

THE EFFICIENCY OF ANTI-CRISIS MEASURES FOR OVERCOMING THE ECONOMIC CRISIS CAUSED BY COVID-19 IN RA

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Abstract

Due to the coronavirus pandemic, the world economy has entered a phase of another crisis at a fairly rapid pace since the beginning of 2020. The COVID-19 crisis has governments worldwide operating in a context of radical uncertainty and faced with difficult trade-offs given the health, economic and social challenges it raises.

The economic crisis caused by the coronavirus pandemic is unique; it is difficult to predict its possible depth. Governments in almost every country in the world have tried, and continue to try, to find the right balance between saving lives and saving national economies. Many governments at all levels have reacted quickly, applying a place-based approach to policy responses and implementing appropriate measures in response to the COVID-19 crisis.

In general, the effectiveness of the anti-crisis measures taken by the Government can be preliminarily evaluated by analyzing the financial allocations volume and GDP ratio index and the range of beneficiaries of these measures.

The most effective way to overcome the current economic crisis is to inject sufficient liquidity into the economy, which will help avoid a sharp decline in both aggregate supply and demand; otherwise, the economy will inevitably end up in a long period of decline.

To overcome the economic crisis, the Government of the Republic of Armenia developed and implemented a number of anti-crisis measures, which did not stand out with high efficiency due to small allocations for anti-crisis measures well as due to the narrow range of beneficiaries.

Keywords and phrases

Economic crisis, coronavirus pandemic, anti-crisis measures, financial resources, efficiency.

**COVID-19-Ի ԱՐԴՅՈՒՆՔՈՒՄ ԱՌԱՋԱՑԱԾ ՏՆՏԵՍԱԿԱՆ ՃԳՆԱԺԱՄԻ
ՀԱՐԹԱՀԱՐՄԱՆ ՄԻՋՈՑԱՌՈՒՄՆԵՐԻ ԱՐԴՅՈՒՆԱՎԵՏՈՒԹՅՈՒՆԸ ՀՀ-ՈՒՄ**

ԿԱՐԵՆ ՍԱՐԳՍՅԱՆ

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Համառոտագիր

Կորոնավիրուսային համաճարակի պատճառով սկսած 2020 թվականից համաշխարհային տնտեսությունը բավականին արագ տեմպերով թևակոխել է մեկ այլ ճգնաժամի փուլ: COVID-19 ճգնաժամը աշխարհի կառավարություններին, որոնք առերեսվել են դժվարին փոխզիջումների՝ կապված առողջապահական, տնտեսական և սոցիալական մարտահրավերների հետ, ստիպում է գործել բացարձակ անորոշության պայմաններում:

Կորոնավիրուսային համավարակի պատճառած տնտեսական ճգնաժամը եզակի է իր բնույթով և դժվար է կանխատեսել դրա հնարավոր խորությունը: Աշխարհի գրեթե բոլոր երկրների կառավարությունները փորձել են և շարունակում են փորձել գտնել ճիշտ հավասարակշռություն մարդկային կյանքերը և ազգային տնտեսությունները փրկելու միջև: Բազմաթիվ երկրների բոլոր մակարդակների կառավարությունները արագ արձագանքել են՝ արձագանքման քաղաքականության համար կիրառելով տեղային մոտեցում և իրականացնելով համարժեք միջոցառումներ՝ COVID-19-ի ճգնաժամին հակազդելու համար:

Ընդհանուր առմամբ, Կառավարության կողմից ձեռնարկված հակաճգնաժամային միջոցառումների արդյունավետությունը կարելի է նախնական գնահատել՝ վերլուծելով ֆինանսական հատկացումների ծավալը և ՀՆԱ հարաբերակցության ցուցիչը, ինչպես նաև այդ միջոցառումների շահառուների շրջանակը:

Ներկայիս տնտեսական ճգնաժամի հաղթահարման ամենաարդյունավետ միջոցը տնտեսության մեջ բավարար իրացվելիություն ներարկելն է, ինչը կօգնի խուսափել ինչպես համախառն առաջարկի, այնպես էլ համախառն պահանջարկի կտրուկ անկումից, հակառակ դեպքում տնտեսությունն անխուսափելիորեն հայտնվելու է անկման երկար փուլում: Տնտեսական ճգնաժամը հաղթահարելու համար ՀՀ կառավարությունը մշակեց և իրականացրեց հակաճգնաժամային մի շարք միջոցառումներ, որոնք չառանձնացան բարձր արդյունավետությամբ հակաճգնաժամային միջոցառումների գծով փոքրածավալ հատկացումների, ինչպես նաև դրանց շահառուների նեղ շրջանակի պատճառով:

Բանալի բառեր և բառակապակցություններ

Տնտեսական ճգնաժամ, կորոնավիրուսի համավարակ, հակաճգնաժամային միջոցառումներ, ֆինանսական միջոցներ, արդյունավետություն:

ЭФФЕКТИВНОСТЬ АНТИКРИЗИСНЫХ МЕР ПРЕОДОЛЕНИЯ ЭКОНОМИЧЕСКОГО КРИЗИСА ВЫЗВАННОГО COVID-19 В РА

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Аннотация

Из-за эпидемии коронавируса мировая экономика вступила в очередную фазу кризиса, причем довольно быстрыми темпами, начиная с 2020 года. Кризис COVID-19 вынуждает правительства всего мира действовать в полной неопределенности, сталкиваясь с трудными компромиссами в отношении здоровья, экономических и социальных проблем.

Экономический кризис, вызванный коронавирусом, носит достаточно уникальный характер, его возможную глубину предсказать сложно. Правительства почти всех стран мира пытались и продолжают пытаться найти правильный баланс между спасением жизней и «национальной экономикой». Многие правительства быстро отреагировали на всех уровнях, используя местный подход к политике реагирования и принимая адекватные меры для реагирования на кризис COVID-19.

В целом эффективность антикризисных мер, принимаемых Правительством, можно оценить заранее, проанализировав объем финансовых ассигнований, их соотношение ВВП к ВВП, а также круг бенефициаров этих мер.

Самый эффективный способ преодоления текущего экономического кризиса – это вливание в экономику достаточной ликвидности, которая поможет избежать резкого падения как совокупного предложения, так и совокупного спроса, в противном случае экономика неизбежно окажется в длительной фазе спада.

Для выхода из экономического кризиса Правительством Республики Армения был разработан и реализован ряд антикризисных мер, которые не отличались высокой эффективностью, небольшими ассигнованиями на антикризисные меры, а также узкими рамками круга бенефициаров.

Ключевые слова и фразы

Экономический кризис, эпидемия коронавируса, антикризисные меры, финансовые средства, эффективность.

Introduction

Due to the coronavirus pandemic, the world economy has entered a phase of another crisis at a fairly rapid pace since the the beginning of 2020. The COVID-19 crisis has governments worldwide operating in a context of radical uncertainty and faced with difficult trade-offs given the health, economic and social challenges it raises. Within the first three months of 2020, the novel coronavirus developed into a global pandemic. Earlier, in February, the International Monetary Fund announced that in 2020, a global recession is likely to occur, which may be even more severe than the global financial crisis of 2008.

More than half of the world's population has experienced a lockdown with strong containment measures –the first time in history that such measures are applied on such a large scale. Beyond the health and human tragedy of COVID-19, the latter caused global economic challenges for almost all world countries.

It is already visible that in 2020 the world economy is expected to experience a sharp decline due to the severe quarantine and severe economic restrictions imposed by many countries to prevent the spread of the pandemic. In most places, whereas the incidence of the virus is still prevalent, Governments face the difficult choice between public safety and reviving the economy. This is particularly prominent in countries with workforces comprised largely of informal workers, where (rather than whereas) countries lack in capacities to balance the effects of the lockdown economically, and with the vulnerable and marginalized communities bearing the negative impacts of the economic and the health losses(1).

Theoretical and methodological bases

The crisis is defined as "a turning point in the development of the structure of the system during its transition to a qualitatively different state"(2). It is characterized by a special instability and nonlinearity of the parameters of the system. The coincidence of time even the weakest (and for this reason not taken

(1)Putting the UN framework for socio-economic response to COVID-19 into action: Insights/UNDP, Brief#2- June 2020

(2)Mim S. (2009) *Disadvantages of Capitalism. Thought*. 2009. № 3 (39). Available from: [\(in Russian\)](http://www.idea-magazine.com.ua)

into account in conditions of stable development) of external influences can cause the imposition of these unaccounted weak influences and lead to strategic changes, to a complete restructuring system(3).

The openness of national economies and the globalization of world economic processes contributed to the fact that in the shortest possible time any manifestation can rapidly spread economic instability in one country and around the world, and taking more and more complex forms, turn into a global economic crisis. Their seriousness and the negative consequences of the crises on each national economy largely depends on the economic policy conducted by the given state and the anti-crisis policy efficiency(4).

It should be noted that the coronavirus itself is not as terrible for the economy as the steps that almost all countries in the world have to take to protect themselves from it. Stringent containment measures and non-pharmaceutical interventions effectively contained the spread of the coronavirus disease (COVID-19) and limiting fatalities, ensuring that the medical systems around the world were not overwhelmed. Stringent containment measures and non-pharmaceutical interventions were effective in containing the spread of the coronavirus disease (COVID-19) and limiting fatalities, ensuring that the medical systems around the world were not overwhelmed(5). While the lives saved have laid the foundation for a resumption of growth in the medium term(6), the Great Lockdown resulted in large short-term economic losses and a decline in global economic activity not seen since the Great Depression(7).

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(3) Acemoglu, D., Robinson, J. (2012). *Why Nations Fail: The origins of Power, Prosperity and Poverty* First Edition. New York: Crown Business. 529 p.

(4) Sargsyan K.S. *The economic impacts of covid-19 and the issues of its overcoming in the republic of Armenia*.//Scientific Proceedings, Shirak State University/N2 2020, pp.58-68

(5) Deb P., Furceri D., Ostry J. and Tawk N. *The Effects of Containment Measures on the COVID-19 Pandemic*. Covid Economics.// Vetted and Real-Time Papers.2020. 19. P. 53–86.

(6) Barro R. J., Ursúa J. F. and Weng J. *The Coronavirus and the Great Influenza Pandemic: Lessons from the „Spanish Flu“ for the Coronavirus“s Potential Effects on Mortality and Economic Activity*. NBER Working Paper 26866.2020.

(7) Baldwin R, and Weder di Mauro. *Mitigating the COVID Economic Crisis: Act Fast and Do whatever it Takes*. London: CEPR Press. 2020

the vulnerable and marginalized communities bearing the negative impacts of the economic and the health losses.

Investigation methods

In general, the effectiveness of the anti-crisis measures taken by the Government can be preliminarily evaluated by analyzing the financial allocations volume and GDP ratio index and the range of beneficiaries of these measures.

At the same time, there are some peculiarities in overcoming the crisis. Governments face a complex trade-off: managing the economic recovery and mitigating the impact of a second wave of the virus. The COVID-19 crisis has a strong territorial dimension with significant policy implications for managing its consequences.

Two central considerations for policymakers are:

- The regional and local impact of the crisis is highly asymmetric within countries. Some regions, particularly the more vulnerable ones, such as deprived urban areas, have been harder hit than others. Certain vulnerable populations, too, have been more affected. In economic terms, the impact of the crisis is differing across regions, at least in its initial stages. Differentiating factors include a region's exposure to tradable sectors, its exposure to global value chains and its specialization, such as tourism.
- Subnational governments – regions and municipalities –are responsible for critical aspects of containment measures, health care, social services, economic development and public investment, putting them at the frontline of crisis management. Because such responsibilities are shared among levels of Government, coordinated effort is critical(8).

(8) <http://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-covid-19-managing-the-crisis-across-levels-of-government-d3e314e1/>

Results Obtained

The economic impact of the COVID-19 crisis differs across regions, depending on the region's exposure to tradable sectors and global value chains. For example, regions with economies that are heavily dependent on tourism will be more affected by the coronavirus than other regions. Capital regions or other metropolitan regions show a relatively higher risk of job disruption than other regions⁽⁹⁾. The crisis' impact on regional employment may also vary significantly across regions within countries. Regions with large shares of non-standard employment can help explain within-country differences arising from the COVID-19 crisis. Evaluating the share of jobs potentially at risk from a lockdown is one way to assess the territorial impact of the COVID-19 crisis.

In the short term, tourist destinations and large cities are suffering the most from COVID-19 containment measures. The importance of tourism and local consumption – including large retailers, general-purpose stores, and businesses in the hospitality industry, such as coffee shops and restaurants – partially explains this. The extent to which activities have recovered during the high tourist season is essential to determine the actual economic decline in tourist destinations.

The more prolonged and more stringent the containment measures, the higher the risk for regional economies. In summer 2020, targeted (localized) lockdowns were adopted in several countries to minimize the costs of national lockdowns. In autumn 2020, some countries were going back to national confinement measures to mitigate the impact of the second wave of cases. Possible stop-and-go measures are expected in the coming months until vaccination is available. The full effect for 2020 is yet to be calculated. Previous OECD work shows that the recovery of OECD regions after the 2008 global financial crisis took years. In more than 40% of OECD and EU regions, even seven years after the start of the crisis, per capita GDP was still below pre-crisis levels.

The economic impact of the COVID-19 crisis first reverberated through the financial markets as international investors started to withdraw investments from the region. The yield curves for government bonds of all EaP governments rapidly grew steeper in March, as the severity of the crisis became apparent. The currencies of Georgia, Moldova and Ukraine lost over 10% of their value relative to the dollar by April. The lockdown measures saved countless lives but brought economic activity to a halt except for Belarus, where authorities did not impose a national lockdown. Closed borders disrupted trade and tourism flows and prevented many seasonal workers,

(9) <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/>

especially in the agricultural sector, from going abroad for work. At the same time, the fall in global commodity prices directly affected Azerbaijan, Armenia and Belarus, in particular. In contrast, the fall in remittance inflows compounded the adverse negative effects across the region. The economic impact in the second quarter of 2020 surpassed the severity of the Global Financial Crisis. According to EBRD estimates, the output will fall by 4.5% this year in the EaP region (10).

The stringent containment measures to combat the spread of the virus led to significant short-term declines in output. During the period of national lockdowns, several service sectors, such as those related to tourism and proximity services that require direct contact between customers and service providers, saw virtually all of their revenues disappear due to the restrictions on movement and the requirements of social distancing. Most retailers and restaurants were closed for extended periods. Increasing in their online and take-away sales did not compensate for the massive drop in demand, particularly in places where internet penetration is lower and cyber-commerce less developed. Moreover, non-essential construction work was affected by limited labour mobility and reductions in investment.

Altogether, the most affected sectors account for 30-40% of total output in the EaP economies. The impact of containment measures on annual GDP growth will ultimately depend not only on how long these measures remained in place but also on other factors, such as the speed or magnitude of policy responses, activity in other sectors of the economy, changes in the terms of trade, and any indirect/second-order effects of the drop in sectoral output. Based on the assumption of complete or partial lockdowns in selected sectors, the immediate impact on any given economy for the duration of the lockdown is estimated to be between 20 and 30% of GDP depending on the structure of economy. For example, Georgia's economy, which is mostly driven by the services sector, can be expected to contract by around 30%, while economies driven more by extractive (Azerbaijan) and manufacturing sectors (Ukraine) will be confronted with a more minor direct impact of containment measures. However, developments in external markets will add to the impact (e.g. drop in oil prices will have important effects on Azerbaijan). Google Mobility reports (for Belarus, Georgia, Moldova, and Ukraine) and the Yandex Mobility Index (excluding Ukraine) show how the pandemic is affecting people's movement in EaP countries. In Georgia and Moldova, the number of visits and time spent at grocery stores and pharmacies declined by over 60% compared to normal during the period of lockdown, and visits to workplaces by over 70%. The Yandex Mobility Index highlighted similar trends in Armenia and Azerbaijan in April. In Belarus, the slowdown was less

(10) <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/>

dramatic, with about a 30% drop in the number of visits to grocery stores and a 20% drop in the number of visits and time spent at workplaces. During the summer, mobility patterns started to return to pre-crisis baselines, but the number of visits to workplaces continued to remain 20% under normal levels in Belarus, Georgia, Moldova and Ukraine(11).

There are several ways in which the COVID-19 crisis affected the business community. On the supply side, the public health crisis and lockdowns caused shortages of labour, as workers felt unwell or had to stay at home with children during the closures of schools. Also, international and domestic supply chains were disrupted, causing shortages in intermediate goods. However, more severe and longer-term consequences of the crisis will be felt on the demand side. Lockdowns resulted in a dramatic loss of demand in so-called non-essential sectors, causing liquidity shortages, especially to SMEs, often undercapitalized.

Moreover, recession in all the EaP countries, accompanied by layoffs and higher uncertainty, will likely result in lower consumption and firms' revenues in the coming months. Early evidence of this impact is provided by a World Bank Enterprise Survey conducted in June 2020 in four EaP countries. More than 50% of respondent firms reported experiencing decreases in their monthly sales compared to the previous year, ranging from 56% in Belarus to more than 90% in Moldova. Moreover, the volume of sales declines was unprecedented, averaging 57% in the four countries covered by the survey. The drop in revenues resulted in layoffs, for example in Georgia where 25% of companies had reduced employment since the outbreak of the crisis

In response to COVID-19, Armenia adopted 25 anti-crisis measures to support households and businesses. As of 10 September, the Government had spent AMD 163.4 billion (USD 340 million or 2.5% of GDP), exceeding the initially approved AMD 150 billion (approx. USD 313 million) support package(12).

Measures to support enterprises include efforts to mitigate liquidity risks by co-financing and refinancing loans, as well as interest rate subsidies. Businesses can apply for loans with preferential conditions to pay for salaries, equipment, food imports and raw materials, taxes, duties and utilities. The maximum amount of the financial package for single businesses has amounted to AMD 500 million (approx. USD 1 million). An additional programme was introduced for SMEs in tourism, agriculture, food and manufacturing, allowing them to obtain loans of AMD 2.5 to 50 million with a six-month grace period and no interest during the first two years, though a 12% rate would be

(11) <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/>

(12) <https://www.gov.am/am/covid-19-cragrer/>

applied during the third year. By mid-May, loan applications worth USD 17 million had been approved for 744 entities.

Further sector-specific measures were adopted: agricultural entities and co-operative farms benefit from interest rate subsidies and co-financing mechanisms, while grape suppliers and brandy and wine companies can apply for loans with full interest subsidies. For transport companies operating in the tourism sector, the state will cover 75% of the interest unpaid since April 2020 on existing loans until March 2021. Moreover, the Government fosters entrepreneurship through one-time grants in the IT sector and interest-free loans to help individuals launch their business.

Armenia also encouraged job retention through wage subsidies: businesses with 2 to 50 employees received one-time grants to cover the salaries of every fifth employee (for businesses with less than five employees, the amount of the support equals the monthly payroll fund divided by the number of employees). A similar measure was implemented in May for businesses with up to 100 employees, provided that they had maintained employment since February. Tourism-related enterprises that have maintained over 70% of their staff or 25% of payroll will benefit from wage subsidies for every third employee for nine months.

Armenia has also introduced social support measures, such as one-time payments worth AMD 68,000 (approx. USD 140) for citizens with limited income who lost their jobs between mid-March and 1 June. Further financial assistance was introduced for pregnant women, low-income families, students, and individuals working in sectors particularly affected by the crisis (incl. hospitality, tourism and retail). The Government has approved an additional assistance package to create 1,000 temporary jobs in the agriculture sector.

As for monetary policy while crisis caused by pandemic, the Central Bank of Armenia (CBA) gradually reduced the policy rate up to 4.25 percent as of September 2020. The interbank market has been active. The central bank has easily met liquidity needs so far and provided a few foreign exchange swap operations to assure sufficient liquidity in dram and foreign currency. The exchange rate has been allowed to adjust flexibly and has appreciated to pre-pandemic level against the USD. No balance of payment or capital control measures have been adopted (13).

For the year 2020, Armenia's economy GDP shrank by 7.6%. It was the sharpest decline in economic activity since 2009. The volume of construction decreased by 6.6%, the volume of industrial production by 3.4%, the trade turnover by 11.7%, the volume of

(13) Sargsyan K.S. *The economic impacts of covid-19 and the issues of its overcoming in the republic of Armenia./Scientific Proceedings, Shirak State University/N2 2020, pp.58-68*

services by 9.3%, accommodation and public catering 45.1%, Culture, entertainment and Recreation by 28.4%, transportation and storage by 33.7%, etc. (14).

The Government has committed GEL 3.55 billion (approx. USD 1.1 billion or 7.1%) to help the economy weather the impact of the pandemic. On 24 April, the Government presented an anti-crisis package focusing on providing social support (GEL 1.04 billion), stimulating economic growth (GEL 2.11 billion) and strengthening the healthcare system (GEL 350 million) to fight the pandemic. Sector-specific plans were introduced, notably for tourism, agriculture and construction, and additional measures were announced on 6 August.

The central bank has introduced measures to promote liquidity, while commercial banks have allowed borrowers to postpone loan repayments by up to three months and restructured loans for businesses and individuals struggling with loan repayments. The volume of VAT returns in the private sector was doubled to GEL 1.2 billion (USD 374.4 million) to supply firms with working capital. To further support access to finance, the credit guarantee scheme was increased by GEL 330 million, securing a GEL 2 billion credit portfolio with a 90% guarantee on new loans and 30% on restructuring. Moreover, businesses benefit from improved co-financing conditions on loans/leasing and a micro-grant system, while further funds were allocated to the agro-credit programme. Additional measures have been implemented for sectors that have been particularly affected by the pandemic, such as property and income tax deferrals for the tourism sector and up to 80% interest subsidies on pre-existing loans for small hotels. Reclamation debts from 2012 onwards will be written off for individuals and entities, and irrigation tax in 2020 will be exempted.

In addition, the Government offered state subsidies to employers who retained jobs through income tax exemptions worth GEL 250 million (USD 77 million), as well as lump-sum payments to 250 000 self-employed (15).

The anti-crisis package also provides for targeted social assistance: an estimated 350 000 individuals who lost their jobs or are on unpaid leave are receiving a monthly allowance of GEL 200 for six months. Financial support is granted to low-income families and vulnerable groups, pensions were increased, and will be indexed to the inflation rate starting from January 2021. Further measures have included utility bill and food price subsidies.

Regardless of their assessment of the public health risks of COVID-19 spreading in Belarus, the authorities are well aware that the country must absorb the economic shock of the crisis. At the end of April, the Government estimated its overall support

(14) <https://www.armstat.am/am/?nid=157&id=772>

(15) <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/>

package, both direct and indirect, at a total amount of BYN 5 to 6 billion (USD 1.9 to 2.3 billion), i.e. 3–4% of annual GDP.

To support the economy in view of the pandemic, a decree adopted on 24 April introduced measures targeting the most affected sectors: it notably foresees payment holidays and instalments, rent payment holidays, and municipal authorities' possibility to reduce property taxes. Public procurement procedures have also been temporarily simplified. As of 2 October, 47,000 entities and individual entrepreneurs had reportedly benefited from the tax reliefs in the amount of BYN 34 million (USD 13 million), while about 8 000 rent holidays worth over BYN 30 billion (USD 11.45 million) had been approved. In addition, state banks provided state-guaranteed loans of BYN 700 million (USD 267 million) in over 50 businesses. The National Bank has also asked commercial banks to delay loan and interest payments for citizens as their incomes have been affected by COVID-19, and not to raise interest fees. It relaxed certain prudential requirements, reduced the value of the capital conservation buffer to 2 percentage points and lowered the liquidity coverage ratio from 100% to 80% on 22 April, and cut its refinancing rate twice (in May and July), from 8.75% to 7.75% (16).

Further measures were implemented to support employees. Belarus initially decreed that those unable to return from abroad or work under self-quarantine are entitled to keep their jobs and are entitled to at least two-thirds of their salary. At the end of May, the state also offered subsidies to help maintain salaries of employees whose working hours had been reduced between May and July and pay dues to the state social security fund.

Regarding price increases, the initial resolution of the Council of Ministers preventing price rises for goods and services from exceeding 0.5% monthly was withdrawn. The Ministry of Antimonopoly Regulation and Trade passed a decree on 15 April, enabling the state to regulate prices for 26 essential products (mainly food and sanitary products) by limiting profitability and mark-ups on these items. This measure was extended until the end of 2020. Low-income citizens were granted the social allowance in August even if their rights were to expire in May–July.

Azerbaijan has introduced a broad economic support package worth up to AZN 3.3 billion (approx. USD 2 billion or 4% of GDP).

While targeting sectors that were expected to be hit the hardest (including tourism), the Government sought to cover tax breaks for businesses, support mortgage borrowers and transport companies, and assist with utility payments. Businesses can also apply for state guarantees for 60% of the loan amount and 50% interest rate subsidies for selected new loans, along with interest rate subsidies worth 10% of interest

(16) <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/>

expenses for existing loans during one year. As of 17 September, 253 loans worth AZN 52.6 million (USD 31 million) had been approved (17).

Conclusion

Referring to the effectiveness of the anti-crisis measures taken by the Government, it should be noted that the latter can be preliminarily evaluated by analyzing the financial allocations volume and GDP ratio index and the range of beneficiaries of these measures.

The anti-crisis allocations volume and GDP ratio in Armenia is about 2.3% of Armenia's GDP. Governments worldwide have allocated significant financial resources, averaging between 7% and 15% of their GDP, to support national economies in overcoming the economic effects of the pandemic. In particular, 10% of GDP in the USA, 15% in Great Britain, 18% in Italy, 15% in Spain, 21% in France, 6.5% in Switzerland, 10% in Poland, 8% in Estonia 6%. As for EaP countries, the financial support volume amounted in Georgia 7.1%, in Belarus 4%, in Azerbaijan 4% and etc. Comparing this figure with the data of other countries, it becomes evident that in Armenia, the support measures allocations are very low to ensure high efficiency.

As for the range of beneficiaries of support measures, comparing with other regional countries, it becomes obvious that the range is quite narrow and although the Government has gradually expanded it to some extent, still many businesses and social groups have been left out of that range, which, of course, has a negative impact on the socio-economic situation of the country. Taking into account the above, we can not speak about the high efficiency of those measures.

During any economic crisis, governments are encouraged to expand the financing of the economy, both through support for various sectors and through increased budget spending. Therefore, it is not accidental that the representatives of the International Monetary Fund and other international economic organizations repeatedly urge governments to expand the injection of financial resources into the economy. Of course, this will lead to an increase in public debt, but if such steps are not taken in the future, it will take more resources and a long time period to get the economy out of deep depression. In fact, the absolute size of public debt cannot provide as much information about the economic situation as the directions of use of the funds involved and effective management of public debt risks. Along with the growth of the actual public debt in Armenia, there must

(17) <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/>

be significant changes in the structure of the economy, increasing its inclusiveness and stimulating large inflows of investments in the real sector of the economy.

Thus, to face further serious challenges, it is necessary to review the amount of anti-crisis measures, the allocations, and the scope of their beneficiaries. One of the most important measures to overcome the current economic crisis is to inject sufficient liquidity into the economy, which will help avoid a sharp decline in aggregate supply and aggregate demand. Otherwise, the economy will inevitably find itself in a long period of decline. As we see, it is not sufficient in Armenia at the moment.

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