

**RESEARCH PROJECT**

# **THE DEPOPULATION CRISIS IN ARMENIA**

## **KEY RESEARCHERS:**

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**Research Group: Arshak Balayan, Armen Gakavian, Avetik Mejlumyan**

**Hrayr Maroukhian Foundation**



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

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## **The Depopulation Imperative**

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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**

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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**

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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 Armenian'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 Kashatagh 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.