

COVID-19 crisis

Beyond illusions: A rapid response for the present



International
Center for
Human
Development

a Think Tank

Instead of a preface

This policy brief should have started with a brief overview of a range of health and economic consequences, juxtaposed in a number of different probable scenarios which would have described the spread of COVID-19 in Armenia. A number of recommendations would have followed, based on this analytical overview. However, we will restrain from such an exercise, because there is simply no more salient instance, which could have been interpreted as an instance of inciting panic.

Thus, we just want to assure the decision makers who will have read this policy brief that *ceteris paribus* the probable developments are simply not good, to put it very mildly, and a rapid and well-thought-out response is due already yesterday. However, we need to emphasize one of the conclusions from the discussion: Armenia should not adopt a policy of mitigating the spread of the new virus. **It should declare and implement a policy of total containment of COVID-19 pandemic. Armenia should simply adopt such a policy. It should strictly isolate all and everybody at homes and for a long-term period. It should communicate about this policy openly and clearly. It should not create illusions and should pay people for staying home. All the other alternatives will simply postpone the necessity of this decision making.**

Uncategorized general recommendations to the policy makers

- Include epidemiologists and medical doctors in discussions on economic issues, since at least for a short-term period, the state of the economy will completely depend on the spread of COVID-19 and consequent developments;
- Realize that the economic decline is inevitable, and it will be abrupt. Meanwhile, it should be taken into account, that unlike the efforts to address the consequences of the financial crisis of 2008-2009, presently, it is possible to recover the economy more quickly. However, in order for this to happen, it is necessary to be more flexible and to define clear targets. The government should not become the victim of its previous commitment and an attempt to realize the programs approved before the crisis;
- Clearly realize that this pandemic will deepen poverty, and this is inevitable. The main goal of the targeted policy should be mitigation of poverty, and the social support of the state should function faster and should be more large-scale;
- Learn from the lessons from previous crises and closely consider the current recommendations. New ones should be actively generated, for instance, based on the recommendations by IMF ("*Collecting Taxes During an Economic Crisis: Challenges and Policy Options*"¹);
- Accept the fact that after this crisis, both in Armenia and globally, a 'new economy' will emerge;
- Elaborate alternative packages of support; be ready for different developments; and enlarge the think-tank pool with analytical and professional expertise feeding the decision-making process;
- Be transparent. Demand transparency from all the key actors both in international relations and in communication and cooperation with the citizens;
- Consistently keep people alert, and at the same time trust them; present the lessons learnt and success stories from the previous pandemics (e.g. SARS) in a more clear and specifically targeted manner.

¹ <https://www.imf.org/external/pubs/ft/spn/2009/spn0917.pdf>

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Uncategorized general recommendations to economic policy makers

- Various countries have opted for injecting money into their economies and making unrequited expenditures. And they are right! Rich countries are developing support packages worth the 9-10% of their GDP. These governments are not stupid, and they certainly understand that these expenses are unrequited.

Armenia cannot afford and offer such support packages to its economy. It has to inject over AMD500 billion or USD1 billion of unrequited money to its economy. In any case, there is no alternative to taking on an additional fiscal burden, and this implies urgent, though in no way hurried decision making;

- It is crucial to urgently initiate an amendment to the Law on “2020 state budget”, with the goal of retargeting resources for the fight against the coronavirus;
- It is necessary to initiate feasible measures towards ensuring Armenia’s active participation in international support schemes. A lot of money will get distributed in the world, and it is necessary to demonstrate sufficient flexibility, in order to be able to beneficially use these opportunities;
- It is crucial to think of mechanisms to alleviate the burden of debt;
- It is paramount to establish targeted and effective communication with people, in order to communicate the following messages:

Messages to the people and business community

What NOT to do:

- Do not perceive self-isolation as mandatory shut down or vacation;
- Do not perceive further restrictions on self-isolation or already restricted movement as temporary. These restrictions may last longer, depending not only on the situation in Armenia, but also in the world;
- Even if faster solutions are possible, for instance, a new vaccine, do not expect it to be available before June;
- Do not consider the situation to be an adventure. Do not fish in trouble waters! These are alarming times. This is an emergency, when all the steps taken should be careful and well-thought-out.

What to do:

- Wisely manage the expected support packages and resources. Primarily return debts. If people who receive support packages do not return their debts, they will trigger an economic collapse, after which no type or amount of support will ever help recover the situation;
- Business people: think innovatively. They should suppose that this situation will continue thrice longer, than believed presently, and therefore, they should adapt their businesses accordingly. Even under these conditions think of competitiveness, and maintain the key assets, including human resources;
- And most importantly: learn, learn and learn. This is the time of new knowledge acquisition; otherwise, we’ll lag behind. There is war abroad, a war for saving lives and economies. Only new knowledge will make it possible for us to win this war.

The policy brief is elaborated by the expert group of the project “Improving communication strategy in the monetary-fiscal and financial sectors of Armenia”, and is based on the results of the online discussion “Ways to overcome the economic crisis in the times of coronavirus”, held on 29.03.2020. The online discussion brought together senior managers of the Central Bank of Armenia, and experts from Armenia, the US, Greece, Spain and Germany.

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