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The Financial and Economic Impact of COVID-19 on Armenia

Brief report

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Introduction

The COVID-19 pandemic has demonstrated the importance for preparedness and response by the Government of the Republic of Armenia (GOAM) and appropriate participation and engagement of the whole society. The GOAM's existing response measures have aimed at reducing virus transmission; ensuring access to food and essential services; and taking mitigation measures to protect the economy. Hence, many ministries and agencies, including health, foreign affairs, education, labor and social affairs, finance, economy, territorial administration, and emergency situations have had an important role in imposing restrictions on foreign travel, entry/exit of foreign citizens, import and export of food, other essential goods, and medical supplies, developing aid packages for individual citizens and small/middle size business or sectors of the economy most hurt by the pandemic situation, and other activities, while promoting public health measures and expanding the health system to address the needs of COVID-19 patients. The GOAM had to identify roles, relationships, and coordination mechanisms across the government to assure uninterrupted services and functions while avoiding unnecessary damage. This assessment aimed to identify gaps and strengths of the established mechanisms and refine and reinforce accordingly.

Methods

Study design

The research team utilized a qualitative cross-sectional study design for exploring the objectives of the study by using document review and in-depth interviews (IDI).

Study population

Purposive sampling technique was used to recruit the study participants. This sampling method was used to recruit those key informants who were most involved in the policy making and COVID-19 emergency response activities and were best fitted to answer our questions. The study population included policy makers, high profile government officials, former employees from the commandant's office, elected officials from the regional authorities, and finally representatives of international organizations. In total 34 IDIs were conducted the mean duration of the interviews was 40 minutes.

Study instruments

The study instrument was designed based on the “Operational Planning Guidelines to Support Country Preparedness and Response” framework developed by the World Health Organization.¹ The action points listed in the steps of Pillar 1 served as the guiding elements in developing the questions for the instrument. The action points were adapted for the local context of Armenia and the questions were developed. In total the study team prepared six qualitative guides for the different groups of participants. The guides were divided into three main sections those are; a) country level coordination mechanisms, planning and monitoring, b) the economic impact of the pandemic, c) the socio-humanitarian impact of the pandemic. The guides were initially developed in English and then translated into Armenian.

Data collection

Data collection was conducted from August to October 2021. In total five interviewers conducted the interviews.

Results

1. Main challenges posed by COVID-19 for respondent’s organization

At the beginning of the pandemic, the main challenges that respondents faced was the lack of expertise and logistics (laptops, use of “Zoom”, etc.) in the process of shifting to remote work. However, those challenges and problems were resolved within few weeks. Another challenge was that the Government agencies had to learn acting more quickly than usual when drafting legal acts or implementing the guiding instructions from their superiors.

2. Assessment of healthcare system’s and government’s response to the pandemic

Respondents thought that health care system’s response was basically adequate to the situation, given the scale and the unprecedented nature of the event. However, they also mentioned that it would have been better if the healthcare system was better prepared for such emergencies. Although most of the respondents agreed that the government’s general response to

¹ COVID-19 Strategic Preparedness and Response Plan; Operational Planning Guidelines to support Country Preparedness and Response, available at: <https://www.who.int/publications/i/item/draft-operational-planning-guidance-for-un-country-teams>

the pandemic was adequate, they thought that the high level of uncertainty (how long?, how much worse?, etc.) was one of the main factors limiting Government's ability to provide more timely and effective response.

3. Assessing country's emergency preparedness from the legal standpoint, and the mechanisms for engaging key stakeholders

All respondents mentioned that drafting and implementing the economic support policies were rather ad-hoc processes, guided either by instructions from the Government (this includes both the Prime Ministers staff and Commandant's office) or regulated by daily verbal orders of their superiors. At the same time, several respondents mentioned that they believe these processes need further regulation and formalization, and that clear assignment of roles and responsibilities of different players (who should do what and when, where a particular process must start from, etc.) is highly desirable for the future.

4. Overall impact of the pandemic on economy, and the measures that the Government took to mitigate the impact of the pandemic on trade and investment

All respondents agreed that the pandemic had serious negative impact on the economy in general, and especially on the tourism and hospitality sectors. It was also mentioned by several respondents that as the pandemic is still ongoing, it is still too early for assessing the overall impact on the economy, which can be attempted at a later stage only. Most of the respondents indicated that adopted economic support programs were generally adequate to the situation and played a positive role in limiting or preventing the more severe negative consequences of the pandemic on the economy.

5. Impact of the pandemic on labor market and the labor force.

In short-term perspective, pandemic had a negative impact on the labor market due to temporary staff layoffs in the service and hospitality sectors, as well as in other affected industries, which resulted in increased unemployment rate. Currently, labor market shows some signs of quick recovery, but it is yet too early to assess the long-term implications of the ongoing pandemic.

6. Government's use of debt-based support instruments vis-a-vis taxation-based instruments. Considering potential problems of financial and banking sectors when adopting economic support programs.

While most of the respondents agreed that the focus of economic support programs was put on measures like subsidized or state-guaranteed loans, some of them also mentioned importance of other measures that had to do with tax policies. Most respondents also indicated that loan guarantees, credit subsidies and other debt-based instruments were more adequate measure for the given situation, as they could ensure providing more addressed and timely assistance to those businesses that needed it most.

7. Prioritization and targeting of economic support programs.

All respondents agreed that Government had tried its best to set clear priorities when adopting economic support measures, which resulted in many programs targeting either the most affected sectors or specific businesses that had the greatest potential for generating additional jobs and added value in short-term perspective. However, it is possible that due to the lack of time and information needed to accurately identify the businesses in most need, some enterprises that should not have been included as beneficiaries were also able to receive Government's support. Most of the respondents had also agreed that SMEs were a priority target for Government's economic support programs. However, it did not exclude large enterprises from receiving Government support when needed, as different programs had different eligibility criteria.

8. Prioritization and targeting of social support programs.

Based on their general knowledge and understanding of the situation, respondents had suggested that the government had tried to channel the social support primarily to those population groups that were supposedly more affected from the pandemic, such as temporarily laid off workers. At the same time, many respondents indicated that the social support programs were not well-targeted as individuals in the most and least need have benefited equally.

Conclusions and Recommendations

1. Assessment of economic and social support programs

In general, it can be stated that the Government of Armenia had acted promptly at the start of the pandemic by adopting around two dozen different economic and social support measures can be considered as adequate reaction to the challenges posed by the situation. At the same time, all respondents agreed that different economic support programs had different degree of success. While some of those programs are still ongoing, and additional time is needed to assess their overall success, it is important that the government establish a process of systematic assessment of all economic and social support programs, which is not in place now.

2. Viability of lockdown measures for mitigating the impact of the pandemic

Lockdown measures were exercised by the Government of Armenia in full extent only at the beginning of the COVID-19 pandemic, during March-May 2020, and were not considered again, although the second (October-December 2020) and the fourth (starting October 2021 and ongoing) waves of the pandemic had (and continue to have) more severe health costs than the first wave. The Government currently prefers to focus on promoting and enforcing public health policies such as mask wearing and social distancing, and periodically limiting the physical access of students to educational institutions by utilizing distance-learning methods. And last, but not least, given the growing availability of coronavirus vaccines in Armenia starting from mid-2021, GOA started to shift its focus on promoting the vaccination, which can be currently considered as the highest priority among all other COVID-related policy measures.

3. Legal and regulatory mechanisms for emergency preparedness

Interviews revealed that the processes related to preparing COVID response measures were often organized spontaneously, especially during the first stage of the pandemic. There was a general consensus among the respondents that, for the future, those processes need to be better regulated and formally approved. This will ensure clear assignment of roles and responsibilities among different stakeholders in emergency situations.

4. Targeting of support programs

The COVID-19 pandemic revealed or highlighted many bottlenecks in the public governance system. One side of this problem was fragmentation of existing databases and information systems, which would cause certain delays during the decision-making. To address these issues, the government need to further consolidate and strengthen its existing e-governance systems, ensuring their full interoperability. Implementation of personal income declaration system, which is being debated for the last several years, can also significantly help to improve the situation.