

THE IMPACT OF COVID-19 ON TRADE AND STRUCTURAL TRANSFORMATION IN ARMENIA  
Evidence from UNECE's Survey of Micro, Small and Medium Enterprises

Geneva, Switzerland | December 2020

**Advance Copy**

## Note

The designation employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers of boundaries.

This report is issued in English and Russian. It is not edited.

## Preface

As the new coronavirus disease (COVID-19) continues to spread, its disruptive impact is becoming more pronounced, posing unprecedented challenges for all countries. Governments have seen their priorities shift overnight towards upscaling public health preparedness and emergency support measures to cater for the vulnerable segments of their population. The challenges facing governments are further complicated by supply chain disruptions that have left enterprises struggling to survive. Pay cuts and furloughs have been assuming an increasing trend, so that losses in lives are compounded by livelihood crisis.

If anything, countries across the globe are suffering setbacks that are akin to complex humanitarian emergencies associated with disasters. The coping strategies of businesses and State agencies are being depleted by the unfolding economic crisis, so that vulnerabilities are aggravated and the impact on productive capacities, institutional dexterity and business confidence is severe. It, therefore, stands to reason to avoid treating the pandemic as a temporary shock whose effects can be swiftly reversed once normality is attained.

The implication is that any attempt to assess the impact of COVID-19 must proceed from a clear understanding of the development challenges that occupied the governments' agendas at the eve of the pandemic and ground the analysis in the context of economic vulnerability. For if there is one lesson to draw from development experiences, it would be that disasters aggravate deep-seated structural weakness. Without an understanding of these weaknesses, relief and development efforts might miss the target.

It is from this perspective that the impact of the pandemic on Armenia's trade and structural transformation was assessed. Consistent with the United Nations Economic Commission for Europe's (UNECE) trade mandate,<sup>1</sup> the assessment traces the way non-tariff measures (NTMs) governing trade in goods influenced end-to-end supply chains and captures the lingering ripple effects into the economy.

The assessment is based on a survey of micro, small and medium enterprises (MSMEs) belonging to the agricultural, manufacturing and trade sectors, drawing on the experience gained from UNECE study on regulatory and procedural barriers

---

<sup>1</sup> [https://www.unece.org/fileadmin/DAM/trade/documents/ToR\\_SCTCS\\_Appendix5.pdf](https://www.unece.org/fileadmin/DAM/trade/documents/ToR_SCTCS_Appendix5.pdf)

to trade in Armenia.<sup>2</sup> The focus on MSMEs is consistent with their important role in driving the Armenian economy. According to the latest official statistics, MSMEs accounted for 99 per cent of active enterprises in 2017, with micro enterprises representing the largest segment (94 per cent of total MSMEs). Moreover, MSMEs accounted for 66 per cent of total employment, 62 per cent of total turnover and 60 per cent of total value added generated by the enterprise sector during the said year.<sup>3</sup> Such a focus is also dictated by the MSMEs' limited resources, which renders them inherently vulnerable to negative shocks and changes.

The assessment was carried out over the period May-August 2020 using the UNECE evaluation methodology, which was adapted to support building stronger and more resilient economies in the aftermath of the pandemic. The assessment proceeded in two phases. The first phase focused on pilot testing the UNECE actor-oriented questionnaires targeting the MSMEs and the forwarders through phone interviews with 20 export-oriented enterprises belonging to the targeted sectors and three major forwarders. The second phase was implemented in June- August 2020 to achieve a representative sample of MSMEs. It also involved follow-up interviews with the forwarders to gain further insights into issues raised by the MSMEs.

In total, 370 enterprises from across the country participated in the survey, and their experience provides valuable insights into the immediate and long-term development challenges facing the Armenian economy. The findings and recommendations were shared with the relevant Government agencies, and their comments were integrated into the report.

UNECE has shared the findings and recommendations with the UN Resident Coordinator Office in Armenia to inform the UN Country Team (UNCT) planning processes. The report was also shared with United Nations Department of Economic and Social Affairs (UNDESA) as part the United Nations surge effort for supporting MSMEs.

The findings of this assessment will also be reported to UNECE member States during the 2021 session of the Steering Committee on Trade Capacity and Standards to form the basis for discussions over future activities in the area of trade.

This assessment was funded by the United Nations Development Account (UNDA).

---

<sup>2</sup> UNECE (2019) Regulatory and procedural barriers to trade in Armenia: Needs assessment (<http://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-452E.pdf>)

<sup>3</sup> [https://www.armstat.am/file/article/eng\\_print\\_version+.pdf](https://www.armstat.am/file/article/eng_print_version+.pdf)

## Acknowledgements

This report was prepared by Ms. Hana Daoudi (UNECE, Economic Affairs Officer, Market Access Section, Economic Cooperation and Trade Division) under the supervision of Mr. Mika Vepsäläinen (UNECE, Chief, Market Access Section, Economic Cooperation and Trade Division). UNECE would also like to acknowledge the contribution of the Business Support Office-Armenia (Yerevan, Armenia) and its experts, particularly Mr. Gevorg Poghosyan, who conducted the phone interviews with the MSMEs and major forwarders operating in Armenia.

UNECE would also like to acknowledge the contribution of the international polling institute SATISCAN Sàrl, which designed the electronic database for compiling the results of the interviews with the MSMEs, provided on-the-job training to the national experts who conducted the interviews, carried out data validation and handled the reconciliation of the survey results. Also acknowledged is the research support provided by UNECE consultant Mr. Robert O'Neill.

UNECE is grateful to the Ministry of Economy of Armenia for its engagement throughout the assessment. UNECE would like to thank Mr. Artur Maysuryan from Ministry of Economy of Armenia for his support and assistance in engaging key stakeholders and ensuring due diligence in validating the findings of the assessment.

The report benefited from comments by Ms. Elisabeth Tuerk (UNECE, Director, Economic Cooperation and Trade Division).

# Contents

<b>Preface.....</b>	<b>iii</b>
<b>Acknowledgements .....</b>	<b>v</b>
<b>Abbreviations .....</b>	<b>vii</b>
<b>Executive summary.....</b>	<b>ix</b>
<b>1. Introduction.....</b>	<b>0</b>
1.1 COVID-19 induced economic crisis .....	5
1.2 Scope of the assessment.....	6
1.3 Report outline .....	7
<b>2. Trade disruptions .....</b>	<b>7</b>
2.1 Transmission channels .....	8
2.2 Impact on supply chain operations .....	10
<b>3. The ripple effects of trade disruptions .....</b>	<b>19</b>
3.1 Seeds for a more developed air cargo industry.....	20
3.2 Limited engagement in electronic commerce .....	19
3.3 Reduced production .....	20
<b>4. Income fallout.....</b>	<b>20</b>
<b>5. Recommendations .....</b>	<b>27</b>
<b>Annex 1- Country background .....</b>	<b>40</b>
<b>Annex 2- The Armenian Government’s relief and support measures.....</b>	<b>50</b>
<b>Annex 3-Profile of the surveyed MSMEs.....</b>	<b>55</b>
<b>Annex 4- National lockdown and health protection measures .....</b>	<b>57</b>

## Abbreviations

AMD	Armenian Drams
ARMNAB	Armenia National Accreditation Body
ARMSTAT	National Statistical Service of Republic of Armenia
BCP	Border crossing point
BPA	Business process analysis
CEPA	Comprehensive and Enhanced Partnership Agreement
CET	Common external tariff
CIS	Commonwealth of Independent States
CoO	Certificate of origin
COOMET	Euro-Asian Cooperation of National Metrological Institutions
EA	European Cooperation for Accreditation
EAEU	Eurasian Economic Union
EDI	Electronic Data Interchange
EN	European Harmonised Standards
EU	European Union
FDI	Foreign direct investments
GDP	Gross domestic product
GSP	Generalised System of Preferences
HS	Harmonized System
ICT	Information and communication technology
ILAC	International Laboratory Accreditation Cooperation
ISO	International Organization for Standardization
MRA	Mutual Recognition Arrangement
NIM	National Institute of Metrology

<b>NTM</b>	<b>Non-Tariff Measures</b>
<b>RCA</b>	<b>Revealed Comparative Advantage</b>
<b>SDG</b>	<b>Sustainable Development Goals</b>
<b>SITC</b>	<b>Standard International Trade Classification</b>
<b>UN/CEFACT</b>	<b>United Nations Centre for Trade Facilitation and Electronic Business</b>
<b>UNECE</b>	<b>United Nations Economic Commission for Europe</b>
<b>USA</b>	<b>United States of America</b>
<b>USD</b>	<b>United States Dollar</b>
<b>VAT</b>	<b>Value-added tax</b>
<b>WCO</b>	<b>World Customs Organisation</b>
<b>WTO</b>	<b>World Trade Organization</b>

## Executive summary

This UNECE assessment, funded through a United Nations Development Account Tenth Tranche project, “Strengthening the national capacities of selected ECE countries for evidence-based regulatory and procedural trade policies to achieve SDGs”, and with a view to assessing the impact of the coronavirus (COVID-19) pandemic, traces the way that non-tariff measures (NTMs) governing trade in goods, adopted in the COVID-19 context, influenced end-to-end supply chains in Armenia. It is based on a survey of 370 micro, small and medium enterprises (MSMEs) across the country. The survey was conducted over the period from mid-May to August 2020, and the findings were cross-referenced through interviews with major freight forwarders operating in the country.

The assessment shows that the Government of Armenia limited trade restrictions to the minimum; implemented expansionary monetary and fiscal policies, and launched sweeping relief measures, such as credit schemes and tax deferrals, to curb unemployment and support the hardest-hit sectors. It also upscaled trade facilitation measures as follows:

- *Transparency in trade was ensured* through online publication of health protection measures and applicable trade-related rules and customs procedures.
- *Submission of the certificate of origin for products destined to the EU* was simplified.
- *Border control continued* to proceed within the context of an integrated border management system and was risk based.
- *Customs and tax payments continued to be made online* through the Government’s online payment platform.
- *Transit traffic continued to be facilitated by cooperation arrangements* anchored in regional agreements and UNECE international transport conventions and protocols.

The above measures constituted positive transmission channels in that they mitigated the economic impact of the pandemic. However, the Government’s ability to unleash the full efficiency potential of support measures and NTMs was undermined by capacity shortfalls. As shown below, these shortfalls aggravated the impact of lockdown measures in Armenia and in partner countries, with their impact compounded by Armenia’s limited access to international transport routes

and under-developed transport system. These channels disrupted supply-chain operations, with adverse consequences for their post-COVID-19 recovery and development prospects. At the same time, the Government is labouring under increased financial pressures. The relief measures are placing a strain on the Government's dwindling resources, thereby undermining its ability to properly link relief to development goals.

## **1. Trade facilitation gains undermined by capacity shortfalls**

- *Business uncertainty was alleviated by transparency measures.* All the MSMEs surveyed were abreast of applied trade-related regulations and administrative procedures thanks to the timely publication of new/revised NTMs and health safety guidelines. At issue was the time spent in piecing together information from the different sources. The lack of clarity over the special at the border health and safety arrangements in partner countries was another challenge.
- *Issuance of trade documents was slowed down by continued reliance on paper-based procedures* as the Government has yet to fully transition to a paperless trading environment.
- *Conformity certificates were issued with significant delays and are not recognized internationally,* which increased trade costs since products were retested in destination countries to verify compliance with applicable health, safety and environmental protection regulatory requirements.
- *Border control was slowed down by continued overreliance on physical inspection,* which amplified the delays caused by the special health and safety arrangements for containing the spread of virus.
- *Transit traffic was impeded by the difficult terrain of the Upper Lars highway,* which runs through Georgia and constitutes the country's sole overland conduit to the Russian Federation, and the Russian authorities' tightening of border control procedures to contain the spread of the virus.

## **2. Increased isolation from mainstream trade**

The difficulties surrounding transport and cross border trade inflated transport costs. Transport by road, weather permitting, has become prohibitively expensive and involved significant delays. The delays exceeded one month for inbound cargo from distant markets, such as China. Switching to air transport was not feasible,

with air cargo rates increasing by 30-35 per cent compared to the pre-pandemic period.

The above conditions paint a worrisome picture, with enterprises isolated from international transport routes by increased distance and inflated costs. Several resorted to combining shipments with other traders to reduce costs, but this proved to be of limited benefits as the enterprises were still faced with delayed deliveries. The MSMEs were replete in stressing the need to find new routes for connecting with international markets. The MSMEs and freight forwarders were of the view that more should be done to explore alternative overland transport routes and further develop the air cargo industry.

### **3. The lingering effects of COVID-19 on the Armenian economy**

#### **3.1 Trade effects mitigated by proactive business strategies**

The impact of the above-mentioned transmission channels was mitigated by the enterprises' proactiveness. The majority were well prepared having planned and successfully arranged shipments in January and February 2020 before the unfolding of health protection measures.

- *By anticipating the enormous stress on international transport routes, the surveyed MSMEs mitigated their income fallout.* Around 60 per cent were able to maintain their pre-pandemic export earnings over the course of January-July 2020.
- *However, all the MSMEs surveyed reported supply shortages* owing to the closure on non-essential businesses in partner countries, delayed deliveries and hiked up prices as international suppliers renegotiated price levels established under the pre-pandemic sales contracts. Finding new suppliers was difficult. This was particularly the case of food producers, who noted the impossibility of fulfilling national regulatory requirements applicable to non-Eurasian Economic Union suppliers.

#### **3.2 Increased economic vulnerability**

The economic impact of the pandemic would have been much worse had it not been for the Government's sweeping relief measures. Around 71 received direct support in the form of subsidized loans for covering their wage bill and part of their operational costs, including the procurement of raw materials as well as cash injections in the form of grants and one-time payments.

- *Reduced productive capacity:* The majority of the MSMEs reduced production activities under the weight of dwindling demand and supply shortages.
- *Limited production repurposing:* Only 4 enterprises, which repurposed part of their production lines to respond to the increased domestic demand for hand sanitizers.
- *Limited engagement in e-commerce.* Around 19 per cent of the MSMEs surveyed increased their engagement in e-commerce to boost sales in domestic markets, noting that the difficulties surrounding shipments renders it difficult to increase exports. The MSMEs did not reap the expected benefits owing to the low level of domestic demand owing to the economic recession and the consumers' modest appetite for e-commerce. The enterprises also struggled with processing online transactions, as the Armenian banks, which usually process e-payments in an efficient manner, seem to be overwhelmed by the pandemic.
- *Sharp increase in the MSMEs' debt burden:* The MSMEs surveyed were in debt, as they postponed business expenditures and loan repayments to cope with falling revenues. Around 79 per cent emphasized that their survival hinges on receiving government support, particularly, in the form of tax payment deferrals and subsidized loans.
- *Marked deterioration in the living conditions of the MSMEs' households:* Around 62 per cent of the owners used personal savings to cover their wage bill and maintain operations. This came at the expense of their families' welfare, as they had to cut back on food expenditure and postpone household payments, including personal loans, rent, and utility bills.

### **3.3 Seeds for a more developed air cargo industry**

The worsening market access conditions prompted air cargo forwarders to invest in creative solutions that were, thus far, too challenging to carry out. Some leveraged partnerships with counterparts in Europe to transport cargo by charter freighters and were in the process of completing negotiations for securing regular charter freighters (once a week). Other forwarders invested in the digitalization their services benefiting from the Government's credit schemes. In so doing, the forwarders contributed to addressing the industry's limited supply capacity.

## 4. Recommendations

There is no doubt that the return to normality will breathe new life into the Armenian economy. However, the course of recovery is dependent on addressing the lingering effects of the pandemic. Table 5.1 provides action-oriented recommendations for the Government's consideration as it forges ahead in rebuilding stronger and more resilient MSMEs in the aftermath of COVID-19.

Consistent with the Government's development strategy, the recommendations are geared to bolster the contribution of trade to structural transformation. They aim at enabling MSMEs to reap benefits from the growth opportunities generated by trade reforms and carry direct contribution to achievement of the 2030 sustainable development goals (SDGs): including goals 3 (good health and well-being), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 11 (sustainable cities and communities), 16 (peace, justice and strong institutions) and 17 (partnerships for the goals).

Proposed measures for stronger and more resilient Armenian MSMEs

Area	Challenges	Recommendations	Contribution to SDGs
<b>Emergency Measures</b>			
<b>Financial support</b>	MSMEs are experiencing shortages in working capital	<ul style="list-style-type: none"> <li>• Explore avenues with development partners for upscaling donor-funded emergency credit schemes and publish detailed information on application procedures.</li> <li>• Expand the scope of existing support schemes to allow for subsidizing shipping costs and publish detailed information on application procedures.</li> </ul>	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
<b>Transparency in trade</b>	MSMEs have to piece information on applicable trade rules and administrative procedures from different information sources	<ul style="list-style-type: none"> <li>• The Customs Service could consider establishing an online trade information center that provides up-to-date information on applicable trade rules and administrative procedures; user friendly explanatory brochures on the new/revised legislation and their implication for enterprises; and, up-to-date information on regulatory requirements in main export countries.</li> <li>• The Customs Service could consider establishing a real time notification system (via email or short message service, SMS) for</li> </ul>	SDG 16.10: Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements

Area	Challenges	Recommendations	Contribution to SDGs
		<p>keeping registered enterprises and forwarders on changes on applicable rules and administrative procedures.</p> <ul style="list-style-type: none"> <li>Forwarders were of the view that more can be done to improve public-private sector consultations. They suggested regular consultative meetings with the Customs Service to discuss planned reforms and take stock of emerging needs and challenges to ensuring compliance with existing regulatory requirements.</li> </ul>	<p>SDG 17.14: Enhance policy coherence for sustainable development</p>
<p><b>At the border control</b></p>	<p>Customs clearance is delayed by an over-reliance on physical inspection</p>	<ul style="list-style-type: none"> <li>Conduct a thorough review of the risk parameters and profiles in the Customs Service integrated information system with a view to increasing the percentage of cargo assigned to the green channel.</li> <li>Develop support services to enable MSMEs to achieve compliance with the Authorized Economic Operator (AEO) eligibility criteria. Such services could comprise, among others: (i) training programmes (and guidelines) for enabling enterprises to conduct self-assessment and self-policing; and (ii) financial assistance to encourage MSMEs to invest in</li> </ul>	<p>SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda</p>

Area	Challenges	Recommendations	Contribution to SDGs
		<p>improving their supply chain management skills.</p> <p><i>In the medium term, Armenia needs to develop its risk management system (see below).</i></p>	
<b>Regional cooperation and transit trade</b>	MSMEs are finding it difficult to achieve compliance with Georgia's regulatory requirements	<ul style="list-style-type: none"> <li>• Further develop cooperation arrangements with Georgia to include in addition online exchange of customs information using electronic data interchange (EDI).</li> </ul> <p><i>In the medium term, Armenia needs to step up efforts to attain international recognition of its conformity assessment certificates (see below).</i></p>	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries
	Outbound cargo destined to/transiting through Russian Federation is delayed by congestions at the Russian side of the Dariali-	<ul style="list-style-type: none"> <li>• The Customs Service needs to publish detailed information on the the EAEU customs transit procedure.</li> </ul>	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable

Area	Challenges	Recommendations	Contribution to SDGs
	Verkhnyty Lars BCP		Development Goals in all countries, in particular developing countries
	Exporting via Belarus is complicated by the requirement to submit an EAEU compliant e-customs declaration	<ul style="list-style-type: none"> <li>• Customs Service needs to be supported in its efforts to achieve compliance with the EAEU revised data structures pertaining to customs and transit declarations and their integral parts; and integrate its information system with the systems of the EAEU member countries.</li> </ul>	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries
<b>Growth enabling coping strategies</b>	MSMEs' engagement in e-commerce is complicated by the slow processing of e-payments	<ul style="list-style-type: none"> <li>• Further develop Armenia's inter-bank e-payment clearing system.</li> </ul>	SDG 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro, small and medium enterprises, including through access to financial services
<b>Structural Measures</b>			
<b>Trade documents</b>	Trade documents issuance is slowed down by the	<ul style="list-style-type: none"> <li>• Scale up efforts for establishing the national single window facility through the integration of State agencies involved in issuing trade documents into the single window system. An</li> </ul>	SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under

Area	Challenges	Recommendations	Contribution to SDGs
	continued reliance on paper-based procedures	<p>important step in this direction would be to conduct a detailed business process analysis of the ICT systems of these agencies and administrative procedures underpinning the issuance of trade documents using the UNECE- UN Economic and Social Commission for Asia and the Pacific (ESCAP) business process analysis methodology.<sup>4</sup> This will help the agencies streamline administrative procedures and detect instances of repetitive submissions of data elements.</p> <ul style="list-style-type: none"> <li>• Consolidate the legal basis for operating the Single Window following UN/CEFACT Recommendation 35.<sup>5</sup></li> </ul>	<p>the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda.</p> <p>SDG 17.8: Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology</p>
<b>At the border control</b>	Customs clearance is delayed by an over-reliance on physical inspection	<ul style="list-style-type: none"> <li>• Refine the risk parameters and profiles registered in the Customs Service central risk management system to ensure sustained increase in the per centage of cargo assigned to the green channel. This exercise needs to be supported by developing local risk profiles (i.e., for individual customs points) to take into account the specific risk factors proper to</li> </ul>	<p>SDG 17.8: Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology</p>

<sup>4</sup> <http://tfig.unece.org/contents/business-process-analysis.htm>

<sup>5</sup> [https://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-401E\\_Rec35.pdf](https://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-401E_Rec35.pdf)

Area	Challenges	Recommendations	Contribution to SDGs
		<p>each locality. In so doing, the Customs Service is encouraged to use innovative approaches and smart artificial intelligence tools for undertaking risk identification; risk evaluation (i.e., whether the identified risks are acceptable); the preparation of risk indicators; and the creation of risk profiles taking into consideration Decree No. 23/18 of the EAEU Joint Board of Customs Service on the “List of Factors and Signs Used for Management of Local Risks”.<sup>6</sup> The local risk profiles, as well as the results of their application, could be used for progressively adjusting the central risk management system.</p> <ul style="list-style-type: none"> <li>• Consider increasing reliance on post-clearance audit, especially for enterprises with good track record. This will reduce reliance on transaction-based control, while allowing for a considered examination of the MSMEs’ commercial records, management systems and business processes. Such an examination is useful for the enterprises (allowing them to improve on their business processes and</li> </ul>	

---

<sup>6</sup> The list, which was approved on 22 June 2017, stipulates that individual customs control points should continue to use local risk profiles and take steps, to the extent possible, to implement automated systems for establishing local profiles.

Area	Challenges	Recommendations	Contribution to SDGs
		supply chain management skills) and the Customs Service (for adjusting risk profiles).	
<b>Transport development</b>	The road network is under-developed	<p>Consider joining the following UNECE protocols and conventions on road traffic and road safety:</p> <ul style="list-style-type: none"> <li>- Convention on Road Traffic</li> <li>- Protocol on Road Markings</li> <li>- European Agreement supplementing the Convention on Road Signs and Signals</li> </ul>	<p>SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities</p> <p>SDG 3.6: By 2020, halve the number of global deaths and injuries from road traffic accidents</p>
	The railway network is under-developed	Establish a New Rail linkage for connecting the Zvartnots International Airport Gateway Hub to with the National Transport System	SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities
	The development of the air cargo	Conduct a feasibility study to assess the demand, risks, and optimal approaches for	SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable

Area	Challenges	Recommendations	Contribution to SDGs
	industry is complicated by the limited cargo handling capacity at main airports	expanding Zvartnots International Airport and Shirak Airport cargo terminals	transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities
		Consider the establishment of a national shippers' council to help enterprises, freight forwarders and transport operators obtain favourable terms through cooperation arrangements with, among others, the European Shippers' Council and Global Shippers Alliance.	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
<b>Conformity assessment and metrology</b>	MSMEs obtain conformity certificates with significant delays and the certificates are not recognized internationally	<ul style="list-style-type: none"> <li>• Accord priority to supporting Armenia's National Accreditation Body (ARMNAB) in its efforts to join the International Accreditation Forum (IAF) Multilateral Recognition Arrangement, the International Laboratory Accreditation Cooperation (ILAC) mutual recognition agreement (MRA) and European Accreditation (EA) Multilateral Recognition Arrangement.</li> <li>• Strengthen the National Metrology system:<sup>7</sup></li> </ul>	SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.

<sup>7</sup> [https://metrology.am/page\\_files/documents/1350-L.pdf](https://metrology.am/page_files/documents/1350-L.pdf)

Area	Challenges	Recommendations	Contribution to SDGs
		<ul style="list-style-type: none"> <li>- Strengthen the National Institute of Metrology with expertise knowledge and skills.</li> <li>- Obtain membership in the International Organisation of Legal Metrology.</li> <li>- Obtain membership in the OIML for regular updating of legal metrology, and effective implementation of international best practice in the field of legal metrology.</li> <li>- Accede the Agreement on Mutual Recognition of Measurement Standards CIPM/MRA.</li> <li>- Upscale participation in comparisons of national measurement standards within the context of Euro-Asian Cooperation of National Metrological Institutions (COOMET) programmes.</li> <li>• Develop legal metrology: <ul style="list-style-type: none"> <li>- Consolidating the legal requirements for measurement instruments in all areas (industries, health and safety, environmental protection, etc.).</li> <li>- International metrological harmonization</li> <li>-Supervision of regulated products and activities.</li> <li>- Traceability of regulated measurements and measuring instruments.</li> </ul> </li> </ul>	

Area	Challenges	Recommendations	Contribution to SDGs
<b>Enterprise support</b>	MSMEs are ill-equipped to meet regulatory requirements in destination countries	<ul style="list-style-type: none"> <li>• Develop training programmes on international standards implementation to enable MSMEs to benefit from trade reforms.</li> </ul>	<p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.</p> <p>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>
	MSMEs are experiencing difficulties in finding new international buyers and suppliers	<ul style="list-style-type: none"> <li>• Establish sector specific market intelligence services to help enterprises identify export opportunities and efficient supply sources.</li> <li>• Equip existing enterprise support organizations with training facilities, which offer practical support in the areas marketing, strategic planning, choices of appropriate embodied technologies for scaling up productivity.</li> </ul>	<p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation,</p>

Area	Challenges	Recommendations	Contribution to SDGs
		<ul style="list-style-type: none"> <li>• Consider the development of an online help desk to facilitate the integration of Armenian enterprises into regional and global supply chains. The help desk should focus on further developing existing networking efforts by collaborating with regional and global networking initiatives such as the Global Entrepreneurship Network and Enterprise Europe Network.</li> </ul>	including through a focus on high value added and labour-intensive sectors.

## 1. INTRODUCTION

Located in the South Caucasus region, Armenia is a small<sup>8</sup> upper-middle income landlocked country with real gross national income (GNI) per capita reaching USD 4,680 in 2019.<sup>9</sup> The country, which shares borders with Georgia in the north, Azerbaijan in the east, Turkey in the west and Iran in the south, is endowed with rich mineral resources, particularly gold.

A World Trade Organization (WTO) member since 2003,<sup>10</sup> Armenia is linked with regional and global markets through bilateral free trade agreements (including with Belarus, Georgia, Kazakhstan, Kyrgyzstan, the Republic of Moldova, Tajikistan, Turkmenistan, and Ukraine)<sup>11</sup> and regional cooperation arrangements. The country is member of the Commonwealth of Independent States (CIS) and, since January 2015, the Eurasian Economic Union (EAEU) that includes the membership of Belarus, Kazakhstan, Kyrgyzstan, and the Russian Federation.

In addition, Armenia is a beneficiary of the Generalized System of Preferences (GSP) programmes of Canada, Japan, Norway, the United States of America (USA) and Switzerland. It also enjoys a GSP+ status with the European Union (EU),<sup>12</sup> and is a signatory to a Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU.<sup>13</sup> The agreement, which entered into provisional force in 2018, is slated to

---

<sup>8</sup> Armenia covers an area of 29,743 square kilometers in total (Atlas of the Republic of Armenia, Statistical Committee of the Republic of Armenia ([www.armstat.am/file/doc/99511083.pdf](http://www.armstat.am/file/doc/99511083.pdf)))

<sup>9</sup> World Bank database (<https://data.worldbank.org/country/armenia?view=chart>).

<sup>10</sup> Armenia became a member of the WTO on 5 February 2003.

<sup>11</sup> WTO's Trade Policy Review of Armenia, 2018; available at:

[https://www.wto.org/english/tratop\\_e/tpr\\_e/s379\\_e.pdf](https://www.wto.org/english/tratop_e/tpr_e/s379_e.pdf).

<sup>12</sup> The GSP+ scheme grants Armenian enterprises zero or reduced tariffs market entry for 6,400 tariff lines. For further details, see the Official Journal of the European Union, Regulation (EU) No 978/2012 ([trade.ec.europa.eu/doclib/docs/2012/october/tradoc\\_150025.pdf](http://trade.ec.europa.eu/doclib/docs/2012/october/tradoc_150025.pdf))

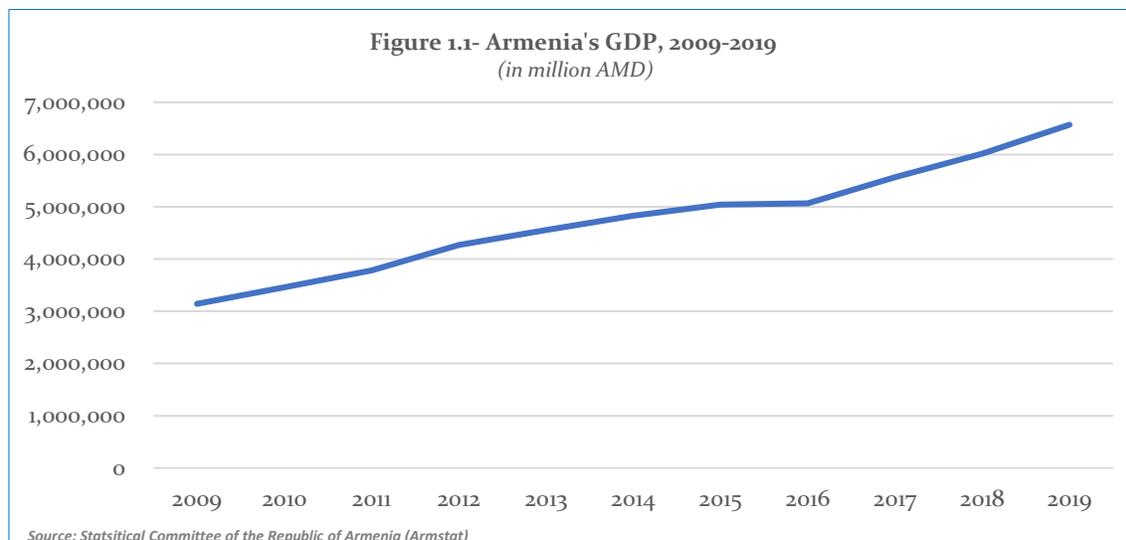
<sup>13</sup> CEPA was signed on 24 November 2017 and entered into provisional force on 1 June 2018.



generate important efficiency gains for Armenian enterprises given its emphasis on removing non-tariff trade barriers.<sup>14</sup>

The Government considers trade development as a pre-requisite for transitioning to a knowledge-based economy. Trade is emphasized as a vehicle for generating the much-needed economies of scale and scope and is complemented by targeted efforts to ensure macroeconomic stability, support enterprise development, and improve the country's overall business environment.<sup>15</sup>

This multi-faceted approach has enabled the Government to set the economy on a path of accelerated income gains, with gross domestic product (GDP) registering persistent growth over the past decade (Figure 1.1). However, the eve of the pandemic saw the Government facing significant challenges. The Armenian economy was still unable to generate enough jobs for its growing labor force. Unemployment stood at around 18 per cent in 2019,<sup>16</sup> so that working abroad continued to constitute an integral part of the Armenian labor market dynamics.



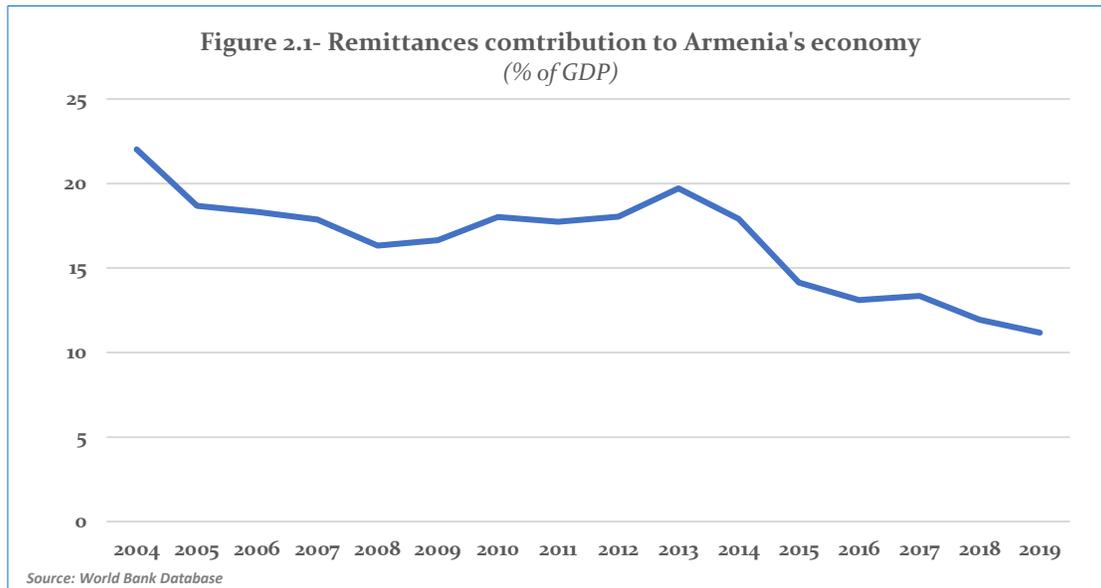
Armenians were seeking job opportunities abroad, particularly in the Russian Federation, owing to the lack of job opportunities in domestic markets or as a way

<sup>14</sup> Trade related provisions are based on the WTO Technical Barriers to Trade (TBT) and the Phytosanitary Measures (SPS) Agreements. CEPA also features special emphasis on the exchange of experience and best practices.

<sup>15</sup> Armenia's Development Strategy for 2014-2025" available at: [https://eeas.europa.eu/sites/eeas/files/armenia\\_development\\_strategy\\_for\\_2014-2025.pdf](https://eeas.europa.eu/sites/eeas/files/armenia_development_strategy_for_2014-2025.pdf).

<sup>16</sup> Armstat, Socio- Economic Situation of Republic of Armenia, January-June 2020 ([www.armstat.am/en/?nid=81&id=2280](http://www.armstat.am/en/?nid=81&id=2280)).

for improving the living conditions of their households.<sup>17</sup> While the remittances of these workers have been assuming a declining trend over the past few years, at 11.2 per cent of GDP in 2019 (Figure 1.2), they remain an important contributor to income generation, ranking Armenia among the top 20 remittance receiving countries worldwide.<sup>18</sup>



The economy was also unable to generate enough savings for financing investments. The share of savings in GDP was assuming a declining trend, reaching 11 per cent in 2019 down from 16.3 per cent in 2017, and the share of investments in GDP decreased by 5 per cent from 22.4 per cent in 2018 to 17.4 per cent in 2019.<sup>19</sup> At the same time, the economy was not generating enough exports to finance imports, suffering an expanding trade deficit that reached around USD 2.9 billion in 2019.<sup>20</sup> These structural weaknesses meant that the Government ran a fiscal deficit in the amount of AMD (Armenian Dram) 63, 939 million in 2019<sup>21</sup> and suffered a debt burden that represented 53.6 per cent of GDP during the same year.<sup>22</sup>

<sup>17</sup> Armstat, Household's Integrated Living Conditions Survey (2018), anonymised microdata database (<https://www.armstat.am/en/?nid=205>).

<sup>18</sup> World Bank Database (<https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=AM>)

<sup>19</sup> International Monetary Fund (IMF) Armenia Country Report, May 2020 (<https://www.imf.org/en/News/Articles/2020/05/18/pr20219-armenia-imf-execboard-concludes-2ndrev-under-sba-augments-access-address-impact-covid19>).

<sup>20</sup> Armstat (<https://www.armstat.am/en/?nid=81&pthid=exa&year=2020&submit=Search>)

<sup>21</sup> Armstat, Social Economic Food Security and Poverty, January-June 2020 (<https://www.armstat.am/en/?nid=82&id=2283>).

<sup>22</sup> IMF Armenia Country Report, May 2020

As shown in Annex 1, while the past two decades has seen Armenia move away from construction and agriculture towards increased reliance on services, the services sector was still in its early stage of development. Moreover, manufacturing enterprises were yet to extract the full potential benefits from trade reforms. This is evidenced by the country's narrow export mix, which remains dominated by minerals (particularly gold and copper ore), and heavy reliance on a few trade partners (particularly the Russian Federation).

The manufacturing sector's performance record reflects the enterprises' weak technological capabilities. They lack the skills and resources for efficient specialization in technology-intensive activities, for extending and deepening these activities, and for drawing selectively on other technologies to complement existing capabilities.<sup>23</sup> This structural weakness also reflects the limited contribution of the services sector to industrial development. This is also the case of the information and communication technology (ICT) industry, which, despite its impressive growth, is yet to assume a lead role in driving innovative activities.<sup>24</sup>

The manufacturing enterprises' performance record also reflects Armenia's limited access to international transport routes. The borders with Turkey, which make up around 82 per cent of Armenia's total borders, are closed as well as shared borders with Azerbaijan. As such, cargo traffic is routed via Georgia and Iran, which increases trade costs.

Further complicating the manufacturing enterprises' participation in international trade is the fact that Armenia shares only one border crossing point (BCP) with Iran, and the limited options for connecting to the Russian Federation (Armenia's main trade partner) and Europe. Access to these markets is only possible through the mountainous Upper Lars highway, which runs through Georgia and constitutes the country's sole overland conduit to the Russian Federation.

This highway is prone to natural disasters, including avalanches (in winter) and landslides (during the remaining seasons), so that Armenia's cargo traffic is suspended over extended periods. Moreover, Armenian trucks face significant delays at the Dariali- Verkhny Lars BCP between Georgia and the Russian Federation, which constitutes the clearing point for Armenia's imports from non-

---

<sup>23</sup> For a concise discussion of this concept, see Lall, S. (1992) Technological Capabilities and Industrialization, *World Development*, Vol. 20, No. 2: 165-186.

<sup>24</sup> For further details, see, for example, World Bank (2020), *Realizing Armenia's High-Tech Potential* (<https://openknowledge.worldbank.org/bitstream/handle/10986/33027/Realizing-Armenias-High-Tech-Potential.pdf?sequence=8&isAllowed=y>)

EAEU members.<sup>25</sup> These delays reflect at once the difficult terrain of the Upper Lars highway and the strict control procedures on the Russian side of the BCP, which feature a heavy reliance on physical inspection.<sup>26</sup>

Armenia's adverse market access conditions are further aggravated by the country's under-developed transport infrastructure. Armenia has only one active international railway line, which passes through Georgia. Using this line involves additional costs, since cargo must be rerouted via Georgia's ports of Poti and Batumi. Transport by air is used on a limited basis, mainly for shipping light parcels, given the high costs involved.<sup>27</sup>

The road network, the main transport mode connecting Armenia to global markets,<sup>28</sup> is also underdeveloped. Barring those connected to international networks, primary roads tend to be in poor conditions (frequently unpaved and consisting of one lane with poor signage). This is particularly the case of the main road to Iran, described as narrow, steep and in poor repair, rendering freight transport a risky undertaking and effectively perilous in winter. Secondary roads are also in poor repair so that they create unnecessary risks for traders, particularly during winter.<sup>29</sup>

Thus, despite its impressive growth record, the Armenian economy was too vulnerable to withstand the economic effects of the pandemic. It exhibited a significant reliance on remittances for income generation; was dependent on a limited range of trade partners; and had limited access to international transport routes (Annex 1). It also suffered structural poverty, with 23.5 per cent of the

---

<sup>25</sup> As established under the EAEU requirements, goods originating from non-EAEU countries should be cleared at the EAEU's external frontier. Since Armenia does not have common borders with the EAEU, goods originating from non-EAEU suppliers are cleared at the Russian side of the Dariali- Verkhny Lars BCP before continuing the remaining leg of the journey via Georgia.

<sup>26</sup> See UNECE study on regulatory and procedural barriers to trade in Armenia (Chapter 3).

<sup>27</sup> UNECE (2019) Regulatory and procedural barriers to trade in Armenia: Needs assessment.

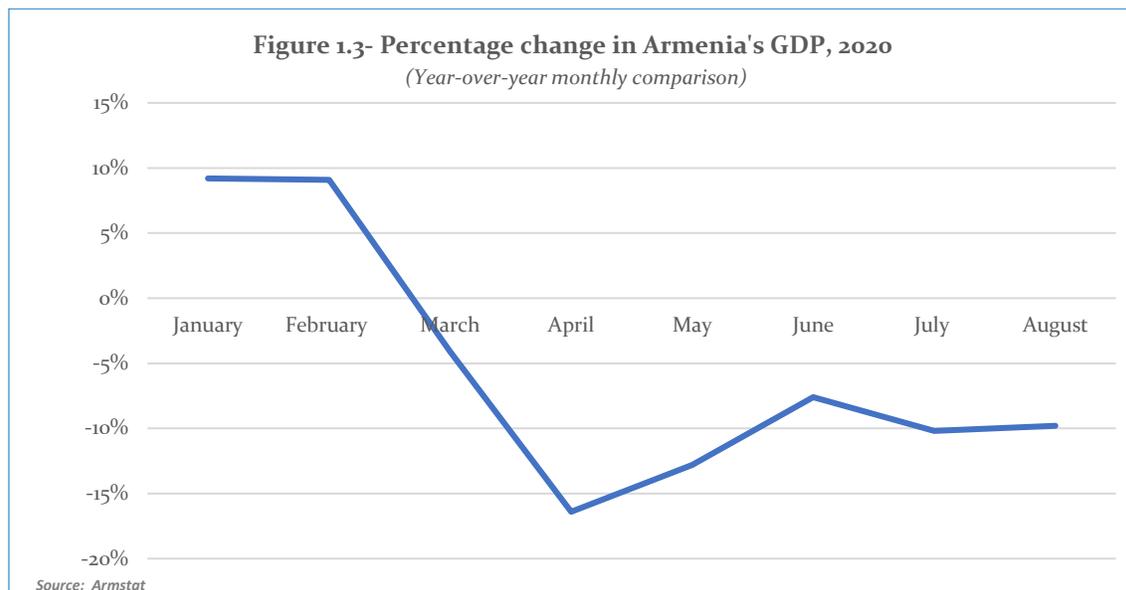
<sup>28</sup> Around 89 per cent of Armenia's inbound and outbound cargo was shipped by trucks in 2018. Rail was used for transporting 10.5 per cent of total cargo during the said year, with air accounting for the remaining balance of 0.05 per cent (Statistical yearbook of Armenia 2019; available at: <https://www.armstat.am/en/?nid=586&year=2019>).

<sup>29</sup> UNECE (2019) Regulatory and procedural barriers to trade in Armenia: Needs assessment. For a detailed, technical assessment of Armenia's transport infrastructure, see, for example, World Food Programme (2019) country report, chapter on logistics infrastructure (<https://dlca.logcluster.org/display/public/DLCA/Armenia>).

population living below the national poverty line in 2018 <sup>30</sup> against a backdrop of persistent urban-rural income disparity.<sup>31</sup>

### 1.1 COVID-19 induced economic crisis

The outbreak of the COVID-19 pandemic dealt a strong blow to the Armenian economy, causing GDP to plummet by 5.3 per cent on average year-over-year in January-August 2020 (Figure 1.3). The recession could have been more severe had it not been for the Government's sweeping relief and support measures. Launched in the form of economic support and relief packages worth AMD 150 billion (about USD 300 million) in total, these measures came into effect in March 2020 with the aim of: helping small and medium enterprises (SMEs); supporting the agriculture sector; financing low interest rate loans for the enterprise sector; expanding social assistance; replenishing the reserve fund; and, supporting structural transformation.<sup>32</sup>



As of October 2020, the Government has adopted 22 packages, which provided: subsidized 2-3 year loans to provide short-term support to affected businesses and

<sup>30</sup> World Bank Database (<https://data.worldbank.org/country/armenia>)

<sup>31</sup> Armstat, Household's Integrated Living Conditions Survey (2018), anonymised microdata database

<sup>32</sup> Government of Armenia (<https://www.gov.am/en/covid-19-cragrer./>)

SMEs; direct subsidies to SMEs and businesses to help maintain their employees; grants to entrepreneurs and firms; lump-sum transfers to the vulnerable including individuals who were unemployed after the COVID-19 outbreak, families with or expecting children, micro-businesses, general population who needed help with utility bills, and temporary part-time employment. As shown in annex 2, these packages have been complemented by expansionary monetary and fiscal policy in the form of tax relief and interest rates cuts. In addition, the Government temporarily increased the threshold requirement for creditor-initiated bankruptcy proceedings from AMD 1 million to AMD 2 million in September 2020, with the aim of alleviating the enterprises' financial burden.

The above packages helped curb unemployment, which increased by 1 per cent year-over-year from 16.5 per cent in the second quarter of 2019 to 17.5 per cent in the second quarter of 2020.<sup>33</sup> However, they placed a strain on the Government's resources. The fiscal deficit increased by around 36 per cent from AMD 63, 939 million in 2019 to AMD 86,918 million in the second quarter of 2020,<sup>34</sup> while the government's debt burden is projected to reach 64.1 per cent of GDP in 2020 up from 53.6 in 2019.<sup>35</sup>

## 1.2 Scope of the assessment

The assessment draws on a survey of 370 manufacturing and agricultural MSMEs from across Armenia (Annex 3), with a view to capturing:

1. The transmission channels of the COVID-19 pandemic effects and the influence of NTMs governing trade in goods therein.
2. Supply chain disruptions and their impact on trade activities.
3. The MSMEs' coping strategies, understood in terms of the manner in which they used their assets to maintain operations.<sup>36</sup>

---

<sup>33</sup> Armstat, Socio- Economic Situation of Republic of Armenia, January-August 2020 (<https://www.armstat.am/en/?nid=82&id=2299>)

<sup>34</sup> Armstat, Social Economic Food Security and Poverty, January-June 2020.

<sup>35</sup> International Monetary Fund, Armenia Country Report, May 2020.

<sup>36</sup>Development experiences show that coping strategies often aggravate economic vulnerability by transforming assets into liabilities, as the case when loans become unmanageable. To arrive at a clear understanding of economic vulnerability, the capital base in the broadest sense to include financial capital, natural capital (e.g. land), physical capital (i.e. infrastructure), human capital (i.e. skills), and social capital (social networks). For a concise overview of vulnerability analysis, see, for example, Cannon, Terry (2008) Reducing People's Vulnerability to Natural Hazards: Communities and Resilience, UNU-WIDER Research Paper No. 2008/34

4. The ripple effects of the pandemic on the economy, particularly those generated by the MSMEs' coping strategies.

### 1.3 Report outline

This report is organized in five sections. The introduction is followed, in section two, by a discussion of the transmission channels of the pandemic's effects. The section shows that NTMs and lockdown measures deployed by the Armenian Government and partner countries constituted the main transmission channels of the pandemic's effects. The section captures the way in which these measures influenced the MSMEs' trade activities, highlighting instances of supply chain disruptions and their impact, with a view to setting the context for analyzing the MSMEs' coping strategies.

Section three discusses the MSMEs' strategies to cope with supply chain disruptions. It shows how these strategies created new realities with direct consequences for structural transformation. Section four provides an overview of the MSMEs' income losses, the strategies used by the owners to withstand these losses and the resulting impact on the enterprises' economic vulnerability and the welfare of their households. Section five proposes recommendations for supporting the Government's efforts to build a stronger and more resilient economy in the aftermath of the pandemic. The recommendations address emergency and long-term development needs, with a view to bolstering the trade sector's contribution to economic recovery and structural transformation.

## 2. TRADE DISRUPTIONS

The period since the outbreak of COVID-19 has seen governments across the globe deploy NTMs to contain the spread of the pandemic. In most cases, the measures involved temporary export bans on medical equipment as part of a broader effort to address supply shortages. Several countries also introduced export restrictions on certain food items to hedge against supply shortages.<sup>37</sup>

---

<sup>37</sup> <https://www.macmap.org/COVID19>

Trade restrictions were paralleled by an easing of the financial burden on enterprises through customs duties and value added tax (VAT) exemptions on imports of, among others, medical equipment.<sup>38</sup> Governments also relied on trade facilitation measures, as advanced under the World Trade Organization (WTO) Agreement on Trade Facilitation,<sup>39</sup> for generating savings for enterprises and ensuring compliance with the World Health Organization (WHO) safety guidelines.<sup>40</sup>

As shown below, the Armenian Government used NTMs to contain the spread of the pandemic, hedge against supply shortages and reduce supply chain disruptions. However, expected benefits were undermined by lockdown measures in Armenia and in partner countries, the impact of which was aggravated by the country's limited access to transport routes and disruptions in trade facilitation reforms.

## 2.1 Transmission channels

The Armenian Government used restrictive NTMs on a limited basis. These measures involved temporary export permits to hedge against shortages in certain pharmaceutical products and personal protective equipment (PPE), along with temporary export bans on certain food items to hedge against food shortages.<sup>41</sup> Otherwise, the Government relied on generating financial savings for supply chain actors through temporary customs duties exemptions (on imported PPE and certain pharmaceutical products over the period 16 March-30 September 2020;<sup>42</sup> essential

---

<sup>38</sup> <https://www.macmap.org/COVID19>

<sup>39</sup> The Agreement on Trade Facilitation clarifies and improves the General Agreement on Tariffs and Trade articles V (Freedom of Transit), VIII (Fees and Formalities connected with Importation and Exportation), and X (Publication and Administration of Trade Regulations). These articles correspond to the following chapters of United Nations Multiagency Support Team (UN/MAST) NTM classification system (<https://unctad.org/en/Pages/DITC/Trade-Analysis/Non-Tariff-Measures/NTMs-Classification.aspx>): Sanitary and phytosanitary measures (Chapter A); technical barriers to trade (Chapter B); pre-shipment inspection and other formalities (Chapter C); price control measures, including additional taxes and charges (Chapter F); finance measures (Chapter G); measures affecting competition (Chapter H); distribution restrictions (Chapter J); government procurement restrictions (Chapter M); rules of Origin (Chapter O); and, export-related measures (Chapter P).

<sup>40</sup> <https://wiki.unece.org/display/CTRBSBC/Armenia>.

<sup>41</sup> The export permits and export bans were introduced in March 2020. The export bans on food products were lifted on 20 June 2020 (<https://www.macmap.org/COVID19>).

<sup>42</sup> State Revenue Committee of Armenia (<https://www.petekamutner.am/covidNews.aspx?sid=cs&nid=7394>).

food items over the period 13 April - 30 June 2020<sup>43</sup>) and reinforced trade facilitation measures:

1. Transparency in trade was ensured through online publication of health protection measures <sup>44</sup> and applicable customs procedures.<sup>45</sup> In addition, trade partners were kept abreast of changes in NTMs through prompt submission of notifications to the WTO <sup>46</sup> and the UNECE Observatory on Border Crossings.<sup>47</sup> Mechanisms were also provided to enable enterprises to submit enquires online (through the Customs Service Hotline<sup>48</sup>) and approach customs officials for guidance and advice (through the State Revenue Committee's Call Center <sup>49</sup>).
2. Submission of the certificate of origin (CoO) for products destined to the EU (Form A) was simplified. Since 1 January 2018, Armenia has been applying the new electronic system "Registered Exporter System" within the GSP+ framework, which has contributed to the streamlining and simplification of export procedures to the EU. Moreover, the requirement of providing the original certificate at BCPs (as part of customs clearance procedures) was lifted.<sup>50</sup>
3. At the border control continued to proceed within the context of an integrated border management system and was risk based.<sup>51</sup>
4. Transit traffic continued to be facilitated by cooperation arrangements anchored in regional agreements and UNECE international transport conventions and protocols.<sup>52</sup>

The above trade facilitation measures were meant to alleviate the impact of the special movement arrangements that were put in place at main (BCPs) for curbing the spread of the pandemic. Consistent with the WHO safety guidelines, the arrangements were aimed at ensuring reducing physical contact; protecting

---

<sup>43</sup> The temporary tax exemptions were introduced at the Eurasian Economic Union level (<https://www.macmap.org/COVID19>).

<sup>44</sup><https://www.gov.am/en/covid19/>

<sup>45</sup> <https://www.petekamutner.am/covidNews.aspx?sid=csroot>

<sup>46</sup> [https://www.wto.org/english/tratop\\_e/COVID19\\_e/trade\\_related\\_goods\\_measure\\_e.htm](https://www.wto.org/english/tratop_e/COVID19_e/trade_related_goods_measure_e.htm)

<sup>47</sup> <https://wiki.unece.org/display/CTRBSBC/Armenia>

<sup>48</sup> <https://www.petekamutner.am/Content.aspx?itn=ContactUsHotLine>

<sup>49</sup> <https://www.petekamutner.am/covidNews.aspx?sid=src&nid=7245>

<sup>50</sup> <https://wiki.unece.org/display/CTRBSBC/Armenia>

<sup>51</sup> For a detailed overview of this system, see UNECE study on regulatory and procedural barriers to trade in Armenia, Chapter 3.

<sup>52</sup> For a detailed overview of this system, see UNECE study on regulatory and procedural barriers to trade in Armenia, Chapter 3.

customs staff; and, scaling up the control of trucks to preempt the spread of the virus.

Specifically, the arrangements involved strict control over inbound trucks from highly affected countries.<sup>53</sup> Moreover, goods originating from/transiting through Iran where subject to transshipment at the Agarak-Norduz BCP,<sup>54</sup> unless the accompanied by the State Revenue Committee's written permission.<sup>55</sup>

These arrangements constituted a major transmission channel of the pandemic effects and operated alongside the nationwide lockdown, or state of emergency. Imposed on 16 March 2020, the lockdown involved the temporary closure of non-essential businesses and educational institutions, along with travel restrictions that applied to Armenian citizens and foreign nationals. The Government eased the lockdown in early May 2020, allowing some non-essential businesses to reopen, and maintained the remaining measures until 11 September 2020 (Annex 4).

As shown below, the national lockdown combined with lockdown measures and border closures in partner countries to set in motion adverse ripple effects into the Armenian economy. The impact of these measures was compounded by disruptions in trade facilitation reforms. Implementation was slowed as the Government shifted its resources to attend to the most vulnerable segments of the population.

## **2.2 Impact on supply chain operations**

The assessment shows that efficiency gains from increased transparency were undermined by slower issuance of trade documents, given Armenia's incomplete transition towards a paperless trading environment, and inflated transport costs. Combined with dwindling international demand, these factors dealt a blow to the MSMEs' participation in international trade with negative effects on their productive capacities.

### **2.2.1 Business uncertainty alleviated by transparency measures**

Transparency in trade played an important role in mitigating the adverse effects of the pandemic, providing supply chain actors, including enterprises and freight

---

<sup>53</sup> Commandant of the State of Emergency order No. 30 on "Strict control over the process of transporting goods by vehicles transported to Armenia from high-risk countries" (<https://wiki.unece.org/display/CTRBSBC/Armenia>).

<sup>54</sup> The Meghri-Norduz border crossing point is the only land border between Armenia and Iran.

<sup>55</sup> <https://wiki.unece.org/display/CTRBSBC/Armenia>

forwarders, with a certain level of certainty to plan operations. All the interviewed MSMEs and forwarders were abreast of applied trade-related regulations and administrative procedures thanks to the timely publication of new/revised NTMs and health safety guidelines.

Forwarders were appreciative of the State Revenue Committee's Call Center, noting that officials were quick to respond to queries. Several reported that officials also initiated follow-up phone calls to solicit the forwarders' feedback and advise them on new/revised cross border procedures. The forwarders also sought information on health and product safety measures from the Ministry of Health that operated its own Call Center.

At issue was the time spent in piecing together information from the different sources. The lack of clarity over the special at the border health and safety arrangements in partner countries was another challenge. Forwarders also noted that online information on these arrangements tends to be brief and, in most cases, is not published in a timely manner.

### 2.2.2 Issuance of trade documents slowed down by bureaucracy

The surveyed MSMEs and forwarders reported that trade documents were obtained following the established procedures. While the different State agencies scaled up efforts to process requests, the documents were issued with delays owing to the continued reliance on paper-based procedures.

As explained in a previous UNECE study, the Government is still in the process of migrating to a paperless trading system.<sup>56</sup> Reforms to date have involved the modernization of customs administration through the introduction of an electronic platform that supports the full automation of customs clearance procedures (including data entry and direct registration) using international standards (including the Single Administrative Document) based on the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) Recommendations 34 on Data Simplification and Standardization for Single Windows and 36 on Cross-Border Interoperability of Single Windows.<sup>57</sup>

The platform, which is still in the development stage, is used for processing customs declarations for imports of certain goods (vehicles and medicine). Traders can also obtain permits electronically through the electronic permit and licenses system.<sup>58</sup>

---

<sup>56</sup> UNECE study on regulatory and procedural barriers to trade in Armenia (Chapter 3).

<sup>57</sup> UN/CEFACT recommendations are available at:  
[https://www.ECE.org/cefact/recommendations/rec\\_index.html](https://www.ECE.org/cefact/recommendations/rec_index.html).

<sup>58</sup> <https://www.e-gov.am/certificates/>

However, the two systems are not connected. Moreover, the electronic declarations system can be accessed certified enterprises or their representatives (brokerage companies),<sup>59</sup> while the permits system can be only accessed by the enterprises. This complicates the task of obtaining the documentary requirements, since most of the MSMEs delegate this task to brokerage companies. In addition, enterprises (or their representatives) should still submit customs declaration in paper form at BCPs.

### 2.2.3 Slower border processing times

All the interviewed MSMEs and forwarders reported that border control agencies (namely, Customs Service, the Food Safety Inspection Body, and the National Security Service) followed established clearance procedures. However, trucks were faced with long queues at all BCPs given the agencies' overreliance on physical inspection, continuing a practice from the pre-pandemic period.<sup>60</sup> Forwarders noted that most inbound consignments were assigned to physical inspection (Box 2.1), even when accompanied with the required trade documents. Consignments containing medical supplies were also subjected to rigorous documentary checks.

<b>Box 2.1</b> <b>The Customs Service risk management system</b>
Customs clearance is risk based, supported by the Customs Service's integrated information system. The system features an automated risk assessment function, which assigns cargo to clearance/control channels (green for clearance without examination; yellow for documentary examination required; red for documentary and physical examination).

*Source: UNECE (2019) Study on regulatory and procedural barriers to trade in Armenia*

Forwarders also reported that cargo destined to Georgia was faced with delays. The delays were mainly caused by the special health and safety at the border arrangements for curbing the inflow of freight drivers from highly affected countries. Armenian drivers are routinely subjected to testing for failing to provide

---

<sup>59</sup> The EAEU Customs Code reserves the possibility of online submission to certified declarants (i.e., enterprises) or their representatives (brokerage companies) who have successfully completed the mandatory training requirements and, thus, meet the qualification requirements. Specifically, according to Article 104 of the EAEU Customs Code, customs declarations should be submitted electronically and can be submitted in hard copies in certain cases (as defined under Article 104). Pursuant to Article 158 of the Law on Customs Regulation of the Republic of Armenia, the procedures for online submissions of the customs declaration by declarants (or their representatives) who do not meet the qualification requirements of customs clearance specialist are defined by the Government of Armenia. The said procedures are elaborated in Government Decision No. 546 of 30 March 2017.

<sup>60</sup> See UNECE study on regulatory and procedural barriers to trade in Armenia (Chapter 3).

negative polymerase chain reaction (PCR) test results taken less than 72 hours before entering Georgia (Box 2.2). Taking the PRC test involves additional costs in the amount of around UDD 30 per test.<sup>61</sup> Clearance was also delayed when consignments fail to pass documentary checks, causing the Revenue Service of Georgia to withhold the cargo for additional control (yellow channel for documentary examination required; or red channel for documentary and physical examination).

<b>Box 2.2</b> <b>Georgia's special arrangements for governing the movement of drivers at land BCPs</b>
<ul style="list-style-type: none"><li>• Drivers should wear protective masks during interactions with customs officials.</li><li>• Before entry into Georgia, drivers have their temperatures taken by customs or health officials and are subjected rapid diagnostic tests, which takes 15-20 minutes to complete. If the drivers have a fever, they are denied entry. Drivers with positive test results are redirected to undergo PCR testing. If possible, the driver will be replaced with another driver from Georgia or a non-risky country once the cargo trailer disinfected under the supervision of customs officials.</li><li>• Drivers who travelled through highly affected countries over the past 14 days are considered high-risk. Foreign drivers are sent back to the country from which they arrived, while Georgian drivers are be sent to quarantine. The cargo trailer is disinfected under the supervision of customs officials and the truck is sent back in the direction from which it arrived. If replacement of the driver is not possible at the BCP of entry, the truck is sent to the nearest checkpoint, and there the cargo trailer is disinfected and transferred to another truck.<sup>62</sup></li><li>• Drivers with negative PCR tests are allowed to proceed if the test is taken less than 72 hours before entering Georgia as required by law.</li><li>• Drivers in transit are subject to health screening. <sup>63</sup> Upon passing control procedures at the designated customs checkpoint, they must exit the territory of Georgia within a specific period (calculated using data registered in the "Electronic Vehicle Queue Management System"). Drivers may only stop at designated Stop Points to refuel, purchase a road usage card, clean up and purchase item/food for personal use. Foreign drivers are not permitted to stay within Georgia for more than: 7 days in case of reverse shipping operations or must use a ferry and 96 hours in any other cases. If the driver is in the country for over 72 hours, he/she must be tested again by Georgian health officials.</li></ul>

Source: UNECE (2020) *The impact of COVID-19 on trade and structural transformation in Georgia: Evidence from UNECE's survey of Micro, Small and Medium Enterprises.*

<sup>61</sup> <https://www.covid19healthsystem.org/countries/armenia/livinghit.aspx?Section=1.5%20Testing&Type=Section>

<sup>62</sup> [https://www.rs.ge//Default.aspx?sec\\_id=4845&lang=1&newsid=5780](https://www.rs.ge//Default.aspx?sec_id=4845&lang=1&newsid=5780)

<sup>63</sup> [https://www.rs.ge/default.aspx?sec\\_id=6491&lang=1](https://www.rs.ge/default.aspx?sec_id=6491&lang=1)

#### 2.2.4 Challenging transit conditions

As previously mentioned, Armenia’s access to international trade routes is only possible via Iran and Georgia and both routes present significant challenges to Armenian enterprises (Section 1). These challenges were compounded by the special border control arrangements to contain the spread of the virus.

Forwarders reported delays at the main BCP with Iran and worsening congestion levels at the Russian side of the Dariali- Verkhny Lars BCP. At issue noted the forwarders is not only the difficult terrain of the Upper Lars highway, but also the Russian authorities tightening of border control procedures. The MSMEs and forwarders also noted the lack of clarity of the EAEU customs transit procedure underpinning the clearance of Armenia’s imports from non-EAEU countries through the Russian side of the Dariali- Verkhny Lars BCP.<sup>64</sup>

Forwarders also reported that routing outbound cargo via Belarus, an option that the forwarders pursued for the first time to connect to Europe, was impossible due to discrepancies in the two countries’ customs procedures. The Belarusian authorities has been returning the cargo for failing to meet the EAEU documentary requirements, which denotes that cargo should be accompanied by EAEU compliant electronic customs declarations. The forwarders lamented they have no means for meeting this requirement, since Armenia has yet to join the EAEU e-customs declaration system (Box 2.2).

<b>Box 2.2</b>
<b>EAEU common electronic customs declarations and single window platform</b>
<p>The EAEU members are in the process of developing a common electronic customs declaration system as per the EAEU new common customs code.<sup>65</sup> The EAEU customs code came into force on 1 January 2018 and heralded, among others, the following changes:</p> <ul style="list-style-type: none"><li>• Electronic Customs declarations: a customs declaration in paper form is still accepted but only in exceptional cases.</li><li>• Customs declarations can be submitted without physical documents and accompanying papers; these will eventually only be required and checked within the course of the risk controlling system.</li></ul>

<sup>64</sup> The EAEU customs transit procedure is established in the agreement on “On accession of the Republic of Armenia to the Agreement on Eurasian Economic Union of May 29, 2014”, Annex 5. The transit procedure applies only to trade in goods transported by land and rail.

<sup>65</sup> An unofficial English translation of the EAEU new customs code is available at: [http://www.eurasiancommission.org/en/act/tam\\_sotr/dep\\_tamoj\\_zak/Pages/Customs-Code-of-the-EAEU.aspx](http://www.eurasiancommission.org/en/act/tam_sotr/dep_tamoj_zak/Pages/Customs-Code-of-the-EAEU.aspx)

### Box 2.2

#### EAEU common electronic customs declarations and single window platform

- Stronger networking with other public electronic databases. Previously registered certificates can be retrieved directly from the existing databases during customs clearance.

In April 2020, the Eurasian Economic Commission adopted a revised version of the EAEU common customs declaration. The revised version simplifies and optimises the customs declarations content. It defines the main data elements and structure of the common customs declaration documents for imports, exports and goods in transit.<sup>66</sup>

The e- customs declaration system forms part of the EAEU's broader plan to create a common single-window platform;<sup>67</sup> the development of which is contingent on the integration of member countries' customs information systems.<sup>68</sup>

#### 2.2.5 Inflated transport costs

The MSMEs' heavy reliance on road transport meant that they had to deal with border closures and travel restrictions to/from countries included in Armenia's list of highly affected countries. Forwarders explained that they had to make long detours and struggled to find carriers willing to make the journey to/from these countries, even at higher fees, as drivers were worried about contracting the virus and the business ramifications of the 14-day quarantine rule. It was also difficult to find drivers willing to make the journey to/from Armenia.

These difficulties inflated transport costs. All the surveyed MSMEs lamented that transport by road, weather permitting, has become prohibitively expensive and involved significant delays. The delays exceeded one month for inbound cargo from distant markets, such as China.

Shipment by air was severely disrupted under the weight of the national travel bans (Annex 4), as major airlines, hauling the lion's share of Armenia's commercial cargo, cancelled flights to/from Armenia. Even if the Government were to lift travel bans, Armenian enterprises would still be affected by travel bans across the globe. Just like other small economies, Armenia is typically served by a limited number of non-stop

<sup>66</sup> <http://eec.eaeunion.org/en/nae/news/Pages/21-04-2020-1.aspx>

<sup>67</sup> <http://www.eurasiancommission.org/en/nae/news/Pages/16-03-2020-2.aspx>

<sup>68</sup> For further details, see the Eurasian Economic Commission (2017) Development status of the single window; available at: [http://www.eurasiancommission.org/ru/act/tam\\_sotr/edinoe\\_okno/Documents/9281012-en.pdf](http://www.eurasiancommission.org/ru/act/tam_sotr/edinoe_okno/Documents/9281012-en.pdf)

flights to/from key trading partners, and such flights, noted the forwarders, were heavily affected by capacity cuts to flights servicing individual routes.

These realities prompted air forwarders to adjust operations and, in so doing, laying the seeds for improving the air cargo industry (Section 3.1). However, they were quick to draw attention to the urgent need for expanding the cargo handling facilities at international airports.<sup>69</sup> On their part, the surveyed MSMEs lamented in the hike in air cargo rates. In this respect, some noted that the rates increased by 30-35 per cent.

The above conditions paint a worrisome picture, with enterprises isolated from international transport routes by increased distance and inflated costs. Several resorted to combining shipments with other traders to reduce costs, but this proved to be of limited benefits as the enterprises were still faced with delayed deliveries. The MSMEs were replete in stressing the need to find new routes for connecting with international markets. Both the MSMEs and forwarders were of the view that more should be done to explore alternative overland transport routes and further develop the air cargo industry.

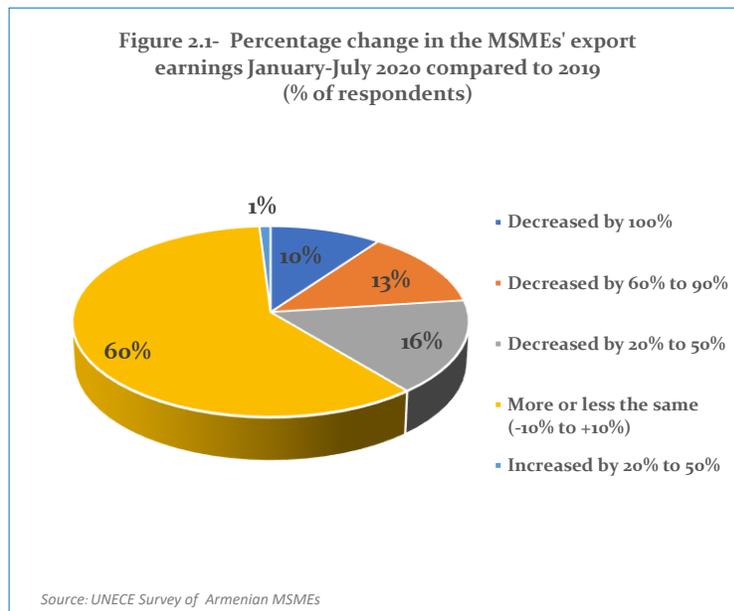
#### 2.2.6 Trade effects mitigated by proactive business strategies

The impact of transport disruptions was compounded by dwindling international demand under the weight of lockdown measures in partner countries, which involved the closure of non-essential businesses. The surveyed MSMEs, particularly those involved in the textiles and beverages industries, assumed additional losses due to the cancellation of international orders during the initial weeks of the pandemic crisis (early March 2020). International buyers, particularly European buyers, were quick to cancel orders placed before the outbreak of the pandemic. Several also backed out of their financial commitments and refused to pay for the ordered goods, which the MSMEs have already produced.

---

<sup>69</sup> Armenia's has two international airports: Shirak Airport (Gyumri) and Zvartnots Airport (Yerevan). Zvartnots is the largest airport, and handles 100,000 tons of cargo annually. (<http://zvartnots.aero/HY/Content/Cargo>).

Had it not been for their proactive planning and success in arranging shipments in January and February 2020, the impact of the pandemic would have been more severe. By anticipating the enormous stress on international transport routes, the surveyed MSMEs mitigated their income fallout. Around 60 per cent were able to maintain their pre-pandemic export earnings over the course of January-July 2020 (Figure 2.1).



The MSMEs were hopeful that the cancelled orders would be reinstated. They were actively seeking to find new buyers, particularly from the Russian Federation, Georgia, France, Italy, and the United States of America (USA), assisted by a number of enterprise support institutions that offered free advice. Suspending exports was a measure of last resort and was taken by only 22 per cent of the surveyed MSMEs.

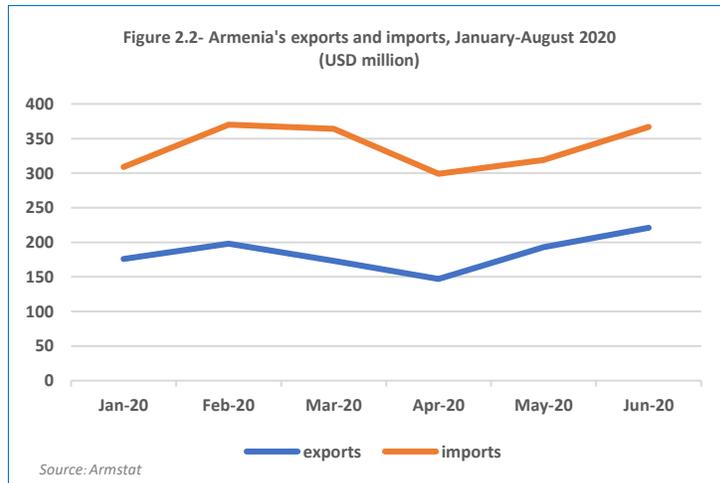
On the import side, the MSMEs lamented that sourcing from abroad has become a complex undertaking owing to the closure of non-essential businesses in partner countries. Moreover, all the enterprises were struggling with delayed deliveries and several faced hiked up prices as international suppliers renegotiated price levels established under the pre-pandemic sales contracts.

Finding new suppliers was difficult. This was particularly the case of food producers, who noted the impossibility of fulfilling national regulatory requirements applicable to non-EAEU suppliers. These should be included in the EAEU list of approved suppliers, which involves a lengthy process that requires onsite inspection by EAEU auditors.<sup>70</sup> Thus, only 8 per cent of the surveyed MSMEs were able to find new

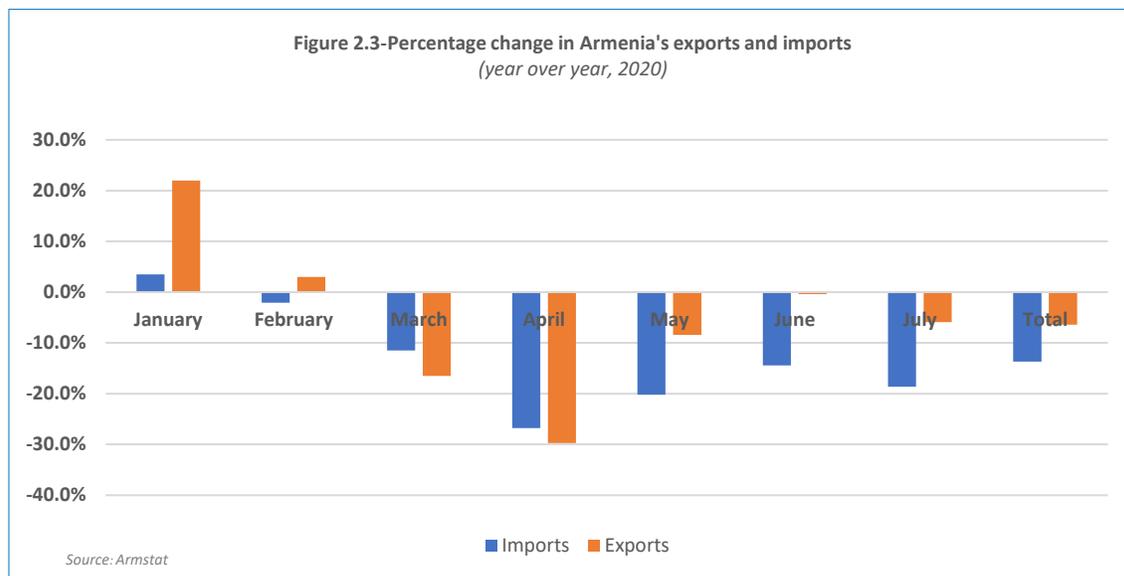
<sup>70</sup> Third country suppliers of animal and meat products should be registered in the common list of establishments authorized to export to the EAEU (<http://www.eurasiancommission.org/ru/act/texnreg/depsanmer/regulation/Documents/Пр.1%20Единый%20перечень%20тов.pdf>). In 2017, the EAEU expanded the list to add vegetables used for animal feed, citron melons, and certain feed additives (See EAEU submission to the WTO, document No. G/SPS/N/RUS/110).

suppliers after investing considerable time. They were assisted by the Customs Service that advised them on compliance requirements and shipping routes.

The interviewed MSMEs fared better than the national trend, particularly on the export side, reflecting at once their entrepreneurship and the high degree of solidarity on the part of enterprise support institutions. Official statistics show exports and imports picking up steam as of May 2020, following the easing of the national lockdown measures (Figure 2.2).<sup>71</sup>



However, exports remained below their previous, pre-pandemic levels. Imports were also below pre-pandemic levels and were registering slower recovery rates than exports, reflecting diminished domestic purchasing power and reduced production activities (Figure 2.3).



<sup>71</sup> Calculated based on statistics by Armstat (<https://www.armstat.am/en/?nid=12&id=10003>)

### 3. THE RIPPLE EFFECTS OF TRADE DISRUPTIONS

Trade disruptions effects were amplified by the surveyed MSMEs' coping strategies. Most notable was the massive scaling down of production activities, which left the enterprises badly placed to recover once normality is attained. For a limited segment, scaling down production came on the heels of growth enabling strategies, which involved upscaling e-commerce activities. Production repurposing constituted an important coping strategy for only 4 enterprises, which repurposed part of their production lines to respond to the increased domestic demand for hand sanitizers.<sup>72</sup>

The MSMEs' limited recourse to the above-mentioned growth enabling strategies cannot be understood in isolation of the country's increased isolation from international transport routes and, thereof, mainstream trade. These conditions provided an impetus for several air cargo forwarders to launch new services, which offer promising seeds for a more developed air cargo industry.

This section discusses the new realities created by the MSMEs' and air cargo forwarders' coping strategies, while the next section looks into the extent to which the strategies helped curb the MSMEs' income fallout.

#### 3.1 Limited engagement in electronic commerce

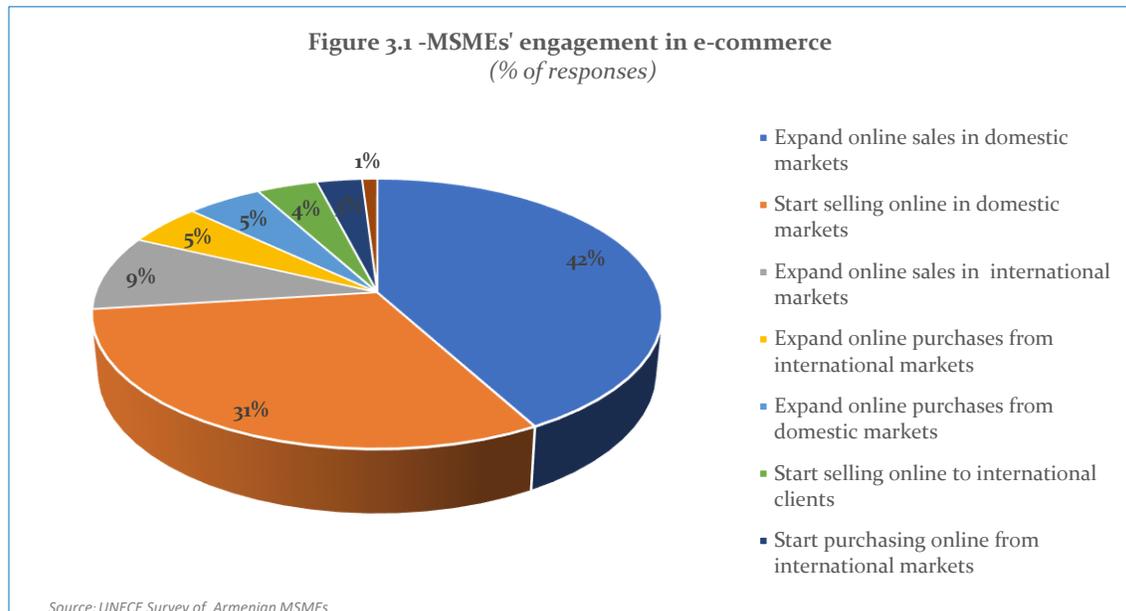
Electronic commerce (e-commerce) figured among the coping strategies of only 19 per cent of the surveyed MSMEs. However, as shown in figure 3.1, the enterprises mainly used e-commerce for boosting sales in domestic markets, noting that the difficulties surrounding shipments renders it difficult to increase exports.

The MSMEs did not reap the expected benefits. They lamented the low level of domestic demand owing to the economic recession. The enterprises drew attention to the modest appetite for e-commerce in Armenia, noting the consumers' prefer shopping at physical stores. The enterprises also struggled with processing online transactions, owing to delays in Armenia's interbank clearing of electronic payments

---

<sup>72</sup> The enterprises included 2 medium enterprises (belonging to the pharmaceutical and plastics industries); 1 small enterprise (belonging to the cosmetics industry) and 1 micro enterprise (also belonging to the cosmetics industry).

(e-payments). The enterprises noted that Armenian banks, which usually process e-payments in an efficient manner, seem to be overwhelmed by the pandemic.



### 3.2 Reduced production

The MSMEs were struggling to maintain operations in the face of the dwindling demand on their products. However, as shown above, production repurposing and e-commerce, did not figure prominently among the enterprises' coping strategies. Rather, most of the MSMEs opted to reduce their profit margins. Others renegotiated delivery terms with international buyers to factor in the extended delivery time.

However, the enterprises were finding it increasingly difficult to source supplies from international markets. The majority reported having effectively depleted their raw material reserves and were struggling with supply shortages. Most of the MSMEs addressed this challenge by increasing the volume of sourced materials and adjusting production schedules around expected delivery times.

In addition, around 19 per cent shifted to domestic suppliers, often at a higher cost. Another 21 per cent switched to alternative raw materials, which they sourced domestically or from abroad, often at a higher cost. Scaling down production was a

last resort measure, which was taken by 37 per cent of the enterprises. The same applied to suspending production, which was adopted by only 3 per cent of the enterprises.

The MSMEs were unsure as to whether they could maintain operations should the current conditions of dwindling international demand and supply shortages persist. They were equally concerned about low demand in domestic markets, which, for the majority, accounts for the lion's share of total sales. The enterprises were also replete in drawing attention to their weak production capacities, and highlighted the need for immediate support to:

- Improve production capabilities through investments in modern equipment.
- Comply with the regulatory requirements pertaining to safety, health, and environmental protection in export markets, particularly the EU.
- Gain a better understanding of the emerging needs in domestic markets, and changes in the consumers' preferences as a pre-requisite for withstanding the fierce import competition.
- Increase market shares in traditional export markets
- Venture into new export markets.
- Find alternative transport routes that are more reliable and less expensive.

The MSMEs also drew attention that more could be done to curb the influx of counterfeit products, as a pre-requisite for ensuring a level playing field for all enterprises. They called for harsher measures to ensure continuous monitoring of products placed on the market, and swift recall of counterfeit products.

### **3.3 Seeds for a more developed air cargo industry**

The worsening market access conditions brought about by travel bans dealt a strong blow to the air cargo industry. Rerouting air cargo to the ports of Batumi and Poti in Georgia quickly proved to be of limited benefits, as it involved additional delays (since the cargo has to be transported by road for the last leg of the journey) and inflated costs (Section 2.2.5).

The above conditions prompted air cargo forwarders to invest in creative solutions that were, thus far, too challenging to carry out. Some leveraged partnerships with counterparts in Europe to transport cargo by charter freighters and were in the process of completing negotiations for securing regular charter freighters (once a week).

In so doing, the forwarders contributed to addressing the industry's limited supply capacity. Forwarders explained that Armenia's air cargo industry is heavy reliant on passenger airlines.<sup>73</sup> This has been inflating costs and undermining the industry's ability to participate in rush deliveries of medical goods and in mitigating disruptions affecting, among others, clothing, fisheries, pharmaceuticals, electronics, and automotive parts supply chains.

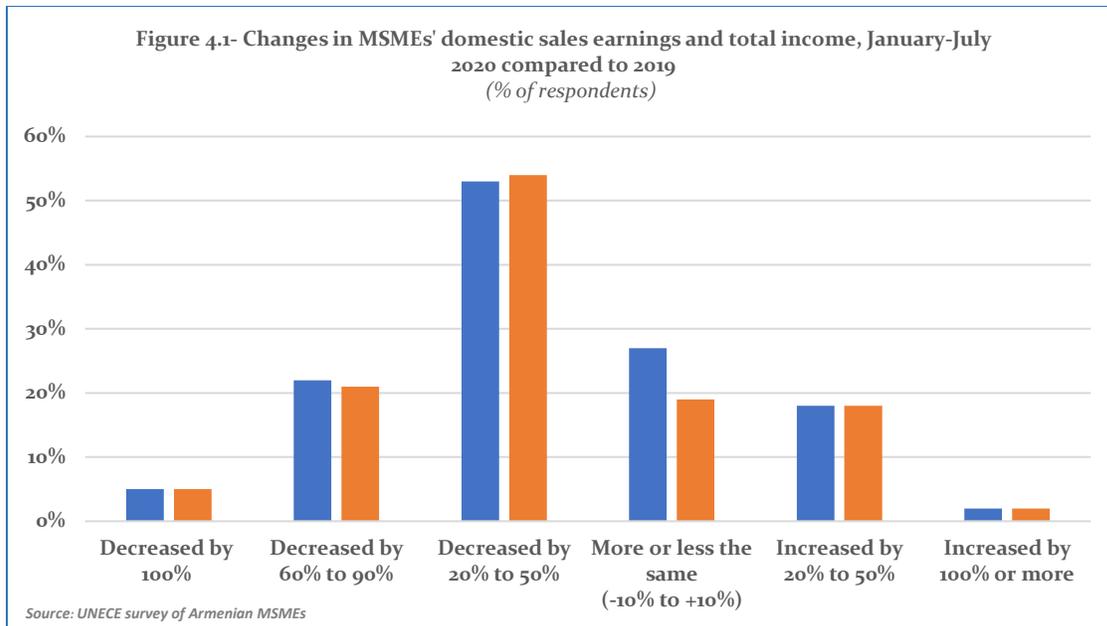
Other forwarders invested in the digitalization their services benefiting from the Government's credit schemes. In this respect, one of the forwarders launched new distribution services, which involve installing smart lockers at main shopping centers to enable online shoppers to retrieve shipments from locations that are closer to their premises. This service was ranking high on the said forwarder's development plans. However, concerns around the low level of online shopping and the lack of funds, delayed implementation.

#### **4. INCOME FALLOUT**

As previously mentioned, the majority of the MSMEs' maintained their pre-pandemic export earnings by finding new international buyers, but were finding it increasingly difficult to maintain operations, owing to supply shortages. The enterprises were also faced with dwindling domestic demand, which caused their overall income to decline. As shown in Figure 4.1, only 20 per cent of the MSMEs regained their pre-pandemic domestic sales earnings by July 2020. The remainder saw their domestic earnings plummet by up to 50 per cent.

---

<sup>73</sup> As explained by the interviewed forwarders, passenger airlines carry cargo in the belly hold compartments of the aircraft, and only major airlines operating widebody aircrafts offer adequate cargo capacity.



Yet, the MSMEs were able to retain staff. Furloughs, job cuts and salary reductions were used by a limited segment of the surveyed enterprises, with production staff assuming the brunt of these measures. Only 33 enterprises, or 9 per cent of the surveyed MSMEs, laid off staff. Another 27, or 7 per cent, introduced pay cuts, and the majority limited these cuts to less than 30 per cent of monthly salaries (Table 4.1). The number of enterprises that put staff on furloughs (unpaid or semi-paid leave) was also limited, representing 8 per cent of the surveyed MSMEs (29 enterprises).

**Table 4.1- Salary cuts introduced by the surveyed MSMEs**

Responses	Number
1% - 10%	1
11% - 20%	5
21% - 30%	9
31% - 40%	5
41% - 50%	3
51% - 60%	1
61% - 70%	0
71% - 80%	0
81% or more	3
<b>Total</b>	<b>27</b>

Source: UNECE survey of Armenian MSMEs

The surveyed MSMEs were able to retain staff thanks to the Government’s support programmes. Around 71 received direct support in the form of subsidized loans for covering their wage bill and part of their operational costs, including the procurement of raw materials as well as cash injections in the form of grants and one-time payments (Table 4.2). These programmes constituted an important lifeline for the surveyed MSMEs. Only 20 enterprises received support from non-governmental entities, which was extended within the context of donor funded projects and involved deferring payments on loans taken before the outbreak of the pandemic.

**Table 4.2- Government support received: packages listed by MSMEs**

Support package (Number)	Measures and beneficiaries	Description
1	Subsidized loans (2 years).  Beneficiaries: All enterprises are eligible (i.e., the loans are not sector-specific).	Depending on the purpose of the loan: <ul style="list-style-type: none"> <li>• Employees (in full)</li> <li>• Taxes, duties and mandatory payments (in full)</li> <li>• Raw materials (7 per cent AMD-denominated loan or 6 per cent for foreign currency-denominated loans)</li> <li>• Equipment (6 per cent or 5 per cent for foreign currency-denominated loans)</li> <li>• Utility bills (10 per cent or 8 per cent for foreign currency-denominated loans)</li> <li>• Food (8 per cent or 6 per cent for foreign currency-denominated loans)</li> </ul>
5	Effective job support  Beneficiaries: enterprises employing 2 to 50 persons.	One-time grant, in the amount of the salary of every 5th employee.
8	Lump-sum assistance Beneficiaries: self-employed and individuals who were employed in the below listed sectors in 13-30March 2020: <ul style="list-style-type: none"> <li>- Hotels</li> <li>- Public catering services</li> <li>- Tourism services</li> <li>- Hairdressing and beauty salon services</li> <li>- Retail services (except for food and drug dealers).</li> <li>- Road transport operators</li> <li>- Private kindergartens</li> </ul>	<ul style="list-style-type: none"> <li>- Employed individuals: 50 per cent of the average salary for January-February, but not more than AMD 136,000 and not less than AMD 68,000 (full time employees).</li> <li>- Self-employed: 10 per cent of the turnover generated in the 4th quarter of 2019, but not more than AMD 136,000.</li> </ul>

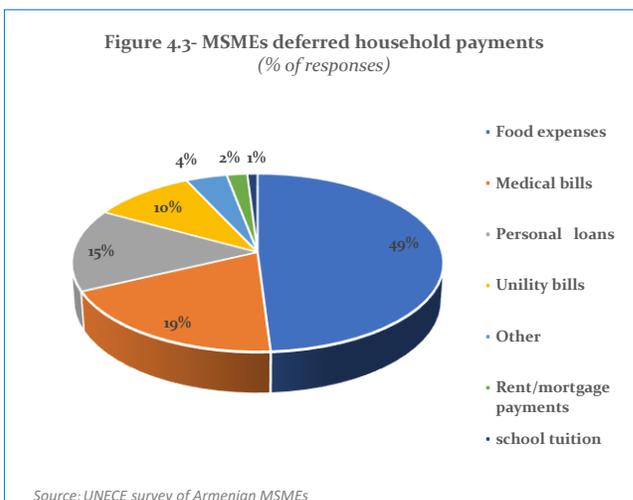
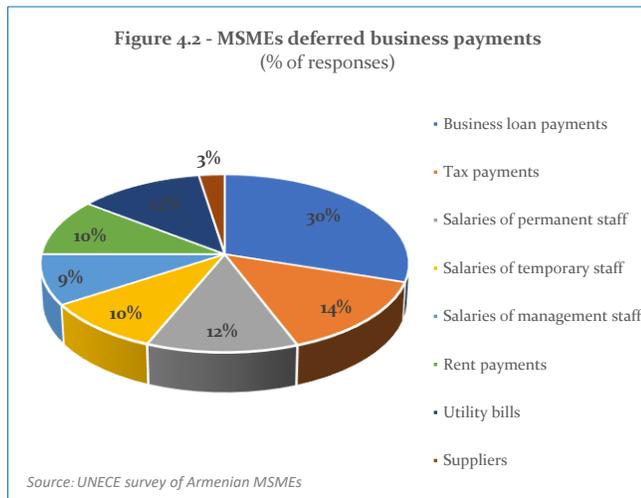
Support package (Number)	Measures and beneficiaries	Description
	<ul style="list-style-type: none"> <li>- Sporting activities (sports clubs, swimming pools)</li> <li>- Entertainment and leisure</li> </ul>	
<b>18</b>	<p>-Effective job support</p> <p>Beneficiaries: Enterprises employing 2 to 100 persons over the period 1 February to 30 April 2020 as long as their income losses over the said period was limited to 5 per cent in relation to the pre-pandemic period.</p>	One-time grant

Source: Government of Armenia ([https://www.gov.am/en/covid19./](https://www.gov.am/en/covid19/))

Nonetheless, the MSMEs were laboring under a severe liquidity crunch. In this respect, the enterprises drew attention to the additional costs associated achieving compliance with the national health and safety guidelines. Only 7 per cent introduced teleworking arrangements, which were applicable to a limited segment of staff (management and accounting). Thus, the enterprises had to invest in scheduling rotating shifts, which meant working below capacity. They also had to procure face masks and hand sanitizers for staff, and several installed barriers between workstations.

Ideally, MSMEs would turn towards banks to obtain loans. However, the banks were refusing to lower loan interest rates and restructure loan payments. The MSMEs explained that banks offered temporary suspension of loan payments during the initial period of the national lockdown (mid-March till mid-May 2020) but were quick to roll back this support measure in subsequent months.

Under such conditions, around 31 per cent of the MSMEs postponed business payments, particularly salaries, in the hope of paying staff retroactively once the demand picks up steam. The enterprises also adopted erosive coping strategies that increased their debt burden. As shown in figure 4.3, they deferred tax payments and postponed the payment of utility bills (including electricity, internet, and phone bills), bank loans and rent.

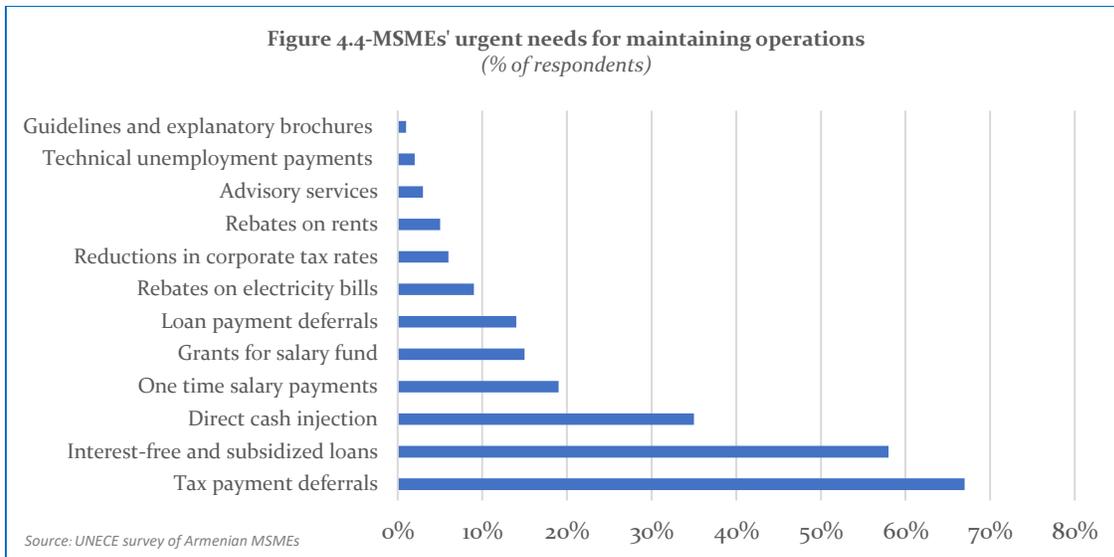


Moreover, around 62 per cent of the owners used personal savings to maintain operations. This came at the expense of their families' welfare. As shown in figure 4.4, the majority had to cut back on food expenditure and postpone household payments, including personal loans, rent, and utility bills.

The assessment shows that the MSMEs were struggling to survive,

with only 21 per cent reporting that they could maintain operations for more than a year without support. The remaining 79 per cent emphasized that their survival hinges on receiving government support, particularly, in the form of tax payment deferrals and subsidized loans (Figure 4.4).

The MSMEs were also in need of direct cash injections for covering their wage bill. In addition, several suggested temporary rebates on rents and reductions in corporate tax rates, along with increasing the range of sector-focused support packages as a way for ensuring a better targeting of the hardest hit regions and industries



Beyond the above, the surveyed MSMEs drew attention to the limits of government support. The enterprises were wary of their increased reliance on financial support, which is not only unsustainable but also aggravates their financial stress. They argued that without a surge in demand, tax deferrals and subsidized loans might push enterprises into bankruptcy.

A more sustainable solution would be to complement support packages with measures for enabling MSMEs to participate in government procurement processes. The surveyed enterprises noted that they are inherently incapable of engaging in such processes, since they lack the capacity (in terms of scale economies) to compete based on cost navigate the demanding procurement procedures. The MSMEs also suggested lifting the ban on the export of PPE, as this would translate into an immediate demand for many textile manufacturing enterprises that could repurpose production.

## 5. RECOMMENDATIONS

This section provides action-oriented recommendations for the Government's consideration. These include emergency support measures for improving the MSEMS' resilience and addressing capacity shortfalls and structural weaknesses. The emphasis is on enabling the Government to create dynamic synergies between relief measures to long-term development objectives.

Consistent with the Government's development strategy, the recommendations, provided in Table 5.1, are geared to bolster the contribution of trade to structural transformation. They aim at enabling MSMEs to reap benefits from the growth

opportunities generated by trade reforms and carry direct contribution to achievement of the 2030 sustainable development goals (SDGs): including goals 3 (good health and well-being), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 11 (sustainable cities and communities), 16 (peace, justice and strong institutions) and 17 (partnerships for the goals).

**Table 5.1 Proposed measures for stronger and more resilient Armenian MSMEs**

Area	Challenges	Recommendations	Contribution to SDGs
<b>Emergency Measures</b>			
<b>Financial support</b>	MSMEs are experiencing shortages in working capital	<ul style="list-style-type: none"> <li>• Explore avenues with development partners for upscaling donor-funded emergency credit schemes and publish detailed information on application procedures.</li> <li>• Expand the scope of existing support schemes to allow for subsidizing shipping costs and publish detailed information on application procedures.</li> </ul>	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
<b>Transparency in trade</b>	MSMEs have to piece information on applicable trade rules and administrative procedures from different information sources	<ul style="list-style-type: none"> <li>• The Customs Service could consider establishing an online trade information center that provides up-to-date information on applicable trade rules and administrative procedures; user friendly explanatory brochures on the new/revised legislation and their implication for enterprises; and, up-to-date information on regulatory requirements in main export countries.</li> <li>• The Customs Service could consider establishing a real time notification system (via email or short message service, SMS) for</li> </ul>	SDG 16.10: Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements

Area	Challenges	Recommendations	Contribution to SDGs
		<p>keeping registered enterprises and forwarders on changes on applicable rules and administrative procedures.</p> <ul style="list-style-type: none"> <li>• Forwarders were of the view that more can be done to improve public-private sector consultations. They suggested regular consultative meetings with the Customs Service to discuss planned reforms and take stock of emerging needs and challenges to ensuring compliance with existing regulatory requirements.</li> </ul>	<p>SDG 17.14: Enhance policy coherence for sustainable development</p>
<p><b>At the border control</b></p>	<p>Customs clearance is delayed by an over-reliance on physical inspection</p>	<ul style="list-style-type: none"> <li>• Conduct a thorough review of the risk parameters and profiles in the Customs Service integrated information system with a view to increasing the percentage of cargo assigned to the green channel.</li> <li>• Develop support services to enable MSMEs to achieve compliance with the Authorized Economic Operator (AEO) eligibility criteria. Such services could comprise, among others: (i) training programmes (and guidelines) for enabling enterprises to conduct self-assessment and self-policing; and (ii) financial assistance to encourage MSMEs to invest in</li> </ul>	<p>SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda</p>

Area	Challenges	Recommendations	Contribution to SDGs
		<p>improving their supply chain management skills.</p> <p><i>In the medium term, Armenia needs to develop its risk management system (see below).</i></p>	
<b>Regional cooperation and transit trade</b>	MSMEs are finding it difficult to achieve compliance with Georgia's regulatory requirements	<ul style="list-style-type: none"> <li>• Further develop cooperation arrangements with Georgia to include in addition online exchange of customs information using electronic data interchange (EDI).</li> </ul> <p><i>In the medium term, Armenia needs to step up efforts to attain international recognition of its conformity assessment certificates (see below).</i></p>	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries
	Outbound cargo destined to/transiting through Russian Federation is delayed by congestions at the Russian side of the Dariali-	<ul style="list-style-type: none"> <li>• The Customs Service needs to publish detailed information on the the EAEU customs transit procedure.</li> </ul>	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable

Area	Challenges	Recommendations	Contribution to SDGs
	Verkhnyty Lars BCP		Development Goals in all countries, in particular developing countries
	Exporting via Belarus is complicated by the requirement to submit an EAEU compliant e-customs declaration	<ul style="list-style-type: none"> <li>• Customs Service needs to be supported in its efforts to achieve compliance with the EAEU revised data structures pertaining to customs and transit declarations and their integral parts; and integrate its information system with the systems of the EAEU member countries.</li> </ul>	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries
<b>Growth enabling coping strategies</b>	MSMEs' engagement in e-commerce is complicated by the slow processing of e-payments	<ul style="list-style-type: none"> <li>• Further develop Armenia's inter-bank e-payment clearing system.</li> </ul>	SDG 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro, small and medium enterprises, including through access to financial services
<b>Structural Measures</b>			
<b>Trade documents</b>	Trade documents issuance is slowed down by the	<ul style="list-style-type: none"> <li>• Scale up efforts for establishing the national single window facility through the integration of State agencies involved in issuing trade documents into the single window system. An</li> </ul>	SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under

Area	Challenges	Recommendations	Contribution to SDGs
	continued reliance on paper-based procedures	<p>important step in this direction would be to conduct a detailed business process analysis of the ICT systems of these agencies and administrative procedures underpinning the issuance of trade documents using the UNECE- UN Economic and Social Commission for Asia and the Pacific (ESCAP) business process analysis methodology.<sup>74</sup> This will help the agencies streamline administrative procedures and detect instances of repetitive submissions of data elements.</p> <ul style="list-style-type: none"> <li>• Consolidate the legal basis for operating the Single Window following UN/CEFACT Recommendation 35.<sup>75</sup></li> </ul>	<p>the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda.</p> <p>SDG 17.8: Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology</p>
<b>At the border control</b>	Customs clearance is delayed by an over-reliance on physical inspection	<ul style="list-style-type: none"> <li>• Refine the risk parameters and profiles registered in the Customs Service central risk management system to ensure sustained increase in the per centage of cargo assigned to the green channel. This exercise needs to be supported by developing local risk profiles (i.e., for individual customs points) to take into account the specific risk factors proper to</li> </ul>	<p>SDG 17.8: Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology</p>

<sup>74</sup> <http://tfig.unece.org/contents/business-process-analysis.htm>

<sup>75</sup> [https://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-401E\\_Rec35.pdf](https://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-401E_Rec35.pdf)

Area	Challenges	Recommendations	Contribution to SDGs
		<p>each locality. In so doing, the Customs Service is encouraged to use innovative approaches and smart artificial intelligence tools for undertaking risk identification; risk evaluation (i.e., whether the identified risks are acceptable); the preparation of risk indicators; and the creation of risk profiles taking into consideration Decree No. 23/18 of the EAEU Joint Board of Customs Service on the “List of Factors and Signs Used for Management of Local Risks”.<sup>76</sup> The local risk profiles, as well as the results of their application, could be used for progressively adjusting the central risk management system.</p> <ul style="list-style-type: none"> <li>• Consider increasing reliance on post-clearance audit, especially for enterprises with good track record. This will reduce reliance on transaction-based control, while allowing for a considered examination of the MSMEs’ commercial records, management systems and business processes. Such an examination is useful for the enterprises (allowing them to improve on their business processes and</li> </ul>	

<sup>76</sup> The list, which was approved on 22 June 2017, stipulates that individual customs control points should continue to use local risk profiles and take steps, to the extent possible, to implement automated systems for establishing local profiles.

Area	Challenges	Recommendations	Contribution to SDGs
		supply chain management skills) and the Customs Service (for adjusting risk profiles).	
<b>Transport development</b>	The road network is under-developed	<p>Consider joining the following UNECE protocols and conventions on road traffic and road safety:</p> <ul style="list-style-type: none"> <li>- Convention on Road Traffic</li> <li>- Protocol on Road Markings</li> <li>- European Agreement supplementing the Convention on Road Signs and Signals</li> </ul>	<p>SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities</p> <p>SDG 3.6: By 2020, halve the number of global deaths and injuries from road traffic accidents</p>
	The railway network is under-developed	Establish a New Rail linkage for connecting the Zvartnots International Airport Gateway Hub to with the National Transport System	SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities
	The development of the air cargo	Conduct a feasibility study to assess the demand, risks, and optimal approaches for	SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable

Area	Challenges	Recommendations	Contribution to SDGs
	industry is complicated by the limited cargo handling capacity at main airports	expanding Zvartnots International Airport and Shirak Airport cargo terminals	transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities
		Consider the establishment of a national shippers' council to help enterprises, freight forwarders and transport operators obtain favourable terms through cooperation arrangements with, among others, the European Shippers' Council and Global Shippers Alliance.	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
<b>Conformity assessment and metrology</b>	MSMEs obtain conformity certificates with significant delays and the certificates are not recognized internationally	<ul style="list-style-type: none"> <li>• Accord priority to supporting Armenia's National Accreditation Body (ARMNAB) in its efforts to join the International Accreditation Forum (IAF) Multilateral Recognition Arrangement, the International Laboratory Accreditation Cooperation (ILAC) mutual recognition agreement (MRA) and European Accreditation (EA) Multilateral Recognition Arrangement.</li> <li>• Strengthen the National Metrology system.<sup>77</sup></li> </ul>	SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.

<sup>77</sup> [https://metrology.am/page\\_files/documents/1350-L.pdf](https://metrology.am/page_files/documents/1350-L.pdf)

Area	Challenges	Recommendations	Contribution to SDGs
		<ul style="list-style-type: none"> <li>- Strengthen the National Institute of Metrology with expertise knowledge and skills.</li> <li>- Obtain membership in the International Organisation of Legal Metrology.</li> <li>- Obtain membership in the OIML for regular updating of legal metrology, and effective implementation of international best practice in the field of legal metrology.</li> <li>- Accede the Agreement on Mutual Recognition of Measurement Standards CIPM/MRA.</li> <li>- Upscale participation in comparisons of national measurement standards within the context of Euro-Asian Cooperation of National Metrological Institutions (COOMET) programmes.</li> <li>• Develop legal metrology: <ul style="list-style-type: none"> <li>- Consolidating the legal requirements for measurement instruments in all areas (industries, health and safety, environmental protection, etc.).</li> <li>- International metrological harmonization</li> <li>-Supervision of regulated products and activities.</li> <li>- Traceability of regulated measurements and measuring instruments.</li> </ul> </li> </ul>	

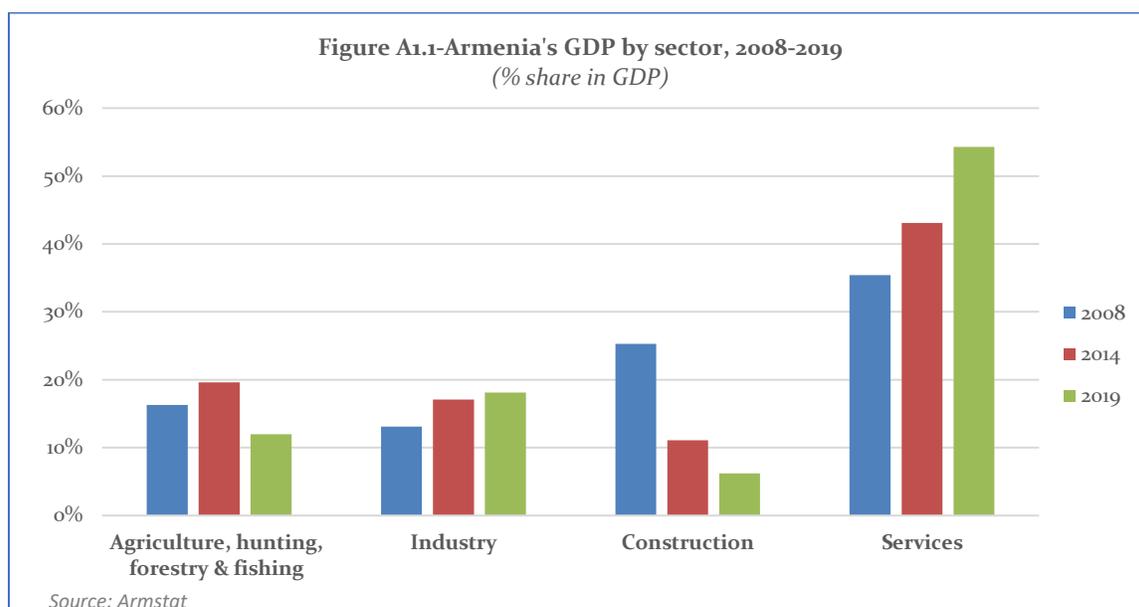
Area	Challenges	Recommendations	Contribution to SDGs
<b>Enterprise support</b>	MSMEs are ill-equipped to meet regulatory requirements in destination countries	<ul style="list-style-type: none"> <li>• Develop training programmes on international standards implementation to enable MSMEs to benefit from trade reforms.</li> </ul>	<p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.</p> <p>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>
	MSMEs are experiencing difficulties in finding new international buyers and suppliers	<ul style="list-style-type: none"> <li>• Establish sector specific market intelligence services to help enterprises identify export opportunities and efficient supply sources.</li> <li>• Equip existing enterprise support organizations with training facilities, which offer practical support in the areas marketing, strategic planning, choices of appropriate embodied technologies for scaling up productivity.</li> </ul>	<p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation,</p>

Area	Challenges	Recommendations	Contribution to SDGs
		<ul style="list-style-type: none"> <li>• Consider the development of an online help desk to facilitate the integration of Armenian enterprises into regional and global supply chains. The help desk should focus on further developing existing networking efforts by collaborating with regional and global networking initiatives such as the Global Entrepreneurship Network and Enterprise Europe Network.</li> </ul>	including through a focus on high value added and labour-intensive sectors.

## Annex 1- Country background

### A1.1 Economic structure

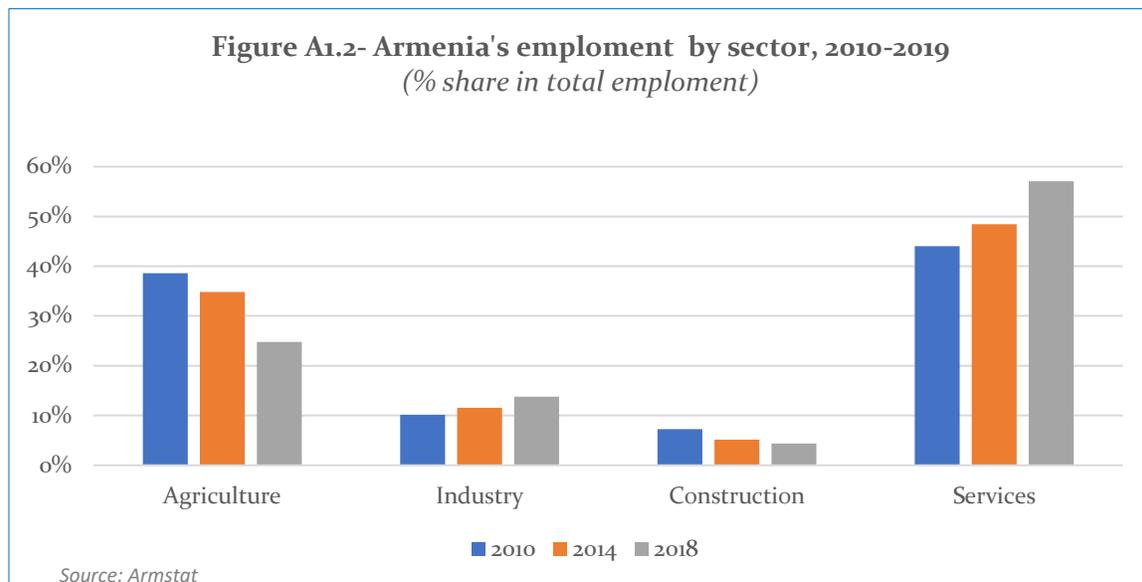
The past two decades have seen the Armenian economy move away from construction and agriculture towards increased specialization in services, driven by the ICT industry.<sup>78</sup> This is reflected in figure A1.1, which shows the services sector’s share in GDP increasing by 19 per cent from 35 per cent in 2008 to 54 per cent in 2019. In contrast, and the share of construction decreased by 19 per cent over the said period (from 25 to 6 per cent) and agriculture by 4 per cent (from 16 to 12 per cent).



The services sector also registered an impressive job creation record, absorbing 57 per cent of total employment in 2019 up from 44 per cent in 2010 (Figure A1.2). In contrast, the share of construction in total employment decreased by only 3 per cent (from 7 per cent in 2010 to 4 per cent in 2019), while agriculture retained its

<sup>78</sup> For further details, see, for example, World Bank (2020), Realizing Armenia’s High-Tech Potential (<https://openknowledge.worldbank.org/bitstream/handle/10986/33027/Realizing-Armenias-High-Tech-Potential.pdf?sequence=8&isAllowed=y>)

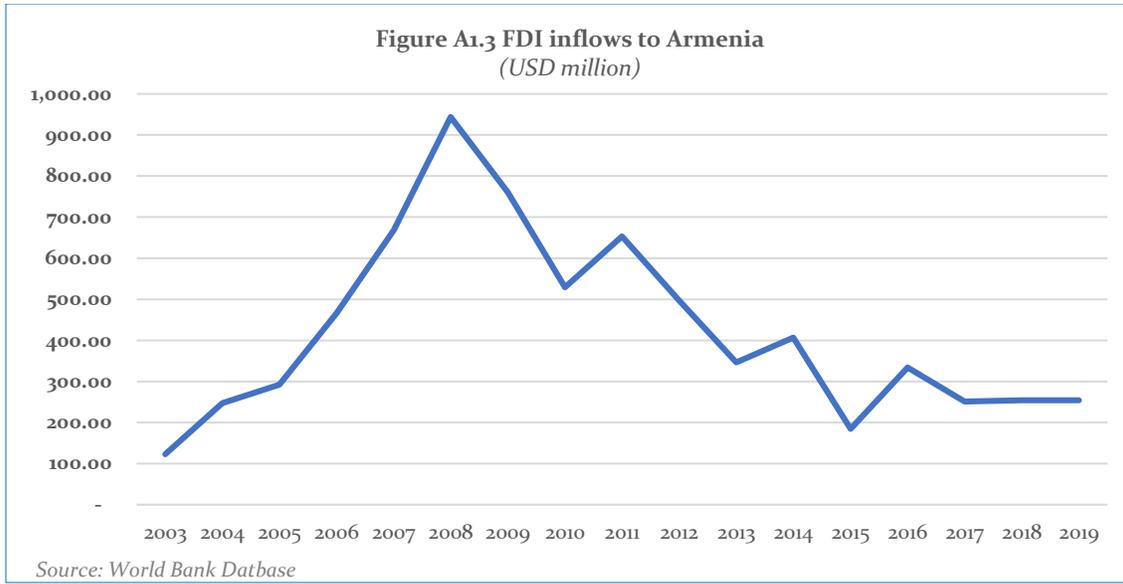
importance as the second contributor to job creation albeit a lower share (25 per cent in 2019 down from 39 per cent in 2010).



This structural transformation was underscored by a noticeable improvement in the industrial sector's contribution to income generation and job creation, stimulated by the new opportunities generated by regional integration efforts. As shown in figures A1.1 and A1.2, the industrial sector's share in GDP stood at 18 per cent in 2019 up from 13 per cent in 2008, while its share in total employment reached 14 per cent in 2019 up from 10 per cent in 2010 .

However, the industrial sector continues to be driven by extracting activities. The manufacturing sector is still evolving and is yet to achieve increased specialization in activities with high value-added, reflecting at once the limited role of ICT in driving innovation;<sup>79</sup> the enterprises' weak technological capabilities; and, the country's limited access to international transport routes. The manufacturing industries modest share in foreign direct investment (FDI) inflows is another factor. In 2019, FDI inflows were yet to regain their pre-financial crisis levels (Figure A1.3), and remained concentrated in mining, tourism and real estate and public utility services.

<sup>79</sup> For further details, see, for example, World Bank (2020), Realizing Armenia's High-Tech Potential (<https://openknowledge.worldbank.org/bitstream/handle/10986/33027/Realizing-Armenias-High-Tech-Potential.pdf?sequence=8&isAllowed=y>)



Under such conditions, working abroad continued to constitute an integral part of the Armenian labor market dynamics. Armenians still seek employment elsewhere, particularly in the Russian Federation, owing to the lack of job opportunities in domestic markets or as a way for improving the living conditions of their households.<sup>80</sup>

## A1.2 The trade sector

As shown in table A1.1, the period since 2015, which marks Armenia's access to the EAEU, has seen many manufacturing branches register an impressive export performance record. Exceptions were the textiles sector and the food industry, particularly meat and dairy producers, which registered a marked decrease in exports, suggesting difficult market access (in the case of meat producers) or fierce competition.

Products (HS 4)	2016	2019	Change
Railway or tramway locomotives, rolling stock and parts thereof	5,4	826,9	15213%
Aircraft, spacecraft and parts thereof	43,2	4475,4	10260%
Explosives; matches; certain combustible preparations	7,1	600,8	8362%
Cork and articles of cork	1,6	56,9	3456%

<sup>80</sup> Armstat, Household's Integrated Living Conditions Survey (2018), anonymised microdata database (<https://www.armstat.am/en/?nid=205>).

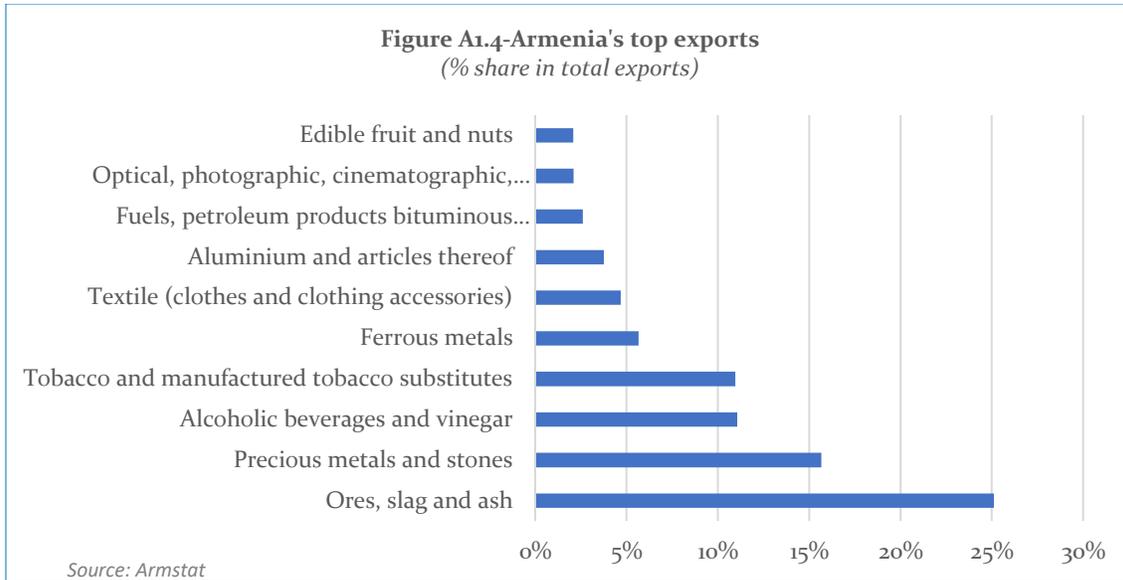
Products (HS 4)	2016	2019	Change
Pulp of wood or of other fibrous cellulosic material, waste and scrap of paper or paperboard	16,9	156,7	827%
Umbrellas, seat-sticks, whips, riding-crops and parts thereof	55,4	487,1	779%
Silk	3,2	22	588%
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments	9061,2	55787,7	516%
Live animals	1204,4	7410	515%
Fertilisers	2,5	14,7	488%
Cocoa and cocoa preparations	3296,3	18428,4	459%
Furniture; bedding, mattresses mattress supports, cushions and similar stuffed furnishings	1730,9	9388,8	442%
Manufactures of straw	0,1	0,5	400%
Miscellaneous chemical products	318,1	1466,2	361%
Inorganic chemicals; elements radioactive and isotopes	268,8	1134,8	322%
Rubber and articles thereof	309,4	1269,6	310%
Chemical staple fibres	111,8	419,4	275%
Other made up textile articles; sets; worn clothing and worn textile articles	592,4	2181,1	268%
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	9008	27683,9	207%
Fish and crustaceans, molluscs and other aquatic invertebrates	10157,8	26900,9	165%
Essential oils, perfumery, cosmetic or toilet preparations	882,7	2306,3	161%
Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	3083,4	8016,4	160%
Knitted clothes and clothing accessories	16183,2	41455	156%
Head-dress and parts thereof	221,9	552,6	149%
Ferrous metals	62293,5	149670,3	140%
Cereals	5,8	13	124%
Soap, organic surfaceactive agents, washing preparations, lubricating preparations, artificial waxes	196,8	429,1	118%
Prepared feathers and artificial flowers	5,3	10,8	104%
Paper and paperboard; articles of paper pulp	497,4	965,6	94%
Salt; sulphur; earths and stone; plastering materials, lime and cement	4748,7	8954,2	89%
Toys, games and sports requisites; parts and accessories thereof	440,4	812,4	84%
Edible fruit and nuts; peel	30097,7	55043	83%
Vehicle other than railway and parts thereof	15337,2	26103,8	70%
Clock and watches and parts thereof	23675,6	40289,4	70%
Glass and glassware	5893,3	9929,8	68%
Products of the milling industry; malt; starches inulin and other	84,5	141,1	67%

Products (HS 4)	2016	2019	Change
Alcoholic and non-alcoholic and vinegar	175960,8	293073,5	67%
Ores, slag and ash	400501,5	665129,5	66%
Tools, cutlery, spoons and forks, of non precious metal	248,6	407,3	64%
Pharmaceutical products	14107,2	23102	64%
Textile clothes and clothing accessories	76680,7	124164	62%
Miscellaneous foodstuffs	2351	3778,9	61%
<b>Total</b>	<b>1791723,7</b>	<b>2648582,8</b>	<b>48%</b>
Electrical machinery, equipment, parts there of sound recorders and reproducers and parts and access	12006,9	16945,9	41%
Preparations of vegetables, fruit, nuts or other parts of plants	19065,1	26452,1	39%
Tobacco and manufactured tobacco substitutes	209590	290458,6	39%
Plastics and articles there of	8968,7	12368,4	38%
Edible vegetables and certain roots and tubers	28688,3	39125,7	36%
Wadding, felt and non-twine, cordage, ropes and cables and articles there of wovens; special yarns	233	316,5	36%
Articles of ferrous metals	1852	2490,9	34%
Articles of leather and articles of animal gut	5828,5	7797,5	34%
Natural or cultured pearls, precious or semiprecious stones, precious metals	336939,6	414775,1	23%
Live trees and other plants; bulbs, roots and the like	6173,4	7516,8	22%
Aluminium and articles thereof	84907,9	99578,5	17%
Albuminoidal substances; modified starches; glues; enzymes	336,9	392,2	16%
Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial or medical plants;	416,2	475,2	14%
Coffee, tea and other spices	3874,6	4367,3	13%
Fuels, petroleum products bituminous substances; mineral waxes	65899,7	68877,3	5%
Dyes, pigments and colouring matter; varnishes; inks other	944,1	972,1	3%
Organic chemicals	310,2	319,3	3%
Photographic or cinematografic goods	1	1	0%
Ceramic products	875,2	817,8	-7%
Carpets and other textil floor coverings	450,9	409,2	-9%
Special woven fabrics; lace; tapestries; trimmings; embroidery	37,1	32,7	-12%
Miscellaneous articles of non-precious metal	1606,4	1412,4	-12%
Meat and edible meat offals	10087,7	8266,5	-18%
Preparations of cereals, flour starch or milk; pastrycooks' products	1409,7	1116,6	-21%
Chemical filaments	172,3	127,6	-26%
Sugar and sugar confectionery	1180,6	855,4	-28%
Footwear, gaiters and the like	2158,1	1546,7	-28%

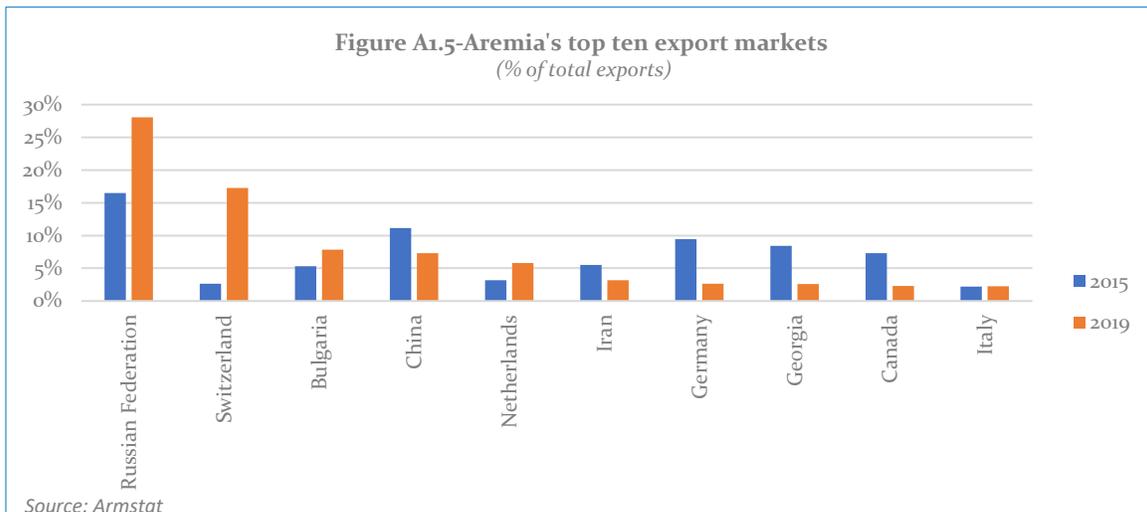
Products (HS 4)	2016	2019	Change
Products of animal origin, not elsewhere specified or included	71,3	50,3	-29%
Wood and articles of wood; wood charcoal	1545,5	1063,5	-31%
Milk and dairy products ; birds' eggs; natural honey; edible products of animal origin	13176	8716,3	-34%
Articles of stone, plaster, cement, asbestos, mica or similar materials	8474,4	5218,3	-38%
Leather and leather raw materials	1386,9	792	-43%
Impregnated, coated, covered or laminated textile fabrics; textile articles of kind suitable for ind	82,5	37	-55%
Works of art, collectors pieces, and antiques	1204,8	495,9	-59%
Books, newspapers, pictures and other products of the printing industry	922,5	266,9	-71%
Musical instruments; parts and accessories of such articles	20,9	5,4	-74%
Miscellaneous manufactured articles	15337,9	3037,7	-80%
Zinc and articles thereof	43,5	5,7	-87%
Cotton	643,3	78,5	-88%
Copper and articles thereof	65396,5	7463,8	-89%
Knited or crocheted fabrics	1592,8	157,3	-90%
Furskins and artificial fur manufactures thereof	889,8	82,3	-91%
Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal and veg	625	54,6	-91%
Residues and waste from the food industries; prepared animal fodder	626,5	51,2	-92%
Other non-precious metals, cermet, articles thereof	5853,5	2	-100%
Tin and articles thereof	0	84	
Vegetable textile material; paper yarn and wove	0	41,7	
Wool fine or coarse animal hair; horsehair yarn and woven fabric	0	3,6	

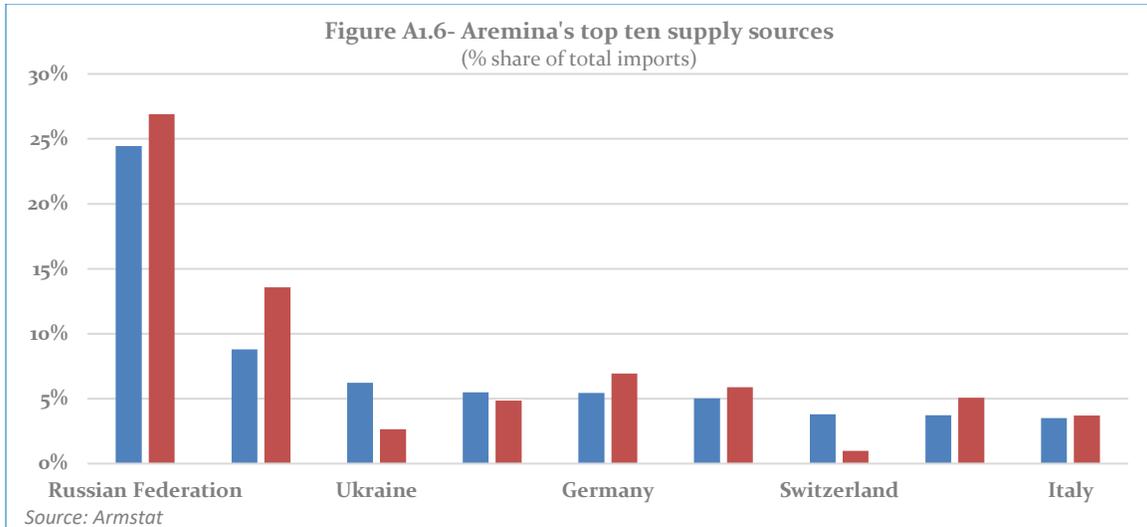
Source: Armstat

However, the new opportunities generated by Armenia's accession to the EAEU remain insufficient to shift exports away from extracting activities, with copper ore, and gold accounting for the largest segment of Armenia's exports in 2019 (Figure A1.4).

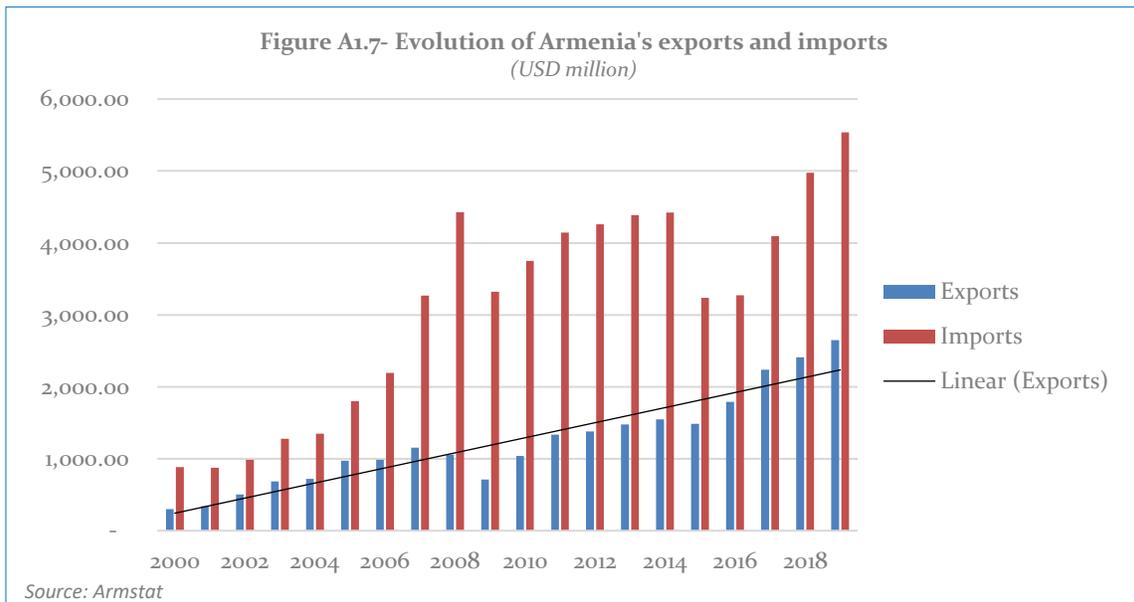


Moreover, trade remains heavily concentrated with a limited number of trade partners, namely China, the Russian Federation and Switzerland. The Russian Federation stood as a main outlet for Armenia's products in 2019, followed by Switzerland, with its share in Armenia's exports increasing by 12 per cent in relation to 2015 (Figure A1.5). The Russian Federation also stood as a main supply source, accounting for the largest segment of Armenia's imports in 2019, followed by China (Figure A1.6).





The above conditions of export concentration in products with low value-added, combined with Armenia's heavy reliance on international markets for sourcing raw material, have meant that imports continued to outstrip export growth (Figure A1.7). Armenia's trade deficit stood at around USD 2.9 billion in 2019 up from USD 1.8 in 2015.<sup>81</sup>



<sup>81</sup> Statistical Committee of the Republic of Armenia: <https://armstatbank.am/>

### A1.3 Modest steps towards specialization in knowledge intensive products

Armenia's structural transformation has involved increased specialization in knowledge-intensive products with high value-added. This is reflected in a cursory examination of the country's rankings against the product complexity index (PCI),<sup>82</sup> which shows a move away from agriculture.

As shown in table A1.2, Armenia's most complex exports belong to fabricated metals (particularly, equipment for soldering, brazing, or welding), transport equipment (particularly invalid carriages) and electrical equipment (electrical insulators of any material), which require a certain degree of technological sophistication. Other high PCI products include watch cases, clocks or watch parts, lamps, which require less advanced manufacturing processes, while the least complex exports belonging to agriculture (mushrooms and truffles).

**Table A.1.2- Armenia's top 10 knowledge-intensive products**

Products (Harmonized System, HS4)	Product complexity index
Equipment for soldering, brazing, or welding	1.20
Invalid carriages, wheelchairs, including motorized	0.84
Electrical insulators of any material	0.81
Watch cases and parts thereof	0.81
Lamps and lighting fittings, illuminated signs, etc.	0.76
Other clock or watch parts	0.74
Clasp, buckle, eye, etc. for clothing, footwear, bags	0.64
Aluminum foil of a thickness < 0.2mm	0.61
Monofilament (>1mm), rods, etc., of plastics	0.38
Mushroom, truffle, prepared or preserved, not vinegar	0.36

Source: *Observatory of Economic Complexity*<sup>83</sup>

There remains room for further improving the manufacturing sector's productive capacity. Moreover, except for watches and related parts, Armenia does not have a comparative advantage in all these products. Available indicators shows the country

<sup>82</sup> The PCI infers information about the diversity and sophistication of the productive know-how that went into manufacturing individual products. High PCI products use technologically sophisticated know-how and advanced manufacturing processes.

<sup>83</sup> Observatory of Economic Complexity (<https://oec.world/en/profile/country/arm>)

as enjoying a strong revealed comparative advantage in stone, plaster, cement and similar products, fabrics, clocks, watches and related parts, fur skins and artificial fur, and iron and steel; all of which had a revealed comparative advantage (RCA) higher than one.<sup>84</sup>

---

<sup>84</sup> Observatory of Economic Complexity (<https://oec.world/en/profile/country/arm>). The RCA indicates whether a country is specializing in products with trade potential. It is based on the idea that if a country exports more than the global average exports of a specific product, then the country has a comparative advantage in that product. If the RCA is higher than 1, then the country is said to have a comparative advantage in producing a certain good.

## Annex 2- The Armenian Government’s relief and support measures

Focus	Measure
<p><b>Tax Relief</b></p>	<ul style="list-style-type: none"> <li>• <b>Advance tax payment relief</b></li> </ul> <p>Exemption of advance tax payments for the second quarter of 2020. Further, advance tax payments for the third quarter of 2020 will be determined following a favorable method ( 20 per cent of corporate taxes for the previous year or 2 per cent of revenues registered during the previous quarter, at least). <sup>85</sup></p> <ul style="list-style-type: none"> <li>- In case of late payment of the tax, the amount of the penalty for each day of overdue is set at 0.04 per cent instead of the previously set 0.075 per cent.</li> <li>- Since April 21, 2020, the taxpayer or tax agent pays a penalty for each day of delay in the amount of 0.04 per cent, including also if the calculation of penalties started before the law entered into force.</li> <li>- The amount of unfulfilled tax liabilities for the taxpayer's property has been set at 1.5 million AMD instead of 500,000 AMD. Moreover, after the law enters into force the amount of 1.5 million AMD of unfulfilled tax liabilities is applied to impose a lien on the taxpayer's property.</li> <li>- The minimum period of amortization of fixed assets imported or acquired (under construction, to be processed) from July 1, 2020 to December 31, 2020 was set at the discretion of resident and non-resident (for profit) taxpayers operating in Armenia through a permanent establishment, but not less than one year.</li> </ul> <ul style="list-style-type: none"> <li>• <b>Customs duties</b></li> </ul> <p>As of 21 April 2020, the penalties for non-payment of customs duties were reduced to 0.04 per cent for each overdue day, instead of the previous 0.075 per cent as per the Presidential Decree “On Amendments and Addenda to the Tax Code of the Republic of Armenia”.<sup>86</sup></p>
<p><b>Enterprise support</b> <sup>87</sup></p>	<ul style="list-style-type: none"> <li>• <b>Subsidized loans (Government Decision No: 355-L of 26.03.2020)</b></li> </ul> <p>Beneficiaries: businesses entities (except for licensed activities, health, transport, education sectors and/or State-owned entities) co-financing of interest rates on bank loans taken out by the enterprises, refinancing and subsidized loans to cover running expenses</p>

<sup>85</sup> Armenia Provides Advance Tax Payment Relief for COVID-19: <https://www.orbitax.com/news/archive.php/Armenia-Provides-Advance-Tax-P-42683>

<sup>86</sup> <https://wiki.unece.org/display/CTRBSBC/Armenia>

<sup>87</sup> BDO (Binder Dijker Otte) Global – Armenia COVID-19: Fiscal and financial measures to support businesses and individuals <https://www.bdo.global/en-gb/microsites/covid-19-crisis-hub/countries-covid-19-map/armenia>:

Focus	Measure
	<ul style="list-style-type: none"> <li data-bbox="703 289 1382 317">• <b>Agri-credit (Government Decision No: 3560-L of 26.03.2020)</b> Co-financing of interest rates on bank loans taken out by the enterprises.</li> <li data-bbox="703 405 1479 558">• <b>Subsidized loans for SMEs (Government Decision No: 357-L of 26.03.2020)</b> Beneficiaries: SMEs involved in: 1) manufacturing; 2) accommodation and catering; 3) transportation and storage; 4) tourism services; 5) other customer services; 6) healthcare.</li> <li data-bbox="703 590 1479 743">• <b>Subsidized loans for micro, small and medium enterprises (employing 2-50 persons as per Government Decision No: 359-L of 26.03.2020)</b> Beneficiaries of the measure are provided with a one-time grant</li> <li data-bbox="703 774 1479 957">• <b>Support for employees and sole proprietors (Government Decision No: 412- L of 30.03.2020)</b> Lump-sum allowances for employees and sole proprietors engaged in highly affected sectors (except retail services under which food, tobacco, drugs, or alcohol are sold)</li> <li data-bbox="703 989 1479 1142">• <b>Support for micro enterprises (Government Decision No: 500-L of 09.04.2020)</b> One-time assistance in an amount of 10% of the turnover of goods, services provided in the first quarter of 2020, but not more than twice the minimum wage, and not less than AMD 10,000.</li> <li data-bbox="703 1173 1479 1327">• <b>Support for high-tech companies (Government Decision No: 714-L of 07.05.2020)</b> One-time grant, after winning the bid, carried out by an independent professional tender commission.</li> <li data-bbox="703 1358 1479 1575">• <b>Grants for enterprises employing 2-100 persons (Government Decision No: 726- L of 12.05.2020)</b> One-time grant, calculated based on a pre-determined formula, which within the period of February 1, 2020, to April 30, 2020, had 2 to 100 employees and the actual fund of income did not decrease during the mentioned period, or the decrease was not more than 5 per cent. Sectoral limitations are applicable to legal entities.</li> <li data-bbox="703 1606 1479 1822">• <b>Support for innovative activities (Government Decision No: 854-L of 27.05.2020)</b> Beneficiaries: private enterprises. Support in a form of 75% of interest-free financial resources for a period of 8 years and 25% as grants. The purpose of this measure is to enhance entrepreneurship and innovative business plans.</li> </ul>

Focus	Measure
	<ul style="list-style-type: none"> <li>• <b>Grants for enterprises employing 2-100 persons (Government Decision No: 363-L of 15.06.2020)</b> One-time grant, calculated based on a pre-determined formula, for the period of 1.03.2020, to 31.05.2020.</li> <li>• <b>Subsidized loans for enterprises involved in grape processing and grape procurement activities (Government Decision No: 1355-L of 19.08.2020)</b>  Subsidized interest rates on bank loans for the purpose of obtaining raw materials and machinery equipment.</li> <li>• <b>Grants for supporting the tourism sector (Government Decision No: 1358- L of 13.08.2020)</b>  Monthly grants to businesses established before 31.03.2020. At least 50 per cent of economic activities must be in the spheres of accommodation, public catering, travel agencies and other related services. Monthly grants will be provided until March 2021.</li> <li>• <b>Assistance to employees in the private sector based on civil contract and sole proprietors (Government Decision No. 983-L of 18.06.2020)<sup>88</sup></b>  Lump-sum amount (equivalent to the minimum wage) in 13 Covid-19 affected sectors, including hotels; public catering services; tourism services; pre-school education (private kindergartens); sports (sports clubs, swimming pools); and entertainment.</li> </ul>
<b>Employment</b>	<ul style="list-style-type: none"> <li>• <b>One-time cash payments (Government Decision No:412-L of 30.03.2020)</b> <ul style="list-style-type: none"> <li>- If the average monthly salary of the employee (calculated for January and February 2020) exceeds the size of minimum wage, then in the amount of 50 percent of the average monthly salary calculated for hired employee for January and February 2020, but at least the size of minimum wage and no more double size of minimum wage.</li> <li>- If the average monthly salary of the employee (calculated for January and February 2020) is less than the size of minimum wage, then in the amount of the average monthly salary calculated for hired employee for January and February 2020.</li> <li>- For individual entrepreneurs in the amount of 10 percent of turnover of realization for the 4th quarter 2019, but no more double size of minimum wage.</li> </ul> </li> <li>• <b>Temporary employment in the agricultural sector (Government Decision No: 642-L as of 30.04.2020)</b> Within the framework of the measure, “Hayantar State Non-Commercial Organization”, “Wildlife and Cultural Preservation Foundation”, “ATP Charitable Foundation” will organise the establishment of river protection forest layers in the highlands of the Republic of Armenia.</li> </ul>

<sup>88</sup> See also Government Decision No.1549-L of 22.09.2020.

Focus	Measure
	<ul style="list-style-type: none"> <li>• <b>Assistance to employees (Government Decision No: 983- L as of 18.06.2020)</b> Assistance provided in a lump-sum amount in the amount of minimum wage in 13 Coronavirus-affected sectors of economies: hotel-guest services; public catering services; tourism services; pre-school education (private kindergartens); activities in the field of sports (sports clubs, swimming pools); other entertainment activities of organising recreation; activity of cinemas; Activities in the field of photography; renting cars or other items; educational activities in the field of culture, music, sports, dance; services in the field of organising creative, art and spectator performances; casino services; social services for people in need of health rehabilitation by providing accommodation.</li> <li>• <b>Support to employees affected by the pandemic (Government Decision No: 1038-L as of 25.06.2020)</b> Lump-sum support is provided in an amount of minimum monthly salary to natural persons, who were employed for 85 calendar days within a period of 1.01.2020, to 30.03.2020, who lost a job within a period of 31.03.2020, to 1.06.2020, and did not find another job.</li> </ul>
<b>Economic stimulus</b>	<p><b>Base rate applicable to short-term monetary policy operations was reduced by:<sup>89</sup></b></p> <ul style="list-style-type: none"> <li>- 25 per centage points on 17 March 2020 from 5.25 to 5.00 per cent.</li> <li>- 0.50 per centage points on 16 June 2020 to 4.50 per cent.</li> <li>- 0.25 per centage points on 15 September 2020 to 4.25 per cent.</li> </ul>
<b>Social support <sup>90</sup></b>	<ul style="list-style-type: none"> <li>• <b>Families with children under 14 years of age (Government Decision No: 358-L as of 16.3.2020)</b> Lump-sum allowance in an amount of AMD 100, 000 for each child with parents who have lost their jobs following the outbreak of the pandemic.</li> <li>• <b>Families with children aged 0-18 (Government Decision No: 427-L as of 02.04.2020)</b> Lump-sum allowance is paid for each child, in an amount of AMD 26,500.</li> <li>• <b>Individuals who lost a job (Government Decision No: 410- L as of 30.03.2020)</b> Citizens who lost their job from 13.03.2020, to 30.03.2020, are eligible for lump-sum assistance in an amount of AMD 68,000 if they had a registered job from 1.01.2020, to 13.03.2020.</li> </ul>

<sup>89</sup> Armenia Key Rates: <https://countryeconomy.com/key-rates/armenia>

<sup>90</sup> BDO Global – Armenia COVID-19: Fiscal and financial measures to support businesses and individuals <https://www.bdo.global/en-gb/microsites/covid-19-crisis-hub/countries-covid-19-map/armenia>

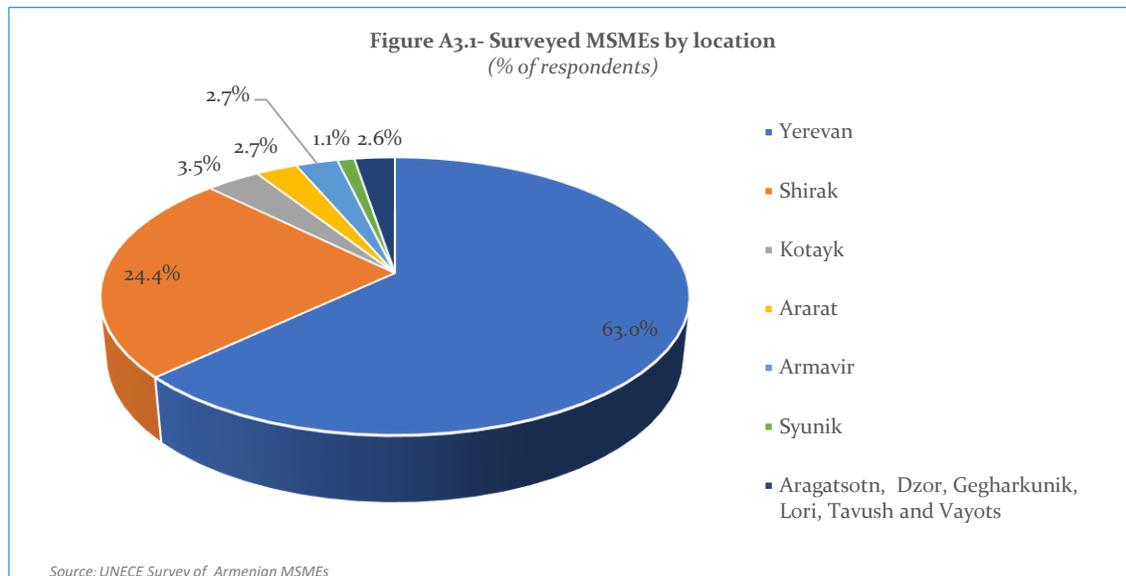
- **Pregnant women (Government Decision No: 411-L as of 30.03.2020)**  
Lump-sum allowance in an amount of AMD 100,000 is paid, if the women and the husband are unemployed as of 30.03.2020. The beneficiary of the measure is also a pregnant woman who is not employed as of 30.03.2020, does not have a husband.
- **Households: subsidized natural gas and electricity bills**
  - **Government Decision No: 542-L as of 13.04.2020**  
Households with gas consumption bill amounts to AMD 10,000 in February 2020 will receive financial assistance in an amount of 50% of the payment. Resident customers whose electricity consumption bill amounts to AMD 5 000 (except in non-gasified settlements) in February, will receive financial assistance of 50% of the payment.
  - **Government Decision No: 550-L as of 14.04.2020**  
Households with natural gas consumption bill amounts from AMD 10,000 to AMD 30,000, in February will receive financial assistance in an amount of 30% of the payment. Resident customers whose electricity consumption bill amounts from AMD 5,000 to AMD 10,000 in February, will receive financial assistance of 50% of the payment.
  - **Government Decision No: 658-L as of 04.05.2020**  
Households with natural gas consumption bill amounts from AMD 30,000 to AMD 40,000 in February will receive financial assistance in an amount of 30% of the payment. Resident customers whose electricity consumption bill amounts from AMD 10,000 to AMD 25,000 (except in non-gasified settlements) in February will receive financial assistance of 50% of the payment. 50% of the payment for the drinking water supply, sewage removal will also be covered in March 2020.
- **Disadvantaged families (Government Decision No: 557-L as of 16.04.2020)**  
Individuals eligible to family and social allowances as of April 20, 2020 are the beneficiaries of the measure. Assistance may be provided in an amount of 50% of the social benefits, from which 70% in cash, 30 % as a payment of energy bill, which is automatically transferred to the supplier of services, by the Government.
- **Student tuition fees reimbursement (Government Decision No: 357-L as of 16.04.2020)**  
Assistance provided through reimbursement of 100% tuition fees for graduate students in the second semester of 2019-2020 academic year, 75% tuition fee reimbursement provided to all students for the second semester of 2019-2020 academic year, 5% interest rate subsidy assigned on students loans for the period of 1.05.2020 to 31.12.2020.

## Annex 3-Profile of the surveyed MSMEs

The assessment draws on a survey of 370 MSMEs from across Armenia, including 178 manufacturing enterprises and 115 enterprises involved in domestic trade and retail. This annex provides a breakdown of these enterprises by location, size and economic activity.

### A3.1 Location

Mirroring the country wide spatial distribution of enterprises, the region of Yerevan accounted for the largest share of the surveyed MSMEs.<sup>91</sup> The region of Shirak was home for the second largest segment, followed by the regions of Kotayk, Ararat and Armavir (Figure A3.1).



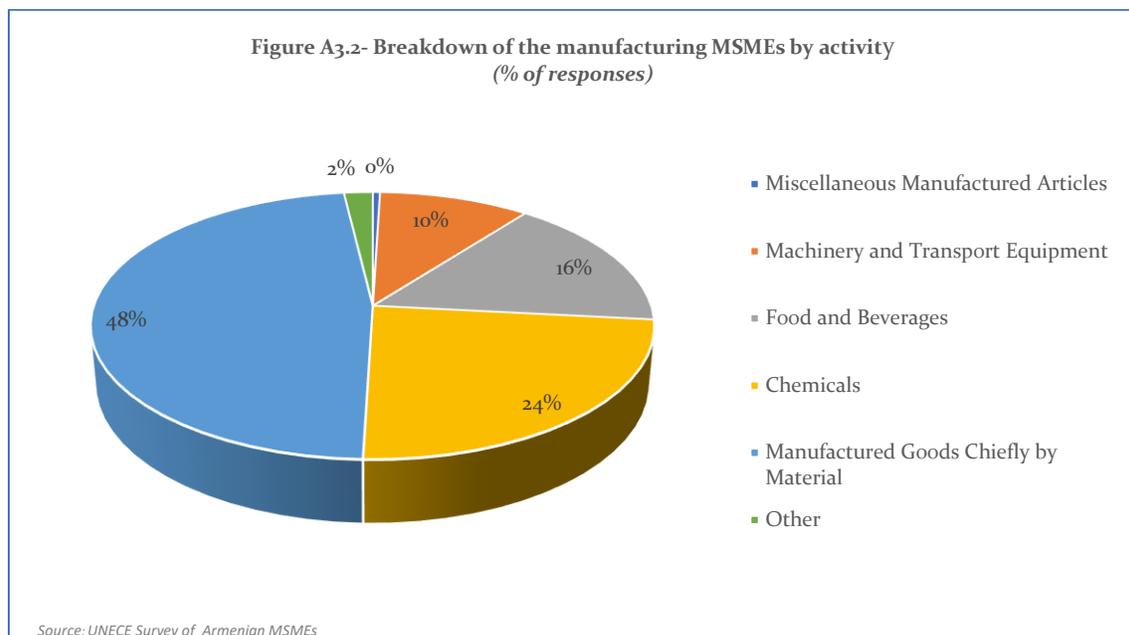
<sup>91</sup>The region of Yerevan accounted for 52 per cent of total registered enterprises in 2020. A breakdown of the distribution of enterprises by region is available at: [armstat.com](http://armstat.com)

### A3.2 Size

Micro enterprises, employing fewer than 10 persons, represented the largest segment of the surveyed enterprises accounting for 43 per cent, followed by small enterprises, employing between 10 and 49 persons (29 per cent) with medium enterprises employing between 50 and 249 persons accounting for the remaining balance (27 per cent).<sup>92</sup>

### A3.3 Economic activities

The majority of the MSMEs belonged to the manufacturing sector. These represented 62 per cent of the surveyed enterprises. MSMEs engaged in trade and domestic retail represented the second largest segment (37 per cent), with agricultural enterprises involved in harvesting and animal husbandry accounting for the remaining balance (1 per cent). As shown in figure A3.2, the manufacturing enterprises represented strategic sectors, including miscellaneous manufactured articles; machinery and transport equipment; food and beverages; and chemicals.



<sup>92</sup> The classification of MSMEs follows the EU Commission Recommendation 2003/361/EC “Concerning the Definition of Micro, Small and Medium-sized Enterprises”.

## Annex 4- National lockdown and health protection measures<sup>93</sup>

Focus	Measure
<p><b>Travel restrictions</b></p>	<p><b>Ban on entry of foreign nationals by air, imposed on 16 March 2020, <sup>94</sup> and gradually lifted:</b></p> <p><b>Regular flights from Moscow to Yerevan were resumed on 15 May 2020</b>, allowing Armenian citizens to return subject to mandatory self-isolation. From 28 July, the following people can be exempted from self-isolation subject to undergoing a paid PCR test within 24 hours of arrival.:</p> <ul style="list-style-type: none"> <li>- those who arrive as part of foreign delegations, official and/or working visits.</li> <li>- representatives of diplomatic missions, consular posts, their family members, as well as representatives of international organizations, their family members.</li> <li>- persons invited based on urgent needs for health, military and security, economic production.</li> <li>- those who arrive to perform work or provide services within the framework of state infrastructure projects.</li> <li>- those who arrive based on a permit on other exclusive grounds granted by the Armenian Government.</li> </ul> <p><b>The ban on the entry of foreign nationals by air was lifted on 12 August 2020<sup>95</sup></b> Asymptomatic travelers can choose to either to self-isolate for 14 days or take a polymerase chain reaction (PCR) test. <sup>96</sup></p> <p><b>Foreign nationals arriving from highly affected countries are denied entry by air</b></p> <p><b>Foreign nationals are prohibited to enter the country by land.</b> Exceptions are family members, diplomats, cargo drivers, and individuals attending a funeral of a close family member. These must undergo a 14-day quarantine and submit a PCR test.</p>

<sup>93</sup> Updates are published on Armenia’s National Center for Disease Control institutional website (<https://ncdc.am/>)

<sup>94</sup> Government Decision No. 298-N as of 16.3.2020 in effect until 12.09.2020 (<https://www.gov.am/en/covid-travel-restrictions/>)

<sup>95</sup> Government Decision No. 298-N as of 13 June 2020 (<https://www.worldaware.com/covid-19-alert-armenia-extends-state-emergency-until-june-13-easing-some-restrictions-may-18>)

<sup>96</sup> A list of COVID-19 testing laboratories in Armenia is available at: <http://www.zvartnots.aero/EN/News?ID=3156>

Focus	Measure
<p><b>Limitations on public gatherings</b></p>	<p><b>Bans of public gatherings of more than 20 persons</b><sup>97</sup>  The measures heavily restricted any public gatherings including protests, religious events, concerts, weddings, and funerals,</p>
<p><b>Closure of schools</b></p>	<p><b>Closure of schools and the transition to distance learning programs (16.03.2020 - 11.09.2020)</b><sup>98</sup>  As of 11.09.2020, schools were allowed to re-open following government-mandated guidelines developed by the Health Ministry's Expert Anti-Epidemic Consulting Group for the Fight Against COVID-19 and based on protocols set by the WHO.</p>
<p><b>Closure of non-essential businesses</b> <sup>99</sup></p>	<p><b>This measure covered public transport, retail (i.e. hair salons, clothing stores, etc.), gyms, cultural and educational institutions, shopping malls and restaurants.</b> These businesses were closed as of 16 March 2020.</p> <p><b>As of 13 April, the following sectors were allowed to resume activities:</b></p> <ul style="list-style-type: none"> <li>- Tobacco production.</li> <li>- Production of cement, lime, gypsum and plaster.</li> <li>- Manufacture of concrete, cement and gypsum structures.</li> <li>- Production of metal structures and their parts.</li> <li>- Construction that is near completion phase.</li> <li>- Engineering activities and related technical consultations.</li> </ul> <p><b>From midnight on 22 April, the following sectors were allowed to resume activities:</b></p> <ul style="list-style-type: none"> <li>- Most manufacturing industry.</li> <li>- Most wholesale and retail trade, car and motorcycle repair.</li> <li>- Information and communication (book publishing; production of TV programmes, etc.).</li> <li>- Real estate.</li> <li>- Professional, scientific, and technical activities,</li> <li>- Administrative and ancillary services,</li> <li>- Some services (trade union activities; repair of household electronic devices, appliances, and computers; home gardening).</li> </ul>

<sup>97</sup> Government Decision No. 298-N as of 16.03.2020 until 11.01.2021 (<https://eurasianet.org/armenia-institutes-covid-19-state-of-emergency>) and (<https://www.rferl.org/a/30834006.html>)

<sup>98</sup> Government Decision No. 298-N as of 16.3.2020 until 11.09.2020 (<https://oc-media.org/as-covid-19-numbers-stabilise-armenia-goes-back-to-school/>)

<sup>99</sup> WHO (<https://www.covid19healthsystem.org/countries/armenia/livinghit.aspx?Section=6.%20Measures%20in%20other%20sectors&Type=Chapter>)

Focus	Measure
	<p><b>The Government further eased restrictions as of 18 May 2020</b>, resuming public transport services and allowing some shopping centers, cultural sites, gyms, and kindergartens to reopen.</p>
<p><b>Mandatory mask wearing and social distancing</b></p>	<p>Face masks are not mandatory in open areas unless activities involve organized group tours. Otherwise, face masks are mandatory, and violators are fined in the amount of AMD 10,000. Children under the age of six, as well as individuals with certain health conditions are exempted from this requirement.<sup>100</sup></p>

---

<sup>100</sup> Government Decision No. 298-N as of 16.03.2020 (<https://armenpress.am/eng/news/1025002.html>)

Focus	Measure
<p><b>Travel restrictions</b></p> <p><b>16.03.2020 - 12.09.2020</b></p>	<ul style="list-style-type: none"> <li>• <b>Entry restrictions on travelers arriving from highly affected countries<sup>101</sup></b> <ul style="list-style-type: none"> <li>- Armenian citizens and their family members;</li> <li>- Foreign nationals with residency permits in Armenia;</li> <li>- Representatives of diplomatic missions, consular establishments, international organizations and their family members;</li> <li>- Other special cases that may be envisaged by the Commandant based on the epidemiological situation in a specific country (region).</li> </ul> </li> <li>• <b>Foreign nationals arriving from highly affected countries are denied entry. The list of countries, which is constantly revised, included Australia, Canada, China, Georgia, Iran, Israel, Japan, the Russian Federation, South Korea, Turkey, the United Kingdom, the US, all EU countries, Iceland, Liechtenstein, Norway, and Switzerland.</b></li> <li>• <b>Easing of travel restrictions<sup>102</sup></b> <ul style="list-style-type: none"> <li>- 14 days self-isolation for travelers arriving from highly affected countries.</li> <li>- Exceptions to this rule may be applied to travelers who has taken a polymerase chain reaction test for the coronavirus disease (COVID-19) during the period of self-isolation.</li> <li>- Self-isolated individuals can only be allowed entry after registering the negative test results in the national database.</li> </ul> </li> </ul>
<p><b>Limitations on public gatherings</b></p> <p><b>16.03.2020 - 11.01.2021</b></p>	<ul style="list-style-type: none"> <li>• <b>Bans of public gatherings of more than 20 persons<sup>103</sup></b> The measures heavily restricted any public gatherings including protests, religious events, concerts, weddings and funerals.</li> </ul>
<p><b>School closures</b></p> <p><b>16.03.2020 - 11.09.2020</b></p>	<ul style="list-style-type: none"> <li>• <b>Closure of schools and the transition to distance learning programs<sup>104</sup></b> As of 11.09.2020, schools were allowed to re-open following government-mandated guidelines developed by the Health Ministry's Expert Anti-Epidemic Consulting Group for the Fight Against COVID-19 and based on protocols set by the World Health Organisation for schools.</li> </ul>

<sup>101</sup> Government Decision No. 298-N as of 16.3.2020 in effect until 12.09.2020 (<https://www.gov.am/en/covid-travel-restrictions/>)

<sup>102</sup> Government Decision No. 298-N as of 13 June 2020 (<https://www.worldaware.com/covid-19-alert-armenia-extends-state-emergency-until-june-13-easing-some-restrictions-may-18>)

<sup>103</sup> Government Decision No. 298-N as of 16.03.2020 until 11.01.2021 (<https://eurasianet.org/armenia-institutes-covid-19-state-of-emergency>) and (<https://www.rferl.org/a/30834006.html>)

<sup>104</sup> Government Decision No. 298-N as of 16.3.2020 until 11.09.2020 (<https://oc-media.org/as-covid-19-numbers-stabilise-armenia-goes-back-to-school/>)

<p><b>Closure of non-essential businesses</b></p> <p><b>16.03.2020 - 18.05.2020</b></p>	<ul style="list-style-type: none"> <li>• <b>Closure of non-essential businesses<sup>105</sup></b> Public transport, retail businesses (i.e., hair salons, clothing stores, etc.), gyms, cultural institutions, large retail shops (i.e. malls) and restaurants.</li> </ul>
<p><b>Mandatory face masks and social distancing</b></p> <p><b>16.03.2020 -14.08.2020</b></p>	<ul style="list-style-type: none"> <li>• <b>Face masks and social distancing<sup>106</sup></b> Face masks are not mandatory in open areas unless activities involve organized group tours. Otherwise, face masks are mandatory. Failure to comply means potential fines of 10,000 AMD. Children under the age of six, as well as individuals exercising or riding bikes, are exempted from this requirement, as are individuals with certain health conditions.</li> </ul>

---

<sup>105</sup> Government Decision No. 298-N as of 16.03.2020 (<https://www.worldaware.com/covid-19-alert-armenia-extends-state-emergency-until-june-13-easing-some-restrictions-may-18>)

<sup>106</sup> Government Decision No. 298-N as of 16.03.2020 (<https://armenpress.am/eng/news/1025002.html>)