

Armenia Gap Analysis

Monitoring Country Progress Team
Strategic Planning and Analysis Division
Program Office
E&E Bureau
May 2016



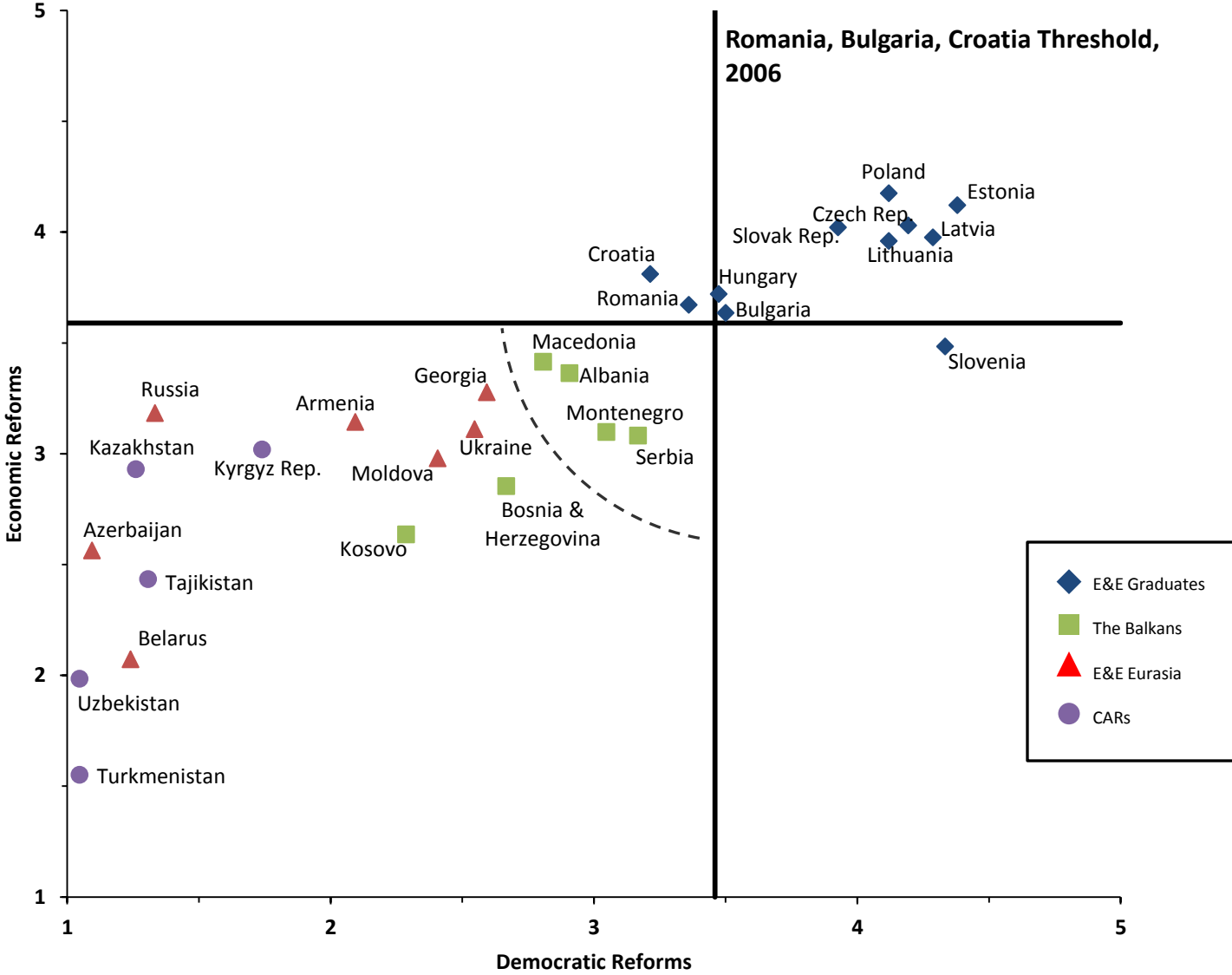
Table of Contents:

- (1) Reform Overview (*Figures 1-5*)
- (2) Democracy and Governance (*Figures 6-15*)
- (3) Economic Reforms (*Figures 16-21*)
- (4) Economic Performance (*Figures 22-51*), including
 - integration with Russia (*Figures 27-38*)
 - energy security (*Figures 37-43*)
 - agriculture and SMEs (*Figures 44-51*)

** See methodology annex for elaboration on the primary indices used in the MCP empirical system.*

Figure 1

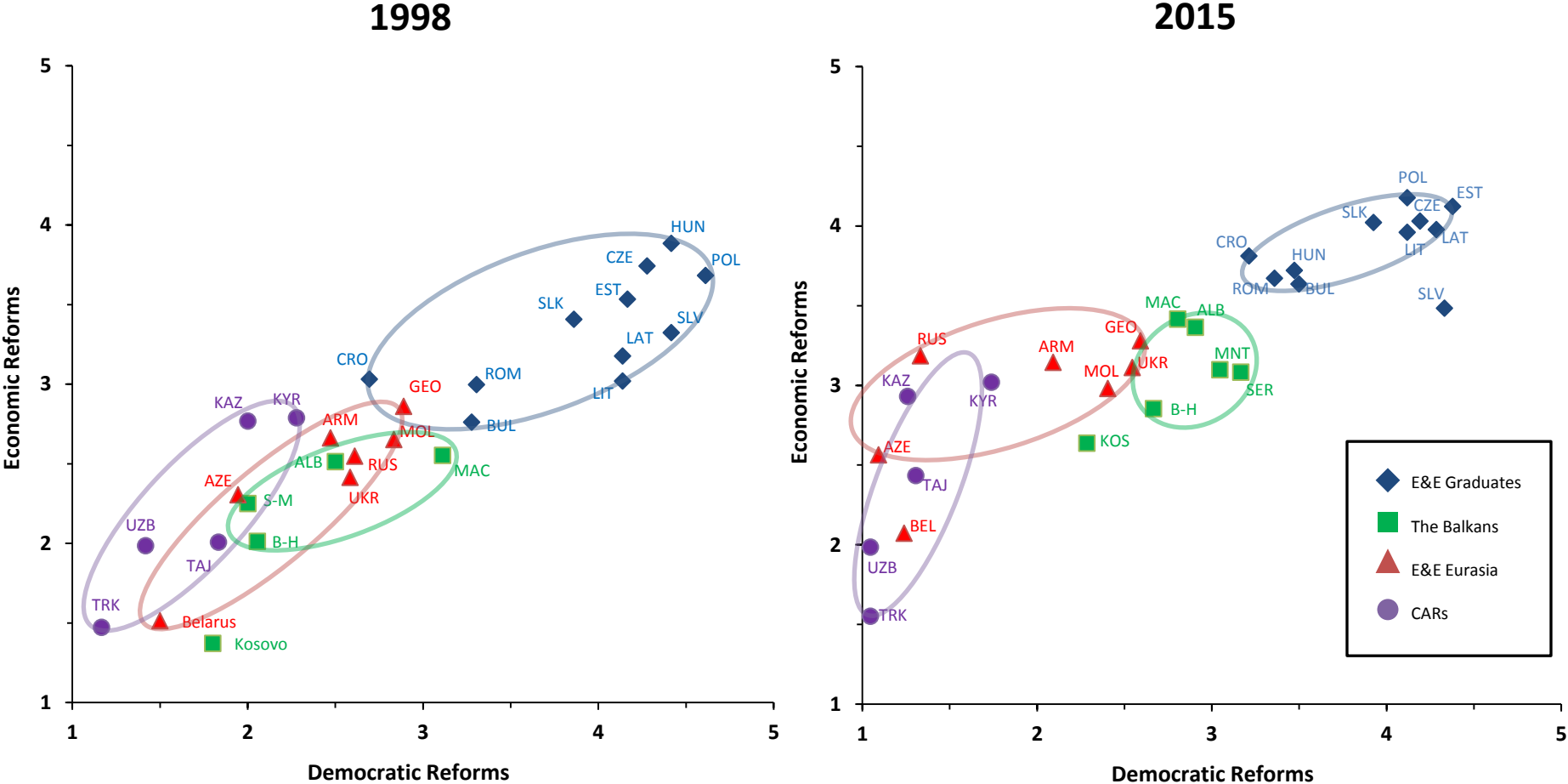
Economic and Democratic Reforms in Eastern Europe and Eurasia in 2015



Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, *Nations in Transit* (June 2016); and the European Bank for Reconstruction and Development (EBRD), *Transition Report* (November 2015).

Figure 2

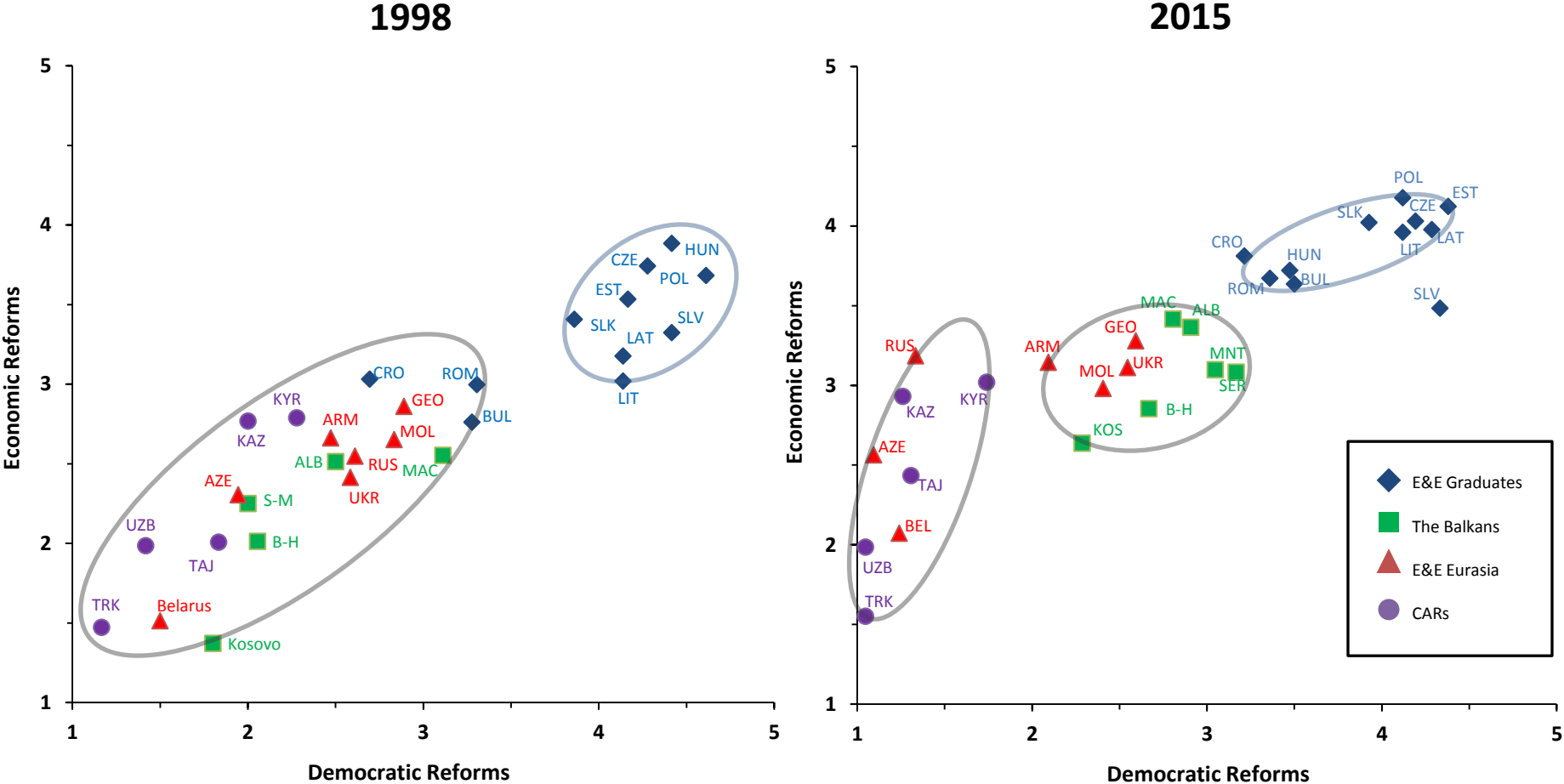
Economic and Democratic Reforms in Eastern Europe & Eurasia



Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, *Nations in Transit* (June 2016); and the European Bank for Reconstruction and Development (EBRD), *Transition Report* (November 2015).

Figure 3

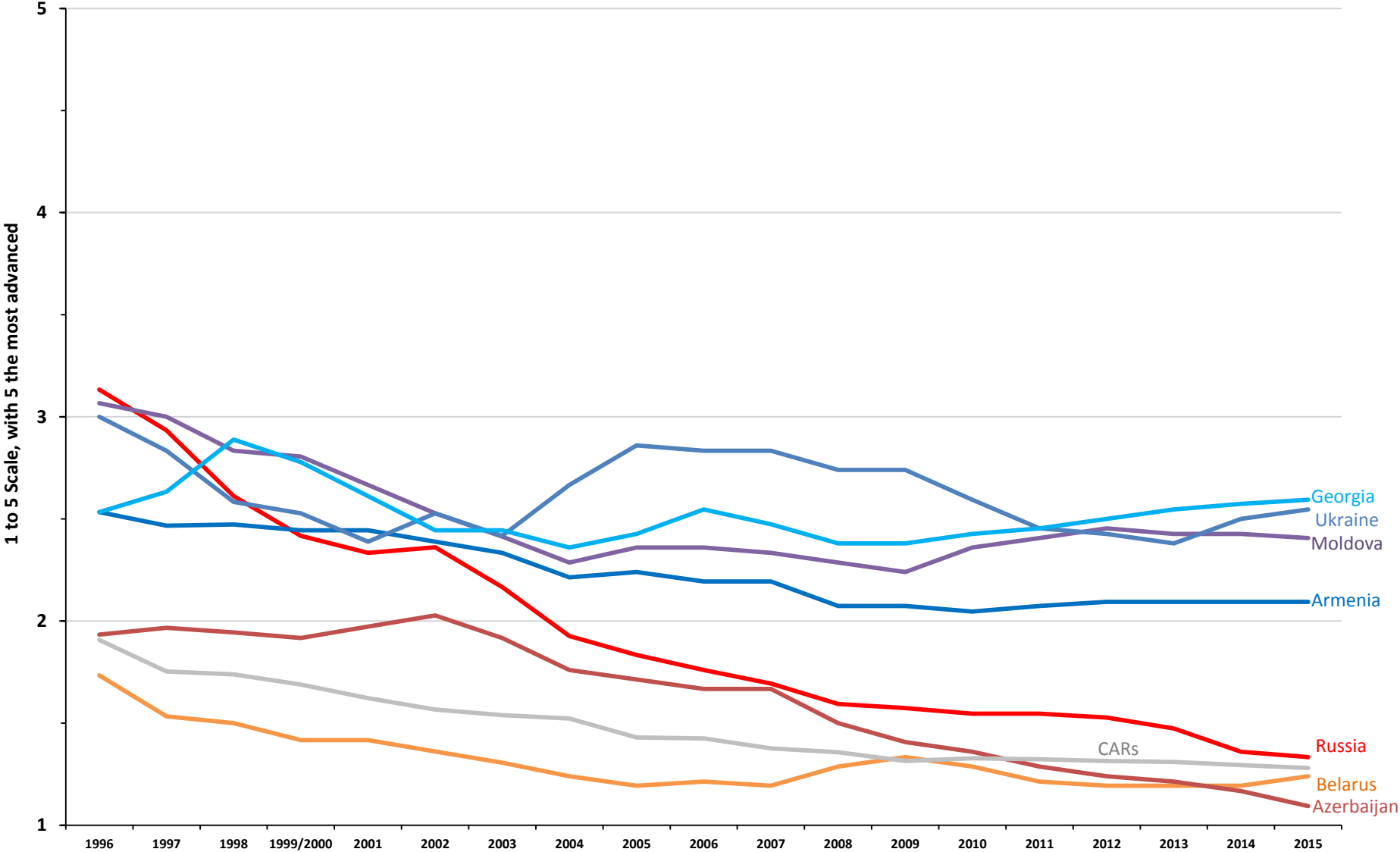
Economic and Democratic Reforms in Eastern Europe & Eurasia



Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, *Nations in Transit* (June 2016); and the European Bank for Reconstruction and Development (EBRD), *Transition Report* (November 2015).

Figure 4

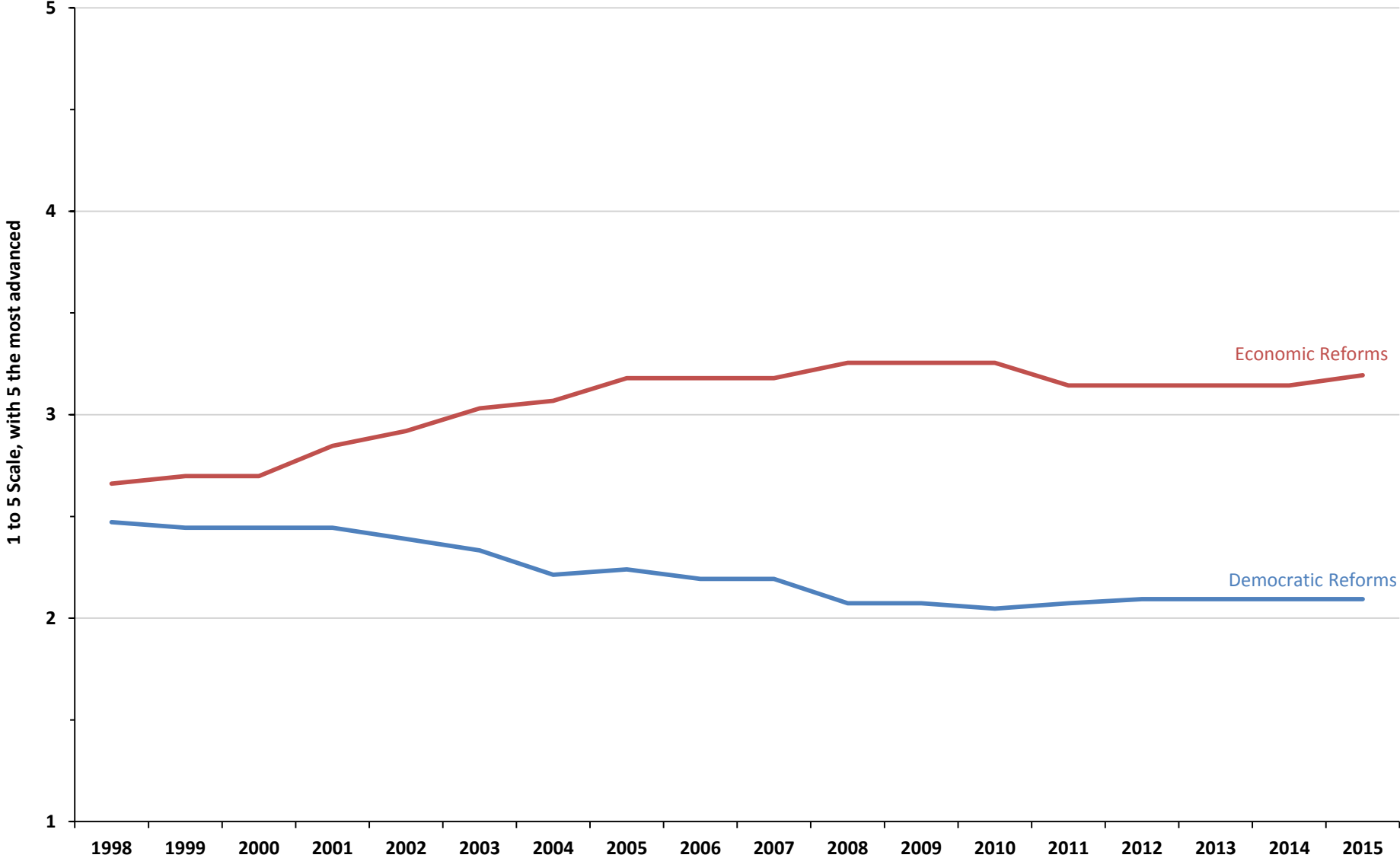
Democratic Reforms in E&E Eurasia and the CARs, 1996-2015



Data drawn from Freedom House, *Nations in Transit*.

Figure 5

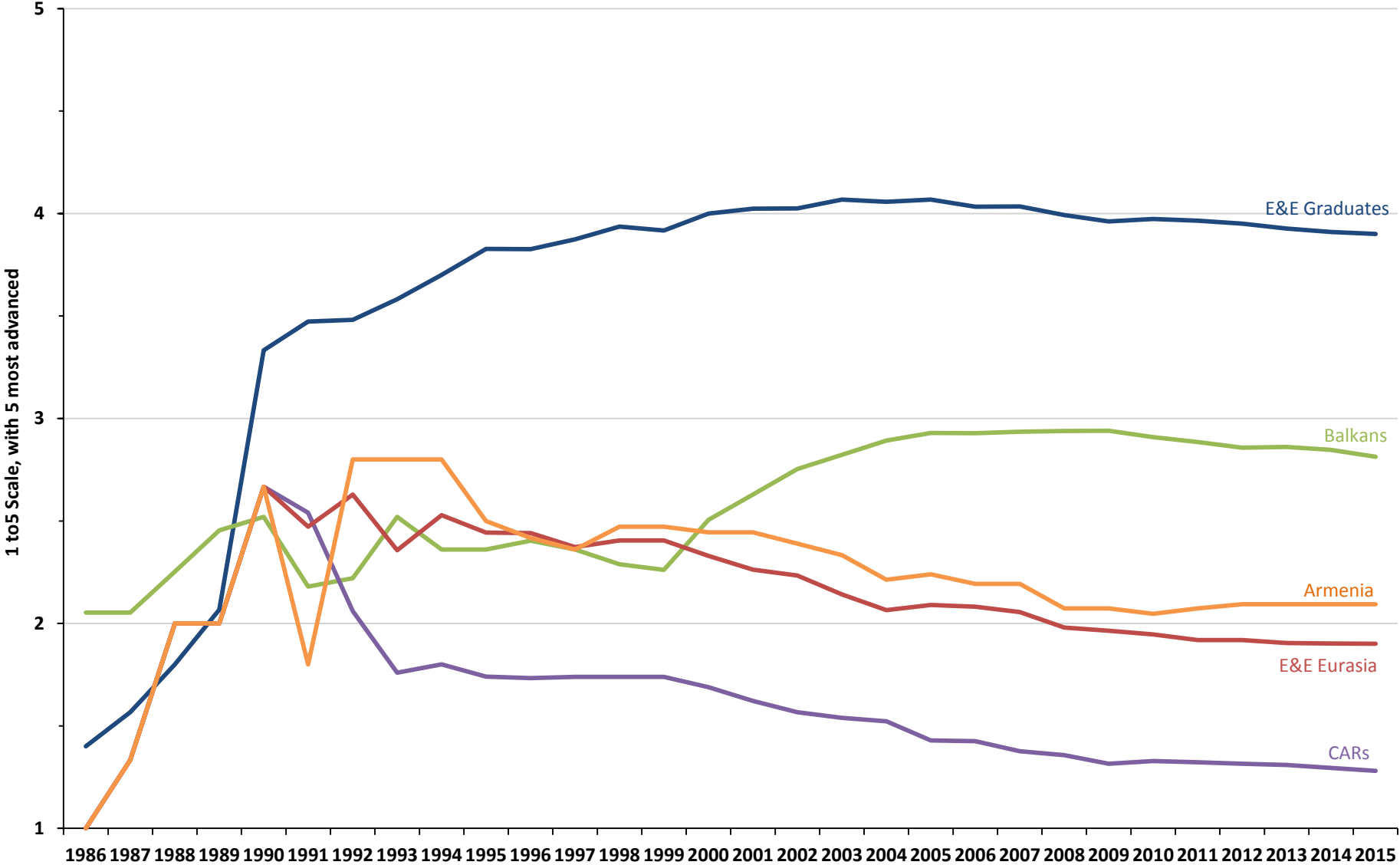
Macroeconomic and Democratic Reforms in Armenia, 1998-2015



Economic reform data are drawn from the EBRD, *Transition Report* and democratic reform data from Freedom House, *Nations in Transit* series.

Figure 6

Democratic Reforms in Eastern Europe and Eurasia



Data drawn from Freedom House, *Nations in Transit* series. The E&E Graduates (n=11) consist of Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Czech Republic, Romania, Bulgaria, and Croatia. The Balkans (n=6): Albania, Bosnia & Herzegovina, Macedonia, Kosovo, Serbia, and Montenegro. E&E Eurasia (n=7): Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, and Ukraine. The Central Asian Republics or the CARs (n=5): Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Figure 7

Democratic Reforms in Armenia

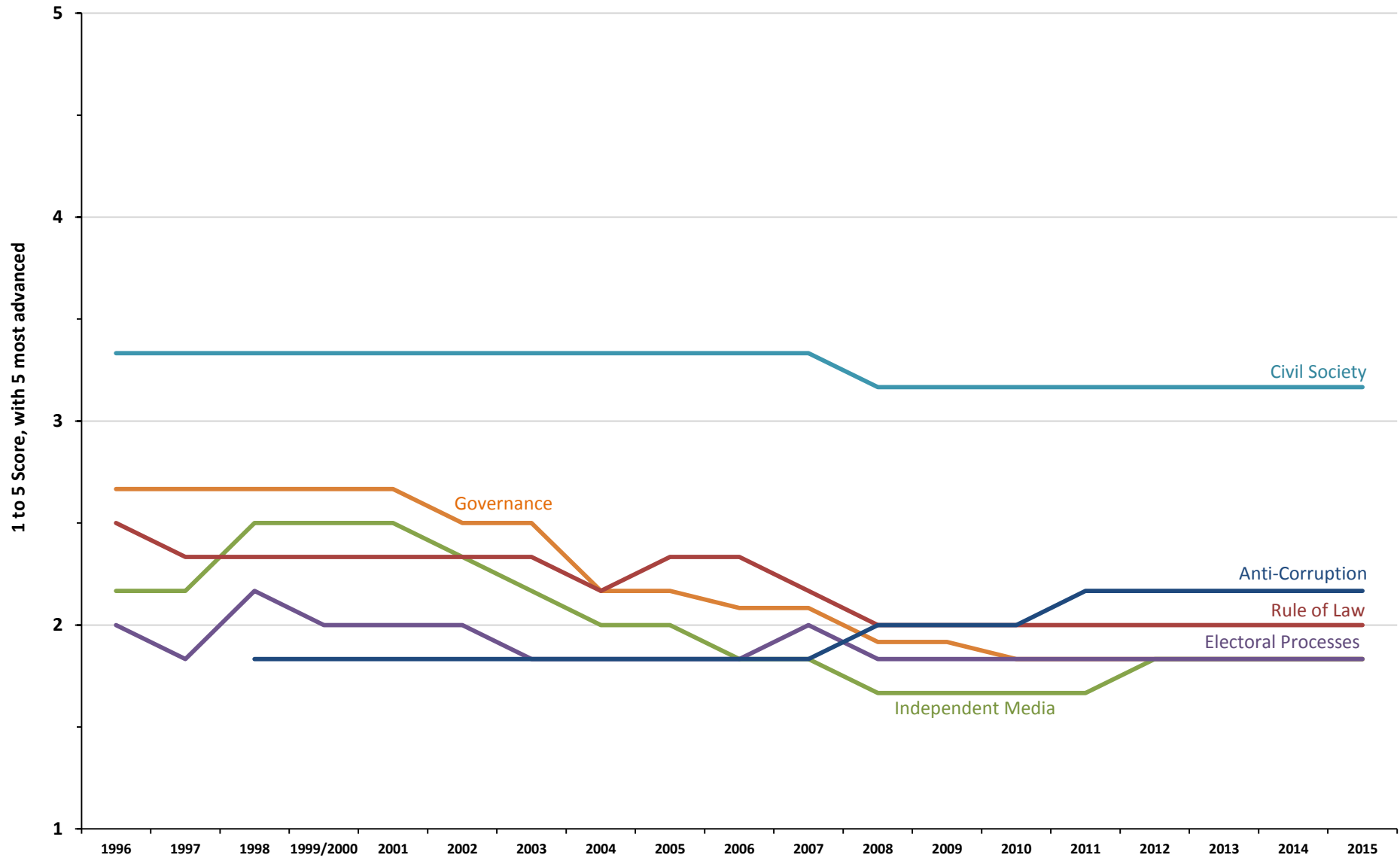


Figure 8

Three Major Income Sources of CSOs for the Past Three Years

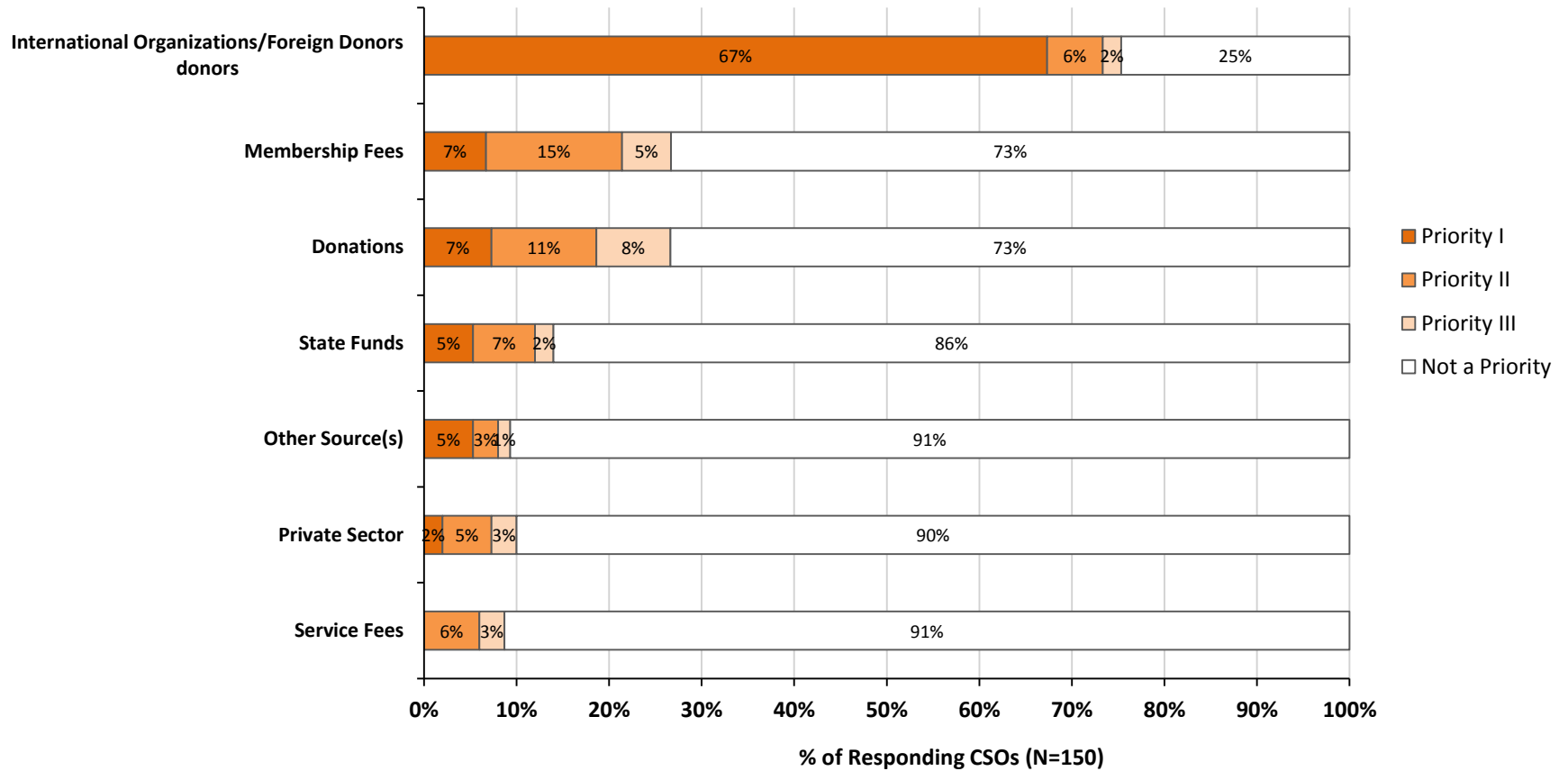
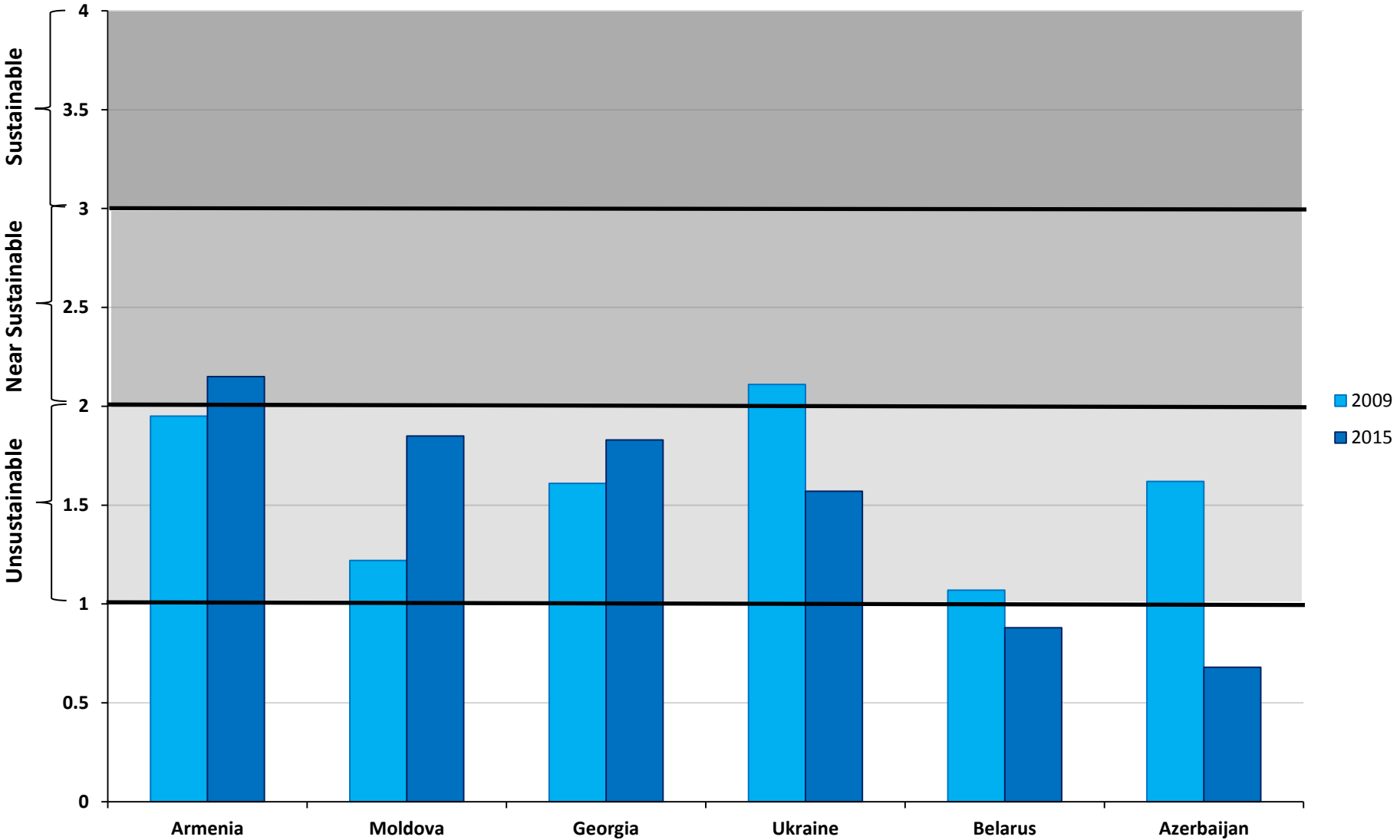


Figure 9

Business Management in Media in Eurasia



IREX, Media Sustainability Index (2016).

Figure 10

Professional Journalism in Eurasia

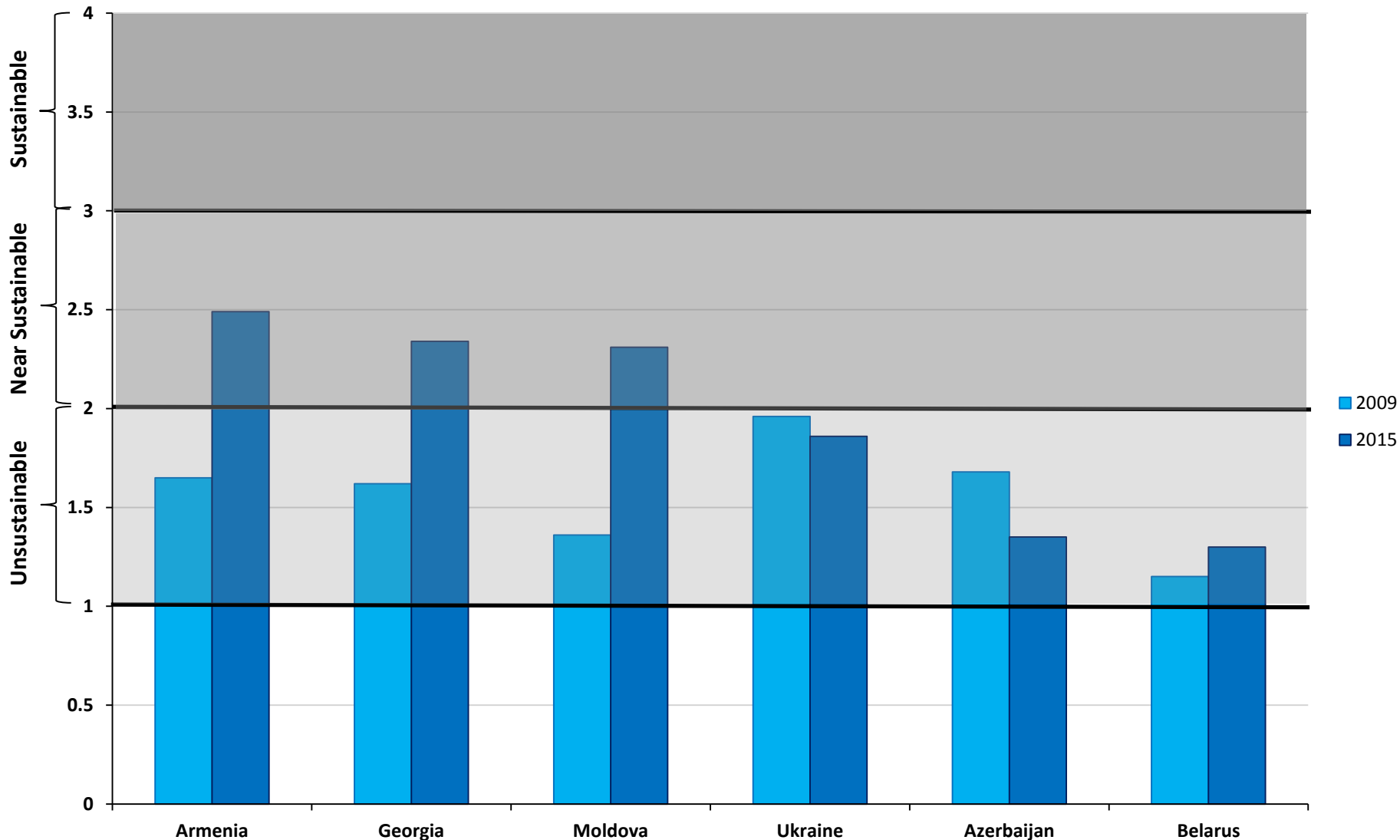


Figure 11

Plurality of News Sources in Eurasia

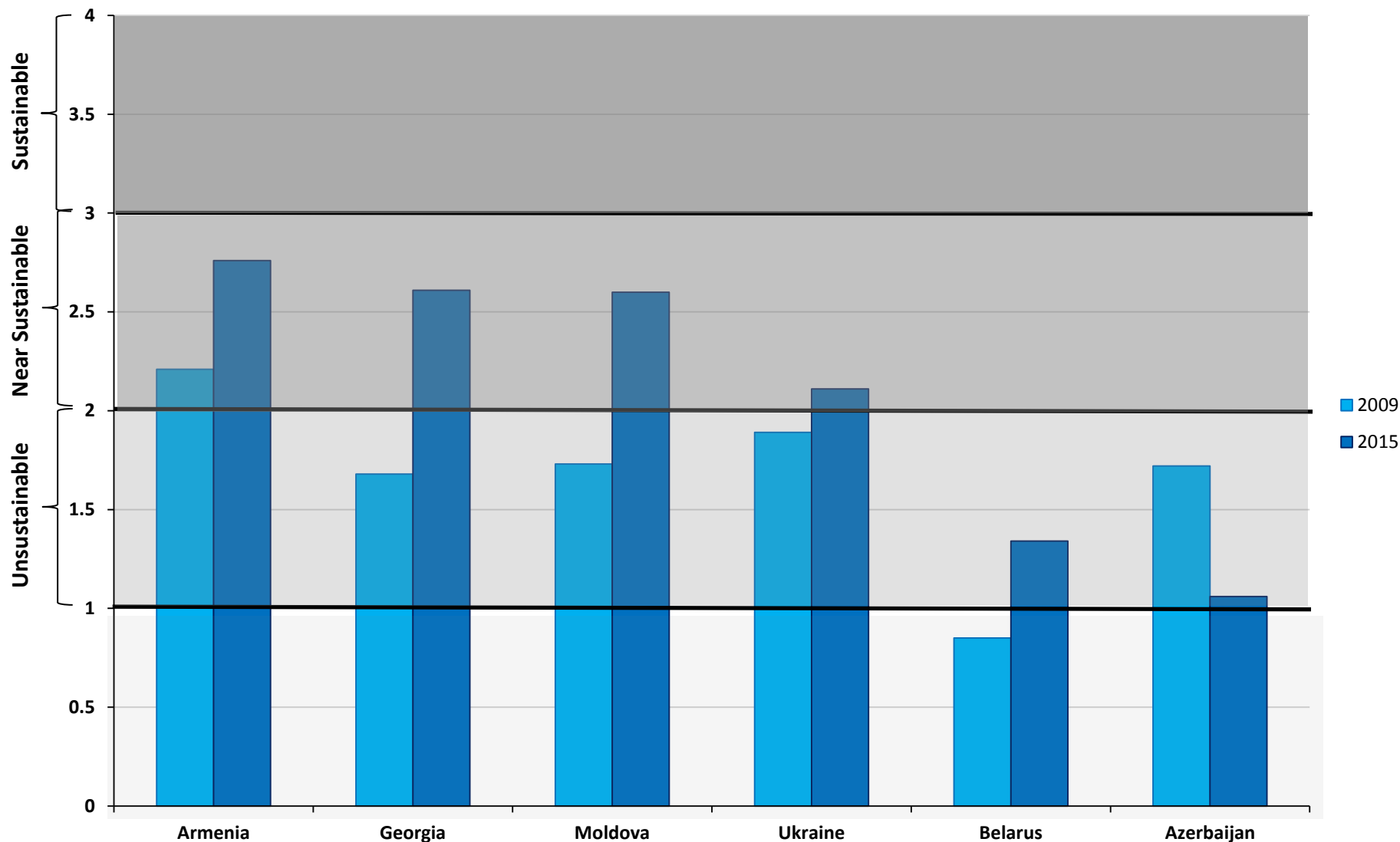
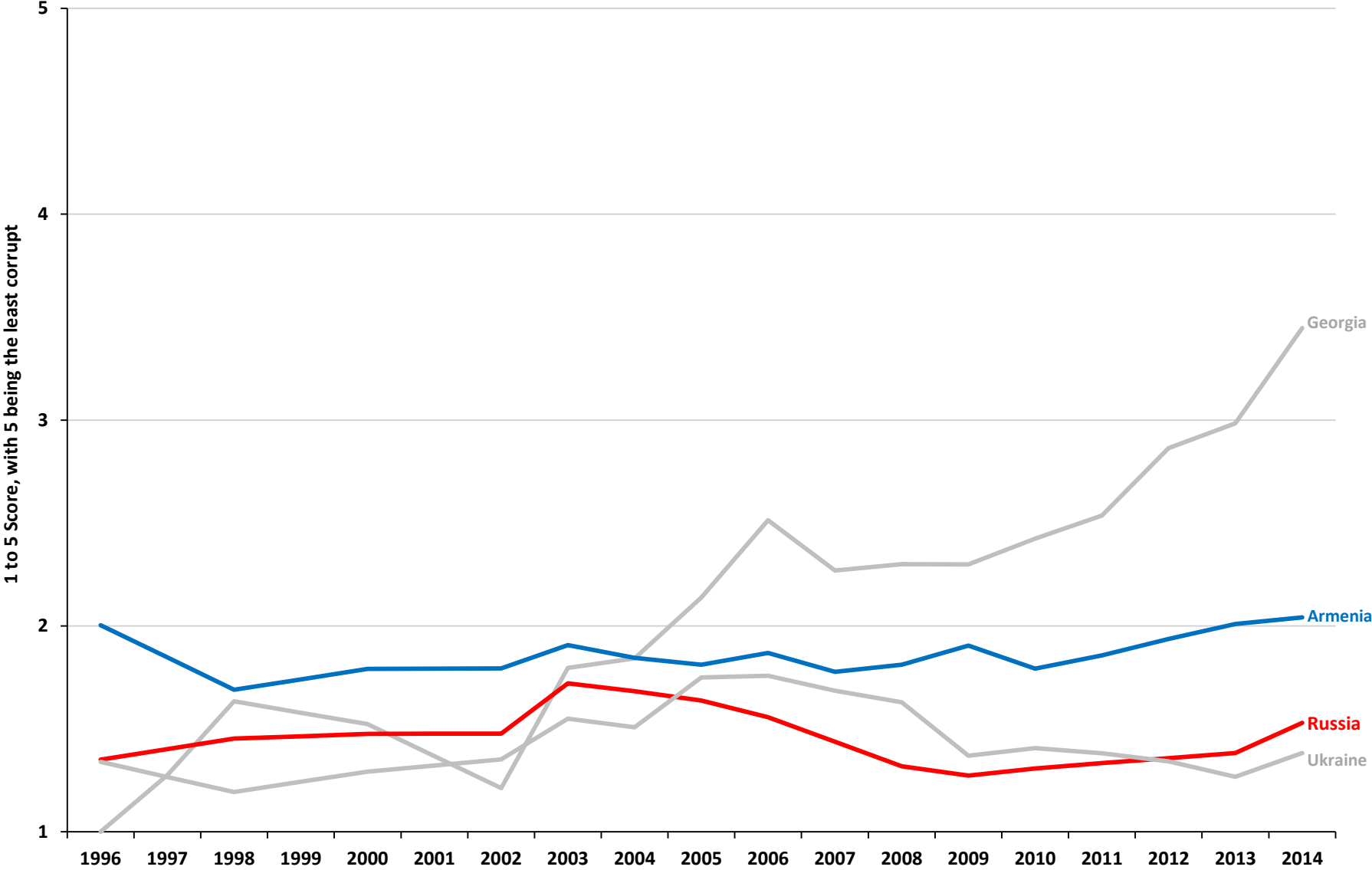


Figure 12

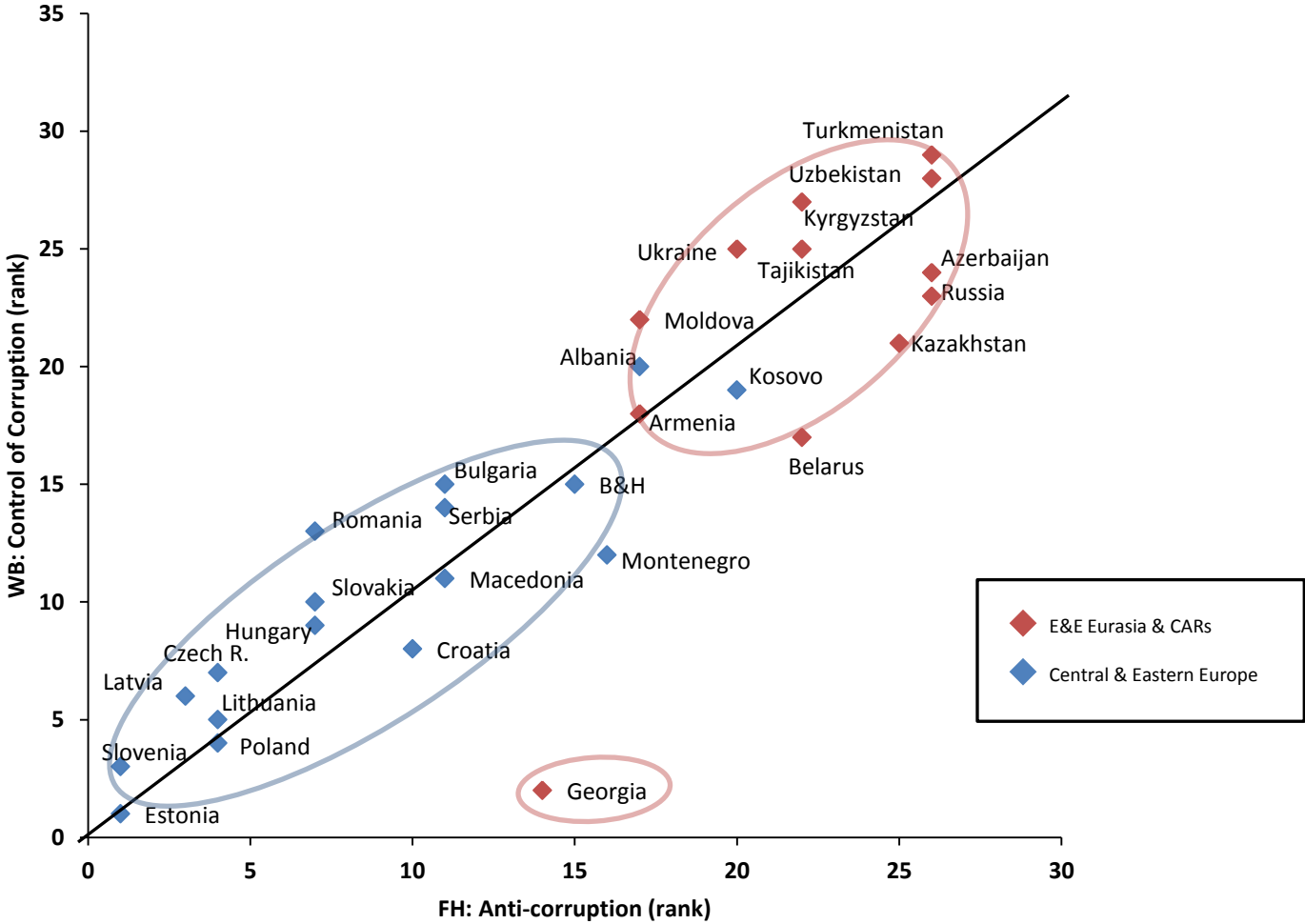
Control of Corruption in Armenia vs. E&E Eurasia, 1996-2014



World Bank, *World Governance Indicators* (2016, online).

Figure 13

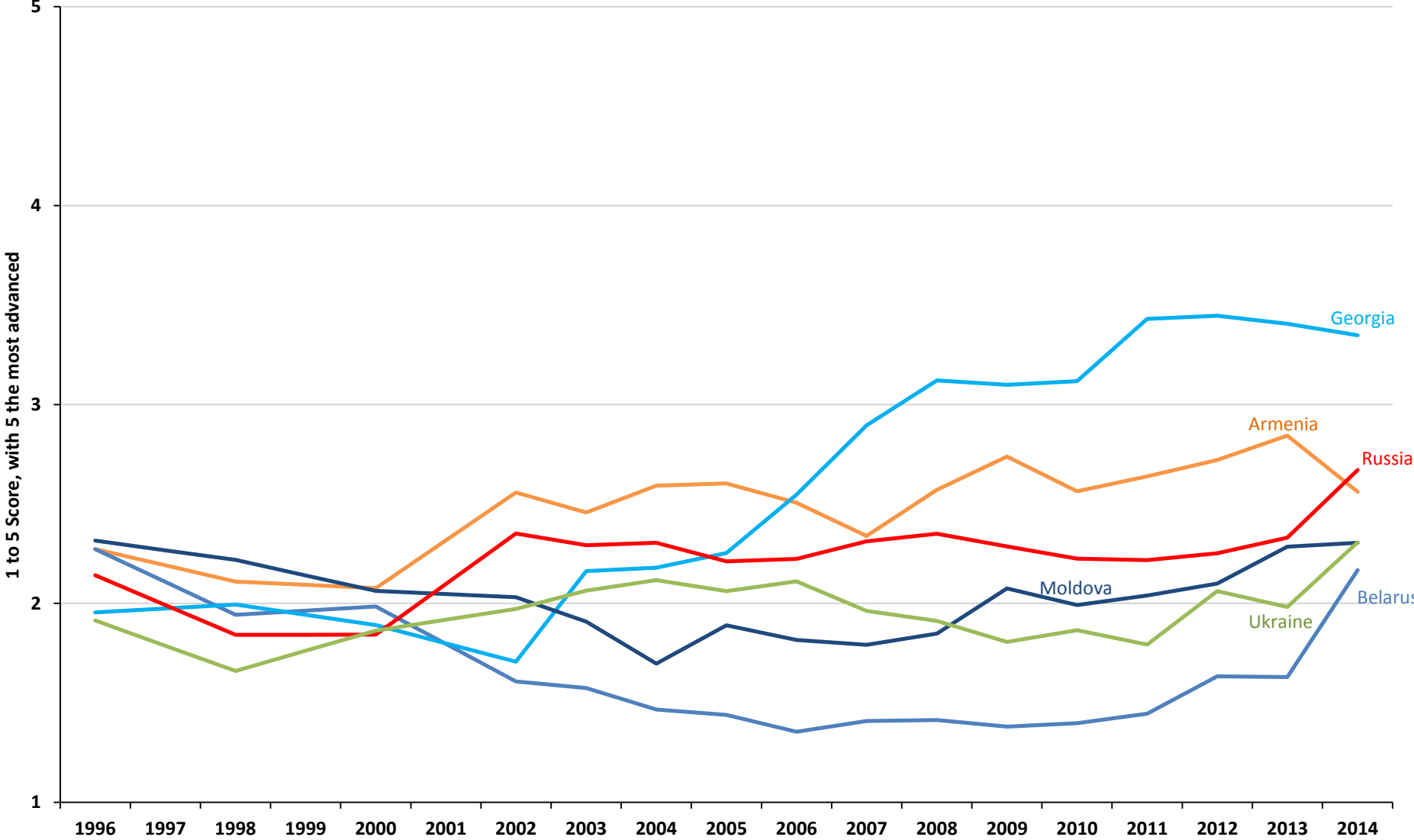
Corruption Measures Compared in Eastern Europe & Eurasia (World Bank vs. Freedom House)



World Bank, *Worldwide Governance Indicators* and Freedom House, *Nations in Transit*. 45 degree line (of equality). Correlation coefficient = 0.90.

Figure 14

Government Effectiveness in E&E Eurasia, 1996-2014



World Bank, *World Governance Indicators* (2016, online).

Figure 15

Confidence in Armenian Public Institutions

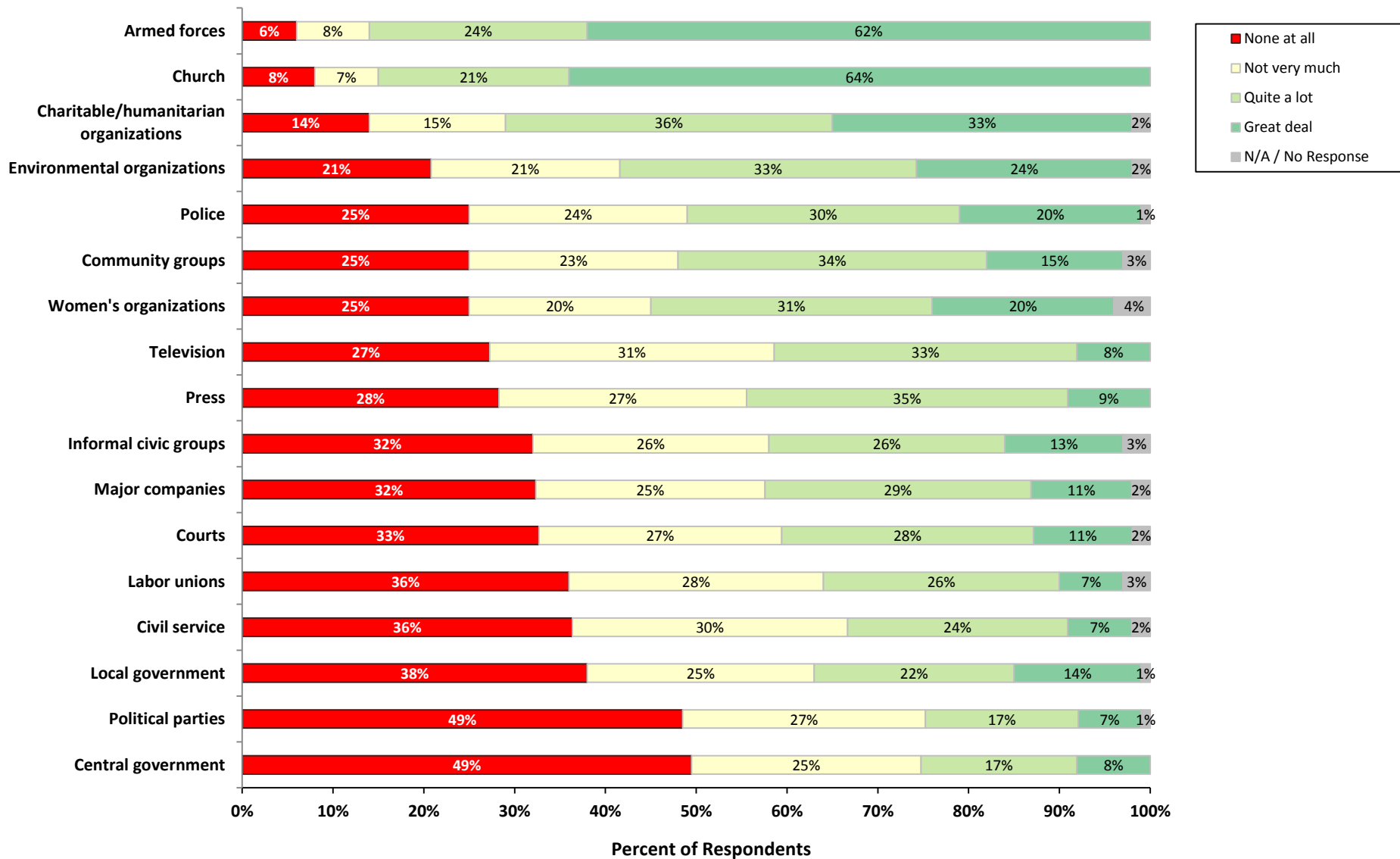
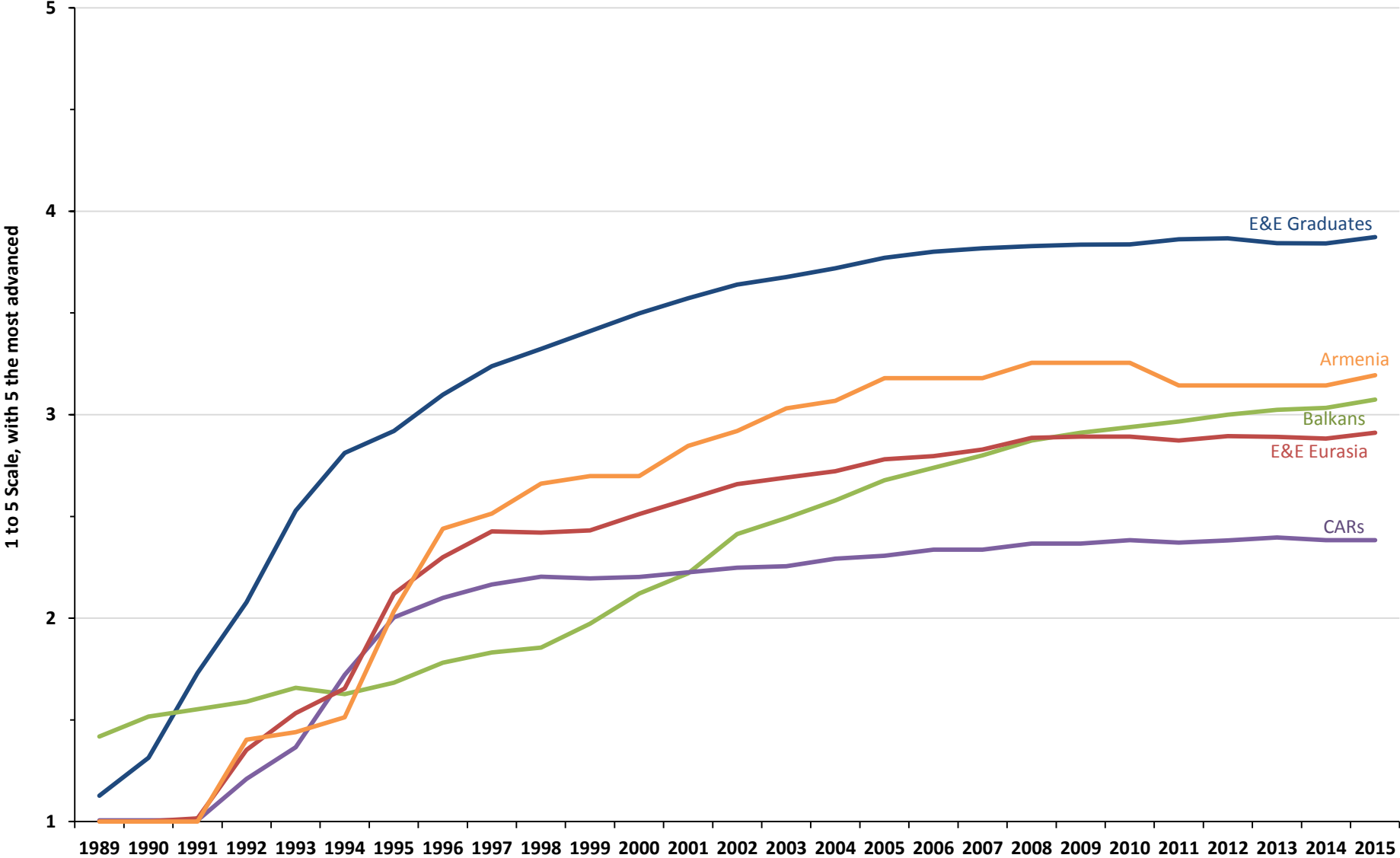


Figure 16

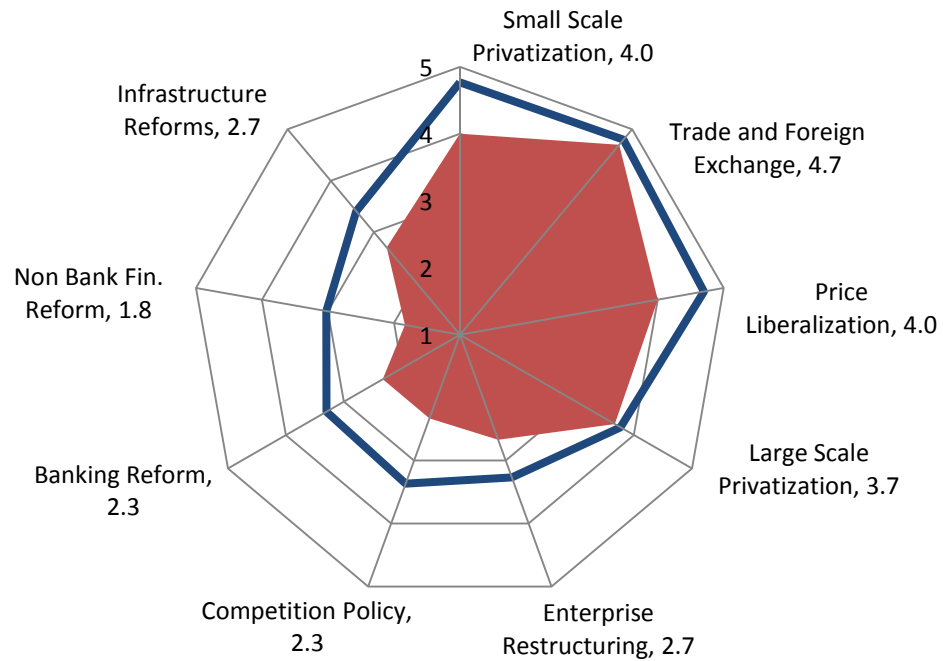
Economic Reforms in Eastern Europe and Eurasia



USAID MCP system. Drawn from the EBRD *Transition Report* series. The E&E Graduates (n=11) consist of Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Czech Republic, Romania, Bulgaria, and Croatia. The Balkans (n=6): Albania, Bosnia & Herzegovina, Macedonia, Kosovo, Serbia, and Montenegro. E&E Eurasia (n=7): Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, and Ukraine. The Central Asian Republics or the CARs (n=5): Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Figure 17

Armenia's Macroeconomic Reform Profile, 2014-2015



USAID/E&E Country Graduates

Figure 18

Macroeconomic Reforms in Armenia, 2000-2015

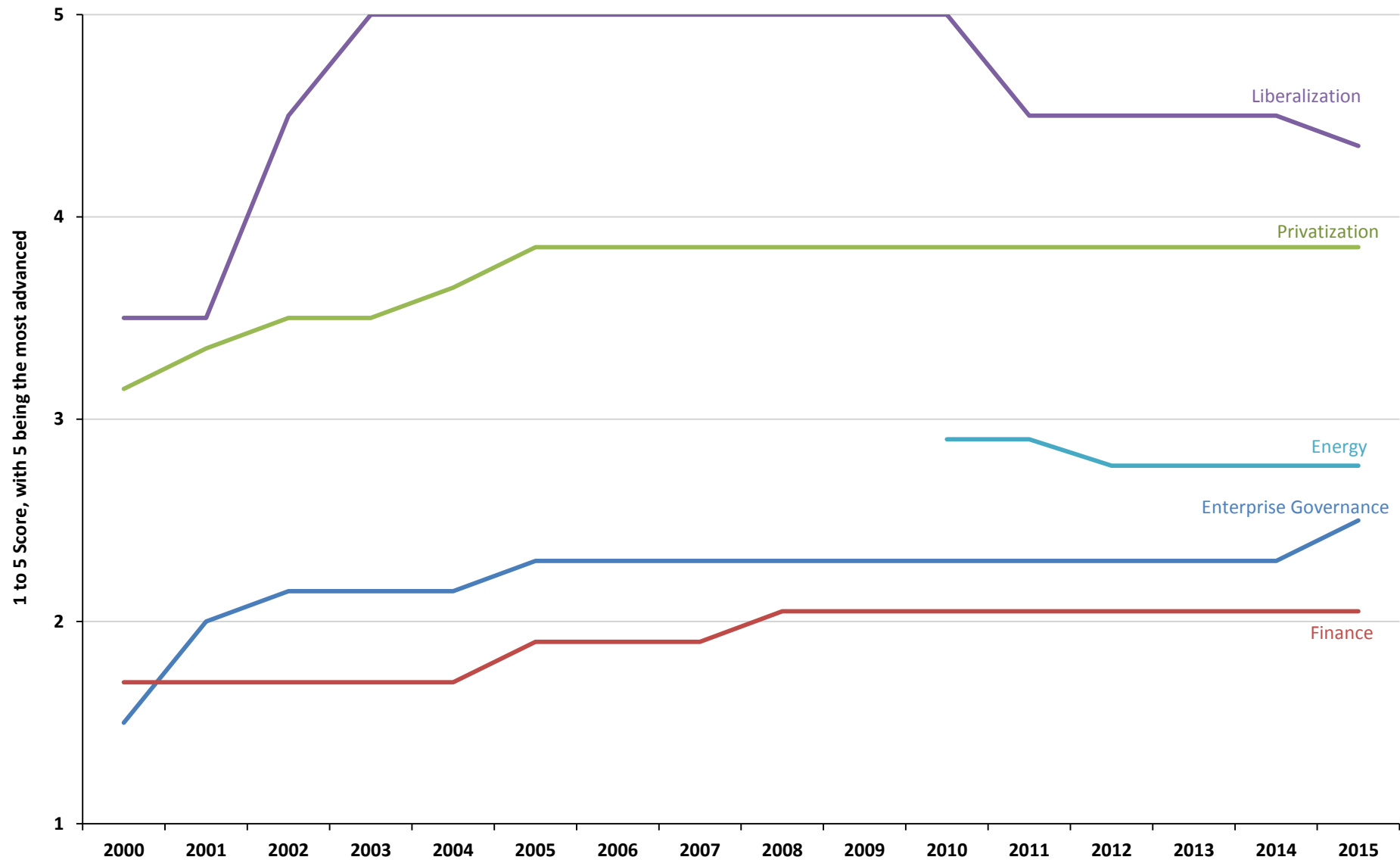
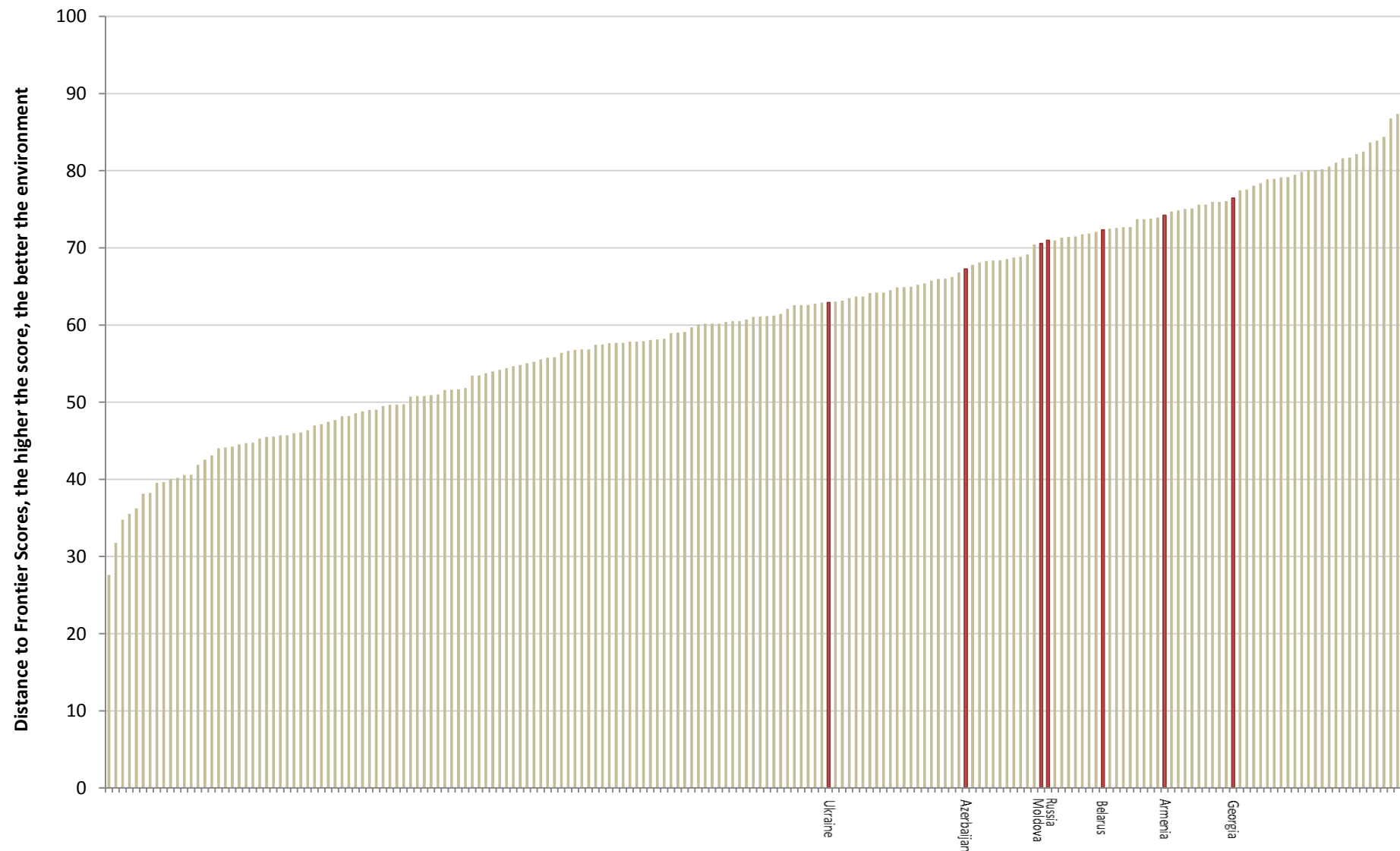


Figure 19

2015 Business Environment in the World



World Bank, *Doing Business* 2016 (October 2015). The Distance-to-Frontier score represents the gap between the economy's performance and measures of best practices across the World Bank's 10 components of doing business. On the Distance-to-Frontier 0-100 score, 100 represents the frontier, the optimal outcome.

Figure 20

Business Contraints in Armenia

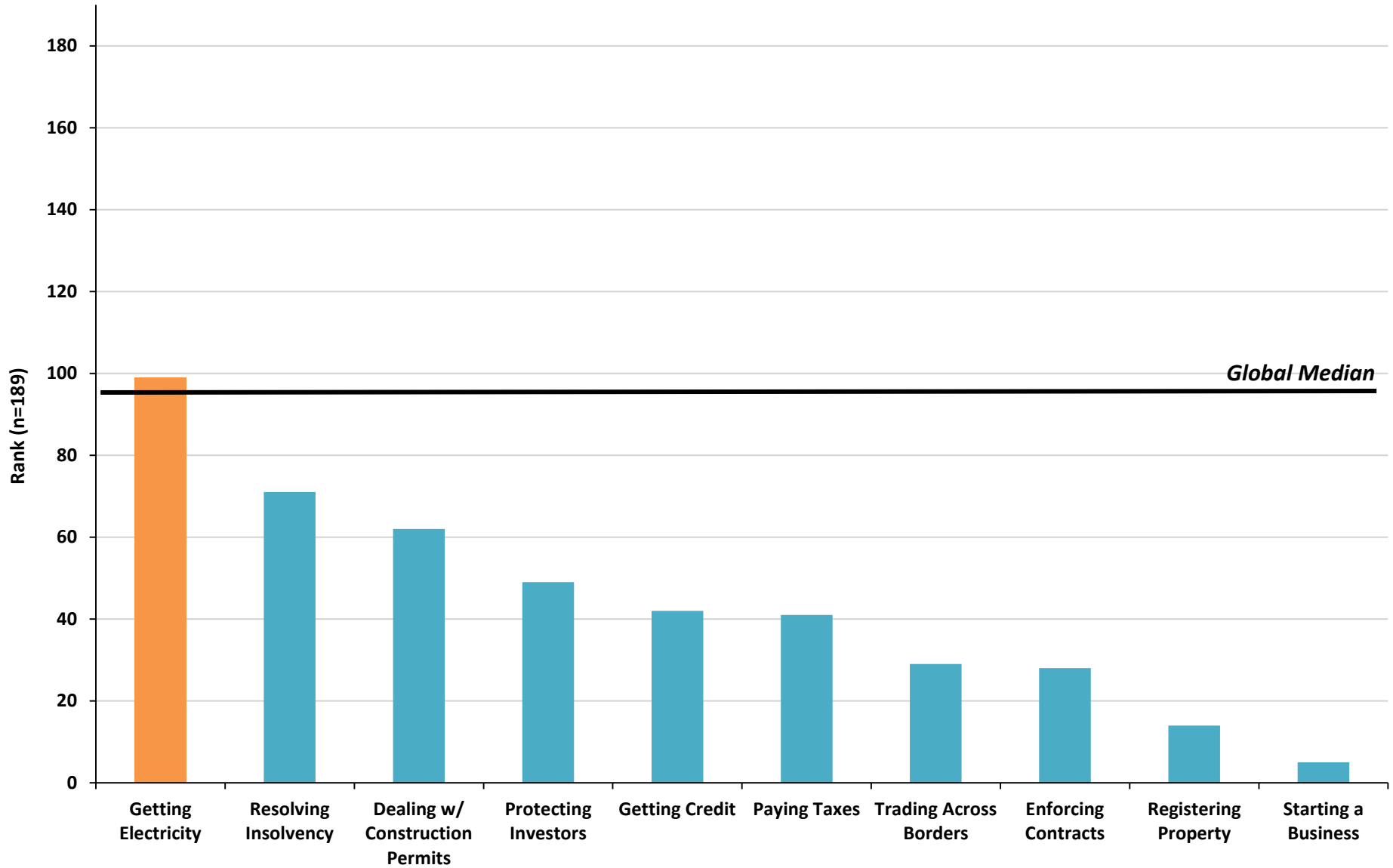
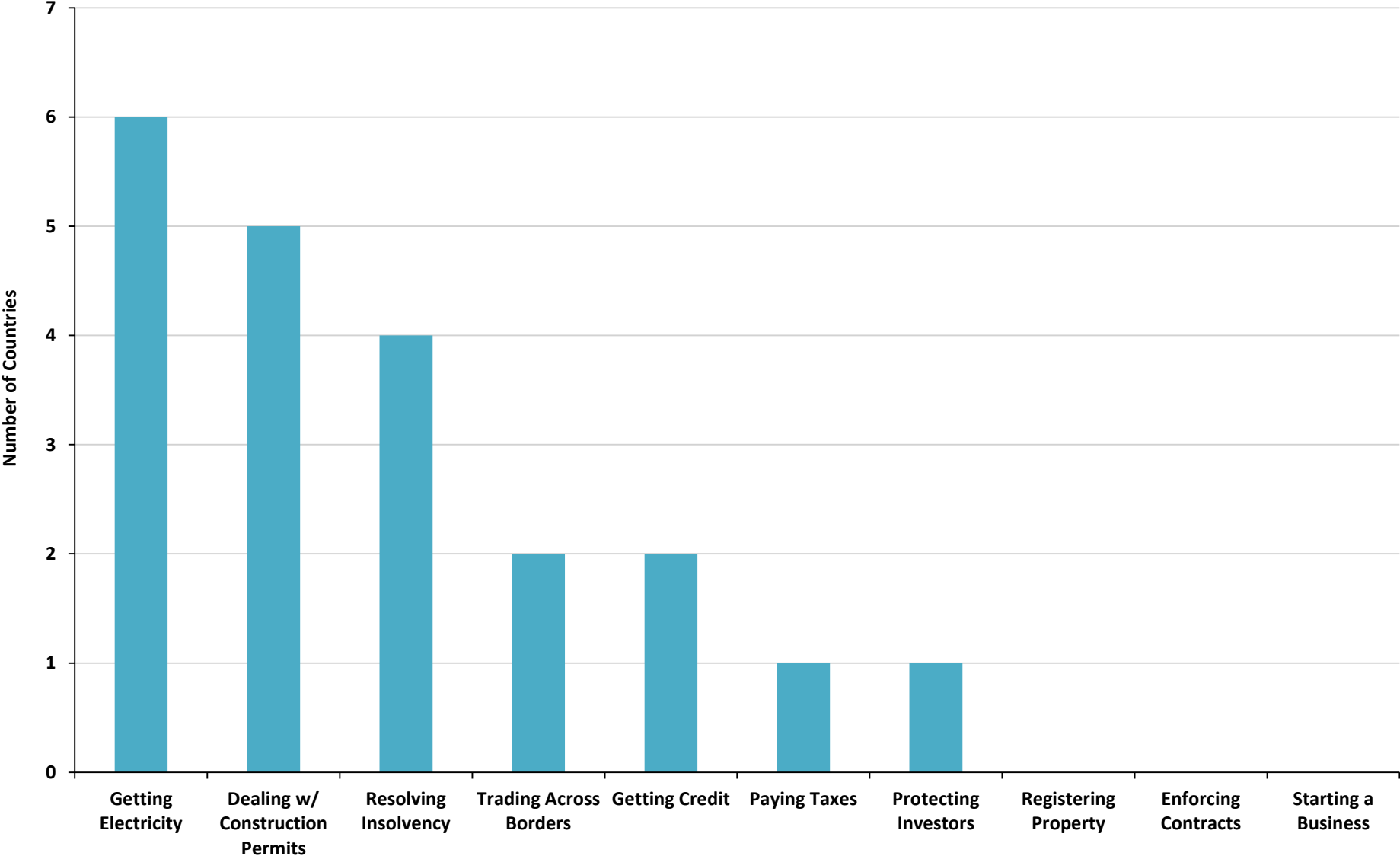


Figure 21

Most Problematic Business Constraints in E&E Eurasia



World Bank, *Doing Business 2016*. The three most significant constraints (out of 10) for each country were tallied. For example, “getting electricity” is a top-three constraint in 6 of the 7 E&E Eurasian countries.

Figure 22

Real GDP in Eurasia (1999 = 100)

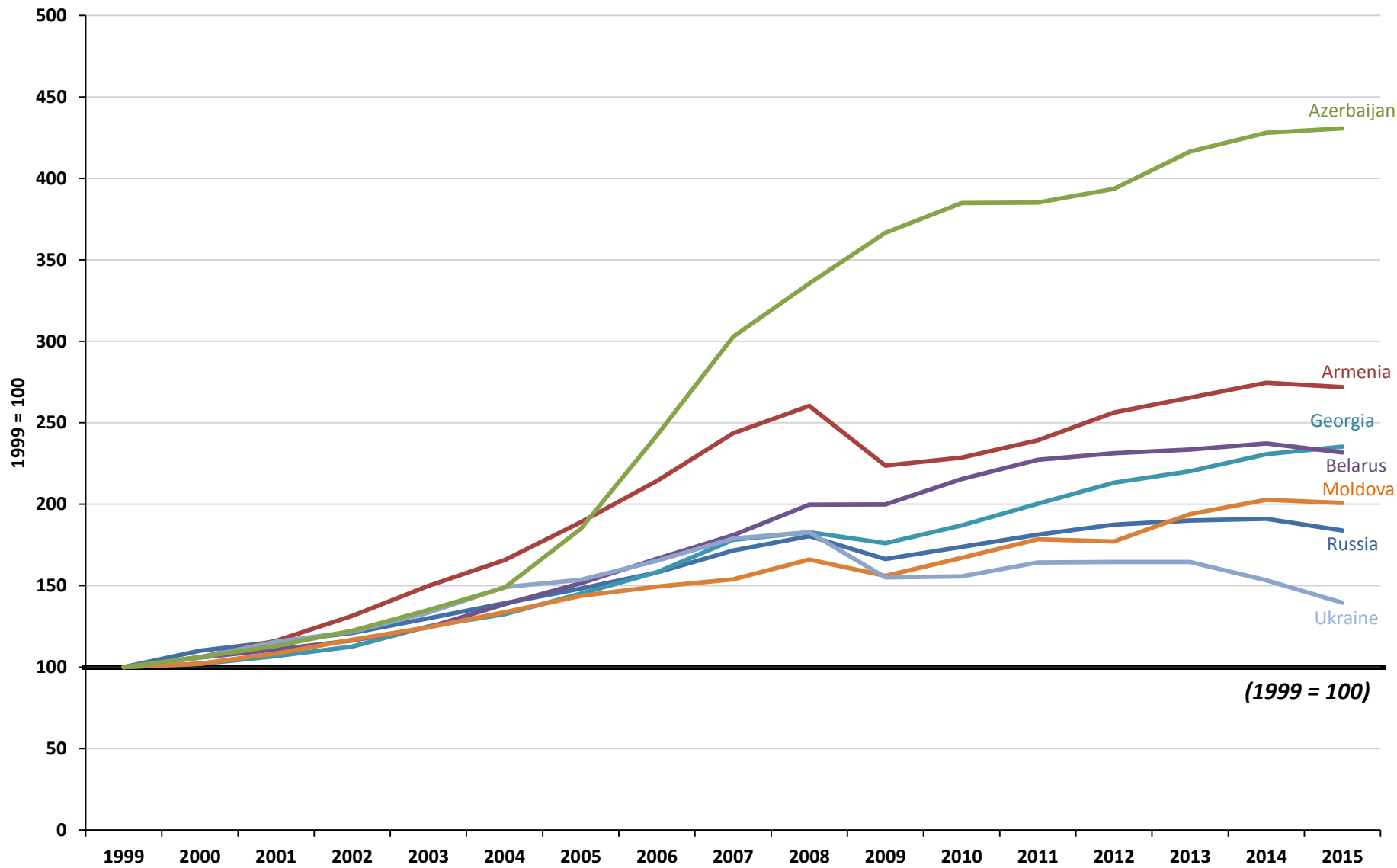
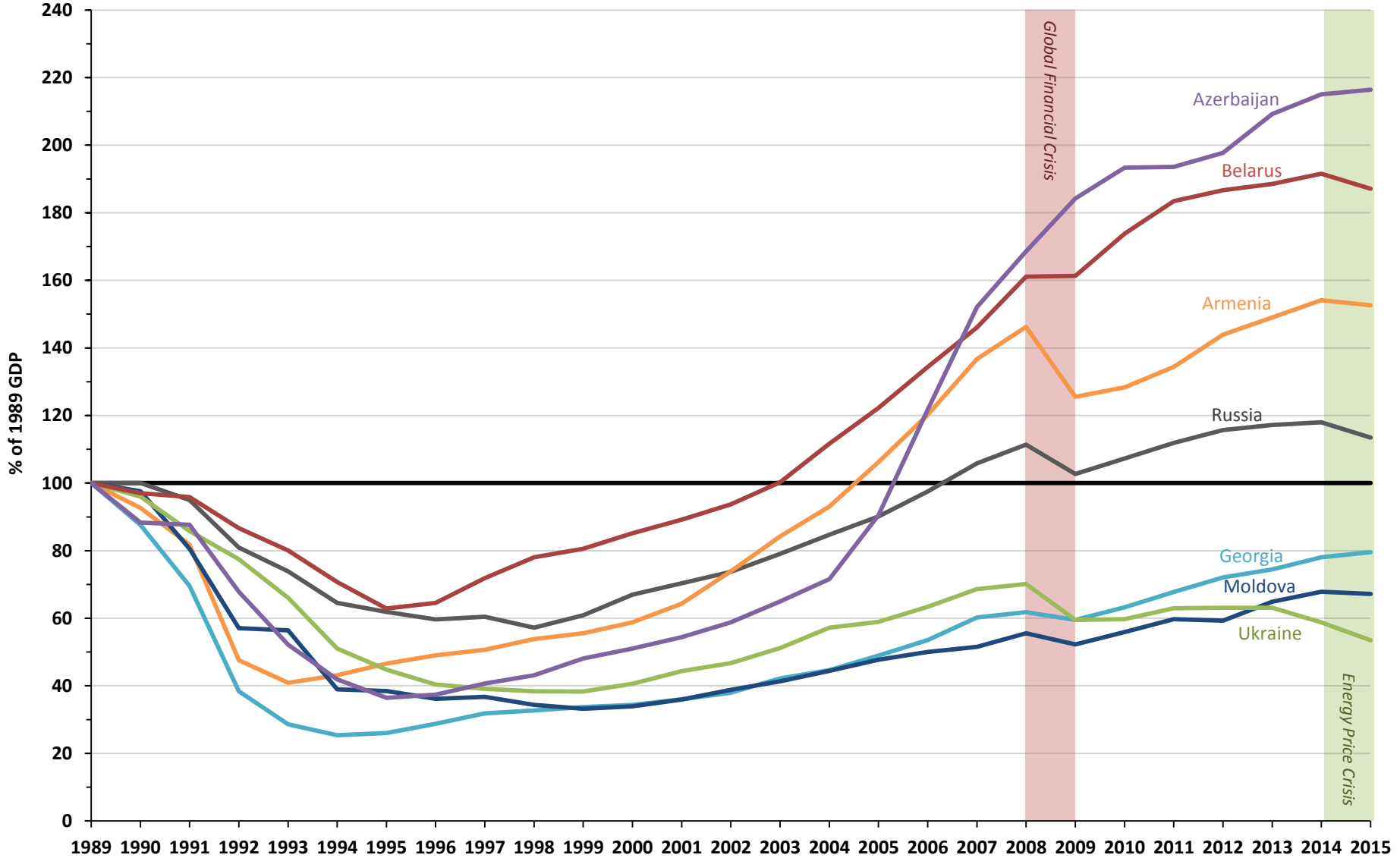


Figure 23

Real GDP in E&E Eurasia (1989 = 100)



Data taken from EBRD, *Transition Reports*, and IMF World Economic Outlook (2015, online).

Figure 24

Unemployment Rates in E&E Eurasia

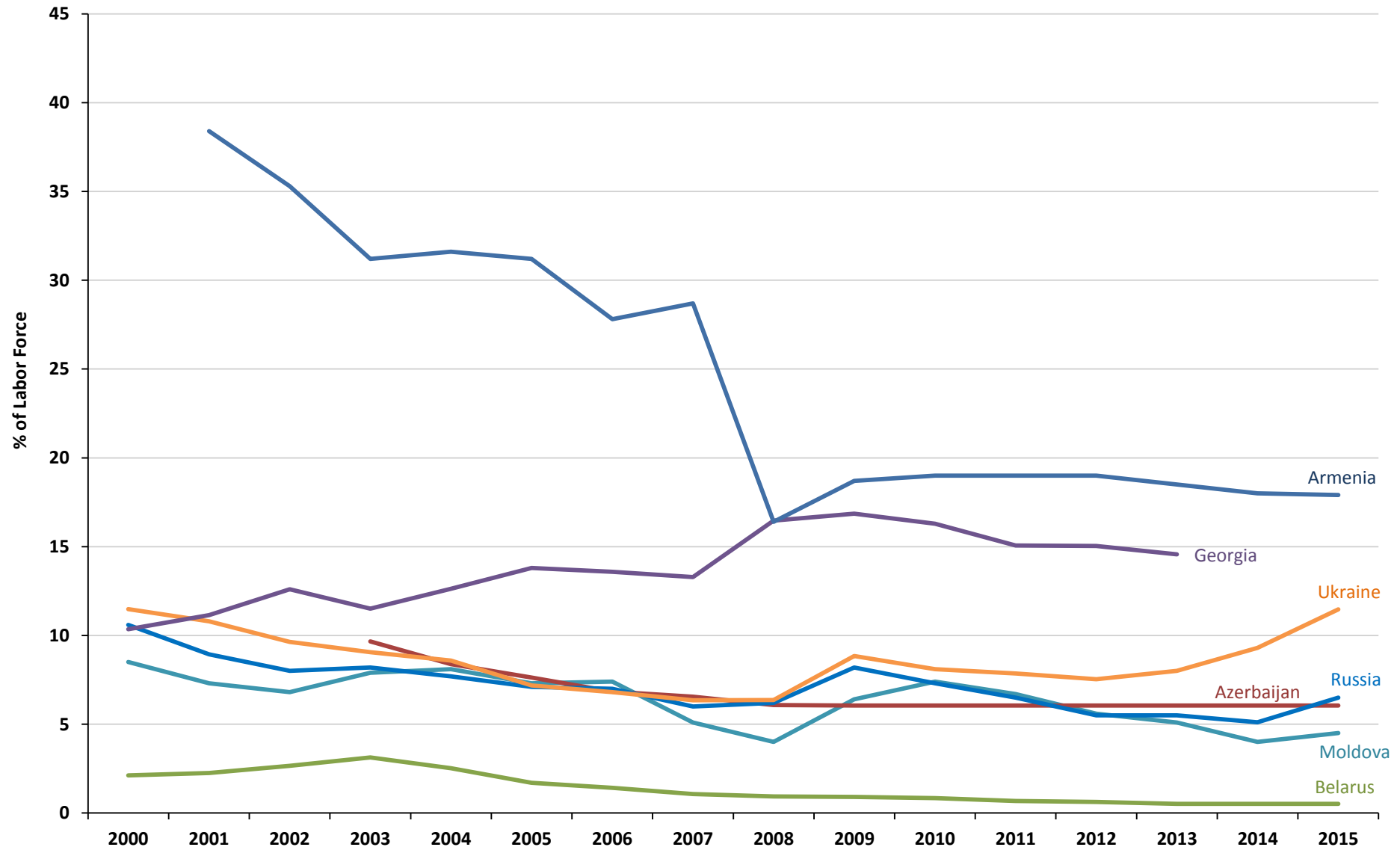


Figure 25

Youth Unemployment in E&E Eurasia

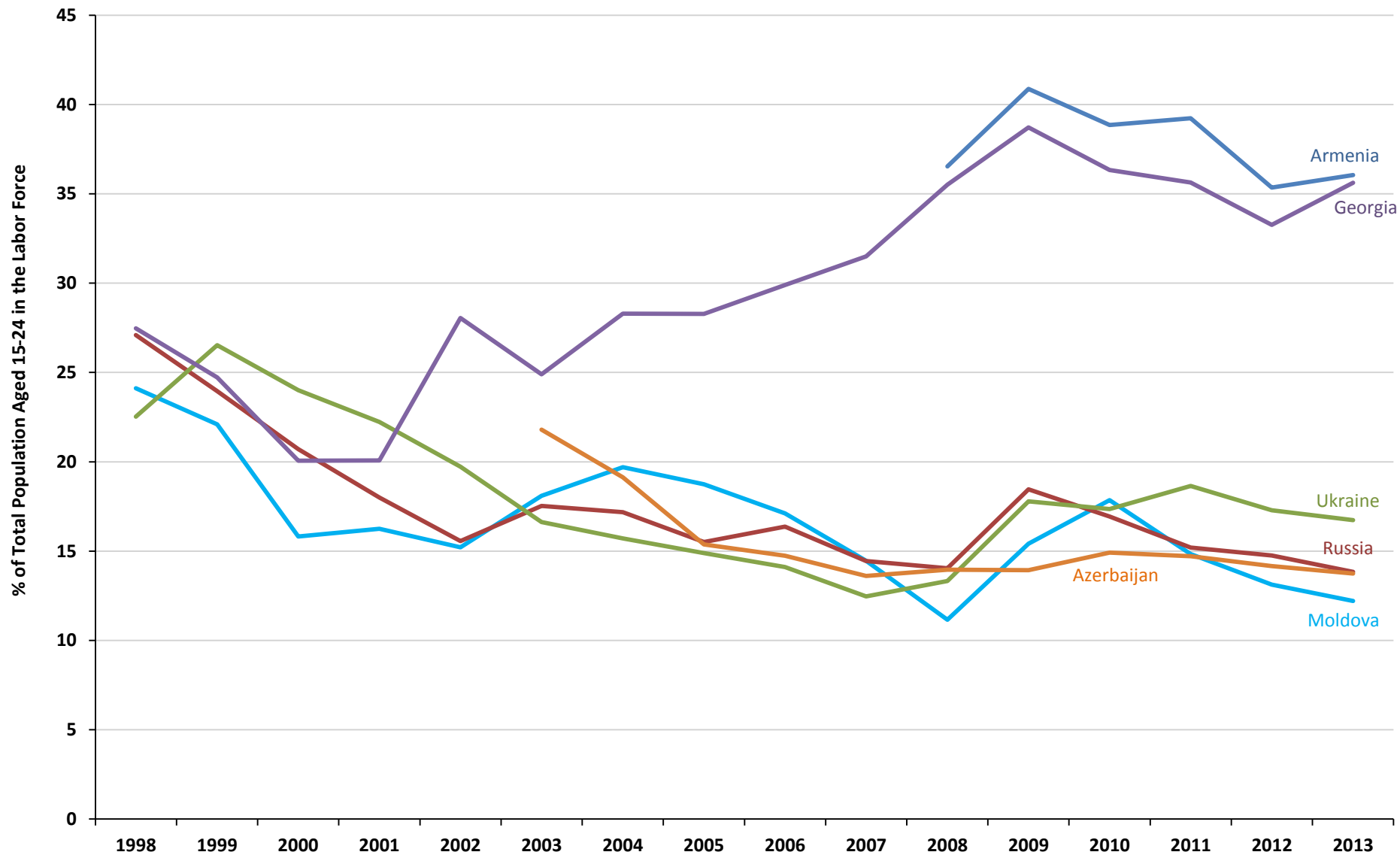
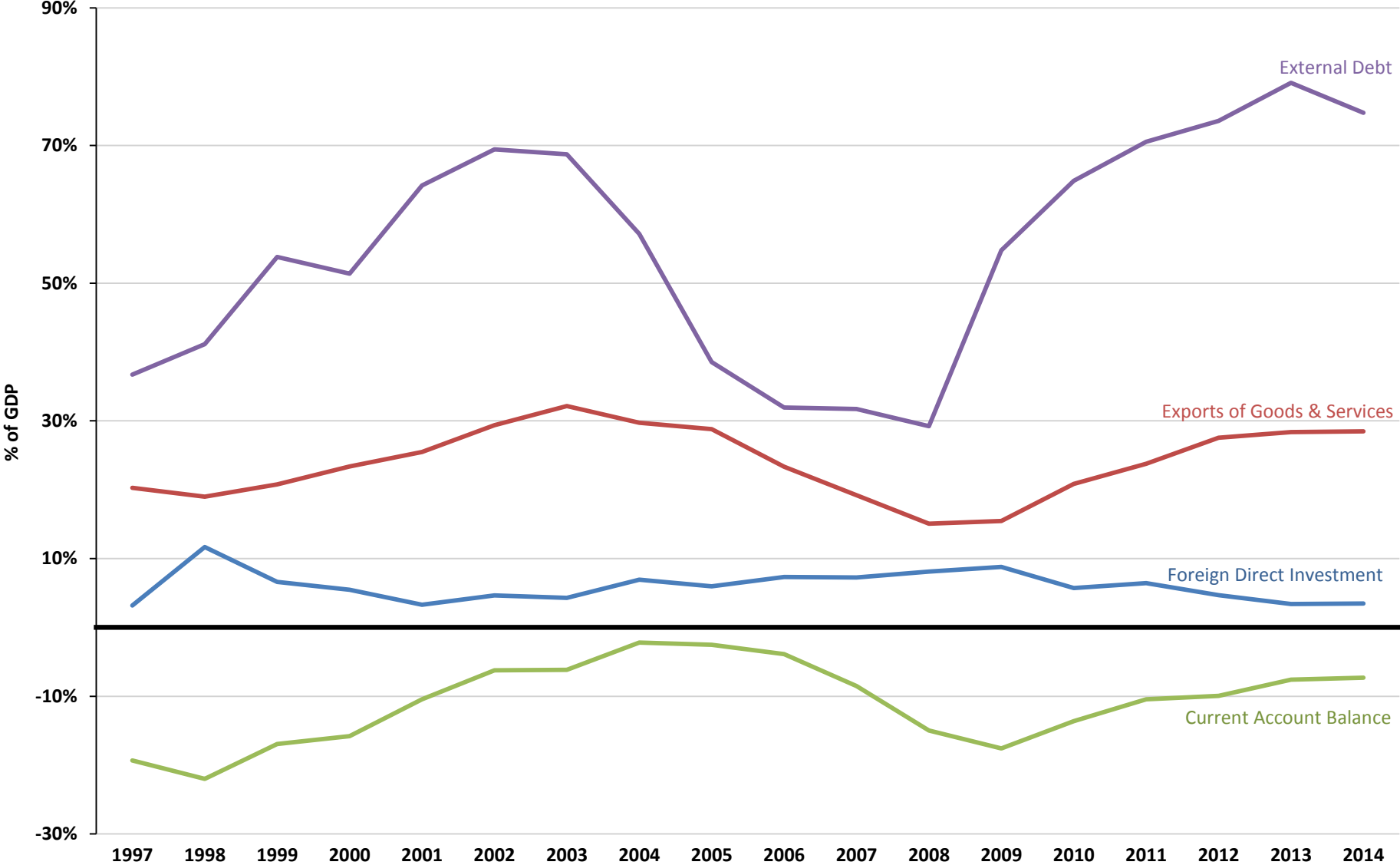


Figure 26

Armenia's Integration into the Global Economy



World Bank, *World Development Indicators* (2016, online), and International Monetary Fund (IMF), *World Economic Outlook* (October 2015).

Figure 27

Distribution of GDP in Russia, Eurasia, and the CARs in 2013

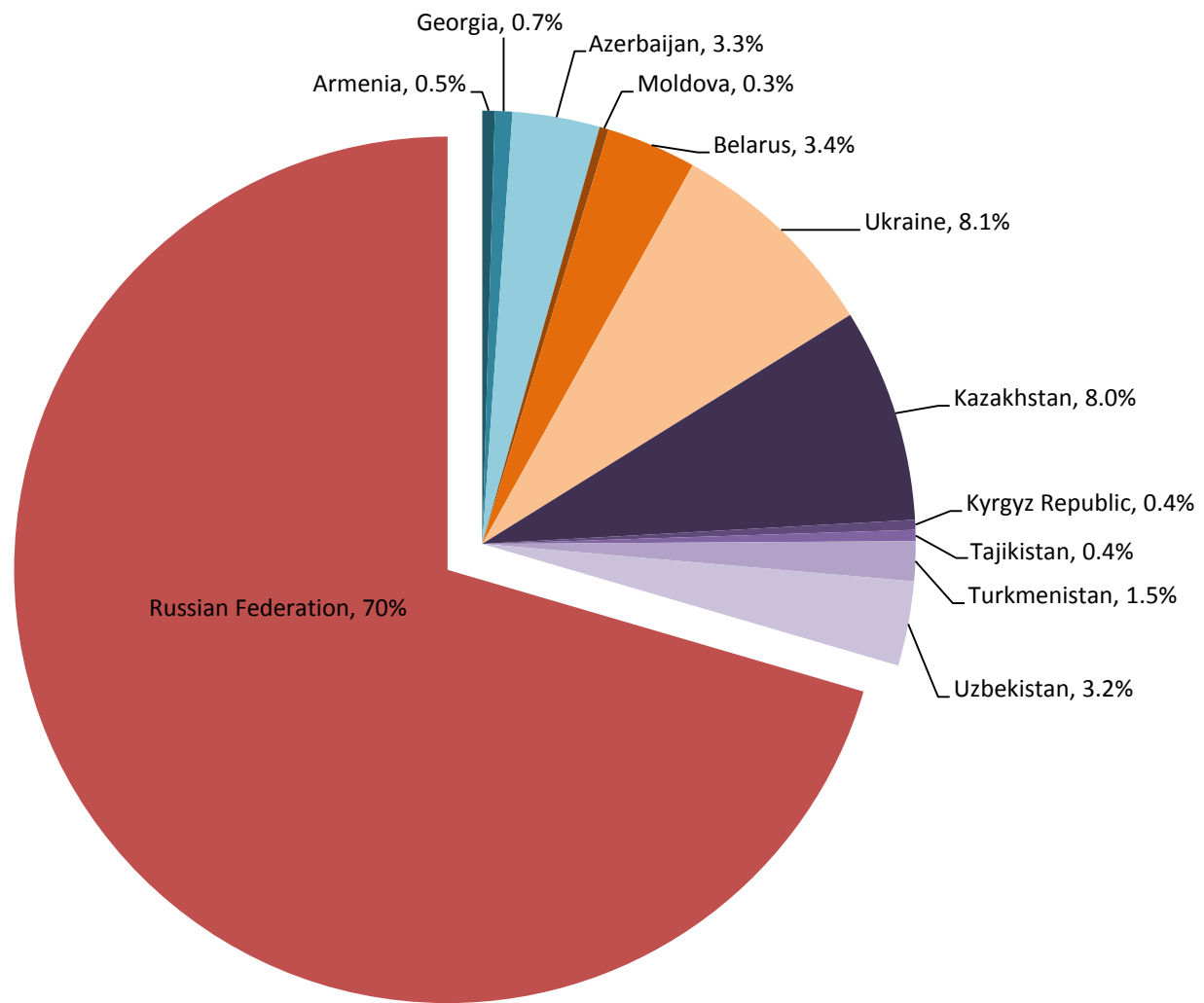
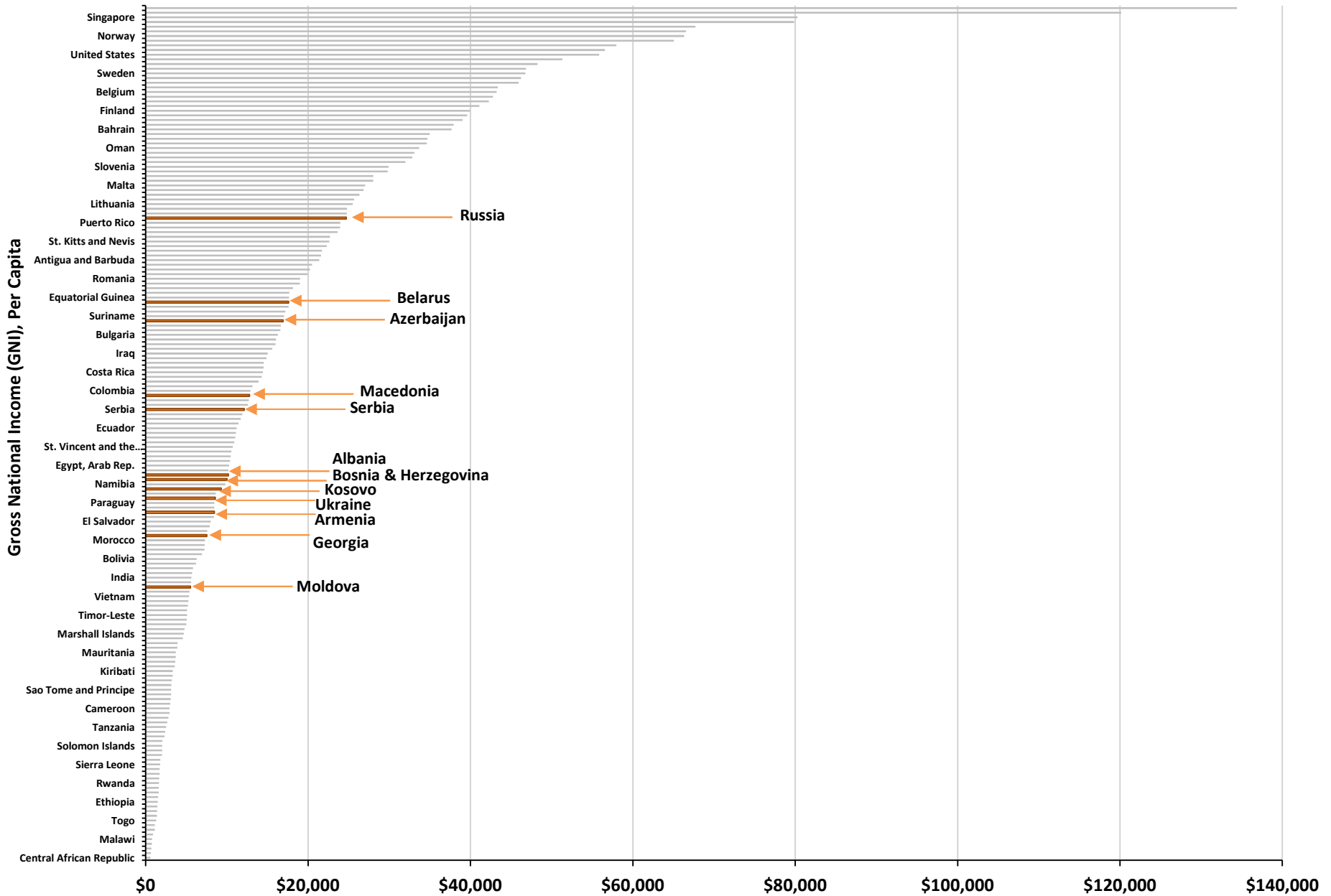


Figure 28

2014 Per Capita Income in the World (PPP)



World Bank, *World Development Indicators*, Online Database (2016, online).

Figure 29

Poverty in Select E&E Countries and Elsewhere (<\$3.10 Per Day in 2012/2013)

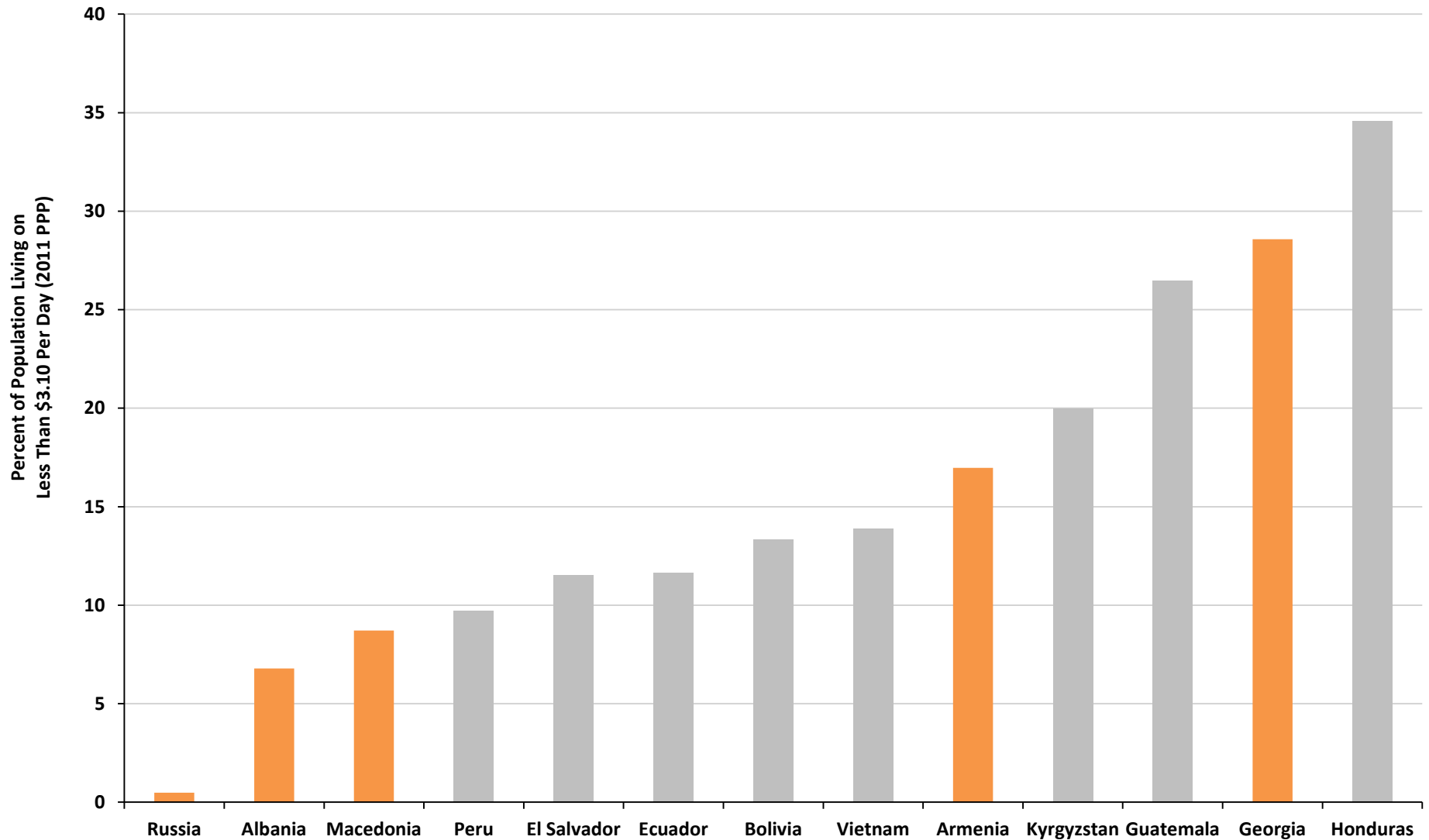


Figure 30

GDP Exposure in Eurasia to Russia's Economy in 2014

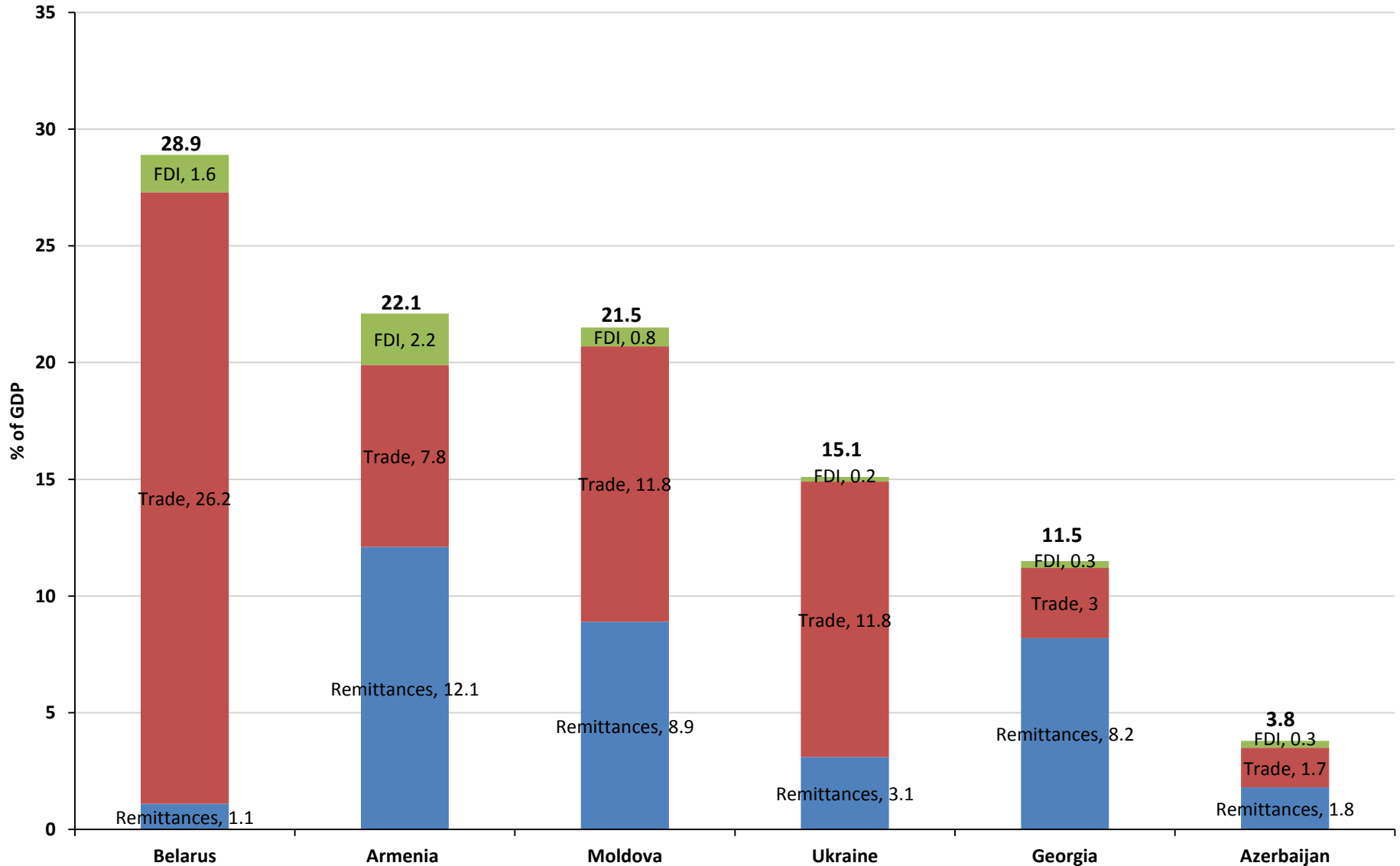


Figure 31

Remittances in E&E Eurasia (% of GDP)

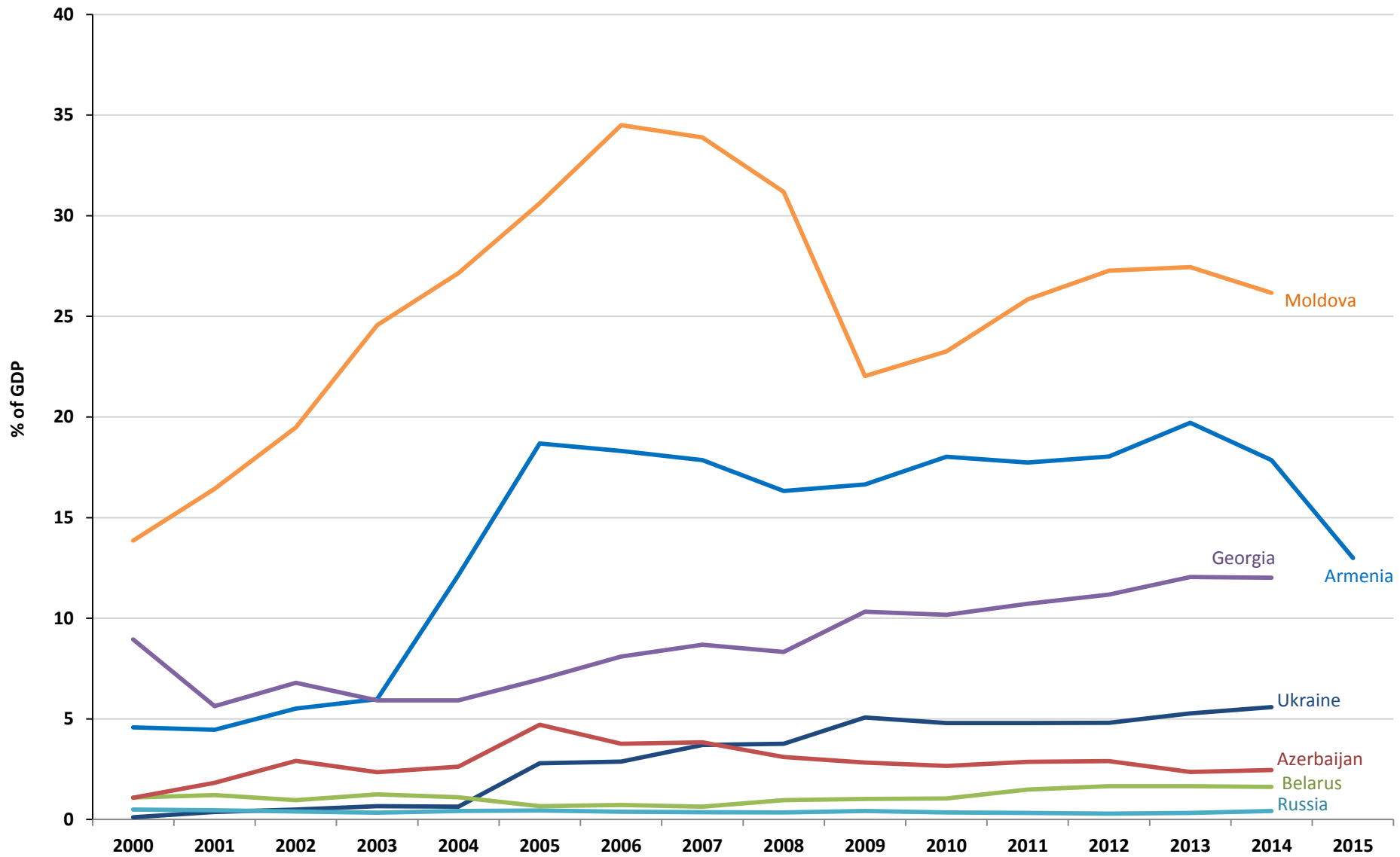
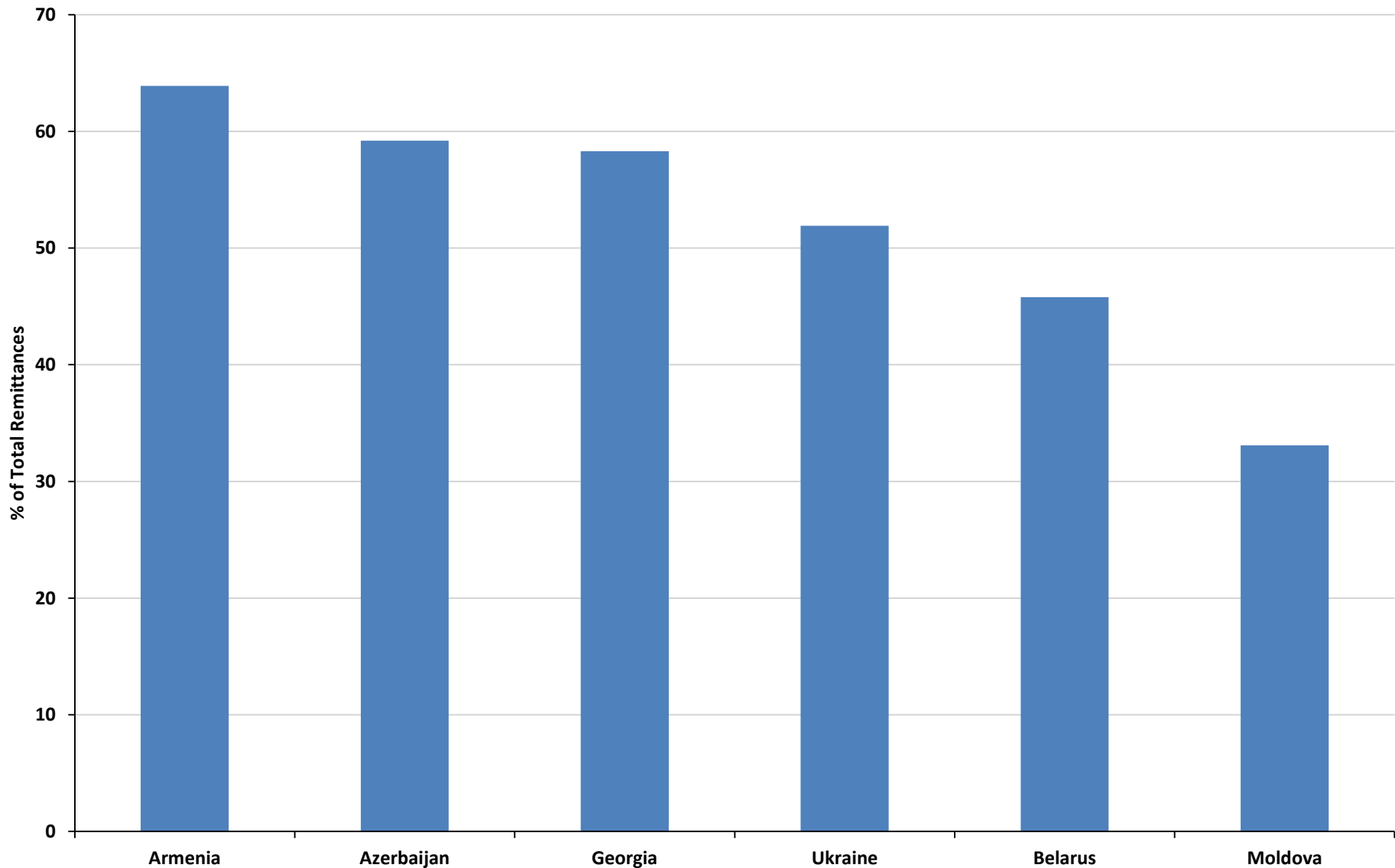


Figure 32

Percentage of Remittances in Eurasia from Russia in 2014



World Bank, *Migration and Remittances Working Group* (2015).

Figure 33

Exports from Eurasia and the CARs to Russia, 1990s vs. 2013

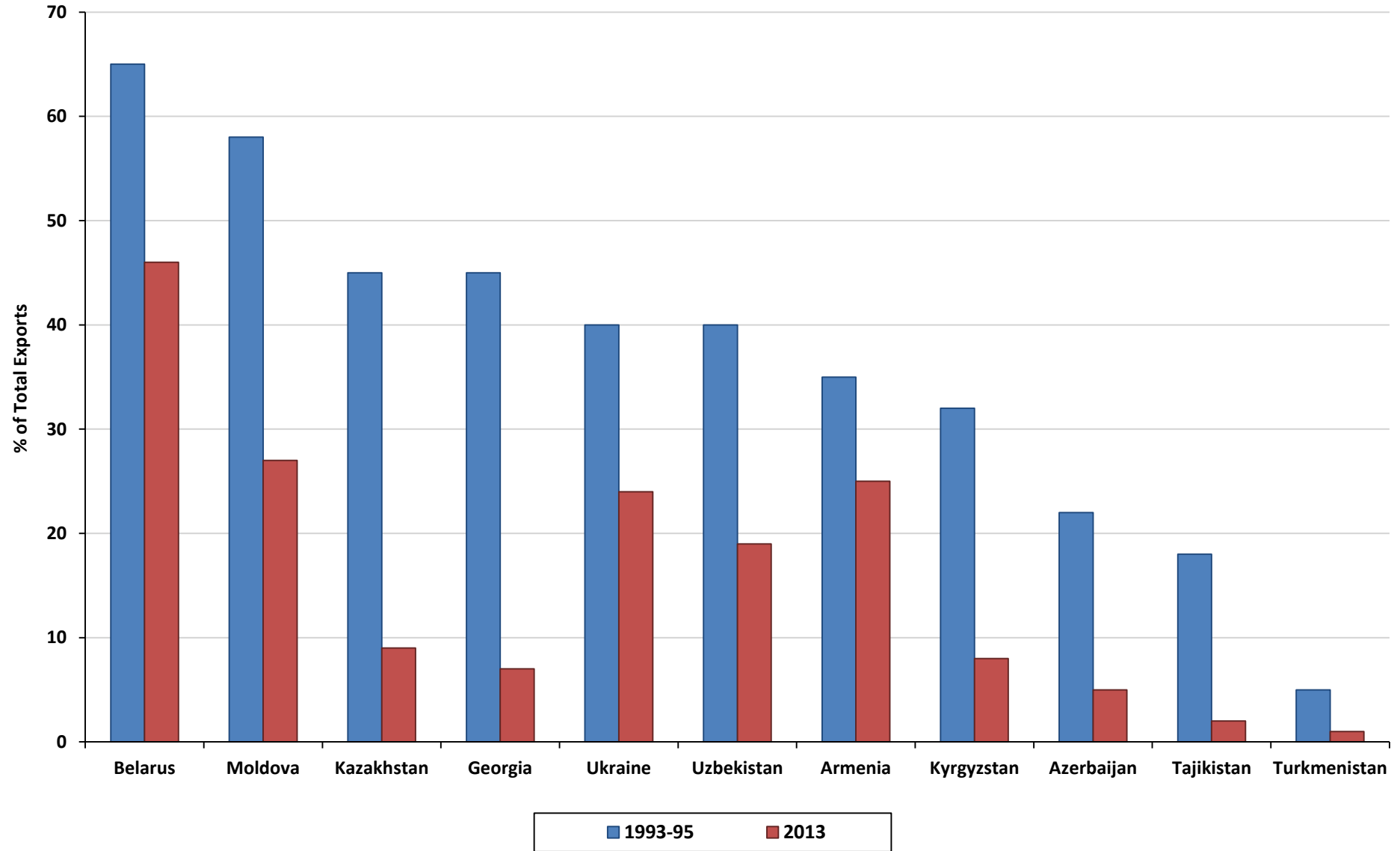


Figure 34

Armenia Exports to Russia and the EU

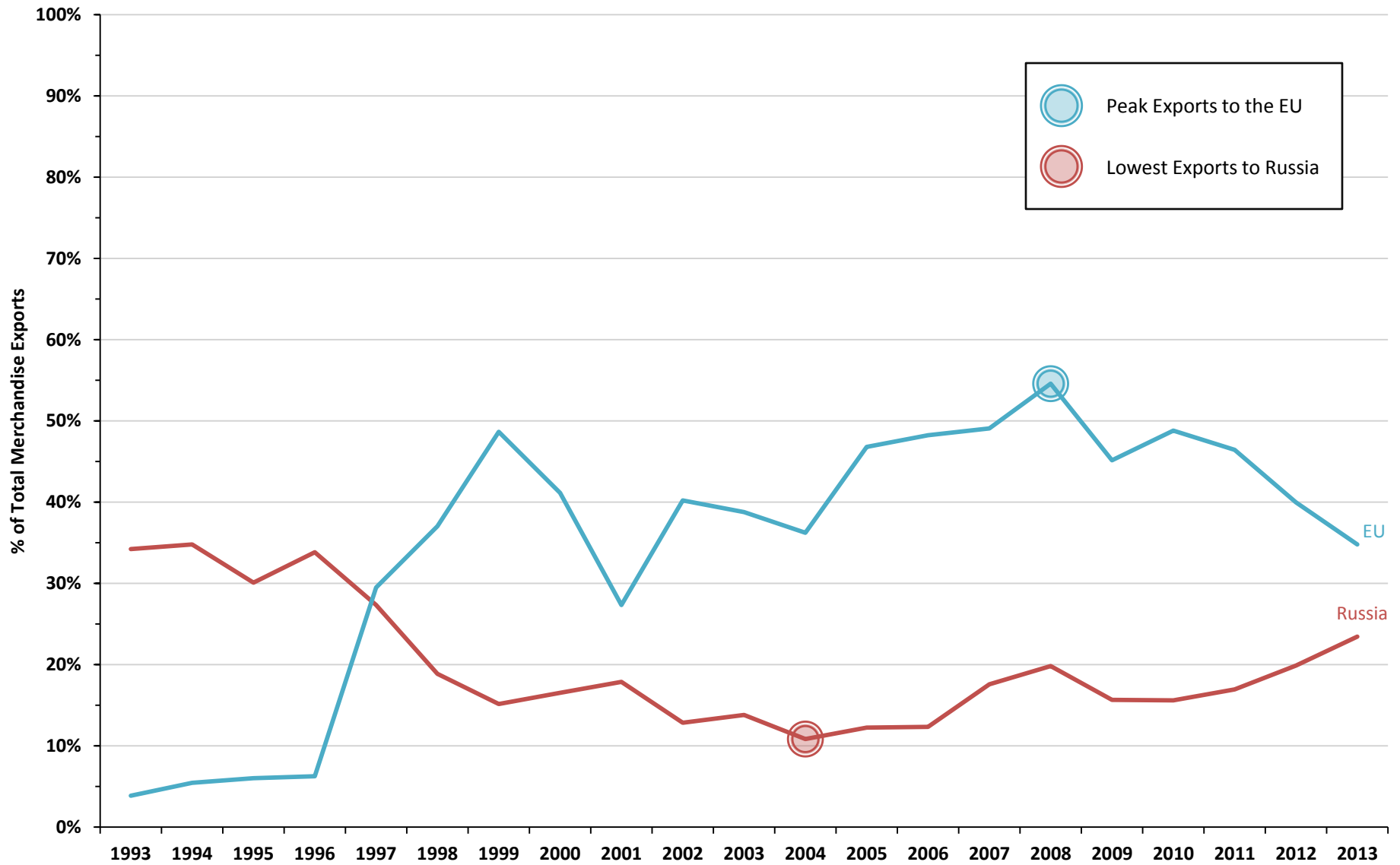
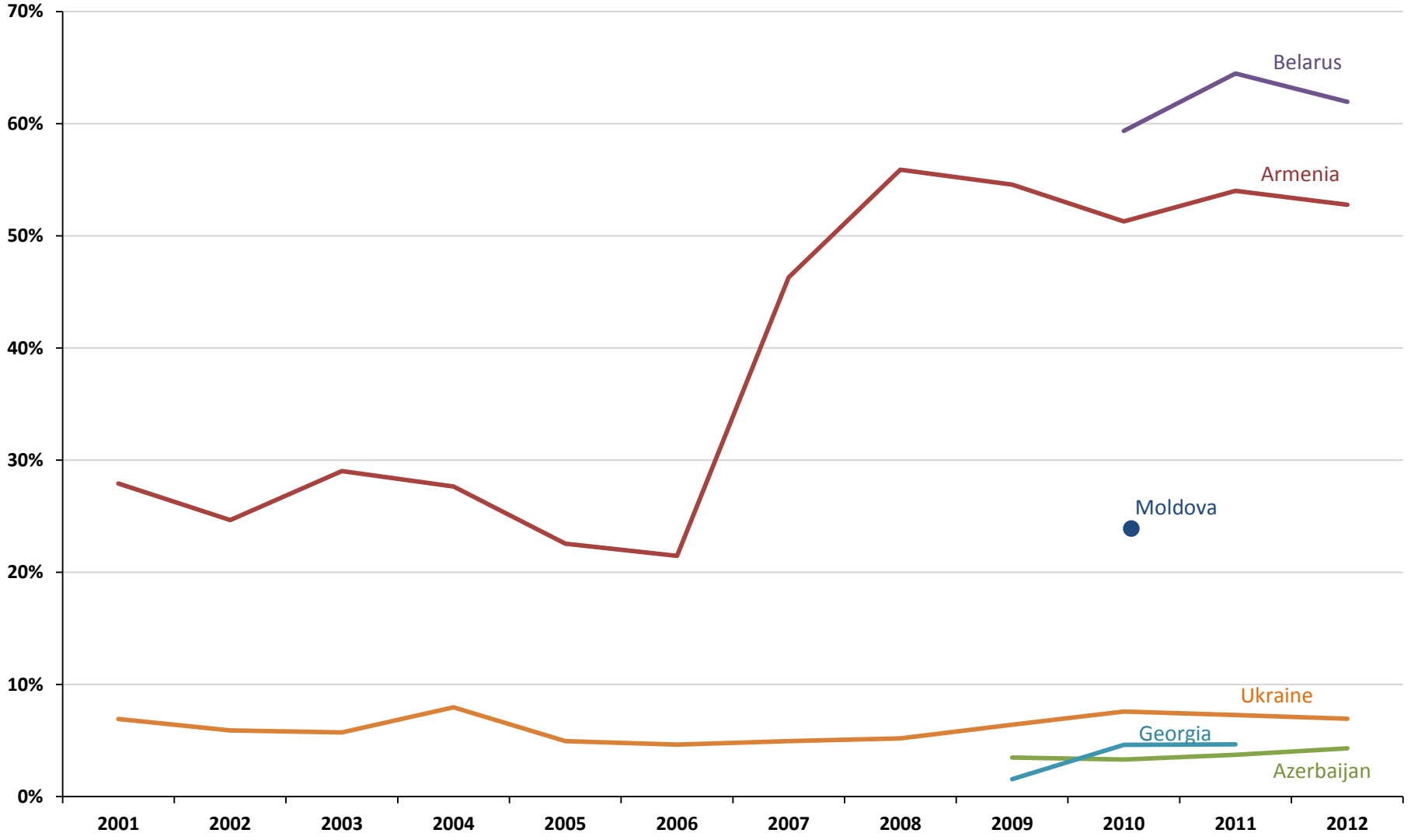


Figure 35

Russian Foreign Direct Investment in Eurasia (% of Total FDI)



UNCTAD FDI/TNC database. Moldova data from R. Giucci and J. Radeke, *FDI Attraction to Moldova*, German Economic Team Moldova (April 2012), citing IMF Data Warehouse.

Figure 36

Foreign Direct Investment Inflows to Armenia, 1998-2013

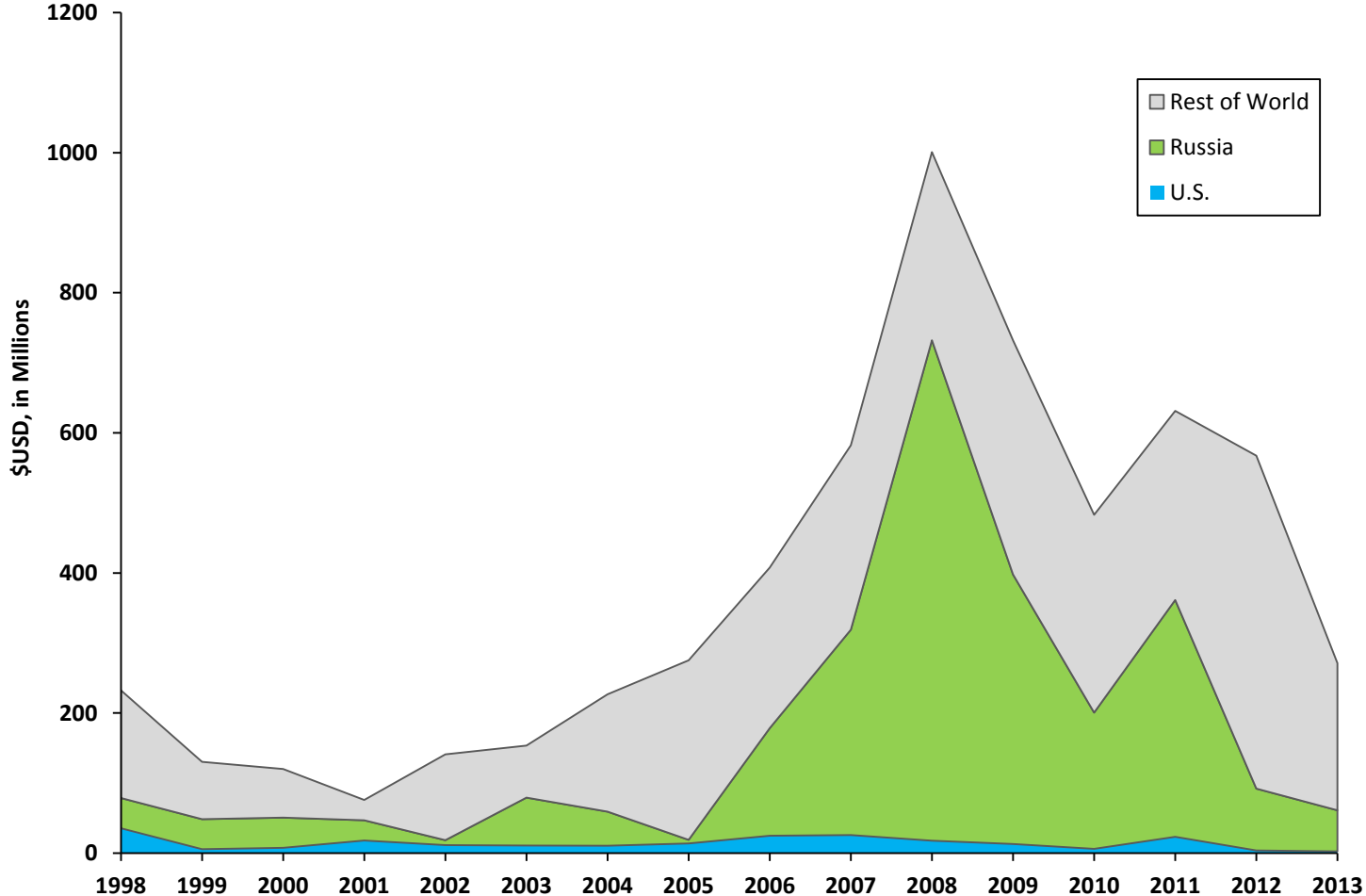
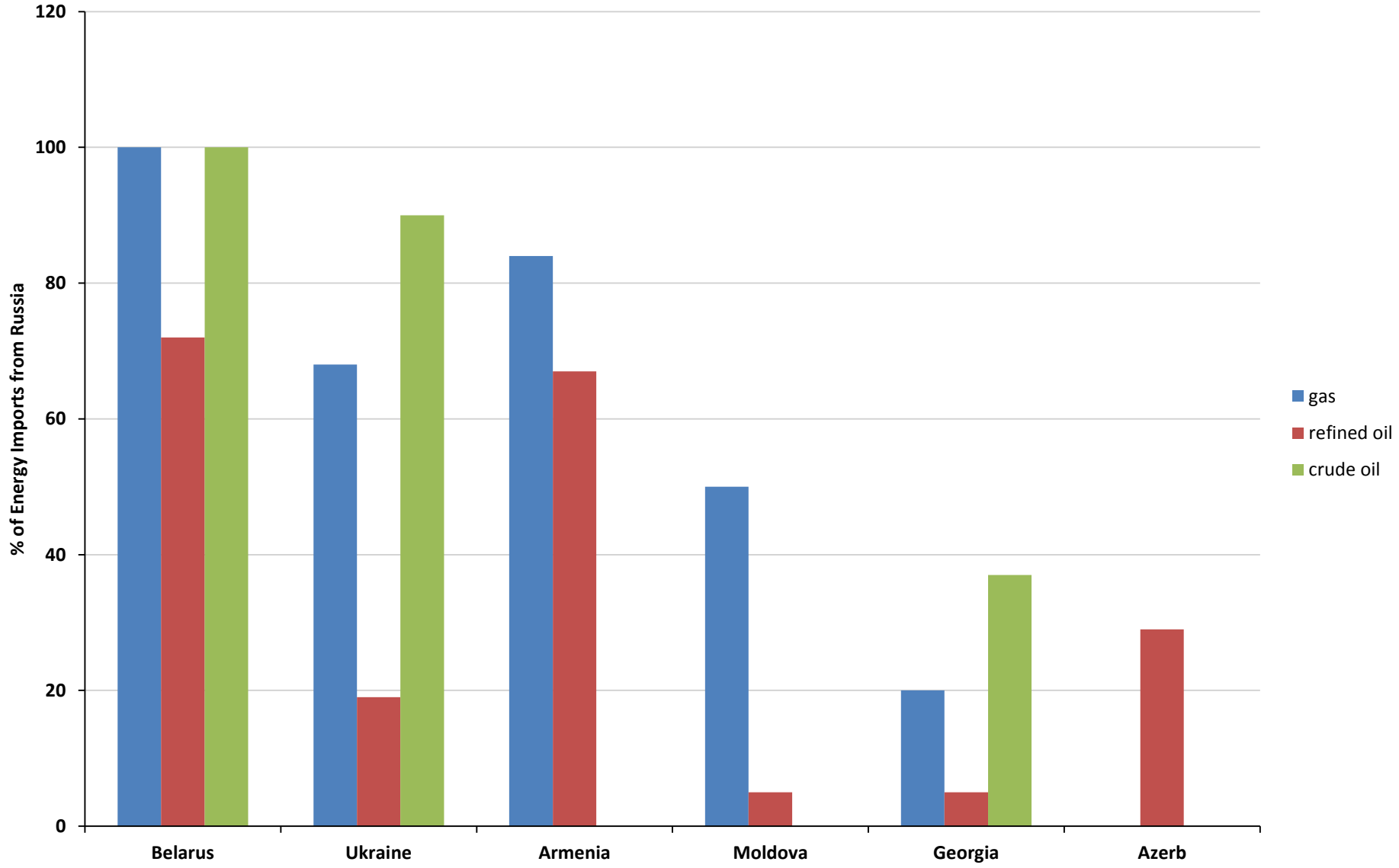


Figure 37

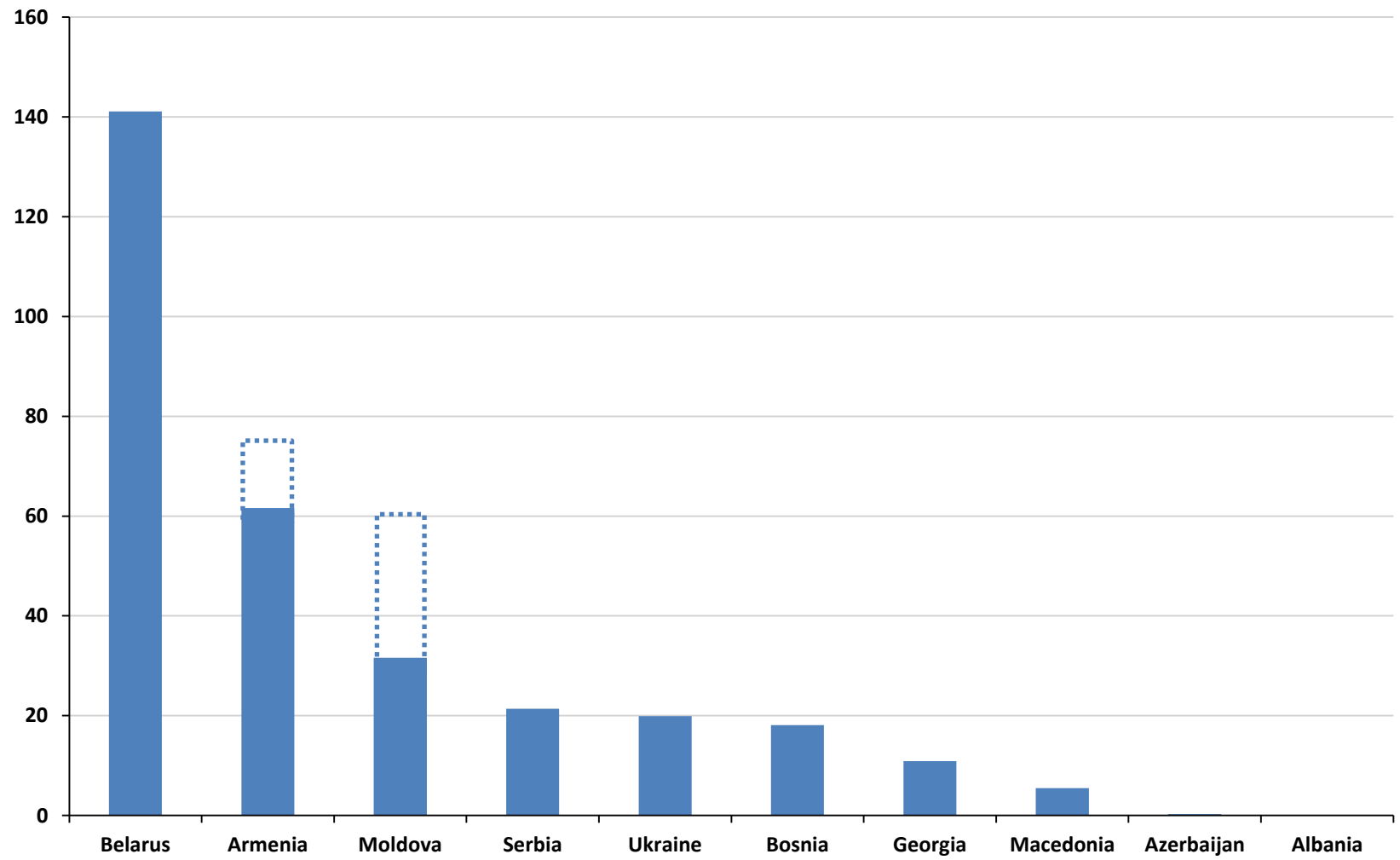
Percentage of Energy Imports in Eurasia from Russia in 2014



BP, Statistical Review of World Energy (June 2015).

Figure 38

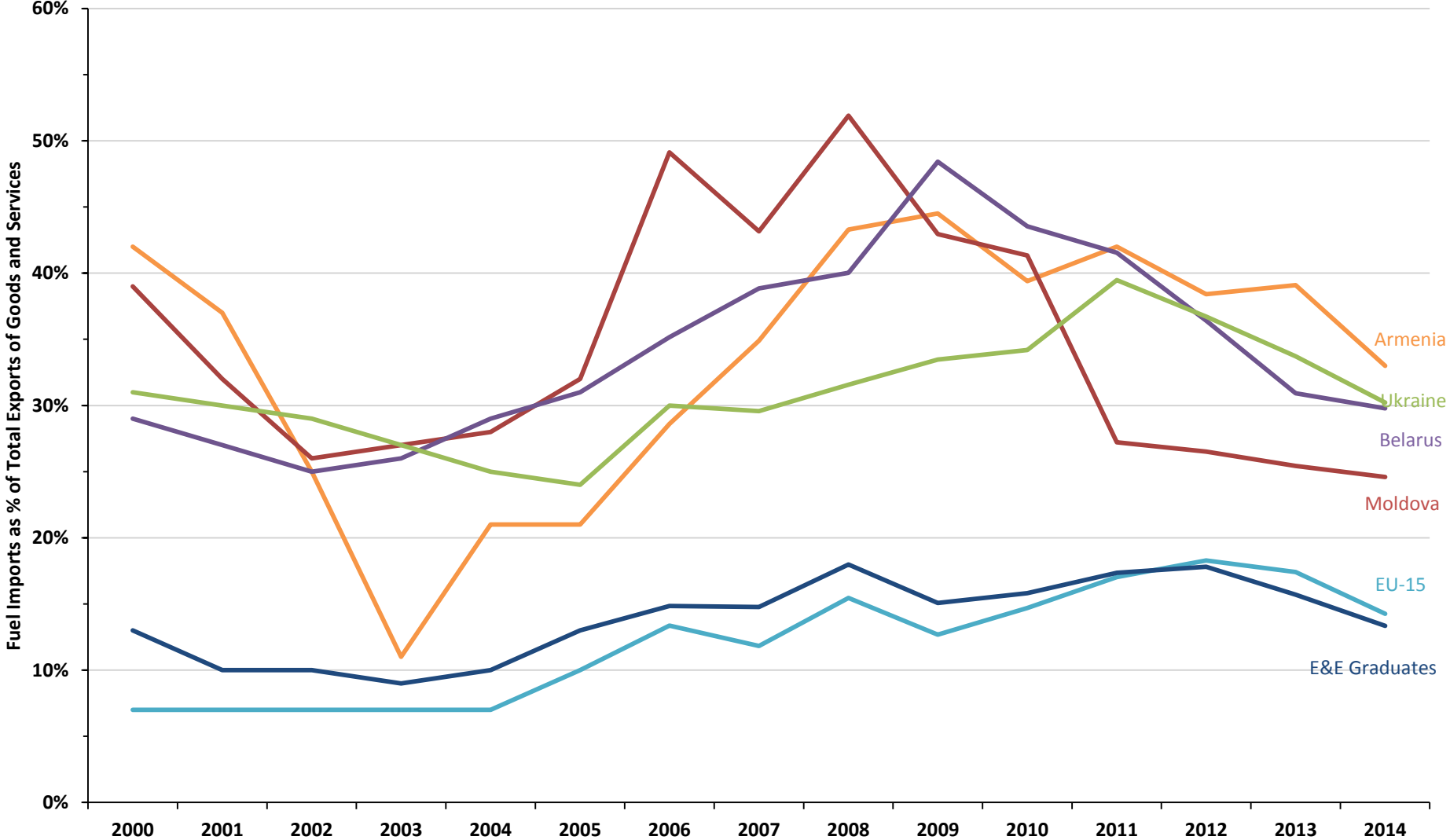
Imported energy from Russia as % of total energy consumption in Eurasia and the Balkans in 2013-2014



BP, *Statistical Review of World Energy* (June 2015); International Energy Agency (2013); Atlas of Economic Complexity (2015). Energy imports include natural gas, crude oil, refined oil, electricity, and coal. Energy consumption includes those energy (import) types plus hydropower, nuclear, geothermal, and biofuels. For Armenia and Moldova, estimates are a range.

Figure 39

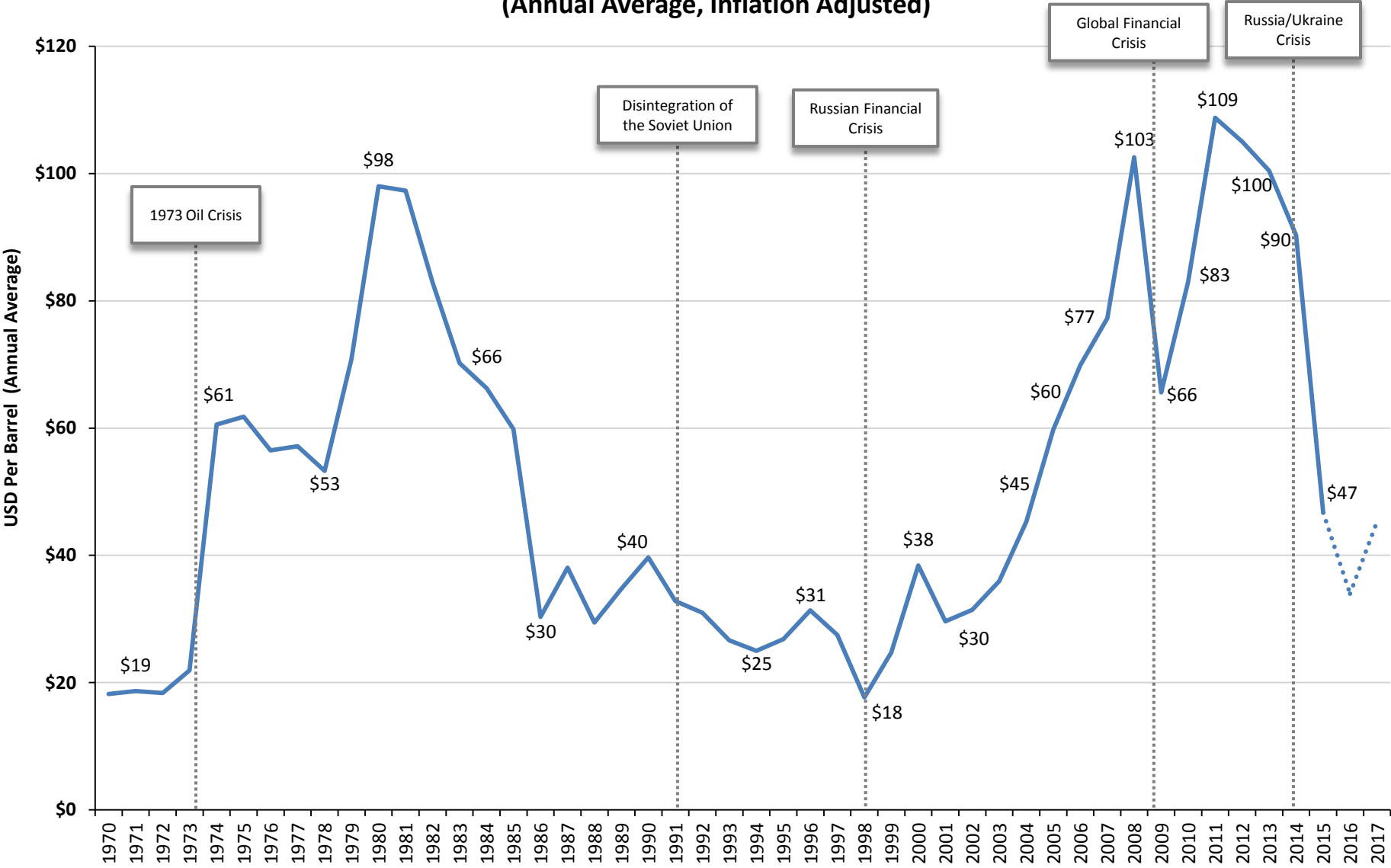
Energy Dependency: Fuel Imports as % of Total Exports of Goods & Services



World Bank, World Development Indicators (2016, online).

Figure 40

Price of Oil, 1970-2015 (Annual Average, Inflation Adjusted)



U.S. Energy Information Administration (EIA) (February 2016, online). Prices for 2016 and 2017 are EIA forecasts.

Figure 41

Armenia's Natural Resource Exports, 1997-2014

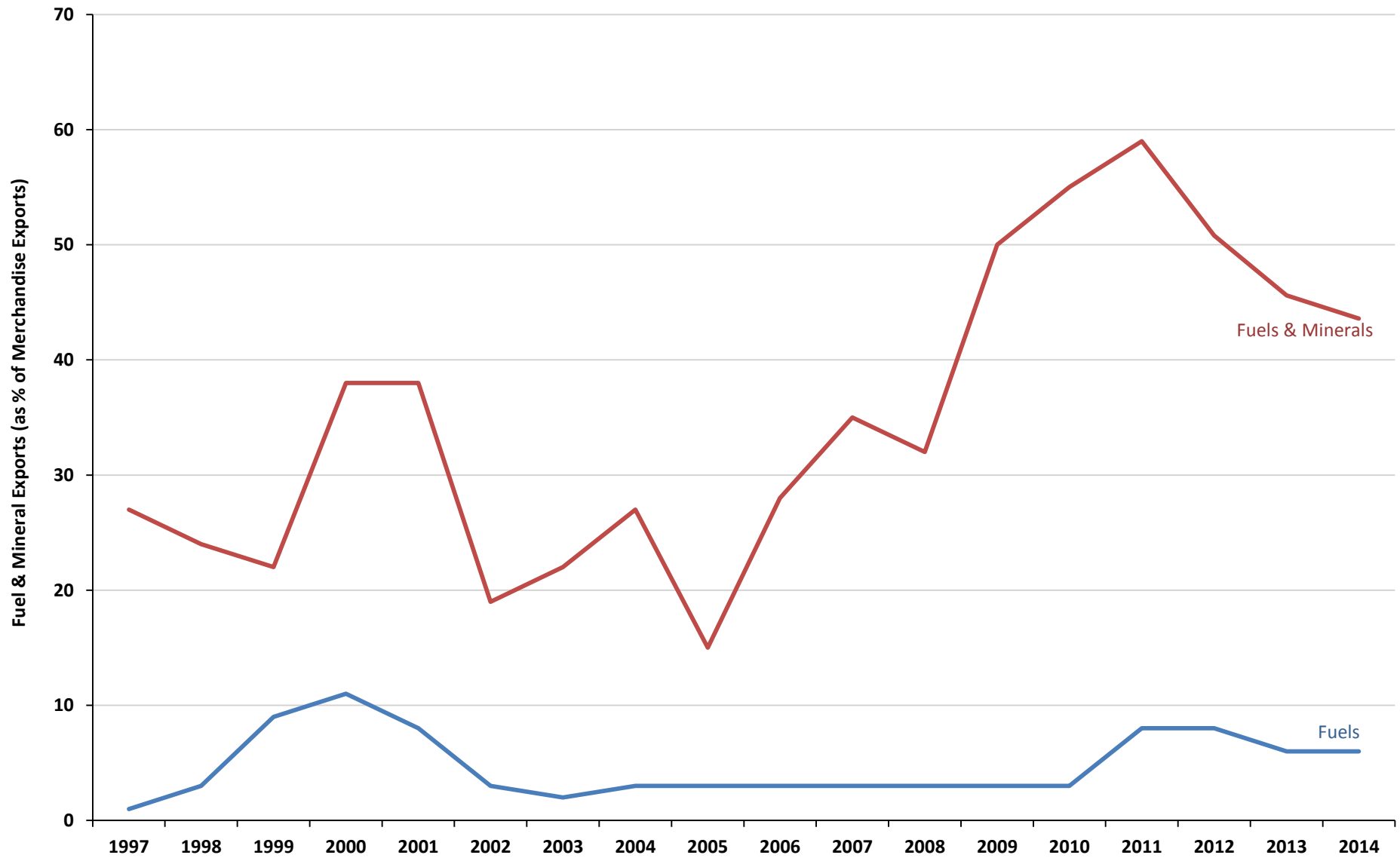
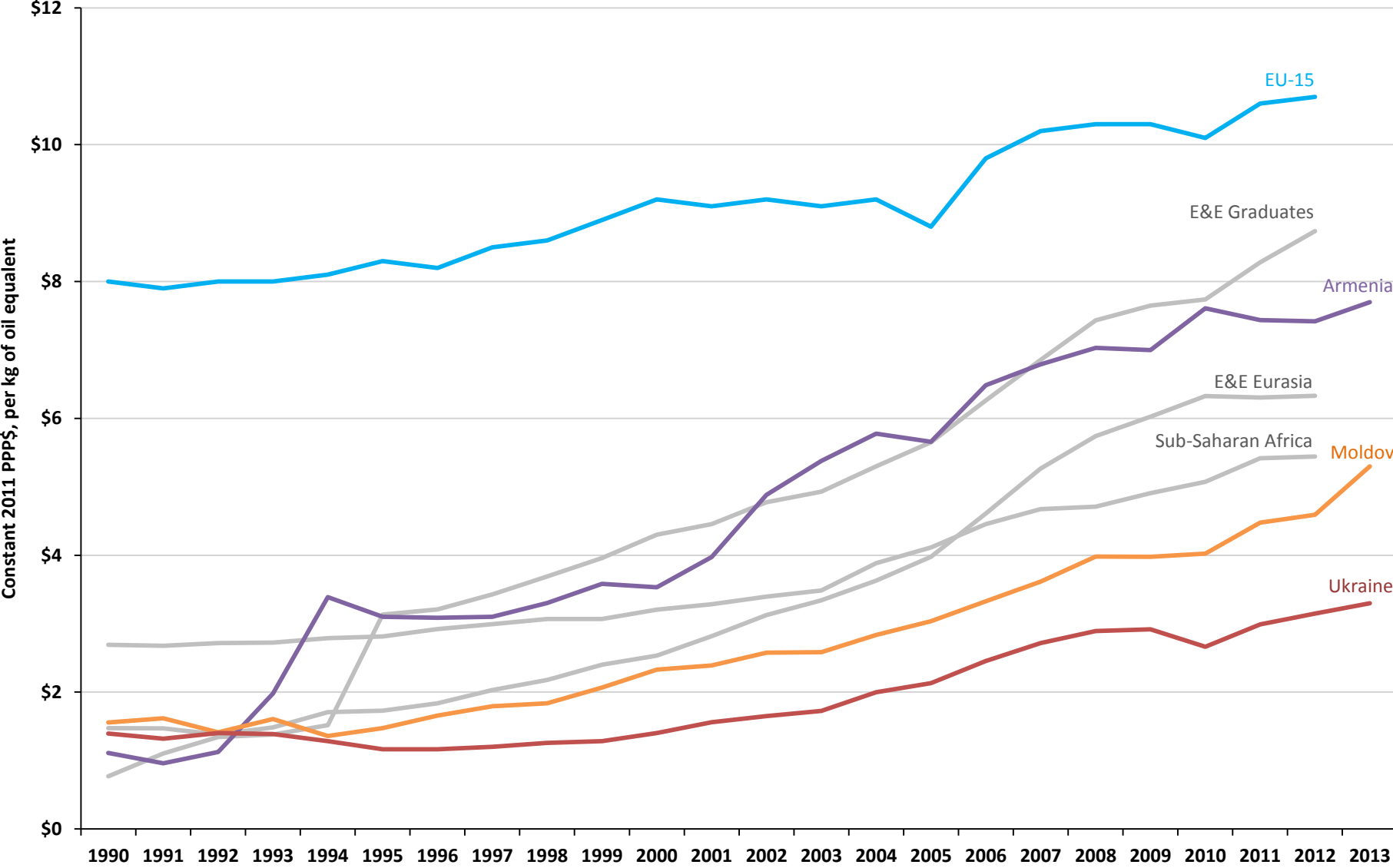


Figure 42

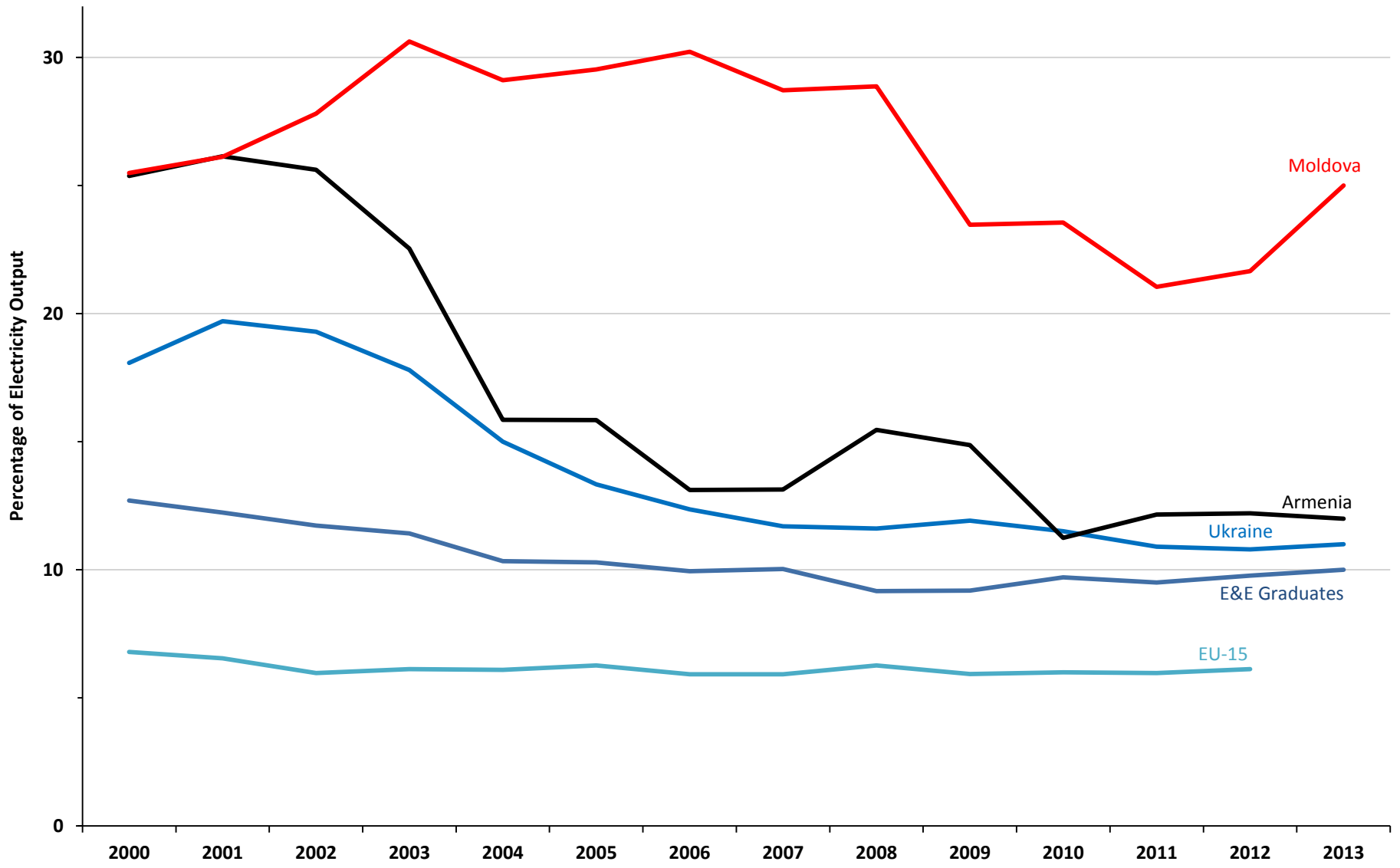
Energy Efficiency in the World (GDP per Unit of Energy Use), 1990-2013



World Bank, World Development Indicators (2016, online).

Figure 43

Electric Power Transmission and Distribution Losses: Europe and Eurasia



World Bank, *World Development Indicators* (2015). Includes losses in transmission between sources of supply and point of distribution and in distribution to consumers, including pilferage.

Figure 44

Employment in Agriculture in 2013/2014 (as % of Total Employment)

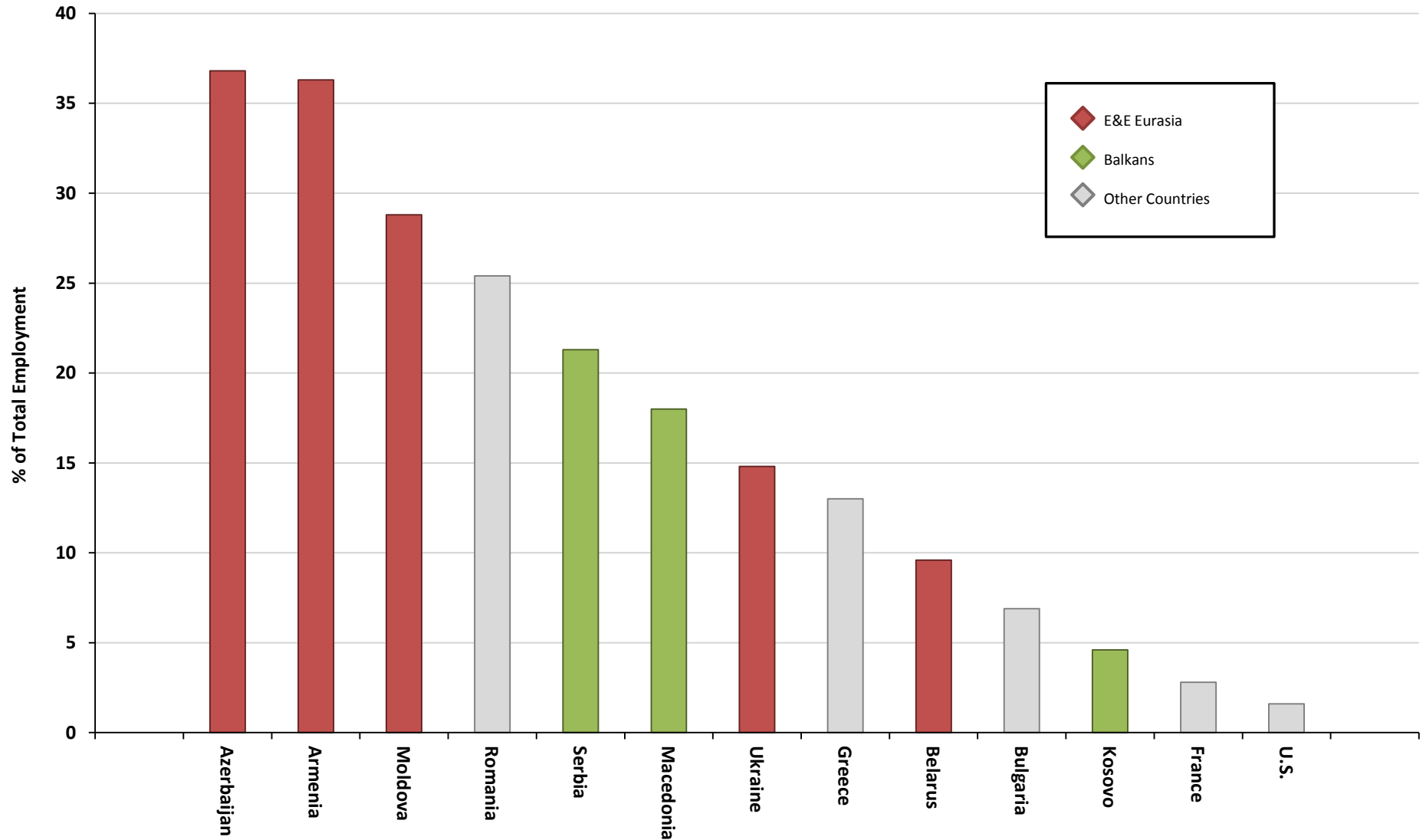


Figure 45

Agricultural Value Added (% of GDP)

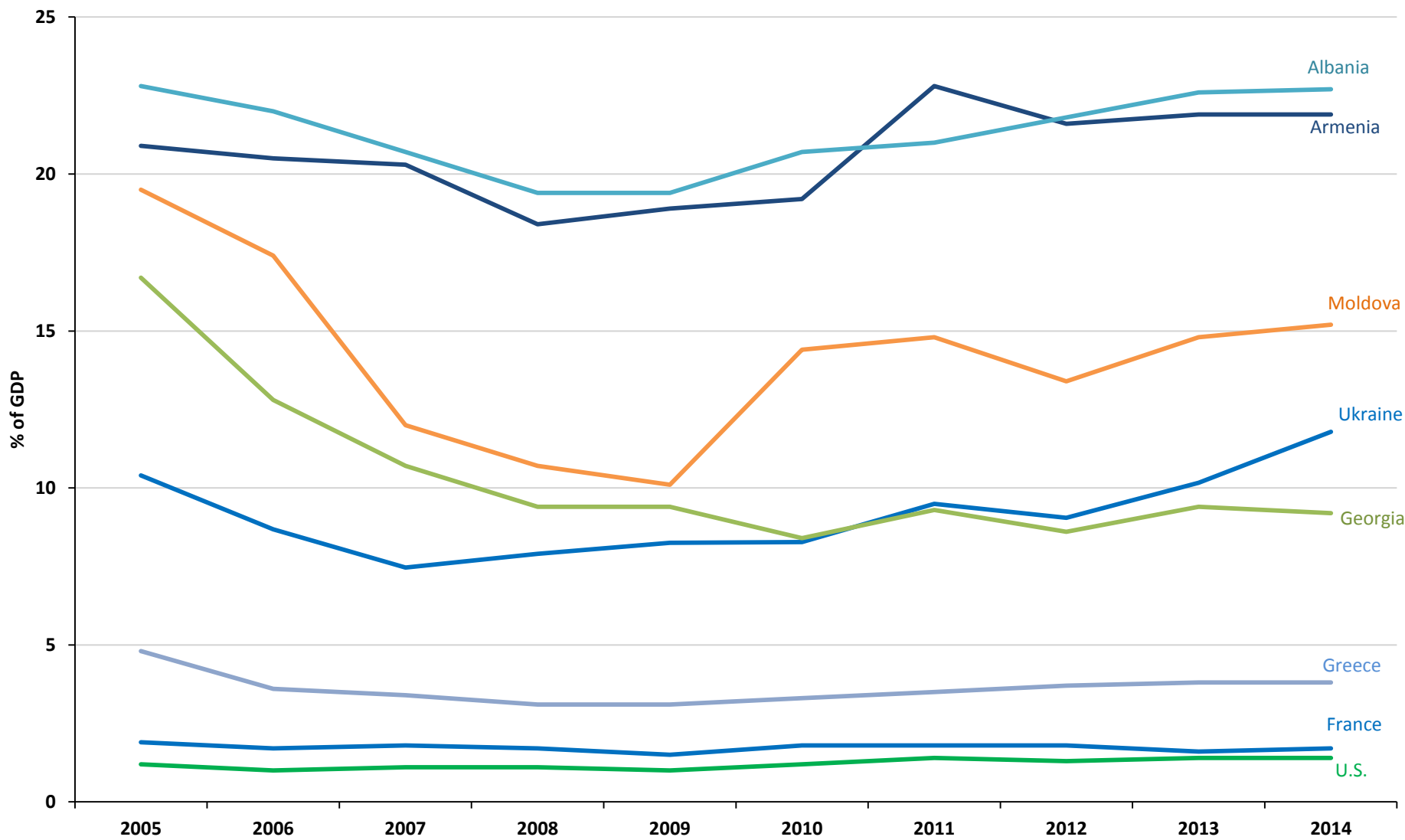
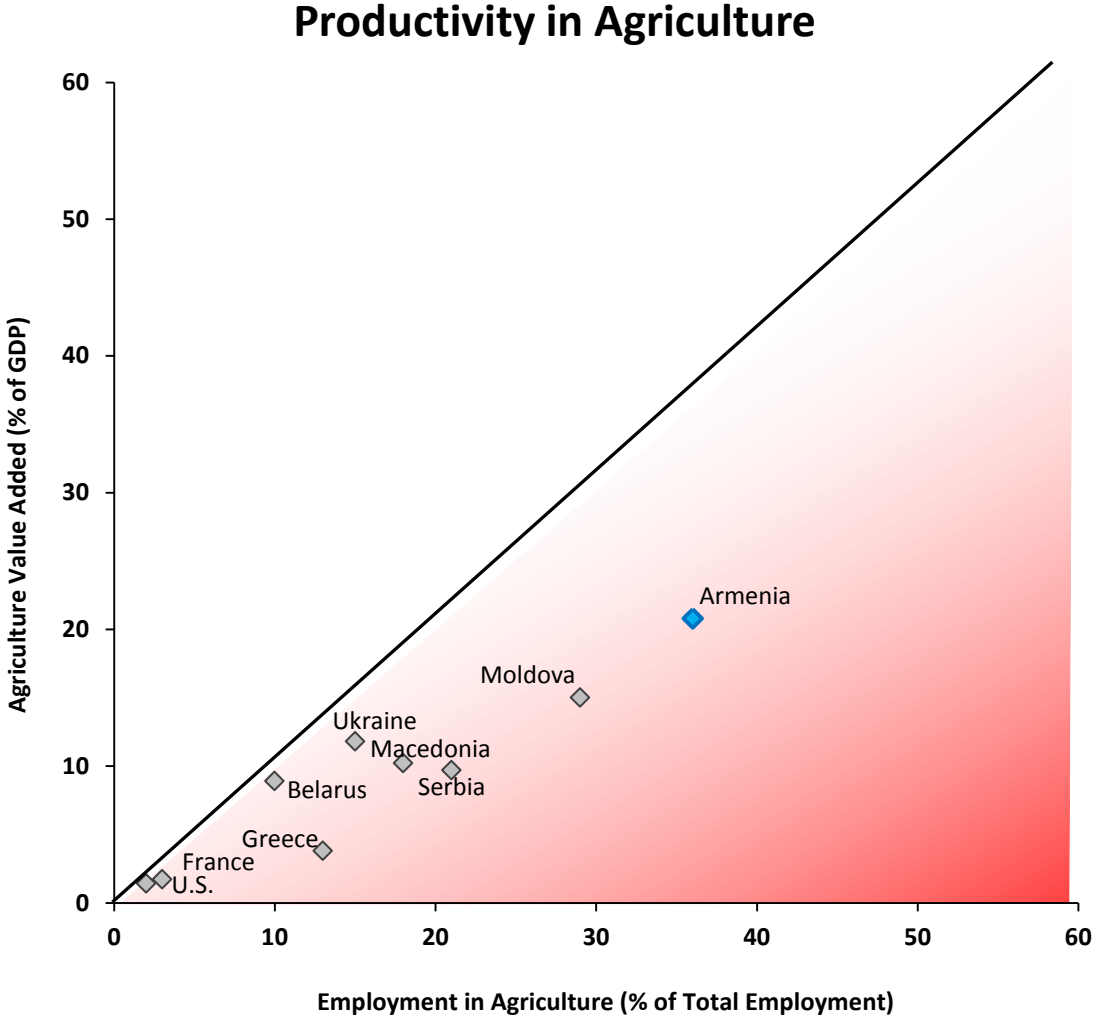


Figure 46



World Bank, *World Development Indicators* (2016, online). Forty-five degree line (of equality).

Figure 47

Food Exports (as % of Merchandise Exports)

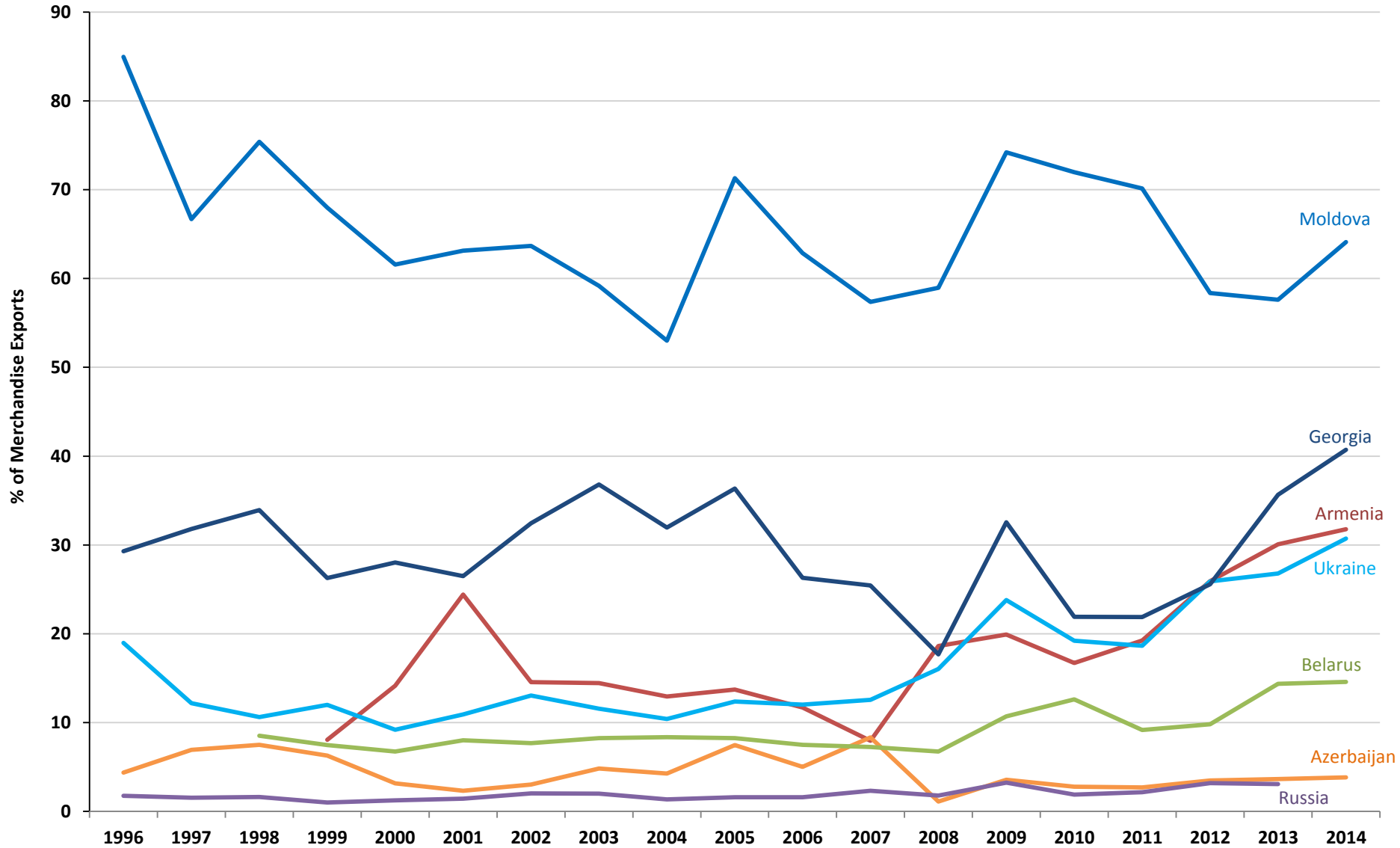


Figure 48

Small and Medium-Sized Firms Exports as % of Total Manufacturing Exports

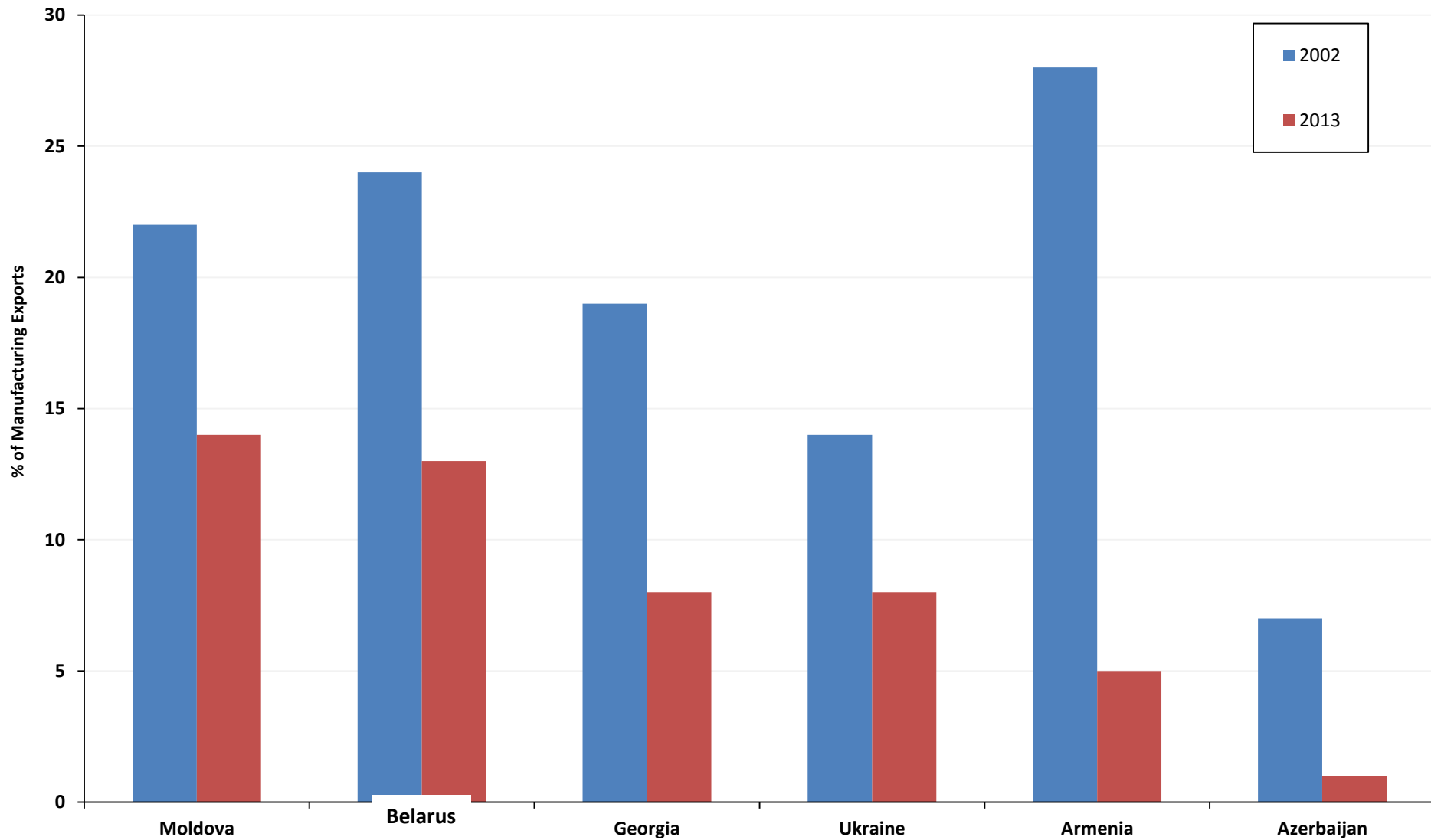


Figure 49

Share of Export-Oriented SMEs to total SMEs

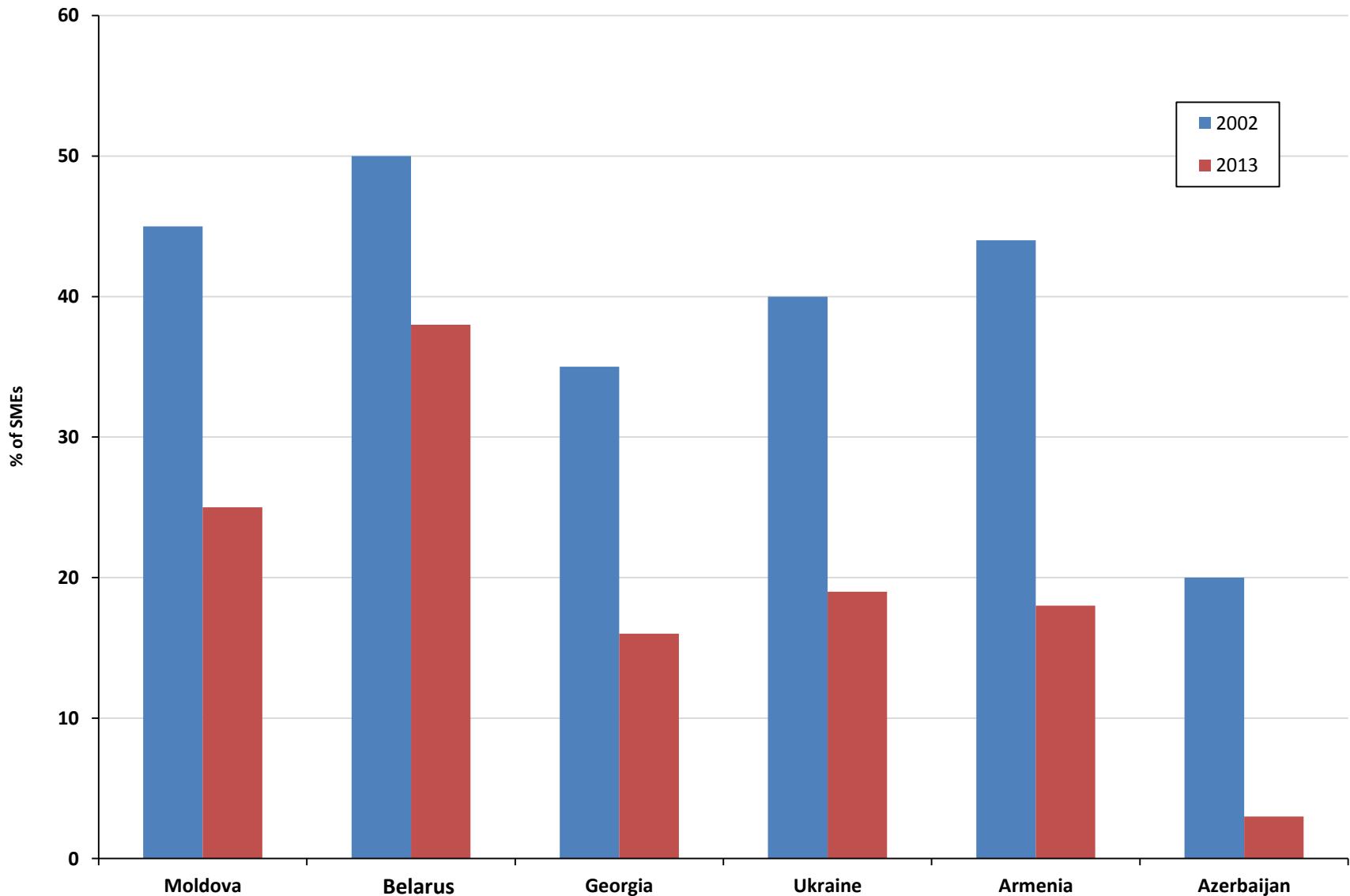


Figure 50

Productivity of the Small and Medium-Sized Firms Sector in E&E Eurasia

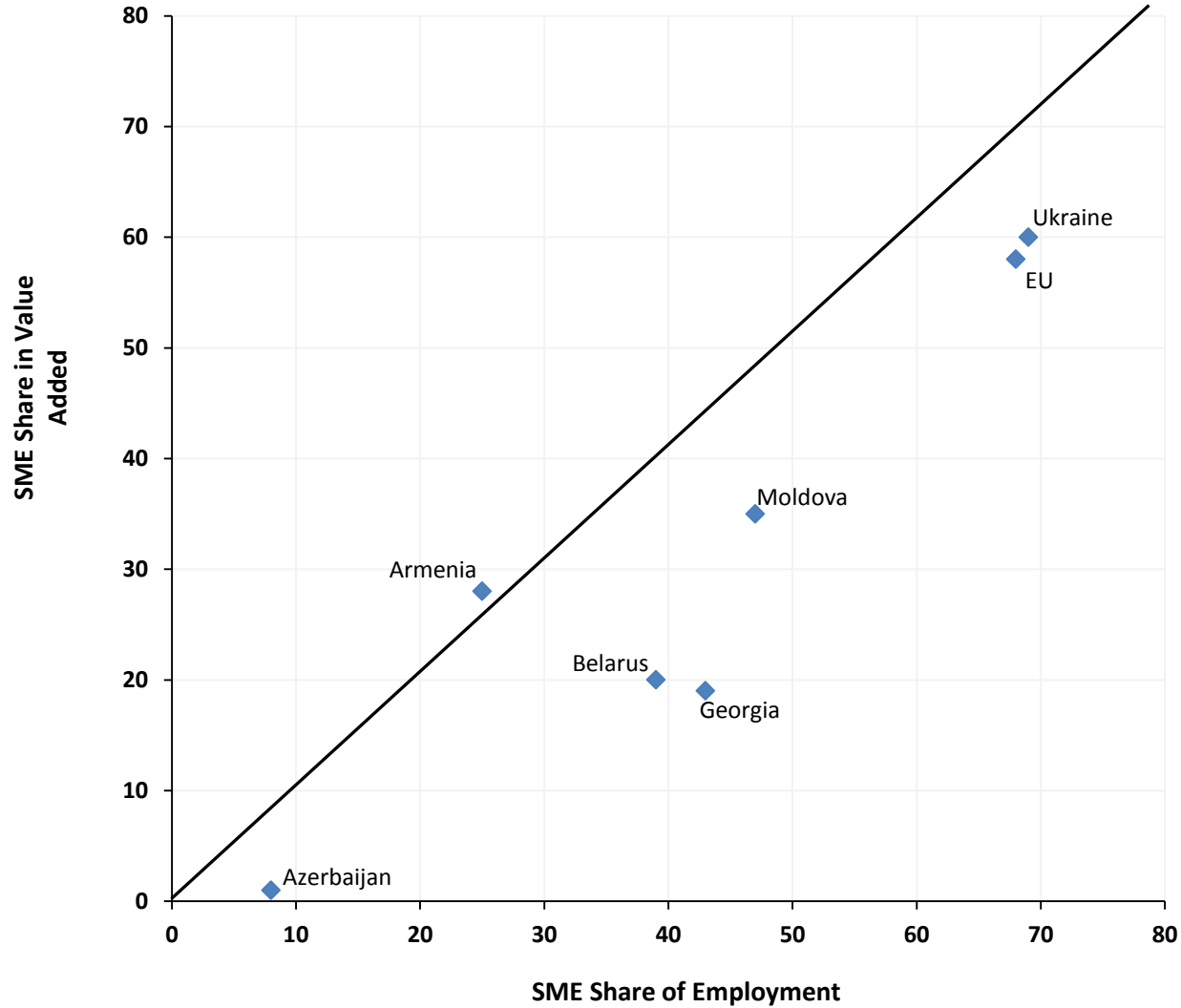


Figure 51

Productivity by Firm Size in Armenia and Ukraine (GDP to Employment Ratio)

