and the gap between the society and government, contains potential dangers for the government, society and state.

**In order to reduce the high emigration trend and potential risks for future mass spontaneous demonstrations in Armenia, the government should bring leaders and groups otherwise excluded from power into the decision-making process, empowering a broad segment of the population.**

The Armenian government has achieved some degree of centralized order and is able to ensure that social movements challenging the existing regime do not immediately descend into lawlessness. Existing political institutions may coordinate the demands of the population in a manner that neither lets opposition movements easily be crushed by current elites, nor turns into a vehicle for another group to take control of existing extractive institutions and continue similar policies. **The government should allow political groups and civic movements grow and fight for their liberties and establish institutions, to the extent that such movements are controllable and do not descend into lawlessness.**

This is possible to achieve only through participatory governance and enabling power to vest in a broad group of society through civic and other institutions. The government should have an interest in the development of such institutions as malfeasance is committed at lower levels that are not controlled by top elites. Developed civic institutions can promote governance at lower levels of the bureaucracy, thus taking some of the responsibility for power from the top elites and distributing it among wider groups in society.

This process may start at all levels in the civic sector, and at the municipal level in the government. The Armenian government should encourage participatory budgeting, which is a mechanism for involving ordinary citizens in the formulation of community spending priorities. Village and city councils should adopt budgets through public discussions, and municipalities and ministries should make their budgets and spending transparent. State institutions and departments should be open to media and civic groups to discuss budgets and issues related to state administration.

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<sup>107</sup> Hayrumyan, N. (2012, April 02). Experts: Armenian Oligarchy fate at Stake in Mashtots Park. *ArmeniaNow online media*. Retrieved from [http://www.armenianow.com/society/environment/37004/yerevan\\_mashtots\\_park\\_pavilions\\_dismantling](http://www.armenianow.com/society/environment/37004/yerevan_mashtots_park_pavilions_dismantling) > (accessed July 16, 2013)

### 2.6.3 Mass media

The role of media is very important in spreading information that can spur empowerment, nation-building, and development. Armenia's media (especially TV) continue to be strictly controlled by the government,<sup>108</sup> but newspapers and electronic resources with some level of independence do exist. Social networks such as Facebook, Twitter and YouTube have become major tools for sharing information and mobilizing groups. The government should improve media independence and transparency, bringing more people into decision making. There is also a need to improve professionalism and media ethics.<sup>109</sup>

### 2.6.4 Institutionalized civic activism

Armenia lacks institutions to bring more groups into decision-making and exercising meaningful influence over the government. When the government exercises strict centralized vertical order, governance and accountability cannot be efficient in the absence of horizontal control of all levels of government by institutions and civic groups.

Civil society organizations in Armenia currently consist of groups supported by international organizations and donors, government-organized non-governmental organizations, self-organized nonprofit organizations, and grassroots initiatives and activist groups. Organizations supported by international donors have higher levels of institutional development and focus on specific topics. Such organizations may be efficient in relation to advancing goals supported by international organizations and other countries. However, these organizations are not a driving engine for the natural development of Armenian civic institutions; their operation depends on continued external funding, and they do not generally consider the interests of other civic groups in making decisions.

Government-organized non-governmental organizations receive funding mainly from governmental sources, and pursue specific goals related to the interests of separate governmental divisions. Such organizations may be efficient for the government as a short-term tool to reach its own goals, but they cannot be considered an engine for the empowerment and development of Armenia's civic sector. Due to their connection with the government, such groups are not seen to be independent.

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<sup>108</sup> Freedom of the Press 2012: Armenia. *Freedom House*. Retrieved from <<http://www.freedomhouse.org/report/freedom-press/2012/armenia>> (accessed July 16, 2013)

<sup>109</sup> Journalists, Lawyers and Experts Discuss Online Journalism Ethics. (2013, June 10). *News.am online media*. Retrieved from <<http://news.am/arm/news/157349.html>> (accessed July 16, 2013)

Self-organized nonprofit organizations consist of two types: ones established to operate in specific areas (such as sociology, polls, etc.), and unions. The first group raises funds from private sources for research on specific issues. Unions generate funds mainly from membership fees, and aim to protect the interests of their members in a specific sector. Even though unions are essential as economic institutions to protect rights and other interests, neither of these two types of organizations add value to the development of civic movements.

Grassroots initiatives and activist groups mobilize people for different issues such as environmental and human rights concerns. Even though these groups do not have institutionally developed organizational forms, they use social networks and electronic media to share information and mobilize, and are effective in fighting against violations. These groups can be an engine for the development of a better civic sector in Armenia. However, although they mobilize against specific cases and individuals, they do not act for the purpose of developing platforms and institutions to reform the system. A protest that results in an individual's dismissal from the parliament or other such punishment does not guarantee that similar violations will not happen in the future. For that reason, such organizations should also seek systematic reforms and the development of viable institutions that would make it possible to address minor violations of human rights as well as high-profile ones, and to prevent impunity from growing. This would help to root out the causes of state abuse instead of only fighting against the consequences.

Other platforms emerging in Armenia hold the potential to become institutions for the protection of rights and improvement of social relations. For example, a web site was created by a group of youths for monitoring and reporting abuse and violations in universities and schools.<sup>110</sup> Further development of such initiatives, through integration with social media and cooperation with mass media, may turn into a platform that could encourage other institutions emerge. The role of mass media is essential in order to disseminate information and bring more groups into civic activism.

In the existing political system in Armenia, top-down efforts to improve shortcomings will not be effective over the long term unless institutions are developed at all levels. Such institutions are necessary to improve the rule of law, secure property rights, advance equal economic opportunities and good public services, and bring about transparent and participatory decision-making. Economic institutions are necessary to provide equal access to markets and free competition, prevent manipulation of markets, stimulate innovation and growth, and protect investors from risks. Transparent media and civil society will help to develop institutions faster and to improve incomes, access to health care, education, public services, and economic and social opportunities.

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<sup>110</sup> <http://www.ankashar.am/>

## Chapter 3: Lessons for Armenia in Israel's experience with migration

Looking at the experience of Israel's development through migration can shed light on potentials for Armenia. Of course, many factors in the two countries differ, such as their history, quality of governance, rule of law, and economic opportunities. However, there are similarities too: insecure geographical environments prone to warfare and external hostility, historical tragedy uniting a far-flung diaspora, and the existence of diaspora organizations around the world sharing common ideologies and goals. For these reasons, comparison with the Israeli experience may reveal lessons for Armenia's efforts at encouraging development by repatriating its diaspora.

### 3.1 Israeli statehood and repatriation

Israel became independent on May 14, 1948—but activity towards the formation of an independent state and the prerequisites for repatriation had begun long before that. From the start, repatriation was recognized to be crucial for Israel's success.

According to the Israeli Ministry of Foreign Affairs<sup>111</sup>, Israel received 687,000 immigrants from 1948-1951. In ten years the population of Israel almost doubled, from 1,174,000 in 1949 to 2,150,000 in 1960. Because most immigrants came from Arab countries and lacked money and shelter, the Israeli government created housing programs and granted citizenship to all Jewish immigrants upon arrival.

### 3.2 A solid foundation and effective policy

Unlike many other countries that faced deep social and economic problems upon acquiring independence, Israel was able to make policy and build institutions immediately. Large flows of funds, coming mostly from the Jewish diaspora, were directed to projects for building draining and irrigation systems as well as agricultural developments.

At the 1951 World Zionist Congress, Jewish diaspora representatives expressed their willingness to support Israel's absorption of immigrants. Israel is the only country in the world with a Ministry of Absorption, which manages the process of arrival and

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<sup>111</sup> Population of Israel: General Trends and Indicators. (1998, December 24). *Israel Ministry of Foreign affairs*. Retrieved from <http://mfa.gov.il/MFA/PressRoom/1998/Pages/POPULATION%20OF%20ISRAEL-%20GENERAL%20TRENDS%20AND%20INDICATOR.aspx> (accessed July 16, 2013)

absorption of immigrants from all over the world. Israel begins to work with immigrants from the moment they decide to repatriate. The state supports them in finding jobs and settlement, and helps them to be fully involved in the social and cultural life of their homeland.

During its first decade state independence, the Israeli government was able to organize the allocation of imported resources and to invest in capital assets to improve infrastructure and create the foundation for an innovative economy. This was achieved even amid warfare and unprecedented immigration flows. Due to these measures, as well as to the existence of democratic governance and a commitment to building infrastructure and institutions, the Israeli economy has skyrocketed in recent decades. Today it is considered one of the world's most innovative and advanced economies in diverse sectors.

In 2005, the Israeli government adopted a Master Plan<sup>112</sup> calling for the achievement of ambitious demographic goals by 2020:

- Israel's population shall be over 9 million, and about 14 million Jewish people shall be living in the territory between Jordan and the Mediterranean;
- In connection with such population growth, it will be necessary to build 50,000 new homes; and
- Investments in human capital shall be increased by 13 percent annually, amounting to \$1 billion per year.

The successful repatriation of Jews to their historic homeland and the development of the state of Israel were made possible by recruiting immigrants who possessed a high level of human capital and who were committed to the mission of national unification, growth and prosperity. It also required good governance, huge investments on the part of the diaspora and—crucially—targeted and efficient spending of that investment, which in turn sustained future donations and investments. A well-planned strategic approach, sound policies and good governance became guarantors of Israel's success.

### 3.3 Armenia and Israel: similarities and differences

While there are many differences between the two countries, some similarities provide lessons that Armenia can apply to its own future. The following similarities are central:

- a) **Situations of conflict:** Both Armenia and Israel have been conflict zones under the threat of war, and the environment in both countries has been insecure since gaining independence. The maintenance of the army and military equipment in both countries constitutes a considerable share of the state budget. A main

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<sup>112</sup> TAMA 35: Integrated National Master Plan for Construction, Development and Preservation. *Reut Institute*. Retrieved from <<http://reut-institute.org/en/Publication.aspx?PublicationId=3744>> (accessed July 16, 2013)

difference between Armenia and Israel in this context, however, is that Armenia does not have a locally-developed production of armaments, while Israel produces new-generation weapons and is able to supply its own army.

- b) **Scarcity of resources and small territory:** Unlike Israel, which imports raw materials from abroad and processes them into final products, Armenia exports resources (mostly mining resources) to other countries.
- c) **Large diaspora:** Since Israel's declaration of independence, and especially after the adoption of its Law on Return, many Jews repatriated to their historic homeland. The population of Israel's 20,770km<sup>2</sup> territory is 7.7 million as of 2013, while Armenia's population on 29,743km<sup>2</sup> is less than 3 million. One of the main differences between Israel and Armenia lies in the area of diaspora-state cooperation. The Jewish diaspora actively cooperates with Israel's government and invests in its economy; by contrast, cooperation between Armenia's government and its diaspora is reflected only in diaspora charity projects.

Due to cooperation and support on the part of the Jewish diaspora, the economy of Israel has flourished. Investments from the diaspora do not bring money only; when foreign companies are encouraged to invest, they bring technologies, business practices and connections, and training for local residents. These connections and business practices spread into the local market. Even if such companies close down their businesses in several years and go, the vacuum can be filled by other companies who can draw on trained workers.

In Armenia's case, diaspora participation in the national economy and business life is limited to financial support and charity. Although many individuals are committed to helping Armenia in these ways, Armenia does not draw on the potential of human capital in the form of higher and mid-level professionals from the diaspora. The experience and contacts of Armenians from different parts of the world could potentially bring much enrichment and innovation to Armenia, as would investments in small or medium size projects. This is possible, and Armenia can use the full potential of the diaspora only in case of establishing rule of law.

The main reason why diaspora members currently refrain from investing in Armenia is the business environment and issues connected **with rule of law**. Even though the Armenian government has made a number of reforms to improve business conditions during the past three years, still there are many problems to solve. The main problems arise in businesses operations, importing goods and reporting taxes. A big obstacle for investment is 'word of mouth' reports about business difficulties caused by the patronage of state officials. (For example, a foreign or diaspora investor will never understand why a police officer or representative of the special police squad would deal with the tax reporting issues of an organization or private company.) Reports of frequent in-person visits to check on business activities and accounting documents are intimidating. As an example, the Ombudsmen's office has received many calls by business entities reporting frequent check-up by representative of the State Revenue Agency skipping the approved

plan to carry out inspections and without prior notice. To solve these problems, the Armenian government should continue the reforms it has started, and end all intimidation of businesses in order to build an attractive image for investors.

Besides making direct investments in the Armenian economy, the diaspora could also be supporting more projects of a charitable or other nature. For this to succeed, investors and diaspora members must have confidence that the money they invest is being spent properly for its intended purpose. Accounts of improper use of financial resources may result in the suspension of ongoing projects and discourage future projects.

### **3.4 Possibilities for adapting the Israeli model**

Based on the Israeli experience, the following recommendations are applicable to Armenia:

*i) Economic development*

Since it lacks natural resources, Armenia should develop as an innovation/knowledge-driven economy aimed at importing new ideas, technologies and investments. This can be achieved by improving the business environment and governance, and by attracting diaspora participation in the economy. As well, the national economy must be de-monopolized and shifted toward an export-oriented economy.

*ii) Improvement of the business environment*

Armenia should improve the environment for potential diaspora investors and businesspeople by (a) enabling small businesses to survive and prosper (especially ones focused on production); (b) reforming the tax and customs systems to make them friendlier to local businesses involved in production; and (c) continuing reforms aimed at improving the business environment, and creating a centralized database of laws and procedures to help foreign companies start and manage a business.

*iii) Investment in infrastructure*

Armenia needs real investments in infrastructure. Neither the conflict situation nor the economic crisis can justify channeling borrowed funds into direct consumption (as opposed to infrastructure funding). Even in its most difficult times, Israel has directed huge cash flows to improving its infrastructure and providing the country with long-term capital assets. Armenia's infrastructure needs improvement to ensure a basic standard of living through elements such as water supply, electricity, sewage, roads, and telecommunication services. Financial support for improving infrastructure is available to some extent, supplied mostly by diaspora donations and by loans from international financial organizations. However, the real driving force for financial inflow and activation of the economy would be the development of production, starting from small and

medium businesses. To achieve real cooperation between Armenia and its diaspora aimed at developing investment projects, Armenia must cut down the level of corruption and monopolization over imports. It will be essential to ensure that financial resources invested or donated by the diaspora are spent properly.

*iv) Encouraging diaspora repatriation*

Somewhat akin to Israel's Ministry of Absorption, Armenia's Ministry of Diaspora could encourage repatriation. Even though resources may not be available for massive investment in housing and other needs, the ministry could create resources and immigrant community centers with specialized immigration and adaptation programs. Such centers could be a primary information center for immigrants, where they could be trained in the local lifestyle and culture, and gain access to institutions and other information to help them adapt faster. To make this process more effective, such community/resource centers could offer free internet and other resources, as well as counseling support by case workers to guide immigrants through the adaptation process. The ministry also could collaborate with employment agencies and maintain a database of available jobs for new immigrants.

Diaspora organizations, such as AGBU and the All Armenia Fund, need to involve themselves in policy development in Armenia. They should not simply fund projects presented by the state but must ensure that the particular project is in keeping with the country's long-term policy objectives. For example, simply building schools where the over-riding concern is a shrinking population is not good policy. Schools should be built in cooperation with other population retention programs, like health services and pro-business development policies.

## Chapter 4: Repopulation in Kashatagh and Shahumyan

### 4.1 Introduction

In addition to resisting emigration and implementing a repatriation policy, Armenia should also try to populate its remote areas most affected by the poor economy and emigration. This chapter provides a case study of post-war repopulation in the Kashatagh and Shahumyan regions of the Nagorno-Karabagh Republic (NKR). These regions are of strategic importance for both the Republic of Armenia (RA) and NKR, as they link the two republics.<sup>113</sup> Based on an investigation of three municipal and over ten rural communities in the region, this chapter outlines lessons learned and gives recommendations for improving and expanding on the repopulation policy of NKR and RA.

The unprecedented growth of population in the Shahumyan and Kashatagh regions since the late 1990s is important both to NKR and to RA in light of their high emigration rate and the need to develop more efficient strategies for migration control. In order to counter the pessimistic analyses that dominate discourse on migration trends in Armenia, it is valuable to present case studies from these regions that present success stories.

The main questions answered in this chapter are the following:

- What were the main motivating factors and preconditions for individuals to settle in the Kashatagh and Shahumyan regions?
- What resources are there in these areas that can support the repopulation process?
- What means of communication have been useful during the repopulation process?

The answers to these questions can help us understand the following:

- The values, principles and mechanisms that have supported the successful repopulation process;
- How human and social capital have been utilized in the repopulation process; and
- The possibilities for using repopulation in Shahumyan and Kashatagh as a model for repopulating other regions in NKR and Armenia.

The research methodology used for this chapter included both qualitative and quantitative analysis tools such as in-depth interviews with community members (mostly family heads/decision-makers); oral histories to identify main motivations behind migration; interviews with key informants who have played active roles in organizing the repopulation process; document analysis of statistical data and publications such as public speeches, news, academic and official documents; and expert interviews to cross-check the main research hypotheses and conclusions.

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<sup>113</sup> Three of the four land roads connecting Armenia and NKR go through Kashatagh, and the fourth one passes through Shahumyan.

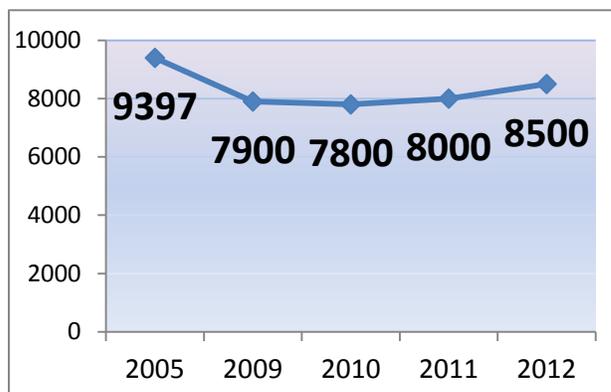
## 4.2 Population dynamics in Kashatagh and Shahumyan

In the Soviet period, the regions of Kashatagh and Shahumyan were part of the Azerbaijan Soviet Socialist Republic. As a result of the Nagorno-Karabakh war of 1991-1994, these regions became part of the newly formed NKR. Since the conflict had almost entirely depopulated these regions, a repopulation process was initiated immediately following the ceasefire. By 2003 Kashatagh's population was estimated by key informants to have reached about 12,000, with 106 settlements being populated. According to the 2005 NKR population census, 9700 people lived in the region.

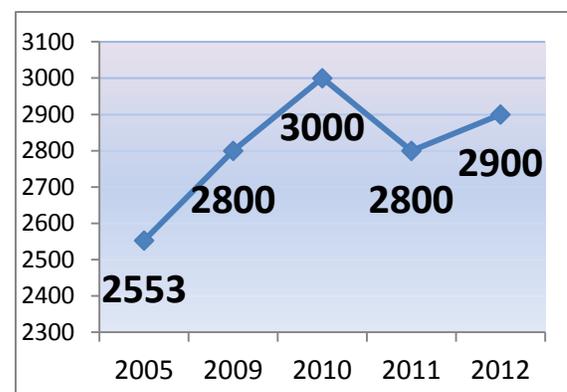
According to the 2005 census, the population of the entire Shahumyan region was 2553, with 492 in Karvachar city (the administrative center of the region).<sup>114</sup> According to unofficial 2012 data, about 700 people now live in Karvachar, which means that its population has increased by 40 percent over seven years.

The charts below illustrate the population dynamics of the two regions between 2005 and 2012, according to official population census data. The 2005 figures are based on the NKR population census 2005<sup>115</sup>, while the figures for subsequent years are based on NKR statistical yearbooks.<sup>116</sup>

*Chart 28: Population dynamics for Kashatagh Region 2005-2012*



*Chart 29: Population dynamics for Shahumyan Region 2005-2012*



The charts show that the population of Kashatagh declined by 9.5 percent between 2005 and 2012, while the population of Shahumyan grew by 13.6 percent in the same period.

<sup>114</sup> Population Census 2005. *The National Statistical Service of Nagorno Karabakh Republic*. Retrieved from <<http://web.archive.org/web/20130620145504/http://census.stat-nkr.am/nkr/1-1.pdf>> (accessed July 16, 2013)

<sup>115</sup> Population Census 2005. *The National Statistical Service of Nagorno Karabakh Republic*. Retrieved from <<http://web.archive.org/web/20130620145504/http://census.stat-nkr.am/nkr/1-1.pdf>> (accessed July 16, 2013)

<sup>116</sup> The Republic of Nagorno Karabakh Statistical Yearbooks 2002-2008. *The Republic of Nagorno Karabakh National Statistical Service*. Retrieved from <[http://www.stat-nkr.am/index.php?option=com\\_content&view=category&layout=blog&id=14&Itemid=18&lang=hy](http://www.stat-nkr.am/index.php?option=com_content&view=category&layout=blog&id=14&Itemid=18&lang=hy)> (accessed July 16, 2013)

### 4.3 Repopulation in the Kashatagh and Shahumyan regions

In 1994, the Kashatagh administration began to repopulate the region on an *ad hoc* basis, with a gradual increase in the frequency of resettlement. In 1997-98, resettlement in Shahumyan region started to be organized. Two key questions about this process remain unanswered due to their political sensitivity: was there a political decision to repopulate these areas, and if so, who decided to repopulate these areas and when?

Various methods used at different stages of the repopulation process included the provision of privileges (mainly related to discounts on utilities), offers of attractive employment opportunities, provision of material support (a house/apartment, land and some assistance), and promotion of private entrepreneurship (through the provision of agricultural grants, credits and cattle). Some of the privileges provided during the first wave of immigration were later withdrawn. For example, in the mid-1990s some professionals received twice the salaries of their colleagues in Armenia, though this salary difference was eliminated over the time.

As the social-economic conditions in Armenia improved, some people started to migrate back from the repopulated regions to Armenia (mostly Yerevan). A number of residents of the repopulated areas listed reasons that motivated them to return to their former places of habitation in Armenia: deteriorating governance; cancellation of a considerable portion of privileges and support projects; lack of housing and employment; changes in the political situation (i.e. the change in status of the Kashatagh region, with the transfer of its administration from the jurisdiction of RA to NKR); and uncertainty regarding the status of the target areas and the risk of their future re-annexation to the Azerbaijani Republic.

In 1996-2000, the population of the Kashatagh region rapidly grew from 4,000 to 12,000. Various sources indicate that the years 2000-2001 represented the peak of population growth in Kashatagh region. According to key informants, nearly half of the Kashatagh population left between 2003 and 2007-8. In 2007, emigration stopped; after 2007, 10-15 percent of those who had left started to return. According to other estimates, between 2000-2008 approximately 3,000-4,000 people had left the repopulated regions.

While precise information regarding migration dynamics is missing, changes in the number of school children may be used to derive approximate calculations. In 2000 there were about 2300 children in Kashatagh, while in 2012 there were nearly 1700. This indicates a decline of about 26 per cent in the number of school-aged children over a period of 12 years. Although the decline in the number of school-aged children cannot be automatically translated into a decline in the overall population, it gives a general idea of the situation. While the period 2001-2 through 2008 is characterized as a time of disillusionment and emigration, the period since 2008 is seen as a stage of stabilization when emigration from the region was stopped.

Some privileges that were initially provided as part of the repopulation effort continue to be preserved. In particular, part of the cost of utilities such as electricity is still compensated for each person. However, according to some key informants, the strategy

of providing privileges as a mechanism for repopulation has mostly expired. These informants argue that a stable population in the region should be built not on the basis of privileges but on the basis of sustainable resources such as the natural environment, pastures, and other conditions for keeping families employed.

#### **4.4 Motives for immigration plus active recruitment**

Respondents were asked two main questions to find out why they changed their place of habitation and why they chose the target areas to move to. Most of the respondents mentioned two reasons motivating them to settle in those territories. Migrants coming with patriotic motives or with the conscious intention of repopulating the target areas were a small minority, while the majority of migrants came to these regions because of difficult social conditions and a lack of housing in Armenia.

A considerable portion of immigrants had received information about the target areas from family members and friends who had previously settled there. Until 2005, potential immigrants were recruited by the Yerevan-based *Artsakh Committee*, which undertook consultation, orientation and the selection of specialists needed in the target areas. Since 2010, potential immigrants have been targeted by announcements on TV channels, with emphasis on privileges available and professions needed. Even though the outreach is expanded and includes social networks as well, person-to-person communication of information still remains the main vehicle for attracting potential immigrants.

#### **4.5 Obstacles and challenges**

The initial stages of repopulation in both regions were characterized by trial and error. Initially only the areas with ease of access for transportation of construction materials were chosen, and thus vast territories were not populated. Sometimes the repopulation process was carried out spontaneously and by people with no relevant experience. Decisions to repopulate an area were variously made spontaneously by migrants, by a benevolent organization, by the Kashatagh administration, or by a political party.

In Shahumyan region, where the repopulation process started much later, the process was somewhat different than in Kashatagh. In 1998-99, 60 houses were built in Shahumyan. In 1998, Brajur, Yeghegnut and Verishen villages were established, and 15 houses were built in Tsar village. In 2000, Nor Erkej, Nor Getashen, Chument and Havsatagh villages were established. In 2001 Nor Karachinar and Manashid villages were established and in 2003-2005 Nor Kharkhaput and Knaravan villages were established. From 2000 to 2006, 5-7 houses were built in each township. In 2005, the nature of the repopulation process changed, as the establishment of new townships was neither financed nor encouraged by the NKR authorities. Apparently the first repopulation process that included house-

building was more efficient, since the inflow of migrants almost stopped after the house-building phase was stopped and all efforts were turned to improving social conditions.

One of the possible reasons for the belated repopulation of the Shahumyan region was the lack of electricity and phone service. The region was almost wholly deprived of electricity up until 2002; from 2003-05, almost all the communities in the Shahumyan region gained access to electricity. In 2004, cellular phone towers were built in Karvachar to provide the communities with mobile phone communication.

Overall, both of the regions have lacked comprehensive repopulation strategies. Currently, the construction of new houses has effectively been put on hold, while the restoration of ruins takes place on a sporadic basis, usually for specialists recruited to work in communities.

Lessons learned from the experience of international organizations in repopulating war-torn areas illustrate that immigrants' degree of attachment to their new locations depends on factors such as the availability and sustainability of employment, income levels, housing availability, the nature of social relations and good governance. Respondents from the repopulated areas stressed all of these factors.

## **4.6 Key findings**

This section presents key findings and dilemmas arising from the investigation of the repopulation process in the Kashatagh and Shahumyan regions.

### *i) Need for a repopulation strategy*

Both decision-makers (community leaders, volunteer activists etc.) and a large portion of immigrants noted that a number of mistakes were made during the initial stages of the repopulation process. A considerable portion of these mistakes were due to the absence of a repopulation strategy and a comprehensive action plan. While the process is now better managed by the repopulation office in Kashatagh, to date neither the NKR state bodies nor the administrative bodies of the target areas have a comprehensive repopulation strategy on paper.

Numerous questions remain unanswered. For instance, what is the target population figure? What former settlements are to be repopulated and why? Which segments of the repopulated residents should receive support in case of limited resources? What self-sustainability projects should be implemented in each township? These questions are currently being addressed on the basis of practical experience acquired by individuals, who often act spontaneously according to the situation. The absence of a repopulation strategy has led to uneven population distribution and, in some cases, the selection of unsuitable settlement areas. To eliminate such risks in the future, there must be a clear strategy and action plan with settlement priorities and relevant coordination.

*ii) The squirrel wheel*

The situation in the Keren village in the Kashatagh region may be best described as a ‘squirrel wheel’, which refers to a wheel idly spinning around a point. The absence of adequate living conditions in the village<sup>117</sup> hinders the process of ensuring a stable population base and future growth. It would be economically more beneficial and efficient to ensure adequate living conditions before investing in bringing people, or, employ certain members of the potential immigrant families to construct homes and other infrastructure as a pre-cursor to bringing the families to the new villages. This would have the added benefit of employing the very people who will be resettled. Otherwise, there is a waste of resources and human effort, because inhabitants established in the settlements are not sufficiently motivated to invest in their community, as they have no incentive to stay.

A similar situation exists in the nearby village of Ditsmayri, which was established in 1998 with 35 families. By 2012, the population had gradually decreased to 15-16 families, with a population of no more than 70. Unlike Keren, where the reason for emigration was a lack of basic amenities, in Ditsmayri the main reason for emigration was the termination of assistance to immigrants in 2001. That assistance had included \$50 US to heads of families and \$20 US to each family member. As a result of the psychological and material dependency of the population on this outside support, half the population of the village emigrated after it was terminated.

*iii) Criteria for measuring the achievement of repopulation goals*

Interviewees said that any repopulation strategy should include clear criteria for measuring whether or not repopulation goals have been met. According to several experts and key informants, one criterion should be the self-sustainability of the regions being repopulated (i.e. living conditions that will enable the region to develop mostly by its own resources and potential). However, this criterion might be too ambitious, as almost no community or township in RA and NKR is self-sustaining.

Another aspect of self-sustainability is ensuring a critical population mass. It requires, for instance, the existence of a satisfactory number of stores, which produces job opportunities, competition, and better service for consumers. According to key informants, Karvachar has about 700 permanent inhabitants served by five grocery stores, one clothing store and two eateries. While these businesses compete with each other, their number is insufficient to ensure optimal outcomes. Key informants in Karvachar city suggested that the population target should be double or even triple the current figure, with 1400-1600 believed to a successful critical population mass.

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<sup>117</sup> There was no electricity or telephone connection in the township until 2012. Instead, diesel generators were used to produce electricity. While villagers were not connected to the electricity grid, they had access to the internet via mobile internet units. In September 2012, electricity lines were taken to the village.

Another criterion for measuring the successful completion of the repopulation process is the extent to which human, natural, agricultural, tourism, and production capacity resources are being fully used. This involves the recognition of historical-cultural monuments, the discovery of new resources and so on. A related criterion of successful repopulation considers the maximum utilization of the region for the state's strategic purposes: to what extent are the Kashatagh and Shahumyan regions being used to fulfill NKR's goals with respect to roads, adequate environment for natural population, agricultural resources, and so on?

A further criterion of success is population density. On January 1<sup>st</sup>, 2012, the population density of the Kashatagh region was 3 people per sq. km<sup>118</sup>; in the Shahumyan Region it was 2 people per sq. km. The population density in other NKR regions is much higher: in Askeran it is 15 people per sq. km<sup>2</sup>, in Martakert region it is 12 people per sq. km and in Hadrut region it is 7 people per sq. km.<sup>2</sup> In the NKR region taken as a whole, population density is 13 people per sq. km<sup>2</sup>. This means that the Kashatagh and Shahumyan regions are about 4.3 times and 6.5 times less densely populated respectively than the rest of the republic. It should also be kept in mind that population density in the regions of NKR itself is fairly low when compared with the regions of RA. In 2010, Vayots Dzor had the lowest population density in RA, with 24 people per sq. km<sup>119</sup>; but this was still 8 and 12 times higher than the densities of Kashatagh and Shahumyan respectively. Thus, in order to approach the population densities of the most thinly populated regions in the RA and NKR, the populations in Kashatagh and Shahumyan need to be at least quadrupled.

iv) *Promotion of natural growth versus immigration*

A sound repopulation strategy must consider whether it is better to promote the natural growth of the local population or to attract new migrants. If the ultimate goal is the full utilization of the potential of the repopulated areas, does it make any difference whether this goal is reached by immigration or by the promotion of natural growth? While inviting new inhabitants is significant as a symbolic act, it could be that the promotion of natural growth is the best means for achieving the aim of repopulation.

The dilemma is a somewhat arbitrary one, since both processes occur independently of state policy. Nevertheless, further investigation could assist in identifying ways to increase the efficiency of both processes. For instance, a better redistribution of existing resources might be achieved by calculating the financial and human resources required for the successful immigration of one person as opposed to the cost of encouraging the birth of one child. Obviously, numerous factors and risks would affect such calculations;

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<sup>118</sup>The Republic of Nagorno Karabakh Statistical Yearbooks 2005-2011. *The Republic of Nagorno Karabakh National Statistical Service*. Retrieved from <[http://www.stat-nkr.am/index.php?option=com\\_content&view=category&layout=blog&id=41&Itemid=58&lang=hy](http://www.stat-nkr.am/index.php?option=com_content&view=category&layout=blog&id=41&Itemid=58&lang=hy)> (accessed July 16, 2013)

<sup>119</sup> Population of the Republic of Armenia 2010. (P. 18). *National Statistical Service of the Republic of Armenia*. Retrieved from <[http://www.armstat.am/file/article/marz\\_10\\_10.pdf](http://www.armstat.am/file/article/marz_10_10.pdf)> (accessed July 16, 2013)

for example, most immigrants are of employment age and can contribute to the local economy, whereas promoting natural growth incurs childrearing and education costs.

It seems that in the target areas, this dilemma has been resolved in a pragmatic way. Preference is given to those immigrants who, in addition to other criteria, are either of reproductive age or have several children. In other words, immigrants are accepted who have the most potential to contribute to natural population growth.

It should be noted that even the simple process of providing new immigrants with housing has attracted the displeasure of earlier immigrants who want to form their own families. Numerous interviewees expressed the view that instead of bringing in new inhabitants, it would be better to support the formation of new families and the expansion of families already settled in these regions through long-term loans and social projects.

*v) Development of existing communities versus establishment of new townships*

Another dilemma consists in the choice between developing infrastructure and living conditions within an existing community versus establishing new townships and reconstructing abandoned ones. The establishment of new settlements may be economically beneficial for a number of reasons, such as the proximity of agricultural lands to the settlement and the availability of larger field. Moreover, repopulation in higher mountain slopes seems to be an imperative for further growth; land along rivers in Shahumyan region is already well used and there are almost no free areas for building new houses. The abundant resources of the higher mountain slopes of Shahumyan Region are almost entirely untouched. On the other hand, the establishment of new settlements brings new difficulties and costs such as roads, water pipes, administrative structures, communication infrastructure and health and educational institutions. A sound decision between the two alternatives can be made only within the context of a broader repopulation strategy.

*vi) Making repopulation attractive and recruiting specialists*

Because an attractive lifestyle for potential migrants requires more than just economic and social benefits, a repopulation strategy should pay special attention to the 'social packaging' of repopulation opportunities. When repopulation is presented solely as a patriotic act, its attractiveness for those who are driven by economic and social benefit is diminished. Other factors such as the beautiful natural environment, mild climate, suitable conditions for cattle breeding or isolation from political turmoil should also be highlighted. Repatriation should also be presented as enticing for a range of social groups, based on an understanding of the needs of each group. For example, for young people, the possibility of a drastic lifestyle change and an independent lifestyle may be attractive. For established families, by contrast, it may be important to emphasize the promise of stability and economic security.

If high-quality mass communication and other infrastructure were established in at least some of the townships, this would make it easier to recruit specialists who do not need to be physically present at their workplace. The untouched natural environment of these areas might also be ideal for environmentalists interested in the establishment of eco-communities.

According to focus group respondents, in the past many houses built for immigrants were of poor quality due to negligence or improper control over the projects. Involving immigrants in the construction of their future houses would lead to results of better quality and lower cost; and presumably migrants would be more attached to their house and land after helping to build their own house.

vii) *Obstacles to investment*

A key obstacle to attracting investment to the target areas is their uncertain political future. The Kashatagh and Shahumyan regions were not part of the Nagorno-Karabakh Autonomous Oblast of the former Soviet Union, and hence there is a concern that unlike other regions of NKR, they will be yielded to the Azerbaijani Republic as a result of negotiations between Armenia, Azerbaijan and third parties within the framework of the OSCE Minsk Group. This has meant that immigrants are initially reluctant to invest in renovation or improvement of their houses (though over time they tend to invest small amounts). So far there have been very few cases of immigrants to these two areas building houses fully with their own resources.

## **4.7 Recommendations**

### **4.7.1 A sustainable repopulation strategy for remote areas**

**i) Develop a strategic plan for repopulation and discuss it with all stakeholders**

Implementing this key recommendation will determine the success of all the other recommendations below. The strategic plan should define priorities and suggest approaches for issues such as the selection of immigrants and principles for identifying areas to be repopulated. It must include clear goals and be developed in consultation with stakeholders and parties involved in the process.

**ii) Develop a repopulation strategy based on the concept of ‘critical mass’**

The critical mass is the number of inhabitants that will enable communities to become relatively self-reliant. Calculations and research in the framework of this project suggest that in order for a village school to have 24 children, the village must have 30 households.

- iii) **Incentives for light industry**  
Provide incentives for light industry to re-locate to the region, to provide employment.
- iv) **Help inhabitants develop a vision for the future**  
A long-term plan should be developed for each town and community, clearly stating development goals for the coming three, five and ten years. The program should address the development of infrastructure, expected population, types of employment, volume of construction activities, cultural events, etc. Programs should be fully transparent and accessible to the public, so that each person can develop personal plans for the development of their household and investments. This development plan could also include microfinance projects for communities to encourage families develop their own small business, cattle breeding or other occupation, which will keep them attached to their land and keep the economy of those small communities active.
- v) **Clearly define what an immigrant is**  
For the purpose of clarity in documenting repopulation statistics, it must be defined who counts as an immigrant and when a person stops being considered an immigrant.

#### **4.7.2 Administration**

- i) **Improve internal communication within regions**  
Public transport and information flow between communities are very poorly developed. A number of communities lack regular public transport to their administrative centers, information regarding cultural events and other programs organized in regional administrative centers is disseminated mostly by word of mouth. This hinders the internal integration of social groups and the equitable distribution of goods and services. Some communities have been provided with minivans for transportation needs, but most of these vans are often used by community leaders for personal purposes; proper control over public property would encourage their intended use.
- ii) **Provide internet connection in small communities**  
Communities should have resource centres with an internet-connected computer to be used for communication and education purposes.
- iii) **Decentralize NKR and redistribute resources to regions**  
The administrative decentralization of NKR should be promoted, particularly by redirecting a major part of construction resources currently invested in the capital (Stepanakert) to the rural regions. Redistribution of investments would

help prevent residents in the repopulated areas from feeling neglected by comparison with residents of Stepanakert.

- iv) Create a repopulation office in Karvachar**  
In Karvachar city, the regional administrative and social security bodies deal with repopulation issues. To ensure professional coordination, a repopulation office should be established in Karvachar city, similar to the one in Berdzor city.
- v) Grant community status to relatively stable settlements that emerge spontaneously**  
In both regions, settlements exist that have emerged spontaneously and lack community status. This form of self-organization should be legally recognized in order to enable residents to receive various privileges provided by the state.
- vi) Create adequate databases**  
A reliable dataset of population statistics should be made available, with clear criteria for their collection and use.

#### **4.7.3 Property rights and house construction**

- i) Create and publish an inventory of buildings available for reconstruction**  
A comprehensive and detailed inventory of half-ruined buildings available for reconstruction should be created, with a summary about each building made accessible to the public. It would be a good idea to undertake a standardization and classification (according to size and other characteristics) of buildings available; for each building type, diagrams should be provided and a preliminary budget for reconstruction should be calculated. Once potential investors and immigrants have this information, they will be able to plan their investments within shorter time frames and with greater efficiency.
- ii) Promote new projects for house construction**  
Reconstruction programs put on hold a number of years ago should be renewed to serve the needs of the repopulation strategy. A distinction could be made between construction implemented for social needs (such as building houses for families with multiple children, a program practiced in all regions of NKR) and reconstruction aimed directly at repopulation. In this regard, it would be worth examining models used by organizations such as Habitat for Humanity and the Fuller Center for Housing, which use mutual support systems.
- iii) Provide budget houses**  
The case of Ditsmayri village in the Kashatagh region, where immigrants used temporary timber houses, can provide guidance in implementing this recommendation. In 2000-2001, 14 timber houses were placed in the village.

These houses are still standing and are considered to be of high quality by the inhabitants; in fact, most of these timber houses are of superior quality and comfort than many of the stone houses built on the bases of ruins. The cost of these houses is considerably lower than the cost of stone houses; they can be built and transported much more quickly; and they are likely to have wider usage in these territories. The production of timber houses could also be undertaken using the approach described in item 5 below (i.e. by using future inhabitants as the workforce).

**iv) Establish hotels**

Almost none of the towns investigated had hotels that could be used by tourists or others. (Berdzor city could be considered an exception, as there is a guesthouse there.) Hotels are important not only for the development of tourism but also for repopulation, as they could be used by potential immigrants who wish to visit and find out more about the region before moving in. Several families could jointly apply for microfinance support to build a guesthouse to attract tourists; they could be employed in it as staff too.

**v) Involve future inhabitants in the construction of their houses**

Immigrants should be active participants not only in the construction of their future houses (as paid workers) but also in the design, planning of investments, acquisition, and supervision. This approach would help raise the quality of construction, decrease the cost per house and support immigrants financially by providing them a salary.

**vi) Ensure transparency in distribution of construction materials**

There is a need for clearly defined principles, procedures, and criteria for the distribution of construction materials. People need to be convinced that construction materials are being distributed justly.

**vii) Adopt transparent and clear procedures for granting property rights**

Numerous interviewees expressed dissatisfaction with the privatization process. Despite living in these areas for over 10 years, they have not yet received property rights for their house. State bodies explain this by citing the absence of documents proving that the person has lived in the area for over 10 years, and by periodic changes in the privatization procedure. Provision of property rights would increase immigrants' attachment to their land. Many respondents even proposed that property rights could be given upon arrival. A possible solution could be granting property rights after living in a new location for a certain period of time with their families.

#### 4.7.4 Educational innovations

- i) Introduce new teaching models**  
In some schools, children of different ages are taught in the same class. To provide better education, advisory and methodological support should be provided to teachers to teach children of different ages separately.
- ii) Introduce community development as a subject in NKR universities**  
Offering a course on community development in NKR universities would not only contribute to the educational process but would also help promote the importance of community development. Students who have studied community development could contribute both in the target areas and in other regions of NKR. It should be stressed that a course on community development would not be studied in isolation, but as a complement to other courses of study, both academic courses and technical training courses.

#### 4.7.5 Making repopulation attractive

- i) Organize familiarization tours to the repopulation zone**  
Research indicates that a considerable portion of those who have settled in these areas have visited for one reason or another before moving in. This has doubtless played a role in the decision to migrate. Both state and private resources should be used to organize familiarization tours, since bringing as many people as possible to these areas for various reasons will probably strengthen positive attitudes and facilitate the decision to immigrate.
- ii) Stimulate business investments**  
The government, in cooperation with the Ministry of Diaspora of Armenia, international organizations and funds, should organize yearly joint events to make plans for attracting business investments. Investments in remote areas will keep the local population from leaving and will attract new residents.
- iii) Produce social-cultural TV programs about the target areas**  
A TV program or series on these regions, broadcast by one of the popular TV channels, would raise public awareness.
- iv) Publicize success stories**  
The success stories of families who have settled in these areas and made the most of difficult circumstances should be publicized through television and other media. The sharing of success stories would be a crucial tool for bringing in new families.
- v) Develop tourism, particularly ecotourism**

Ecotourism could easily be developed even if infrastructure is not in place. The hot springs in the Shahumyan region could be turned into affordable leisure sites for thousands of Armenians. The availability of organic food may be particularly attractive to foreign tourists.

**vi) Provide financial support to immigrants prior to their arrival**

A number of years ago, the delay in the provision of loans in Shahumyan region, particularly loans for cattle, led to widespread disappointment and may have deterred potential immigrants. The provision of loans upon (or even prior to) arrival might serve as stimulus.

**vii) Create guidebooks for new arrivals**

Guidebooks for immigrants should provide basic information about the communities being repopulated, their resources, potential for investment, available houses for reconstruction and reconstruction costs. Dissemination of this information would promote interest in these regions.

**viii) Create leisure venues for the local population**

The lack of public spaces inhibits the formation of local traditions, the development of social relations and ultimately strong attachment to these areas. In particular, Karvachar city needs leisure venues for people of different ages.

**ix) Conduct ongoing sociological research**

Since even the most organized statistical data is insufficient for identifying the sociological characteristics, perspectives and motivations of inhabitants, ongoing sociological research should be carried out among both immigrants and other citizens of NKR and RA to identify other potential immigrants. The results of this research would help to manage the repopulation process more efficiently and to implement more targeted projects.

**x) Redirect emigration flows**

Many of those who settle in the repopulation zone have changed their place of residence a few times during the years prior to their final settlement in these areas. It is possible that people who desire to leave for a foreign country from Armenia or NKR would be more easily attracted to these areas. If possible, such people should be redirected to live in the repopulation zone.

**xi) Provide state incentives or guarantees for major investments made in the area**

Many potential investors are reluctant to invest in these areas, as they consider it risky. A targeted investment policy by the NKR government, and provision of investment guarantees, could attract more investments in the region.

#### 4.7.6 Improving socio-economic conditions

**i) Clarify expectations of repatriates**

The distribution of privileges aimed at promoting repopulation can sometimes foster paternalistic relations between citizens and the state. In particular, this may be a problem among lower socio-economic groups who end up being dependent on state welfare and programs. Alongside undesirable social consequences, expectations of support from the government can greatly damage the process of repopulation. For example, some economically and socially capable families are hesitant to make investments (e.g. for renovating their houses) and instead expect to receive state support.

**ii) Establish stores selling construction materials and other products**

According to interviewees, there is a high demand for construction materials but few stores selling them. This requirement is so important to the reconstruction of houses that the establishment of such stores requires state intervention: perhaps building materials can be based in one regional depot with distribution and delivery capability. In some villages there are no grocery stores; provision of microfinance credit to a family could help them open a shop in such villages.

**iii) Establish pharmacies**

There is not a single pharmacy in the entire Karvachar region. Creating pharmacies should be considered a task of the state, or the state should incentivize private pharmacies to be established.

**iv) Improve procedures for providing loans to buy cattle**

The majority of interviewees believed that loans provided over the past few years for buying cattle have had a fairly positive impact. Because cattle breeding is considered one of the most feasible occupations in agriculture, many families want to breed cattle but cannot afford to buy the first one or two. Support for families to buy cattle would significantly help foster cattle breeding in the target areas. **Microfinance** provision projects could help, with the amount of the loan being increased so that households have a chance to acquire more cattle. The loan amount should enable inhabitants to acquire enough cattle to ensure intensive growth. Since the number of cattle does not have a major impact on the required workforce or on the time required for rearing them, larger loans would enable villagers to acquire 2-3 times more cattle using a slightly larger workforce. Loan amounts should be flexible in order to reflect the changing market price of cattle. People should be encouraged to pay off their loans on time (for example, by guaranteeing a new loan if the previous loan is paid off on time).

**v) Improve conditions for providing agricultural loans**

According to interviewees, the timeframe given for paying off agricultural loans does not correspond to the agricultural cycle. Loans are provided for one year, but villagers are usually unable to sell their harvest within a year. Revision of

deadlines and conditions of agricultural loans could help families in village communities plan their agricultural cycle better and be able to pay off their loans.

**vi) Customize agricultural loans to suit land and climate conditions**

Repopulated lands should be used in the most productive way. For example, in the Kovsakan region, where growing wheat is not considered to be the best use of the land, gardening should be developed through the provision of corresponding loans.

**vii) Promote long-term agricultural investments**

Some branches of agriculture, such as the establishment of orchards, demand long-term investments. Aside from their economic benefits, these projects will create a much stronger attachment to the region than short-term projects; a family planting an orchard will be much more attached to the region than one that grows wheat.

## Chapter 5: Repatriates from the Middle East

### 5.1 Repatriation on the Armenian national agenda

Even though Armenian dispersion dates back centuries, beginning with organized Armenian communities in many remote areas such as Europe, the Middle East, India, the concept of repatriation is more recent in Armenian political thinking. It is closely linked to the emergence of a collective identity as a nation in exile, or a diaspora. Though the definition of the term is debated, the notion of diaspora as a nation in exile started to be used in the Armenian press outside Soviet Armenia in the early 1930s. It reflected the collective awareness of a people who lost their historical homeland in the 1915 genocide. Whenever the genocide was remembered, the loss of the homeland was mentioned along with the 1,5 million victims.

Awareness of diaspora implied the notion of organizing dispersed Armenian communities worldwide. Meanwhile, the diaspora created institutions that would preserve Armenian identity, including schools, churches and community centers, all oriented toward an eventual return to the homeland. This narrative applied to all sectors of the diaspora, notwithstanding political divides with respect to ideological perspective, strategic alliances or power struggles in community politics.

The dominant myth of massive return to homeland as a goal giving meaning to diaspora existence persisted even as a third post-genocide generation came of age by the 1970s. Indeed, with political advocacy for the Armenian cause becoming globally active after the 50<sup>th</sup> anniversary of the genocide, the myth of return to homeland became even more assertive. However, as we have not seen a pronounced return to the homeland since independence in 1991, the idea of a collective return has proven to be more of a myth than reality.

The concept of repatriation was coined in Soviet Armenia in the aftermath of World War II. Its transformation into policy took place after nearly a quarter-century of borders that were almost completely closed to diaspora immigration during the worst post-1921 period of the Stalinist regime. The Soviet Armenian repatriation initiative of 1946 was politically ill-conceived and badly implemented, but it created a historical antecedent. Repatriation became an opportunity, a demand and a question mark after Armenia gained independence in 1991. The debate started as early as the NKR movement in 1988, initially as an almost naïve certainty that if justice were finally done and Armenian territories were unified, then repatriation would naturally follow.

The early years of Armenia's independence saw massive emigration, mostly for economic reasons. Following the ability to obtain Armenian citizenship and become dual citizen, repatriation started to be debated as a policy option along with the creation of the Ministry of Diaspora. The debate continues even as different programs are still being implemented on a trial-and-error experimental phase.

Today repatriation is a necessity for Armenia on demographic grounds. Since 1991, the rapid decline of the country's population has been a critical area of concern. Multiple studies have shown that difficult social and economic circumstances contributed to the mass wave of emigration; yet 20 years after independence, effective migration policies have yet to be adopted to stem the tide.

For a short period, a surplus in migration to the country was registered. However, following the global financial downturn in 2009, Armenia's economy suffered a recession. GDP contracted by 14 percent, poverty rates increased, jobs dwindled, inflation increased to 4.8 percent, and a new wave of emigration began that continues unabated. Today Armenia's government relies heavily on loans from international donor organizations such as the World Bank, IMF, Asian Development Bank and Russia, resulting in a large budget deficit and foreign loan obligations that will burden future generations. Stable economic growth is impeded by lack of dependable rule of law, corruption at all levels, a faulty judicial system, rooted oligarchy, and lack of market competition.

These problems have presented severe obstacles to repatriation during the past twenty years. Along with the local population, potential repatriates or returning migrants are faced with a lack of job opportunities, shortcomings in education and health care, corruption, high cost of living in relation to income, monopolies impeding market competition, and a deep lack of faith in the country's future. Returning Armenians also face deep cultural differences, language issues (i.e. eastern vs. western Armenian), an unfamiliar business environment and practices, and complicated taxation and customs laws that are constantly susceptible to corrupt practices.

Upon the legalization of dual citizenship in 2007, many presumed that a high percentage of diaspora Armenians would take advantage of this new right. In reality however, a relatively small percentage of diaspora members have become dual citizens of the Republic of Armenia; even fewer have actually repatriated.

A healthy inflow of people from both the traditional diaspora and from those who emigrated from Armenia following independence could create the conditions for a reverse in population decline. Understanding the reasons behind diaspora reluctance to return to Armenia, and offering policy solutions to the factors identified, is vital for the nation's future.

The remainder of this chapter offers a critical appraisal of policies implemented by the current government of Armenia, and specifically by the Ministry of the Diaspora, in promoting the repatriation of diaspora Armenians. It focusses not only on state policies and public debates, but also on the experience of those who have repatriated, their experience and their opinions. For a number of reasons, the study sample focuses on repatriates from the Middle East (Lebanon, Syria and Iraq):

- The narrative of the diaspora, including the myth of return, developed mostly in Middle Eastern Armenian communities.

- These communities were by far those in whom elements of identity such as language, culture, historical memory and traditions were best preserved, arguably making their integration into Armenia easier.
- At the same time, these communities are strongly identified with Western Armenia (unlike, for example, Iranian Armenians, who are closer to the Eastern Armenian cultural identity).
- The Middle Eastern communities face the challenge of political turmoil in their host communities; in fact migration trends by Armenians from the Middle East to other countries, particularly in North America, have been accelerated since the mid-1970s.
- The precedent set by Iraqi Armenians fleeing political violence after the US intervention in Iraq presents a good case study.
- The current Syrian civil war, and its disastrous impact on the local Armenian community, makes the debate about best practices in repatriation policies even more urgent.

## **5.2 Politics, policies and practices of repatriation since 1991**

Despite the unprecedented Armenia-diaspora interaction from 1988 to 1991, repatriation did not become an issue on the political agenda of the newly independent state as readily as some had hoped and believed it would. Armenian state policy in the early years after independence did not envisage repatriation as an important policy issue (though diaspora investment was welcomed). In late 1990s, Armenia started to pay attention to repatriation.

Public debate about dual citizenship became intensive beginning in 2005, when a referendum for Constitutional reform took place, and the Law on Citizenship was signed in March 2007. The institutionalization of diaspora-Armenian relations through the Ministry of Diaspora and its active involvement in repatriation initiatives coincide with two critical situations: first, the increase of emigration from Armenia due the 2007-2008 global financial crisis and internal political crisis in the country; and second, the present Syrian conflict that has greatly affected the local Armenian community. The most visible aspect of the Ministry's involvement in fostering repatriation was the easing of the bureaucratic procedure to obtain citizenship, with its important consequences for Syrian Armenians caught in the middle of armed conflict. It is still too early to conclude how significant the level of repatriation will be, but increasing demand for citizenship might be a signal.

## **5.3 From dual citizenship to repatriation**

Despite the warm welcome that the dual citizenship law received, diaspora Armenians did not immediately rush to submit applications. The law needed regulation, which was

not introduced until April 2008. As well, the complicated and unclear application process did not encourage diaspora Armenians to start the process of becoming citizens. There is no indication that Armenian diplomatic representatives have received clear instructions to promote dual citizenship or have been trained on how to advise prospective applicants. In fact, amendments to simplify the application procedure and remove bureaucratic obstacles (e.g. now requiring only basic proof about the applicant's Armenian origin) were introduced in April 2010, partly due to intervention from the Ministry of Diaspora. According to the Armenian Ministry of Diaspora, the number of people who were granted dual citizenship in Armenia 2012 totaled 15,000.<sup>120</sup>

Three factors explain the increase in interest and applications for dual citizenship in 2011-2012. First, the Ministry of Diaspora was created and became active in facilitating dual citizenship and promoting the debate on repatriation. The Ministry became highly visible in the Syrian Armenian refugee issue by opening a special secondary school and by facilitating these immigrants' access to health care and university education, among other initiatives.

The second factor consists in the current government's eagerness to engage diaspora members in the Armenian economy. The deterioration of Armenia's economic performance in 2011 and 2012 made the renewal of diaspora engagement crucial. Thus, the Fourth Armenia-Diaspora Conference in September 2011 (on the 20<sup>th</sup> anniversary of Armenia's independence) became an opportunity for the government to send a strong message to diaspora investors.

The third factor is the situation of the Armenian communities in the Middle East following the Arab revolts in Egypt, Syria and Lebanon (and against the background of the Armenian government's failure to ensure successful repatriation of Iraqi Armenians in 2006-2007). The Syrian civil war hit the Armenians of Aleppo, Damascus, Deir Zor and other Syrian cities and regions very hard. Eventually the highest demand for dual citizenship came from Syria; and with the flow of Armenians escaping the war in the summer of 2012, the government decided to make a further exception to standard procedure by handling dual citizenship documents in Armenian embassies. The measure was later extended to Lebanese Armenians applying for dual citizenship, probably as a preventive measure in case of expansion of the conflict from Syria to Lebanon. Armenia offered a number of privileges to Syrian-Armenians, and according to the Ministry of Diaspora, dual citizenship was granted to over 5000 Syrian Armenians during the last six months of 2012.<sup>121</sup> There is a possibility to further improve the coordination of the welcome policy for diaspora Armenians based on the experience of Israel (by guiding repatriates through the whole process of repatriation starting from the moment when they wish to do so).

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<sup>120</sup> Armenian Minister: 15,000 People Received Dual Citizenship in 2012. (2012, December 25). *Panarmenian.net online media*. Retrieved from <<http://www.panarmenian.net/eng/news/139513/>> (accessed July 16, 2013)

<sup>121</sup> Most of Armenians from Syria Want to Stay in Armenia. (2012, December 25). *lin.am online media*. Retrieved from <[http://www.lin.am/arm/armenia\\_politics\\_145014.html](http://www.lin.am/arm/armenia_politics_145014.html)> (accessed July 16, 2013)

## 5.4 Focus group responses from repatriates

Focus group discussions were organized with a total of 22 repatriates from Armenian diaspora communities of the Middle East in order to understand the main factors that motivated them to repatriate, and ones that would encourage their relocation to be long-term or permanent. A large majority of the participants repatriated prior to the conflict in Syria, although five of the interviewees repatriated as a direct result of the war.

Although the study looked at creating opportunities for business investment in Armenia, several participants in the study were students or those with professional backgrounds working in different organizations in the country. Reflecting the fact that Middle Eastern Armenian communities have a long tradition of entrepreneurship and a significant number who are craftsmen/artisans, several in the sample also belonged to the service sector.

Features of the 22 interviewees included:

- Gender: 73% male, 27% female
- Age: 45% under 30, 55% over 30
- Origin: 73% from Aleppo (Syria), 9% from Damascus (Syria), 9% from Iraq, 9% from Lebanon
- Marital status: 68% married, 32% never married
- Education: 27% master's degree, 50% bachelor's degree, 5% currently in university, 5% five completed high school, 5% partial high school, 9% grade school only
- Family unit: 45% repatriated to Armenia alone, 9% with a spouse only, 41% with spouse and children, 5% with their parents
- Current accommodation: 9% living in a rented private house, 14% in an owned private house, 36% in a rental apartment, 32% in an owned apartment, 5% with relatives, 5% with friends.

Several core areas of inquiry were defined for the interviews, the first of which was employment:

- 45% of respondents came from a science and engineering background, 37% from the business/craftsmen/service sector and 18% from the liberal arts
- 68% were employed prior to moving to Armenia; now 59% are employed, 18% are self-employed and 23% are out of work but actively seeking employment.
- Current type of employment includes business administration (27%), professional (32%) and manual labor (9%)
- 64% said their current work in Armenia matches their previous work experience, 18% said no
- 5% said their financial satisfaction after moving to Armenia was very good, 36% good, 27% fair, 14% unsatisfactory

The second area explored was the respondents' motivations for repatriation and the circumstances of their relocation:

- 23% moved to Armenia in 1998-2002, 36% in 2003-2007, 41% in 2008-2012
- 59% moved to Armenia because it was their homeland, 9% because of family, 5% because of living conditions, 9% percent to study or accept a position, and 14% because of instability in the countries they were living in.
- 55% said that they researched the repatriation process prior to moving, 27% said they didn't plan
- 55% left behind immediate families, and 55% left behind ownership/belongings
- Major difficulties during and after relocation included lack of job opportunities (27%), the socio-economic climate in Armenia (23%), leaving behind family and friends (14%); 36% cited no difficulties
- 82% had visited Armenia prior to relocating there

The third area of questions concerned respondents' views of the integration process:

- Language barriers (Eastern/Western Armenian): 59% found them not difficult, 36% difficult, 5% very difficult
- Transportation: 64% found it not difficult, 27% difficult, 5% very difficult
- 27% said it was not difficult to manage on their present salary level, 27% said difficult and 41% said very difficult
- Securing housing: 36% found it not difficult, 41% difficult, 23% very difficult
- Accessing services and facilities: 41% not difficult, 36% difficult, 18% very difficult.
- Finding jobs: 55% found it very difficult, 32% difficult, 14% not difficult
- Reception from the local population: 14% have had a bad experience, 18% said it was "weird", 41% said it was normal, 27% said it has been very welcoming
- Intending to leave Armenia soon: 14% said yes, 67% no, 14% maybe
- Would they advise other Armenians to move to Armenia? 68% said yes, 9% said no, 23% said maybe

The fourth area of interview questions concerned sustainability and business opportunities:

- When asked what would it take to make living in Armenia a realistic option, 22% mentioned a fair tax system, 32% job opportunities and better salaries, 5% good investments, 23% better cultural/social factors, 18% couldn't answer
- Whether living in Armenia is sustainable for a second generation of repatriates, 54% said yes, 27% no, 14% maybe

In their general comments, respondents said they believed that new opportunities for a better and more prosperous country would materialize once cultural differences dissipated. Most said that the homeland needs the diaspora as much as the diaspora needs the homeland. Others complained about corruption and the lack of a clear economic policy by the government. Some said that the country has become service-oriented (restaurants, cafes, hotels, retail chains) at the expense of industries with the potential to create more jobs. The tax system was also noted to be a serious burden to businesses;

instead of easing taxes to encourage new diaspora investment, the government is increasing taxes, making it very difficult to start a new business.

## **5.5 Toward successful repatriation**

Repatriation should be thought of as both a social trend and a state policy. On the one hand, there must be the political will to repatriate; on the other, there must be supportive conditions created for people willing to move to Armenia and start a new life there.

The experience of Middle Eastern repatriates interviewed for this chapter shows that the main reason why people take the decision to repatriate is the view that Armenia is the homeland of Armenians (and not, for instance, instability in their previous countries or an expectation of better living conditions). The decision is not purely emotional, however, since most of the repatriates rationally conducted research before moving to Armenia. The idealist component in the decision to repatriate is underlined by the fact that the overwhelming majority of those who return express no intention to leave and would advise other Armenians to follow their example.

The first recommendation, therefore, is the need to reinforce the concept of homeland as the main reason for diaspora Armenians to settle in Armenia. At the same time, however, the state must facilitate the process for those who decide to repatriate and help them to implement it.

Understandably, Middle Eastern repatriates did not find the language barrier (eastern/western Armenia) a difficulty for their integration. On the other hand, job opportunities and better salaries are mentioned as conditions for the sustainability of their choice to live in Armenia. The fact that the majority thinks that Armenia was sustainable to a second generation could also reflect hope that the conditions of better salaries and job opportunities will become a reality. As for their general complaints, the burden of taxes, corruption and the lack of a policy of industrialization are seen as major difficulties.

The second recommendation is therefore that the state must promote repatriation by identifying as top priorities the tasks of solving problems of housing, decent salaries and employment. It must also aim to ease the burden of taxes, create a better business climate and promote value-added economic sectors.

## **6. Recommendations**

Drawn from this study, the following recommendations are aimed at reducing emigration and improving the situation in Armenia. They are based on answers from different focus groups, and reflect public opinion in Armenia. Even though society and the diaspora can contribute to the process of repatriation and resisting emigration, the role of the government in this process is essential. If the recommended measures are adopted by the Armenian government, they will help to reverse the tide of population decline and attract more immigrants and investments.

### **1. Jobs**

The lack of employment is one of the main reasons influencing Armenians' decision to emigrate. Most returned migrants interviewed said the main reason that might force them to re-emigrate would be a lack of employment. There are two potential solutions to this problem: job creation and labour market reforms to ensure that people are not overqualified for the job they are doing. The latter issue is dealt with in the next section (Education), which gives recommendations for improving the education system and giving professionals the necessary technical skills to meet labor market demands.

To create new jobs, investments should be made in Armenia's economy and reforms should be implemented to improve the business environment (see section 3 below). Armenia is currently considered a risky zone for new investment because of geopolitical uncertainty, monopolies, and poor protection of property rights. While the government cannot do anything about the first factor, it is fully responsible for addressing monopolies and the protection of property rights. Small businesses should be enabled to do business on equal conditions with larger ones; this would allow many people have their own sources of income, jobs and business. The process should be implemented slowly, through a liberal market and tax policy. The experience of Georgia can be an example, since its reforms toward equal and liberal business conditions in the market have resulted in much foreign investment in its economy.

### **2. Educational system**

According to respondents, there is no connection between universities and employers, and often universities do not know what employers need. Most educational institutions are specialized in particular fields of study (medicine, architecture and engineering) and do not substantively differ from each other in terms of the range of offered programs. The main fields of study offered to future students are too broad and do not include specialization that would provide students with marketable skills. Academic fields are limited, with the most popular majors in international relations, political science, history, economics, management/marketing and law. Most of these

graduates have difficulty finding jobs because the supply is much higher than the demand for those professions. On the other hand, there are jobs requiring specific skills in trades, and relatively few people who can do the work.

A solution is to create private colleges specialized in different sectors of trades and technical knowledge. The government could collect statistics about job trends in the market and provide licenses to private colleges to teach training programs in fields where labour demand exists. These colleges could also offer field placement, internships and volunteering to give graduates practical knowledge, work experience and contacts. This will help prepare skilled professionals and secure them employment; and it will help pass the skills and knowledge of the older generation down to youth.

### **3. Business environment**

Since the driving force of the economy remains small and medium businesses, they should be more robustly encouraged to expand and operate. The government should continue reforms aimed at making business easier in Armenia, and improve the application of electronic tax reporting system by excluding precedents of check-up by tax officials without prior notice. Thus far, the government has carried out improvements enabling the easy registration of new businesses; however, the real challenges are connected with the application of those laws during business operations.

The government should also make massive reforms in the customs sector. It should provide easy and transparent customs procedures for import, as well as revise some duties and taxes that limit competition and development in a number of sectors. Such reforms were envisaged in the ruling political party's platform before the recent presidential elections; if they are implemented, the business environment will be significantly improved.

### **4. Economic reforms to provide alternative mechanisms for regulation**

The economic sector needs mechanisms to regulate business relations, since the judicial system is not fully independent and is often ineffective with respect to economic disputes. Currently the government is developing a bill for the purpose of creating an institution of mediation in Armenia, which would enable the resolution of disputes without the need for state participation. Another positive mechanism in the economy could be the adoption of the institution of a 'financial ombudsman.' Currently Armenia has the institution of a financial conciliator, with powers limited to mediation in the economy. Expansion of these powers could provide an alternative mechanism for protecting rights in the business environment.

## **5. Rule of law**

Changes in the legal system and the application of law are needed to protect human rights. This is a very important factor in people's attitude toward their future and their decision to emigrate: if they do not trust their government, they cannot hope for a better life in Armenia for their families and children. To restore trust in the government, there must be equal conditions for everyone in the business environment and everyone should be equal under the law, with no impunity for wrongdoing by police or persons with influence.

## **6. Legal consciousness**

Armenian society lacks legal consciousness. As a young democracy, it changes its laws very often, and many relations are regulated not by laws but by government-issued administrative orders. Often people are unaware of these changes, and are not capable of protecting their rights. Government information about laws is not available to citizens, and web sites and other resources that contain such information are often not updated. Even if information is updated and posted, texts are not written clearly in an understandable manner. As well, people are not used to doing research and do not know where to begin getting familiar with their rights and responsibilities.

New public initiatives are needed to provide reliable information about laws, rights, regulations and their implications for citizens. This information should be spread through mass media (sites, social networks, blogs, radio, and television), which could also provide advisory support to citizens. It is important to raise legal consciousness at the local level through domestic efforts (as opposed to international organizations); this could be done by the government and nonprofits.

Because the judicial system is not independent, there is currently a problem with checks and balances. An alternative mechanism for the protection of human rights in relation to economic affairs could be an independent institution that would provide advisory support to citizens, help them to protect their rights, and involve media in making stories public.

## **7. Government accountability**

One of the main reasons for recent trends toward long-term emigration is citizens' alienation from and lack of trust in the government. Governmental institutions are not transparent, and mostly make decisions without public debate or publishing information in advance. Transparency of decision-making and good governance would significantly reduce the level of societal alienation from the government. It is true that the government is implementing reforms and social programs related to tax administration, the business environment, freedom of speech, the justice system and

government transparency—but those reforms are very slow. They must be accelerated to produce visible results.

## **8. Cultural and social changes**

More efforts should be made to promote the national culture among youth, along with innovations in music and arts. The unique mixture of jazz and folk music, global achievements in chess, bright exhibitions of Armenian artists, high quality shows on TV, open-air screening of Armenian movies and other events would promote the national identity and make life in Armenia more interesting for young people. Both the society and government would benefit from more availability of recreation to release societal tension.

## **9. Cooperation with the diaspora**

The Armenian government should be more persistent in efforts for cooperation with the diaspora. The Ministry of Diaspora and forums with diaspora representatives will certainly contribute to better cooperation. However, better guarantees for protection of property rights and investments in Armenia are also needed to attract more investment and create jobs.

## **10. Repatriation policy**

Even though Armenia organized the repatriation of immigrants from Syria after the crisis in the Middle East (and did so better than it managed inflow from Iraq), there is still room for improvement and better repatriation policies. The Ministry of Diaspora still lacks a clear strategy and action plan with long-term goals. The effective state program of repatriation and absorption on the part of Israel may be a good example both for Armenia's local affairs and its relations with the diaspora. A strategy and plan with steps for repatriation should be developed, along with policies for simplified registration procedures, special accommodations for immigrant communities, counseling, and employment and training programs.

## **11. Immigrant settlement**

Immigrants need local support to settle and adapt to their new life in Armenia. To make this process effective, the Ministry of Diaspora should establish community centres to provide information and support to newcomers. This could be done by providing basic information and connecting immigrants with case workers to guide them through the settlement process. Case workers in these centres should receive information from employment agencies, healthcare institutions, and other places in order to be able to provide centralized and comprehensive information to immigrants.

Many diaspora organizations would raise funds to help the settlement of immigrants in Armenia through the creation of such centres. The centres should employ repatriates who have adapted to life in Armenia successfully and can guide others through the process.

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