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COVID Brief: Accountability of the COVID Fiscal Response in Armenia



Cover graphic: Sergey Demushkin / Noun Project

Introduction

The dual crisis of the COVID-19 pandemic and Nagorno-Karabakh war have had a significant impact on Armenia and the region more broadly. The first confirmed COVID-19 case in Armenia was confirmed on March 1, 2020. Subsequently, a state of emergency was announced 15 days later.

The declaration of the state of emergency on March 16, 2020, kicked off the formulation of specific measures aimed at countering the economic and social consequences of COVID-19. On March 26, the Executive established the Comprehensive Program on the Measures (Actions) for Countering the Consequences of Coronavirus and announced the first five social and economic measures in the program. In total, the Armenian government adopted 25 such measures, all through government decrees (the last of which was adopted on September 22, 2020). Following the war with neighboring Azerbaijan over Nagorno-Karabakh, on September 27, almost all the measures were stalled.

The assistance package for addressing the consequences of COVID-19 is estimated at USD 300 million. The National Assembly subsequently approved a draft to address some of the limits stated in the Law on the 2020 State Budget. This allowed the Executive to overcome the limits of government reserve funds and limits on re-allocation, to increase the nominal size of the budget deficit (by about 320 billion Armenian Drams or by around USD 660 million), as well as allowing for the use of additional income sources, including foreign sources, to cover that deficit.

Confidence in the government was shaken following the war and Armenia called for early elections on June 20, 2021. The elections were held against the backdrop of existing tensions following a months-long political crisis fueled by the defeat of Armenian forces against Azerbaijan in a six-week war over Nagorno-Karabakh from September 27, 2020 to November 10, 2020.

The party of acting PM Nikol Pashinyan won the snap election. The Organization for Security and Co-operation in Europe International Election Observation called the elections free and fair. The head of Armenia's Central Electoral Commission, Tigran Mukuchian, said the election "on the whole" was conducted in line with local rules and regulations.

A new cabinet was formed in August 2021, and the newly formed government submitted the budget for fiscal year 2022 by October of 2021. The budget was eventually adopted on December 9, 2021, before the start of the fiscal year.

Even during terrible crises, accountability can work if everyone does their part in an open and collaborative effort. An urgent and speedy response does not have to come at the expense of accountability.

How open and accountable has the COVID-19 response been in Armenia?

Responding in an open and accountable manner to the pandemic is not only a way for the government to show its commitment to the well-being of its citizens, but also an acknowledgment that open budgets have real benefits, from reducing the risk of corruption to ensuring more equitable and effective policy outcomes. In other words, shortcuts and limitations are neither necessary nor inevitable. Even during terrible crises, accountability can work if everyone does their part in an open and collaborative effort. An urgent and speedy response does not have to come at the expense of accountability.

The International Budget Partnership (IBP) worked with civil society partners across 120 countries, including Transparency International Anti-corruption Center NGO (which is Transparency International's official chapter in Armenia) analyze how governments managed their initial COVID-19 fiscal policy responses. IBP's goal was not just to assess how governments fared, but also to generate lessons on how they can respond better, both to the ongoing COVID-19 crisis and to future ones. This rapid assessment of emergency fiscal policy packages – sets of policy initiatives aimed at addressing the impact of the COVID-19 emergency – focused on three critical pillars of accountability: public access to relevant information, adequate oversight arrangements, and opportunities for citizen engagement.

Levels of accountability in early COVID-19 fiscal policy responses

	No. of countries (out of 120)	Countries
Substantive	0	
Adequate	4	Australia, Norway, Peru, Philippines
Some	29	Bangladesh, Brazil, Bulgaria, Canada, Chile, Colombia, Costa Rica, Croatia, Fiji, France, Germany, Indonesia, Italy, Jamaica, Japan, Kyrgyz Republic, Mongolia, New Zealand, Nigeria, Paraguay, Poland, Portugal, Sierra Leone, Slovakia, Slovenia, South Africa, Sweden, United Kingdom, United States
Limited	55	Afghanistan, Angola, Argentina, Armenia , Azerbaijan, Bolivia, Bosnia and Herzegovina, Botswana, Cameroon, China, Côte d'Ivoire, Czech Republic, Dominican Republic, Ecuador, El Salvador, Georgia, Ghana, Guatemala, Honduras, Jordan, Kazakhstan, Kenya, Lesotho, Liberia, Macedonia, Madagascar, Malaysia, Mali, Mexico, Moldova, Mozambique, Namibia, Nepal, Nicaragua, Niger, Pakistan, Papua New Guinea, Romania, Russia, Rwanda, Senegal, Serbia, Somalia, South Korea, Spain, Sri Lanka, São Tomé e Príncipe, Thailand, Timor-Leste, Togo, Trinidad and Tobago, Uganda, Ukraine, Vietnam, Zambia
Minimal	32	Albania, Algeria, Benin, Burkina Faso, Burundi, Cambodia, Chad, Comoros, Dem. Rep. of Congo, Egypt, Equatorial Guinea, Eswatini, Ethiopia, Hungary, India, Iraq, Lebanon, Malawi, Morocco, Myanmar, Qatar, Saudi Arabia, South Sudan, Sudan, Tajikistan, Tanzania, The Gambia, Tunisia, Turkey, Venezuela, Yemen, Zimbabwe

Key Findings

1. Limited overall transparency of the stimulus and response packages

Despite good public information on emergency fiscal policy proposals, this was not followed up by any reporting on policy implementation. The Armenian government provided minimal information on the implementation of the COVID response package or on procurement, making it difficult to assess whether the country was getting value for money in purchases of medical equipment or other goods and services. The government also published scant information on actual versus planned spending or on financing and performance of contractors.

Transparency on implementation provides a way to understand how policies have been carried out and what has been achieved. The lack of public reporting on the implementation of the stimulus packages and related policy initiatives hampers efforts to hold government accountable for the effectiveness of its crisis response. There is scope for following up on the emergency package in the same format as monthly or quarterly reports.

Armenia's scorecard for transparency in its COVID-19 fiscal and policy response

Transparency	Limited
Introduction of the package	Limited
Macroeconomic and aggregate budget info	Limited
Policy measures	Adequate
Recipients and performance	Limited
Sources of financing	Minimal
Extrabudgetary funds	Not applicable
Implementation of the package	Limited
Reporting on execution	Limited
Extrabudgetary funds	Not applicable
Procurement	Minimal

2. Minimal citizen engagement in formulation and implementation

Citizen participation in the formulation and execution of the COVID fiscal and policy responses did not take place, excluding the public from having a voice in decisions on priority-setting during the pandemic, and depriving the government of meaningful contributions.

Armenia's scorecard for participation in its COVID-19 fiscal and policy response

Participation	Minimal
Public participation	Minimal

3. Oversight by the legislature and national audit office was minimal

During the period covered by this study, oversight by the Armenian National Assembly (legislature) and the Audit Chamber of the Republic of Armenia, which is Armenia's supreme audit institution, was minimal.

There was no discussion or review in parliament of the government's 25 local decrees that formed the emergency package, nor was there parliamentary oversight of their implementation. In general, by approving the introduction of the state of emergency, the Armenian National Assembly excluded itself from the review and oversight of the emergency package. At the same time, some MPs, mainly from opposition factions, used their powers to submit oral or written inquiries to the Executive calling for monitoring of the implementation of the package. MPs could also monitor the implementation by analyzing in-year and year-end reports on the execution of the state budget, though this type of monitoring is complicated because the reports do not specify the execution of the emergency package (the execution reports only look at the execution of the budgetary programs and their actions, and the measures contained in the emergency package were not formulated as specific programs or actions).

The absence of specific budgetary programs and actions for the emergency package measures also did not allow the Audit Chamber to audit them separately. Information on the audit of those measures could be extracted from the audit results of relevant state institutions, primarily the Ministry of Health, Ministry of Finance, Ministry of Labor and Social Issues, and the Office of the Prime Minister.

The lack of proactive steps on the part of National Assembly and Audit Chamber can mainly be explained by a long history of heavy domination by the Executive branch of the government over its other branches and independent bodies in Armenia.

These are two important accountability institutions and could be even further strengthened in their accountability roles by increasing the amount of information available to them and including opportunities for public engagement in monitoring of implementation.

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Recommendations

Ensuring transparency, participation, and oversight now and over the long term is crucial both for accountability and the effective and equitable use of precious resources. It is imperative to address the accountability shortcomings of COVID-19 fiscal and policy responses, both during the crisis and beyond. In light of this, we call on the Armenian government to work with state and non-state actors to take the following steps:

1. Engage citizens in the development of emergency policy responses

Good policy making ensures that governments collect the public's assessment of emergency policies and uses such feedback mechanisms to improve subsequent emergency policy response. Such efforts by government can go a long way in building trust – a necessary component if citizens are to follow public-interest guidelines such as mask wearing or vaccinations campaigns.

- Include the public's input in decision-making on the formulation and implementation of the stimulus and response packages, especially from those most impacted by the crisis.
- Establish feedback mechanisms from the main beneficiaries of the packages to assess its uptake and effectiveness.
- Incorporate citizens feedback in the development and design of subsequent emergency policy responses.

2. Commit to informing citizens about the execution of emergency funds and publishing pandemic-related procurement contracts

- Publish monthly progress reports on the implementation of measures contained in the emergency package, including data and analysis on budget execution and performance, disaggregated by impact on marginalized groups, including women and girls.
- Disclose all details related to procurement contracts and beneficial ownership of companies – wherever possible in open formats.

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3. Strengthen legislative oversight and auditing of emergency spending

- Empower the Supreme Audit Institution to conduct expedited audits on emergency spending programs, and ensure the government takes remedial measures in response to audit findings.
- Restore the role of the legislature as keeper of the public purse, including approving expenditures, consulting with the public and interest groups, monitoring policy implementation, and following up on audit findings.
- Ensure that the audit findings are acted upon swiftly and that substantive audit follow-up is strengthened beyond the emergency.

4. Set and extend standards for transparency and accountability during times of emergency, including during wars

- Introduce and/or review and update the legal and regulatory framework to clarify roles, responsibilities, and approaches to be adopted during times of crisis, for example in the areas of resource management, procurement, oversight, and participation.

While COVID-19 is a once-in-a-lifetime global health crisis, countries face other crises from time to time. These could be in the form of natural disasters, internal unrest, or border clashes. Standards for transparency and accountability should be adhered to even during times of crisis.

Transparency International Anticorruption Center's mission is to promote good governance in Armenia through reducing corruption and strengthening democracy.
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