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**The Impacts of COVID-19 in the South Caucasus Region:
Consequences and Perspectives**

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Abstract

The COVID19 outbreak has presented some challenges to economies worldwide including the South Caucasus region. The research is focused on the economic impacts, government actions and the support received by SME's and economic sectors in the region during the pandemic. The crisis has caused humanitarian, political and economic problems all around the world. Several economic sectors had to suspend their operations and experienced a decline in revenues. The closure of entities caused rise in unemployment levels which led to an increase in loss of income and inequality. The most affected sectors such as tourism, SMEs, trade and pharmaceutical sectors are discussed in the paper. Additionally, economic development of three countries between 2018-2022 is analysed in aim to compare pre-pandemic and post-pandemic economy of the region. The findings reveal the response to access to healthcare, economic and entrepreneurial support. The paper provides a brief overview of the responses of Azerbaijan, Georgia and Armenia. This research was conducted due to a noticeable gap in available information regarding the region's experience and response measures to the crisis. The understanding of socio-economic dimensions of COVID-19 is necessary to ensure more sustainable recovery in the post pandemic period.

Keywords: COVID-19, Azerbaijan, Armenia, Georgia, South Caucasus, economy.

Introduction

Coronavirus disease, caused by the novel virus SARS-CoV-2, significantly impacted countries around the world in late 2019. The virus primarily spreads in crowded indoor settings through face-to-face contact, for example, at a conversational distance. Touching surfaces or objects that have been contaminated by the virus potentially puts people at risk. In order to reduce the risk of getting the virus, it is advised to follow local guidance. Keeping the distance, wearing a mask, avoiding crowded places, and getting vaccinated can minimize the chance of contracting the virus. To promote these measures, countries implemented some strategies, such as media campaigns and the closure of cafes, restaurants, and borders. However, the actions taken to protect the population had intense consequences for businesses, economies, and different sectors. Pharmacies and hospitals remained operational, playing an important role in combating the spread of the virus. The revenues generated from the medical sector went up due to increased demand. However, the hospitality sector, including restaurants, was likely to exit the industry because of reduced consumer traffic and lockdown measures.

The start of the worldwide pandemic was especially severe in emerging economies. The income losses caused by the economic impacts of the crisis worsened preexisting economic fragilities. The pandemic put tens of millions of people at risk of falling into extreme poverty. Because women were more likely to be employed in sectors that were more affected by lockdown, income losses were larger among them. Self-employed and casual workers with lower formal education experienced a particular difficulty. Similarly, small businesses and enterprises with limited access to formal credit were hit more critically by income losses. Most SMEs had to stop operating, which caused high levels of unemployment. This led to a drastic rise in global poverty and inequality. Extreme poverty went up for the first time in 20 years. The studies show that the recovery from the crisis will be as uneven as the economic and social impacts.

The economic impacts had a remarkable impact on the world's economic growth. There was a 3.4 percent drop in the world's collective GDP, which indicates over two trillion dollars of loss in economic output. High inflation rates, disruptions in trade, and a decrease in revenues illustrate the challenges faced by countries, businesses, and the public.

The governments implemented massive support packages to support businesses and individuals which led to increased public debt. This potentially impacted future economic stability and strained government budget. The COVID-19 pandemic had far-reaching economic and social consequences which provides both vulnerabilities and opportunities for transformation.

In the South Caucasus region, the virus appeared in late February. The most challenging aspect of the pandemic for the South Caucasus region was that countries had to deal with geopolitical, economic, and a range of political problems at the same time. Since all three countries are highly dependent on external income resources, the crisis led to socio-economic weaknesses. Both Armenia and Georgia have suffered from the drop in percentage of remittances, while Azerbaijan was challenged by a

decrease in oil prices. This exposure to vulnerabilities highlights the significance of reconsidering the reliance on international production and logistics networks.

The health systems in the region—Armenia, Azerbaijan, and Georgia—were found to be struggling. The lack of beds in hospitals and the increased prices of medical products caused dissatisfaction among the public. In order to reduce the dependency on imported products, the countries started production of face masks. These masks offered a choice between cheap and expensive ones. The countries got extra support from private and public organizations, NGO's, and governments. These organizations provided hospitals with the necessary supplies and equipment. World Health Organization (WHO) worked closely with three countries to provide them with technical assistance. There are various approaches to combating COVID-19 in the region. While Azerbaijan and Georgia prioritized vaccination efforts and increased testing capacity, Armenia had difficulties such as vaccine hesitancy and logistical issues. The countries implemented strict quarantine regime which includes 12–14-day mandatory quarantine for new arrivals.

This research was carried out due to the critical importance of understanding the pandemic's effects on South Caucasus countries given their shared geopolitical and economic ties. Despite their neighboring, there has been a gap in comparative analysis regarding the effects of pandemic within this region. Given the interconnectedness, it is essential to have knowledge about the economic and social impacts, to foster regional cooperation and mitigate the effects of the crisis.

Chapter 3 provides an overview of the overall impacts of the crisis on the region, offering a brief comparison of inflation, unemployment, and annual GDP growth rates. Chapter 4 gives detailed information on Azerbaijan's encounter with the pandemic and analyses the impacts on various economic sectors. Government support measures and assistance from global organizations are given. Similarly, chapter 5 explores Armenia's experience with the coronavirus and its effects on the economy. Chapter 6 discusses Georgia's economic challenges and the support provided.

Accordingly, recommendations on how to create a better system to prevent economic shocks and disruptions will be provided. It is essential to learn from what the world has experienced and formulate proactive measures to mitigate future crises.

Literature review

The spread of the virus collapsed the economies of countries all over the world, causing reduced business operations, unemployment, and inflation etc. (Naseer et al., 2023). The COVID-19 pandemic was considered a demand shock rather than a supply shock for entrepreneurs. Firms reduced their one-year inflation expectations, while households expected higher inflation rates (Meyer et al., 2022). The research explores how the South Caucasus and Eastern European nations—Armenia, Azerbaijan, Georgia, Moldova, and Ukraine—responded to the COVID-19 pandemic, with a particular emphasis on their social protection frameworks. The study tries to extract lessons for enhancing these systems' future crisis readiness by examining pre-pandemic circumstances and crisis responses (Coll-Black et al., 2023). A significant proportion of labour migrants experienced financial difficulties because of their lack of income. This situation was particularly difficult for those working in industries that were heavily affected by the official state of emergency, such as hospitality, customer

service, manufacturing, and agriculture. The combination of these factors highlights the complex challenges labour migrants encounter during times of crisis and explains the complex relationship between economic vulnerability and the larger social environment (UN; IOM, 2020). According to the report, one of the most affected sectors was aviation. The author states that the downturn in aviation has not only had an impact on the industry but also on the travel and tourism industry and small businesses. Moreover, it is stated that efforts to make up for losses caused by the epidemic have led to a dramatic rise in air travel and industry pricing, which has made the nation's financial challenges worse (Kazimli 2021). The research emphasizes the decline in Azerbaijan's economy due to the reduction of oil prices. The study highlights other economic sectors that were affected by the crisis (Dadparvar, 2021). Gasimova (2022) discussed the impact of COVID-19 on SMEs. Many entities were shut down, and employees were left without pay. Rahmanov et al. (2021) discussed the changes in consumer behavior during the pandemic and how the measures taken during this time affected people's decisions in the market. The study talks about the improvement of the business environment since the beginning of the pandemic. The argument is: further discussed by Gurbanov et al. (2022). The author examined how companies are using digitalization as a weapon to combat the current crisis. The dataset used in this study comes from a survey that was given voluntarily to important companies in the Azerbaijani economy. Results show that during the COVID-19 pandemic, 42% of the companies that took part in the survey benefited from using digitalization as a crisis management tool; however, 38% of the respondents did not report any benefits. Guliyev (2020) argued the significance of foreign investment for small and medium-sized enterprises' inclusion into global value chains, particularly in light of the COVID-19 pandemic's disruptions. The report acknowledges the growing complexities and vulnerabilities in international supply networks and emphasizes the urgency of taking immediate steps to reduce the crises' effects.

Going beyond the short term and explicit policy responses, scholars should now start examining the long-term social policy implications of COVID-19. By 2022, the majority of nations had already phased out a large number of their short-term response measures in the area of social policy. However, this does not imply that COVID-19's impacts on the growth of welfare states have ended (Dorlach, 2023). The paper develops useful strategies for examining economic development in the post-pandemic age by utilizing synthesis and generalization techniques. It examines growth indicators pertaining to both oil and non-oil sectors, exploring the primary themes in fiscal policy, including policy reactions, and the principal paths of budgetary policy over the long run (Eyvaz-zada, 2021). The study done by Markosian et al (2022) discusses the mental health impacts of COVID pandemic on Armenia and Azerbaijan.

70,000 people in Armenia may have fallen into poverty as a result of the economic shock caused by the pandemic. By 2020, an extra 720,000 individuals could fall into lower-welfare categories as a result of downward mobility (World Bank, 2021). An article describes a study that was carried out in Armenia from March to August of 2020. This period coincides with a period of extreme obstacles in the nation, most likely brought on by the COVID-19 pandemic. Indicators from this time and data from 2019 for the same period are compared in the study. The study's primary focus is on how consumer behaviour has changed, particularly about buying milk and dairy products during the limitation period (Hambardzumyan et al., 2022).

Several sectors of the economy are currently weak and need major support from the government because of the examination of Armenia's macroeconomic position. In reaction to the COVID-19

pandemic's effects, the Armenian government launched anti-crisis social and economic initiatives. The anti-crisis programme presently only offers short-term economic support. It is necessary to reevaluate the scope, distribution, and recipients of these anti-crisis initiatives in order to better prepare for upcoming difficulties (Voskanyan, 2020 ; Sargsyan, 2022). The article highlights the early economic factors that affected the government's policies as it analyses Armenia's strategy for handling the COVID-19 pandemic. It draws attention to the difficulties the nation faces, especially in light of the significant fall in the travel and hospitality industry, which was once seen to be an essential industry for economic growth (Grigoryan, 2021). The paper discusses the trust in healthcare system in Armenia. It examines the preparedness of the country to COVID-19 (Antinyan et al, 2021)

Tskhadaze (2021) discussed the effects of the global pandemic on Georgia's economy by the end of 2020. The downturn in economic activity, credit growth and other negative impacts are further discussed by Giorgi et al (2023). Khorbaladze (2020) examines the various causes that contributed to the COVID-19 pandemic's negative impact on Georgia's economy, classifying them as objective and subjective. The global fall in investments, travel restrictions, interruptions in international trade, and a decrease in remittances, particularly during the early stages of the epidemic, are examples of objective factors that are without the government's control. The research discussed how digitalization in education was used as an immediate response by the country (Basilaia et al, 2020). Makhashvili et al (2020) examined how the crisis has affected mental health of the population by using cross sectional internet-based survey. The research conducted by Papiashvili et al (2021) discusses entrepreneurship in Georgia including challenges and opportunities faced by the business owners during pandemic. A study was carried out based on a survey of 330 micro, small, and medium-sized businesses (MSMEs) from all over the nation, comprising 226 manufacturing and trading companies and 104 farmers that process, harvest, and raise animals on their farms. It was carried out between mid-May and mid-July 2020, and the results showed that the government of Georgia has done well to lessen the effects of supply-chain interruptions (UNECE, 2020). The argument is further discussed by Khutsishvili (2020) where Georgia's successful COVID-19 pandemic response in spite of its resource constraints is highlighted. Moreover, the author notes that in order to combat the epidemic swift government action, cooperation with civic society, and public participation is essential. The Small Business Development Centre (SBDC) at the University of Georgia was instrumental in providing online training courses and information to assist small business owners with their application processes. In addition, the Georgia Chamber of Commerce is actively involved in distributing resources and information via online platforms, town hall events, and virtual roundtables (Rasmussen, 2021).

The impacts of COVID-19 in the South Caucasus region

The Caucasus region comprises three countries- Armenia, Azerbaijan, and Georgia. During the COVID-19 pandemic, the region faced its own set of challenges. Economic and social issues started to arise as the virus escalated its presence. The health systems in the region were not prepared for this pandemic. Some regions faced challenges in obtaining vaccines which caused uneven protection. Many businesses closed because of lockdown, resulting in loss of income. Considerable changes have been observed in the consumer behavior as well such as consumption shifts, impulsive buying and etc. It affected what customers purchased, when and where they did it.

The worst affected sectors, such as tourism, travel, catering, cafes, restaurants, and hotels, reported lay-offs or termination of contracts. While the number of tourists visiting the South Caucasus region

increased in 2019 compared to 2018, the tourism sector's revenue decreased by 7.9%, from \$7.708 billion to \$7.01 billion, and its share of the GDP fell from 10% to 9%. In 2020 there was a notable drop in both the volume of money coming into the industry and the number of visitors arriving. There was an 82.7% decline in sector revenue to 1.229 billion dollars from the previous year, and an 81.1% decline in the sector's income share of GDP to 1.7%.

At the onset of the pandemic, nations worldwide implemented restrictive measures aimed at preventing the spread of the virus. Mobility restrictions affected the import and exports of goods. Consequently, export and import dependent countries found themselves struggling. 2020 was recorded as the year of the largest reductions in trade and output volumes since World War II.

The quarantine regime, delayed degree completion, digitalization of school, isolation from the outside world and economic problems have caused increased stress and mental health issues among people. Moreover, hybrid work has resulted in increased confusion and absence of routine, which led to decreased productivity. There was a notable increase in demand for psychologists. The ones who could continue working remotely, benefitted from the situation.

The first case of virus in the Caucasus region was reported by Georgia on February 26th, involving a 50-year-old man who was traveling from Iran. It is important to note that Georgia was quick with its reaction to COVID-19. During the times of crisis, it is necessary for countries to take proactive measures to ensure safety and protection. Unlike Georgia, Armenia imposed the quarantine regime 24 days after reporting the first coronavirus case. This is considered to be a late reaction from the government, since the country already had 235 registered cases. The main focus of the government in Georgia was to encourage staying home, avoid physical touch, spread information through media etc. During this time flights into Georgian international airports were cancelled, initially from China and Iran. Georgia-Azerbaijan land border remains closed until April 2, 2024, to make sure that the mitigation is prevented. All businesses were shut down except for pharmacies, hospitals and grocery stores. According to may, 2020 report 71% of accommodation and food service sectors expected a 50% drop in revenue. The crisis caused the rise of unemployment in the country. The unemployment rate for 2020 was 11.73% with a 0.16% increase from the previous year. For 2021 it was 12.2%, and for 2022 it was 11.3%. An increase in the rate of inflation was recorded by 6.1% since December of the previous year. There was a 6.8% decline in GDP growth from 2019 to 2020. This number was -4.3% for Azerbaijan and -7.2% for Armenia.

The second wave of the virus hit Georgia hard. From June to August 2020, there was a notable change in people's behaviour until the second wave of the virus. The health sector in the country was struggling and more supplies were needed. The World Bank initiated a project in May 2020, with two main goals: to save lives and protect health workers. The project involved providing essential medical supplies, training for healthcare professionals, upgrading hospitals, and supporting the health system. With the help of this programme 62% of people received social assistance. EU also provided \$62,8 million to help businesses that were struggling and provide advice. Moreover, additional help for civil society organisations was facilitated. The country had multiple anti-crisis economic plans such as the deferrals of tax payments, chance to restructure loans for businesses, automatic VAT refund system and etc. These programs help to ensure macroeconomic stability and quick recovery for the country.

Azerbaijan confirmed the first virus case on February 28th. Special quarantine regime was imposed on 24 March. To protect the citizens, government implemented some measures such as restrictions in

traveling, mass gatherings, along with encouragement of physical distancing and disinfection of public places. Additionally, these include a regulatory holiday for credit institutions, loan restructuring for pandemic affected businesses and support for capital market participants. Moreover, Azerbaijan was the first country in South Caucasus to start the vaccination process. These measures ensure that both businesses and people are provided with finance services.

SMEs were significantly affected by the pandemic. By mid-2020 41 businesses were already closed. In 2020, internal resources accounted for about 80% of fixed asset investments, with external sources providing the remaining funds. The total amount of investments made by SME subjects in fixed assets decreased by 21,9% as compared to 2019. (Gasimova, 2022). The most affected sectors were hospitality, entertainment and services, restaurant, and cafes etc. Because Azerbaijan is a touristic country, the hospitality and tourism sector has significant contribution to its GDP. In 2019 it contributed 4.2 percent to its GDP while in 2020 this number decreased to 0.80%.

According to a survey, 80.3% of the cultural institutions functioned online and 13.1% of them didn't function at all. Due to the impacts of conflict in the region and pandemic, the past two years there was an extreme acceleration in inflation rate. While in 2020 the inflation rate was 2.8%, In 2021 it increased to 6.7%. The following year it increased to 13.9%. The crisis caused a drastic rise in the unemployment rate from 4.8% in 2019 to 7.2% in 2020. However, it slowly went down in 2021 (6%) and 2022 (5.5%).

WHO and UNICEF worked closely to strengthen the immunization program through digitalization in the country. The five-day mission involved assessing Azerbaijan's Immunization Information System (IIS). It evaluated various aspects such as system management, logistics and staff capacity. It is important to mention that Azerbaijan has donated 5 million US dollars to World Health Organization (WHO). The country has also helped over 30 countries to deal with the pandemic such as providing states with humanitarian aid including technical, medical supplies, and financial assistance.

The COVID-19 pandemic made all 3 countries in the region start the production of face masks. Since the measures taken by the governments required mandatory face masks, countries invested in its production. This was a new opportunity for entrepreneurs since the demand was rising day by day. The revenue generated from this was high and benefitted the health sector in the region. Compared to past years, before the pandemic, the price of masks increased in order to generate more value.

The prime minister of Armenia has confirmed the first case of virus on March 1. 24 days after the report, a national lockdown was imposed. Most places remained open, but the media encouraged people to shop online and not leave the house unless it was necessary. To leave the house people were required to submit a form. Armenia underestimated the power of the virus in the early stages. At the beginning this helped to prevent panic among the public. Later it was difficult to make sure that self-isolation, disinfection, and social distancing is ensured. Just like the rest of the world, Armenia also experienced economic difficulties. Armenia has had the highest unemployment rate in the region since 2018. At first, there wasn't a significant change in percentage of the unemployed. From 2019 to 2020 the labour force experienced 0.02% decline, making the unemployment rate 12.18%. However, this number was 12.73% in 2021 with a 0.55% increase.

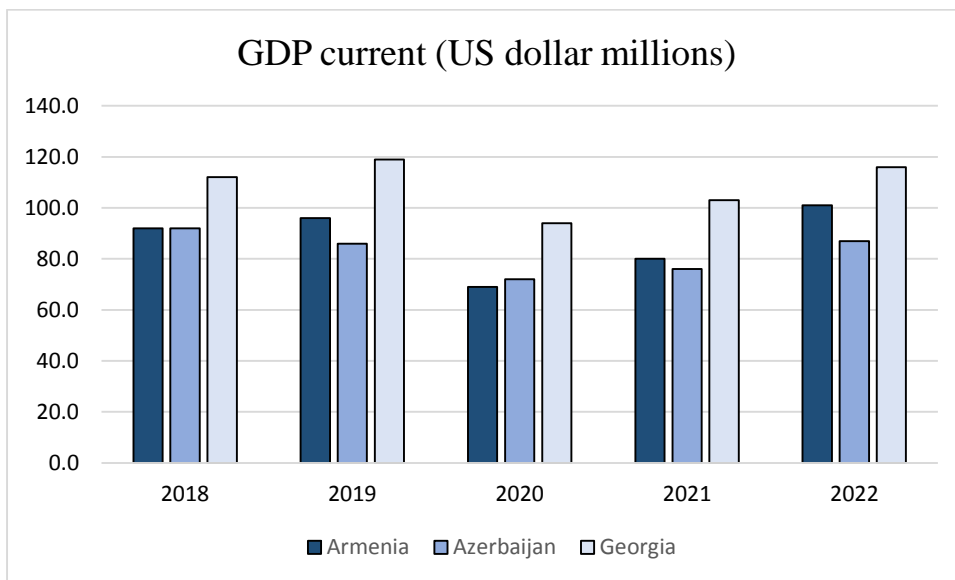
The tourism sector plays an important role in every economic system. All countries were hit significantly by the decline in this sector. According to data, the number of visitors in Armenia decreased by 81.5% compared to the previous year. While the retail sector was affected, the e-commerce sector benefitted since online shopping was preferred. In general services that can be

provided remotely were less affected from the crisis. The crisis caused 7.2% inflation in 2021. The data shows that in 2020 the economic sector that contributed most to GDP is services with 53.24%.

Because the health system in Armenia was not able to handle the situation, the hospitals in the country had to allocate beds only for those with serious conditions. Seeing the situation in the country, Ministry of health of Armenia requested help from the World Bank. \$3 million was allocated for equipment and supplies to support the health industry.

Between 2019-2022 the region experienced a drastic change in consumer prices and inflation rates. The main reason of these changes was the conflict and the pandemic in the region at the time. Inflation usually happens when there's an imbalance between demand and supply. Even though the governments are trying to solve the issue by increasing minimum wages, not everyone is benefiting since some people do not have official jobs.

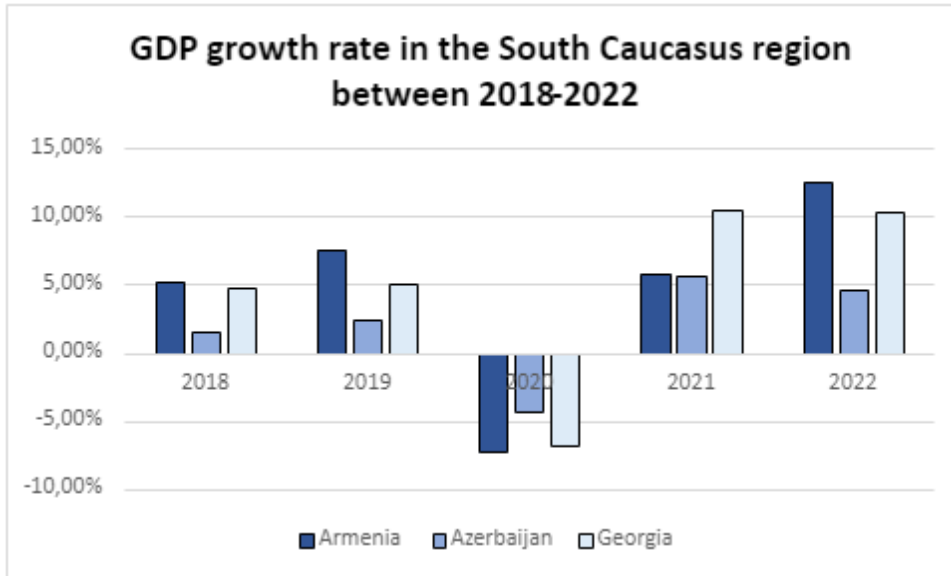
Graph 1. GDP current (US dollars) in the South Caucasus region



Source: *GDP (current US\$) - Armenia, Georgia, Azerbaijan (no date) World Bank Open Data*
<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=AM-GE-AZ>

Azerbaijan's GDP in 2018 was around 47,1 million US dollars. The GDP deflator was 112.2% while the real GDP growth rate was 101.4% in comparison to 2017. In 2018, Armenia's total GDP amounted to 12,5 million. Slow but steady growth continued till 2022. With the start of the virus this figure dropped to 12,6 million from 13,6 million in 2019. The same year, Georgia's total GDP turnover amounted to 17.6 million US dollars. Although Georgia experienced a slight decrease in GDP in 2020, it saw a notable growth by 2022. The figure went from \$115,84 million to \$24,78 million. Despite the shrank in the economy in 2020, Azerbaijan economy recovered rapidly. By 2022, the total GDP amounted to 78,7 million US dollars while for Armenia this figure stood at \$19,5 million.

Graph 2. GDP growth rate in the South Caucasus region between 2018-2022

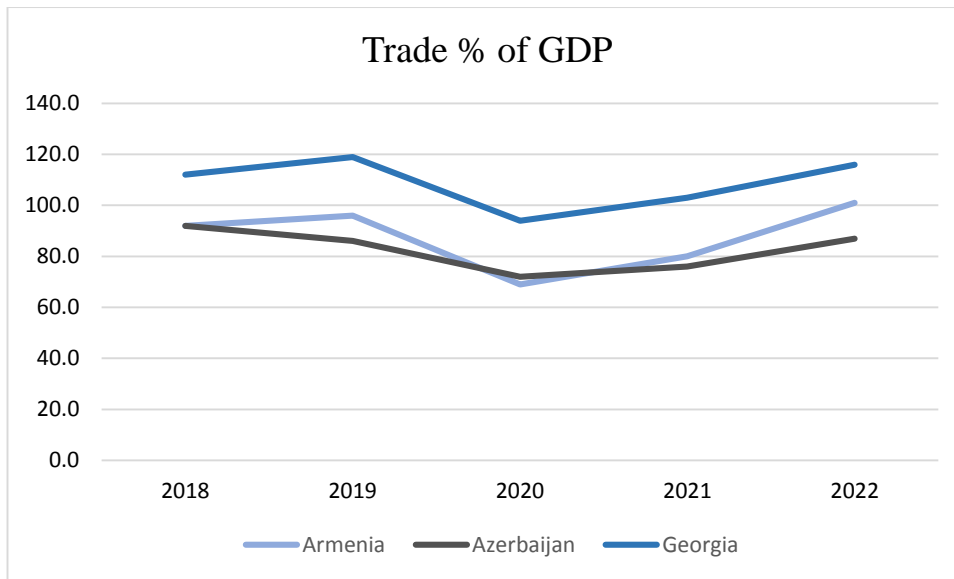


Source: GDP growth (annual%) World Bank Open Data. Available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

In 2018, Azerbaijani economy expanded by 1.5%. The growth has been mainly driven by favourable foreign economic conditions, radical fiscal expansion, boost in natural gas production and growing aggregate demand. The same year Armenian economic growth was 5.2%. Contribution of trade and services, energy and construction sector were significant in the growth. Georgian economy grew by 4.8% in 2018 as a result of manufacturing, trade and real estate.

In 2019, Azerbaijan experienced 2.50% GDP growth. Driven by private consumption and investment in construction sector Armenia saw a remarkable growth during 3Q 2019. The economy expanded by 7.6% in the country. Meanwhile Georgian economy grew by 5%. All three countries experienced economic recession and a rise in poverty in 2020. Azerbaijan had 4.30% decline in GDP growth rate primarily driven by COVID-19 pandemic and plunging oil prices. There was a decline in oil sector by 7% and decrease in production which is related to Azerbaijan’s commitment to OPEC+ deal. The same year Armenia experienced 7.20% fall in GDP due to the pandemic, lower remittances and increased uncertainty. These factors caused decreased consumption and problems with investment. Georgia had 6.8% decline in growth. Nevertheless, in 2021 Georgia had the highest GDP that year with 10.5% growth. Compared to 2021 (5.60%) growth slowed down in Azerbaijan in 2022 due to drop in oil output (4.60%). Armenia experienced highest GDP growth rate since 2019 (12.60%), and Georgia had 10% growth.

Graph 3. Trade % of GDP in South Caucasus



Source: *Trade (% of GDP) - Georgia*. World Bank Open Data. (n.d.).
<https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=GE>

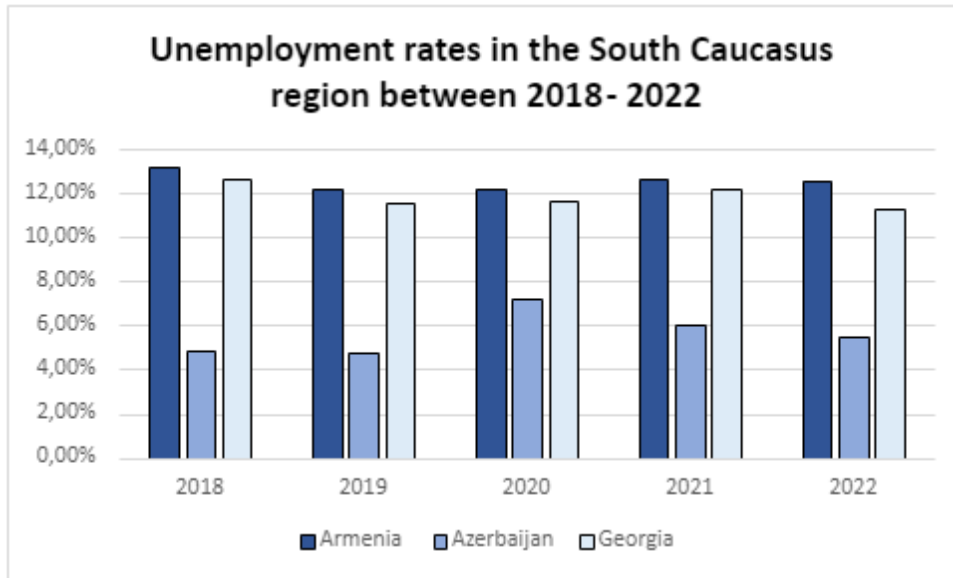
Foreign trade has also been impacted by problems in various economic sectors. Increased uncertainty and contraction of businesses led to reduction in potential orders causing decrease in total trade turnover. This was challenging for economies since all 3 countries are highly dependent on exports and imports. Although reliability on exports encourages economic growth, high dependency can result in high losses as seen between 2020-2021.

In 2018, both Armenia and Azerbaijan foreign trade made up 92% of total GDP. Azerbaijan's foreign trade turnover was \$30,923.6 million USD, of which 19,458.6 million USD came from exports and 11,465.0 million USD, from imports. The same year, Georgia's exports went up by 22.9% to USD 3.36 billion, while imports rose by 14.9% to USD 9.12 billion. As a result, foreign trade made up 112% of total GDP. The following year, over the nine months of 2019, compared to the same period in 2018, exports increased by 7.9%, amounting to \$1.909.2 billion in Armenia. Trade made up 96% of GDP. In 2019, the contribution of trade to total GDP fell to 86%. Foreign trade turnover increased by 2.7% in 2019 reaching USD 12.8 billion in Georgia. In 2020, with the start of global crisis, the region experienced reduction in international trade profits. Exports and imports made up 69% of total GDP in Armenia. However, there was a quick recovery in 2021 with the number increasing to 80%. State Customs Committee has reported that Azerbaijan's foreign trade surplus totaled to \$3 billion in 2020. The share of international trade in the GDP was 70%. The figure went up by 17% the following year amounting to 87% of the total. Over \$27.3 billion worth of goods and services were exchanged between Azerbaijan and EU nations in 2022. This indicates steady recovery from the pandemic and its effects. WTO data shows that in 2022, Armenia imported products valued at USD 8.7 billion increasing by 163.5% and exported goods valued at USD 5.3 billion.

The start of the lockdown has led to a rise in unemployment rates because of the return of migrant laborers at risk of downward mobility.

The pandemic and closure of entities has caused disruptions in the normal functioning of jobs. Although there wasn't a drastic change in numbers between 2018-2022, poverty and unemployment have been widespread all around the world.

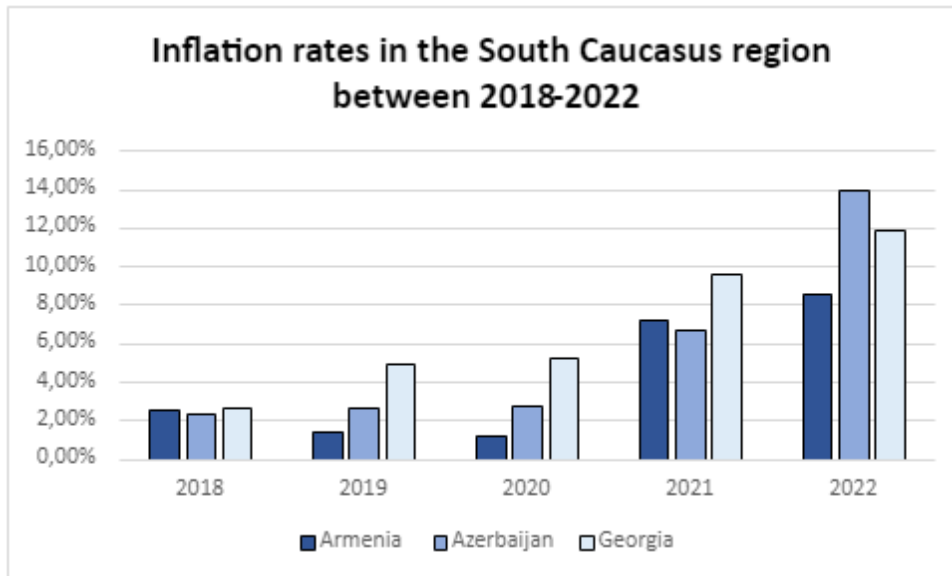
Graph 4. Unemployment rate in the South Caucasus region between 2019-2022



Source: (No date b) Unemployment, total (% of total labor force) (modeled ILO estimate) ... Available at: <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=GE>

Between 2018-2022 Azerbaijan had the lowest unemployment rate in the region, while Armenia had the highest unemployment rate. Azerbaijan experienced relatively high unemployment rate in 2020 compared to other years, due to COVID-19 and closure of some entities (7.20%). Before the pandemic, the country maintained a low unemployment rate compared to its neighbors. This was driven by economic growth in the country as well as investments in diversification efforts. Both Armenia (12.70%) and Georgia (12.20%) had the highest unemployment rate in 2021. The pandemic exacerbated pre-existing job vulnerabilities in these countries driven by a decline in remittances and reduced foreign investment. In 2022, Azerbaijan remained having low unemployment rate.

Graph 5. Inflation rates in the South Caucasus region between 2018-2022



Source: *Inflation, consumer prices (annual %)* - Armenia, Azerbaijan, Georgia; World Bank Open Data. Available at: <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=AM-AZ-GE>

In 2018 the inflation rate in Azerbaijan was 2.3% with a significant decrease from the previous year's high of 12.9%. This number was 2.5% for Armenia and 2.6% for Georgia. In 2019 inflation rate in Azerbaijan rose to 2.6%. The same year Armenia had 1.9% inflation. Georgia had the highest rate of inflation with 4.9%. In 2020 with the start of global pandemic the inflation rates of Armenia (1.2%) and Azerbaijan (2.8%) did not get affected much. However, for Georgia this number increased to 5.2%. Multiple factors played a role in high inflation rate in the region such as internal and external causes. Stronger demand, Russia Ukraine war was the reason in disruptions of food supply. Food prices in Azerbaijan rose by 19.5%, 10.4% for services and 8.6% for other goods. In 2021 all three countries in the region experienced high inflation rates. Armenia had 7.2% inflation rate. The services accounted for 62% of overall GDP, manufacturing and agriculture 11%. The same year Azerbaijan experienced 6.7% inflation rate and Georgia had 9.6%, the highest in the region. In 2022 this number rose to 11.9%. For Armenia this figure was 8.6% and Azerbaijan faced the highest inflation in the region at 13.9%.

Azerbaijan

Impact on businesses

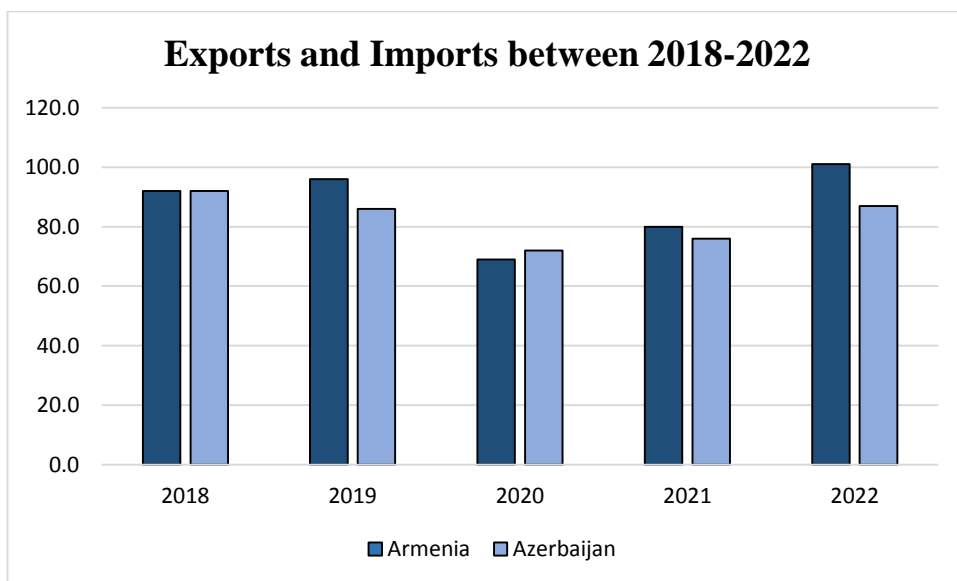
Azerbaijan has always been an attractive location for foreign investors. These include the easiness of registering property, access to credit, competitive production costs etc. According to “Doing Business 2020” report Azerbaijan was ranked 34th in the list of “ease of doing business” with the score of 76.7. Despite the challenges the country faced in 2020, it remains to be an attractive location for European

companies. More than 80% of companies confirmed that they would choose Azerbaijan again for investment.

In 2019, the economy grew by 2.5%. In 2020, after the decrease in GDP by 4.3%, it grew by 5.60% the following year due to strong services and manufacturing. The reopening of borders boosted growth in the service sector by 7.8% and tourism sector by 34.2%. The growth slowed down in 2022 due to remaining effects of pandemic, conflict in the region and Russia-Ukraine war. Although the economy is not growing as fast as before, slower growth is still expected in 2023.

The trading world has been significantly impacted by the effects of the pandemic. In 2018, imports accounted for 37.58% of the total GDP. The following year, in 2019, imports amounted to \$17.71 billion making up 36.77% of GDP. The data shows that despite the start of the global pandemic imports remained relatively stable in Azerbaijan comprising 36.39% of GDP. In 2021 there was a 5.14% increase from 2020 amounting to \$16.34 billion. The following year imports made up 27.03% of the total GDP. There was a significant change in the percentage of exports from 2018 to 2020, with the figures dropping from 54.09% to 35.62%. As the world economy started to recover, the impact of exports on GDP also increased.

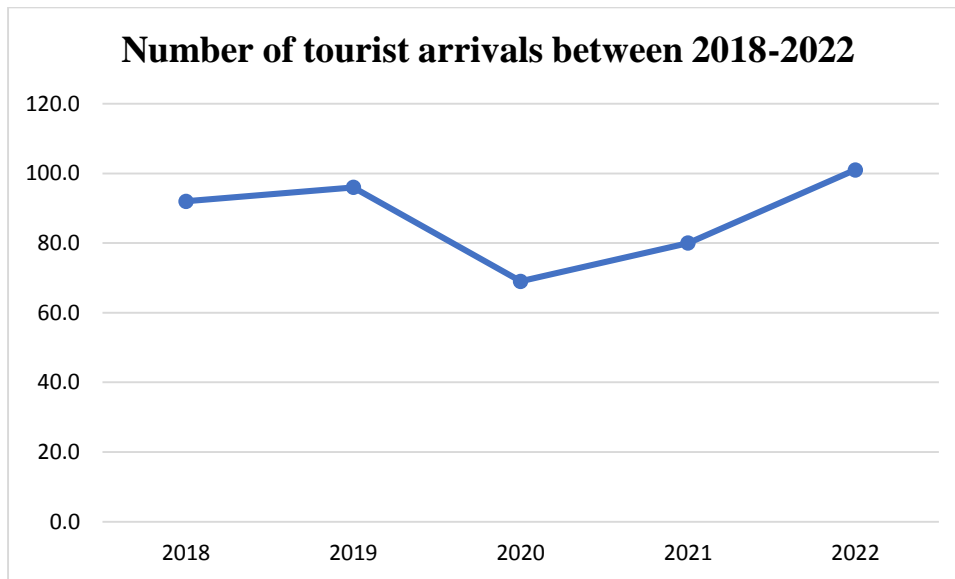
Graph 6. Exports and Imports between 2018-2022



Source: Azerbaijan imports 1990-2024 MacroTrends. Available at: <https://www.macrotrends.net/countries/AZE/azerbaijan/imports>

Azerbaijan is known for its oil, rich culture, unique cuisine, and touristic places to visit. It is the largest country in the South Caucasus region. Thus, every year a lot of tourists are attracted to this country. Large number of people visit the country during the Formula 1 SOCAR Azerbaijan Grand Prix. In 2019 over 74 country nationals arrived in Baku and made up 22% of ticket sales. The next year, in 2020, Formula 1 was postponed and later cancelled. 'Formula 1', Executive Director of Baku City Circuit Operations Company (BCC) stated that the cancellation of the competition was necessary and that it would not be right to promote it. He also mentioned that the country will not face financial loss due to the cancellation since it is outside their control

Graph 7. Number of tourist arrivals between 2018-2022 in Azerbaijan



Source: Tourism | The State Statistical Committee of the Republic of Azerbaijan. (n.d.-b). <https://www.stat.gov.az/source/tourism/?lang=en>

The hospitality sector was one of the most affected sectors in the world. This involves transportation, entertainment, aviation, restaurant, and hotel sectors. Although in 2019 the number of tourists visiting Azerbaijan was around 3.17 million, in 2020 this number dropped to 795,722 and the next year to 791,751. In 2022, with the opening of borders this figure plunged to 1602,3. Since the land borders were closed in Azerbaijan, the number of visitors coming from neighbouring countries also decreased. Azerbaijan and Georgia borders remain closed to this day in order to prevent the potential consequences of Coronavirus. Restaurant and hotel businesses also struggled, driven by the decrease in number of tourists. During the first quarter of 2020, there was a 15.8 percent decrease in hotel revenues compared to the same period in 2019. Tourist accommodation and public catering area experienced 58.9% decrease in January- September. According to State Statistical Committee Azerbaijan, the number of overnights and accommodated persons in hotels and similar establishments was approximately 1.92 million. In 2020 this number significantly decreased to 668,813 indicating the challenges faced by hotels that year. By the end of 2020, the total revenue generated from hotels decreased by 74% compared to the previous year. The notable change in these numbers has affected the economy of the country. While in 2019 the share of travel sector in world GDP was 10.4%, the next year this number dropped to 5.6%. Moreover, the transportation sector experienced 30% decline in January-June compared to the same period in 2019. Starting from 2021 number of overnight residents started to rise again. Tourist spending in the country went down as well which resulted in \$2.4 billion loss compared to previous year. According to the latest report in 2022, 1,697,358 people stayed in hotels in the country. Similarly, Aviation sector was one of the most affected sectors. \$4.5 billion was lost from foreign tourism related to air travel. There was a loss of around 403 billion dollars from air transportation.

Despite these numbers, Azerbaijan continued to take safety measures in hotels, airports, restaurants and cafes. The largest airport in Azerbaijan, Heydar Aliyev International Airport, achieved the highest 5-star COVID-19 Airport Safety Rating by Skytrax.

Health sector benefitted the most out of all economic sectors. By 2020 health sector budget in Azerbaijan was approximately \$804,151 billion. 4.6% of health expenditures contributed to GDP in 2020. Azerbaijan is working towards creating a better health system in the country by working closely with World Health Organization (WHO), providing healthcare professionals with trainings, furnishing hospitals with additional supplies etc.

In order to reduce the dependence on imports and exports Azerbaijan started to produce face masks along with rubbing alcohol, hand sanitizers, disinfectants, and medical face shields for health care personnels. High quality equipment was brought from Türkiye and \$2,289,060. was invested. This enterprise created over 30 jobs for people and reduced dependency on face masks. The revenue generated from health sector was high, since the demand for face masks, medications, and hospitals were more than ever. In 2020, 4.61% of the health sector contributed to GDP. That is 29% higher than the number in 2018 (3.56%). There was no shortage of masks in the country because 200,000 were produced per day. By April 15, 2021, Azerbaijan produced 38.6 million masks. Seeing the increased demand, some clothing brands also tried to generate revenue through face mask business, by producing “reusable cloth masks”. People liked the idea since these masks are more customizable, reusable, and some of them are less expensive than regular face masks.

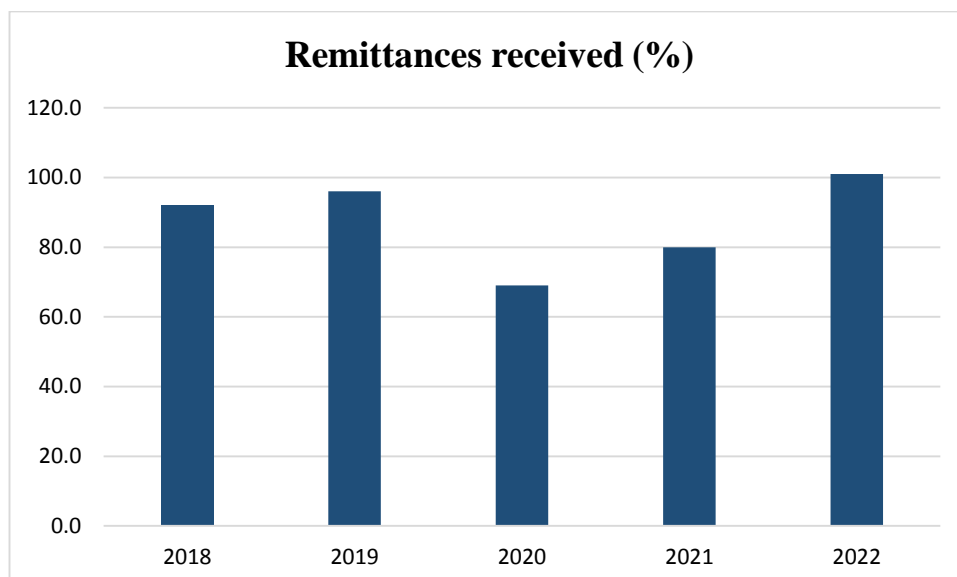
However, the production of these masks has sparked numerous debates. In general, it is believed that these masks are not as effective as N95 or medical masks and that they are only good for “fashion” purposes. Because N95 and medical masks are more prone to cause sweating and are less breathable, some people preferred “cloth masks”. Although the effective protection is unlikely in these types of masks, some studies say that it is possible with the right design.

The price of face masks was the discussion topic among public. According to report the price of face masks increased 5 times than previous years. If before COVID-19 the price was 10 coins, then during the crisis it was 50 coins. Therefore, people complained about the increased prices and demanded lower prices. High price for face masks was mainly driven by the rise in prices for imported masks. However, there was an option to choose between domestically produced face masks and imported ones. Both were the same quality. The COVID-19 pandemic showed that the pharmaceutical needs to be developed since the country is highly dependent on imports of medicine. Due to this dependence, the prices of medicine are more expensive relative to the ones that are being produced in other countries domestically. However, it is not possible to do it in a short period of time. To prevent the supply chain problems in the future it is important to work on this field.

It goes without a doubt that almost every sector was affected by the pandemic. All businesses were closed except for banks, pharmacies, and grocery stores. 92.96% of the enterprises participating in survey, 56.78% experienced extremely negative impact while only 3.09% said that they had extremely positive or positive impact. Businesses either had to improvise and adapt to the crisis or fail and shut down. Based on the survey, in 2020, 52% of businesses contracted, and 4% grew. 48% of businesses experienced strong decrease in demand while 32% experienced medium impact. 4% of businesses didn't experience any decrease in demand.

To minimize the negative impacts of pandemic, the government implemented some measures such as land tax exemptions, 75% tax exemption on profits and income received, tax holidays and etc until January 1, 2021. There was a 24% increase in wages in the first three quarters of 2020. By the end of 2020, the official number of registered MSMs increased by 12.7% compared to 2019.

Graph 8. Remittances received (%) between 2018-2022



Source: Personal remittances, received (% of GDP) - Azerbaijan. World Bank Open Data.
<https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=AZ>

The COVID-19 outbreak notably impacted the migration and contribution of remittances to GDP. Between 2018-2019 personal remittances contributed 2.6% to GDP which rose to 3.3% in 2020. However, with the pandemic becoming more global, it fell to 2.8%. As the borders reopened and the circumstances improved, there was a sharp increase to 5%.

State support and post pandemic recovery

In Azerbaijan socio economic vulnerabilities were developed by the effects of Coronavirus pandemic, low oil prices and the geopolitical changes. Thus, to prevent any type of crisis in the future, the country worked towards creating a better system.

One of the most affected spheres during the global pandemic was the SME sector. Azerbaijan's SME sector accounted for 42% of the total workforce. However, the contribution to value added was lower, accounting for only 17% of value added (24% in the non-oil sector). SME impact on economic growth is significantly lower in Azerbaijan than in OECD countries, where they typically contribute 53% to value added and account for 65% of overall employment. Therefore, the COVID-19 pandemic was a wakeup call to create a special support package for businesses.

In response to COVID-19 the country created a coronavirus response fund and \$11,748 million was contributed to this fund. 10 million dollars was allocated for construction of 10 hospitals that were

treating corona patients. \$1.94 billion was allocated to support businesses and individuals which makes up 4.85 % of the GDP. Significant measures were taken to address the impact on entrepreneurs.

Azerbaijani government was also paying \$111.606 monthly to unemployed people. 70 million manats was allocated for this purpose. To be eligible for the payment, an online registration on the platform was necessary.

\$501,547,500 was allocated for: Partial coverage of salaries (\$126,243,000), Assistance to microentrepreneurs (\$46,992,000), Creation of temporary public jobs (\$31,682,400), Subsistence and unemployment payments (\$134,802,000), Pensions (\$117,480,000), Targeted social assistance (\$2,644,300), Education subsidies (\$11,748,000), Allocation of additional funds to the entrepreneurship development fund (\$29,370,000).

Table 1. Government support measures

Measure	Dollars (in millions)
Partial coverage of salaries	126,243
Support to microentrepreneurs	46,992
Creation temporary public jobs	31,682
Subsistence and unemployment payments	134,802
Pensions	117,480
Targeted social assistance	2,644,300
Education subsidises	11,748
Allocation of additional funds for entrepreneurship development fund	29,370,000
Sum	501,547,500

Source: Policy responses to covid19. IMF. (2020, March 20). <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

According to research 37.69% of the SMEs were fully satisfied, 35.68% were satisfied and 13.07% were unsatisfied with government measures aimed at easing the effects of the pandemic. Although the government imposed some tax incentives 64.82% of people said they did not benefit from them. However, the majority of respondents have a positive reaction.

EU and Azerbaijan worked closely during the times of COVID-19. The EU was able to provide a 36,480-million-dollar support package for the country which helped with assisting the public health system. This involved training healthcare professionals, providing hospitals with necessary facilities. Azerbaijan also received vaccines through COVAX Facility which is supported by team Europe with over 3.42 billion dollars.

Moreover, Azerbaijan has donated 5 million US dollars to WHO in order to support the countries suffering from pandemic. Extra 5 million dollars was donated to WHO to support NAM nonaligned movement countries.

The “Provision of assistance to vulnerable foreign migrants in Azerbaijan within the framework IOMS Global COVID-19 response the second phase” project provided 194 migrants with their needs during nine and half months. Moreover, the country produced English brochures containing the information about vaccination process and the benefits of getting vaccinated. This brochure was distributed among migrants.

Azerbaijan launched COVID-19 vaccination support project, “I choose” funded by the European Union and implemented by World Health Organization. The project mainly aimed to encourage high risk groups to get vaccinated as well as the general public. The promotional content was displayed in “ASAN Service”, “DOST” centres, radio channels and pharmacies. Projects like this during the crisis help to build trust between the government and public. Moreover, it encourages people to take the protection measures more serious and spreads awareness. Media in Azerbaijan has significantly helped with fighting the virus. Advertisements encouraging social distancing, a healthy future, protection measures, and getting vaccinated were displayed throughout the pandemic.

In Azerbaijan socio economic vulnerabilities were developed by the effects of pandemic, low oil prices and the geopolitical changes.

All businesses were closed except for banks, pharmacies, and grocery stores. The social support measures cover nearly 5 million people, which is half of the country’s population.

Azerbaijan allocated \$10 million for WHO to fight the COVID-19 pandemic. In 2021, The director general of World Health Organization invited the president of Azerbaijan to 74th session of the World Health Assembly. This shows the importance of cooperation between Azerbaijan and WHO.

Armenia

Impact on businesses

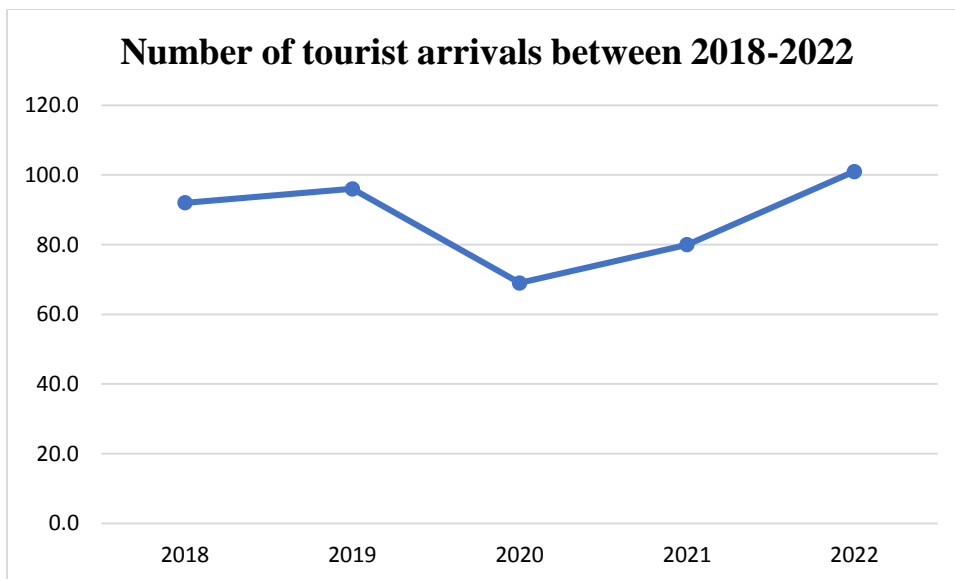
In 2018, Armenian economy grew by 5.2%. After the impacts of Velvet Revolution, In 2019, Armenian economy grew by 7.6%. With the start of COVID-19 the economy contracted by 7.2%. Compared to November 2019 economic activity decreased by 10.3% in November 2020. According to Statistical Committee Armenia, the energy sector was the only sector experiencing growth. Other sectors experienced decline with industrial sector decreasing by 0.2%, construction sector by 11.2%, the service sector by 13.6% and trade by 13.5% (November 2019-November 2020). However, in 2021, following an economic recovery by 5.8%, the service sector amounted for 62%, manufacturing 11%

and other industrial activity for 16% of overall GDP. By 2022 the economic recovery accelerated significantly by 12.6%.

During the first three months of COVID-19, 5873 enterprises temporarily suspended their activities in Armenia. Thousands of businesses were already closed in the country by June 15.

According to the surveyed firms, 80.7% experienced a reduction in revenue. The virus caused a reduction in demand for the products of 62.7% of firms. At the time of the survey, 69.2% of firms still suffered from less income, and 52.9% still experienced lower demand for their products.

Graph 9. Number of tourist arrivals between 2018-2022



Source: Armenia visitor arrivals [chart-data-forecast], 1995 - 2023 | CEIC Data. (n.d.).
<https://www.ceicdata.com/en/indicator/armenia/visitor-arrivals>

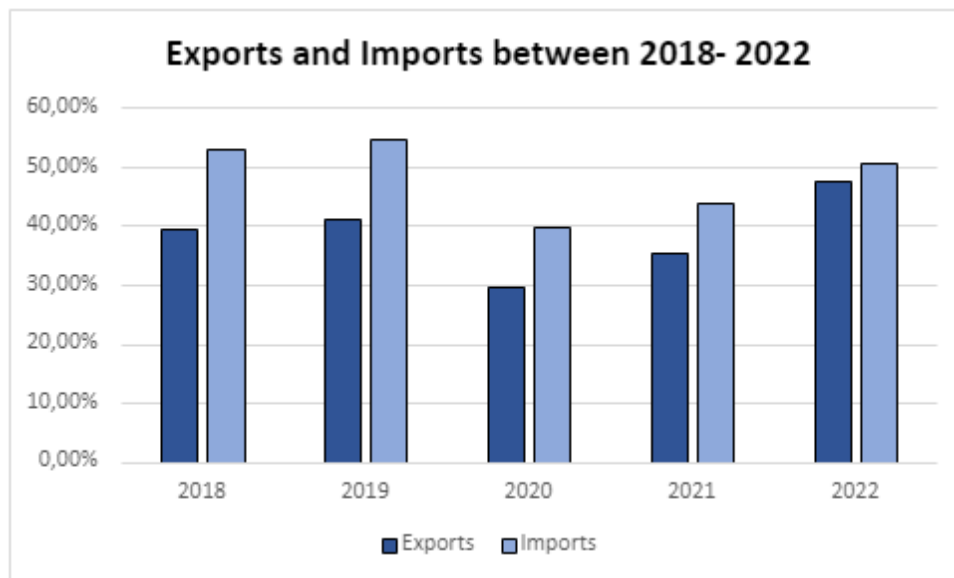
While in 2019 1894 million tourists arrived in Armenia, in 2020 this number decreased to 375 million. The country registered the fewest number of tourists since 2005. Armenia's travel revenue was 1553 thousand dollars. In 2020 this number significantly decreased to \$303 thousand. There was an 80.49% decline in the tourism sector from 2019 to 2020. Despite this, the upward trend continued from 2021 onwards. The industry is expected to grow because of low-cost flights and liberal visa regime.

Armenian wine is highly consumed in the country both by locals and tourists. However, the wine making sector has faced notable decline in consumption due to the lockdown. This is also related to factors such as the decline in number of tourists and the cancellation of large events. The devaluation of Ruble has affected wine making business negatively as well. Because 80% of wine is exported to Russia, the currency of Ruble is important for Armenia. According to report in 2020, *Chairman of the Union of Winemakers of Armenia* stated that if the payment will be made by Ruble, it is already a 30% loss. This indicates that the Armenian wine making industry is highly dependent on the economic situation of Russia.

In contrast, the pharmaceutical sector in Armenia experienced a rise in revenues. While in 2019-2020 this number was \$105.79 million, in 2021 it increased to \$132.45 million.

Trade was disrupted all over the world, impacting both imports and exports. In 2018 exports in Armenia accounted for 39.39% of the total GDP, amounting to \$4.91 billion. In 2019 this number increased to \$5.63 billion, making up 41.35% of the total GDP. However, in 2020 there was a notable decline in exports due to disruptions. It amounted for \$ 3.76 billion with a 33.19% decline from 2019. In 2021 this figure rebounded to \$4.90 billion, amounting for 35.34% of GDP. Top products exported to the world by the country was: Copper ores ad concentrates, Cigarettes containing tobacco, spirits from distilled grape wine or marc, Ferro-molybdenum, Gold in both semi-manufactured forms.

Graph 10. Exports and Imports between 2018-2022

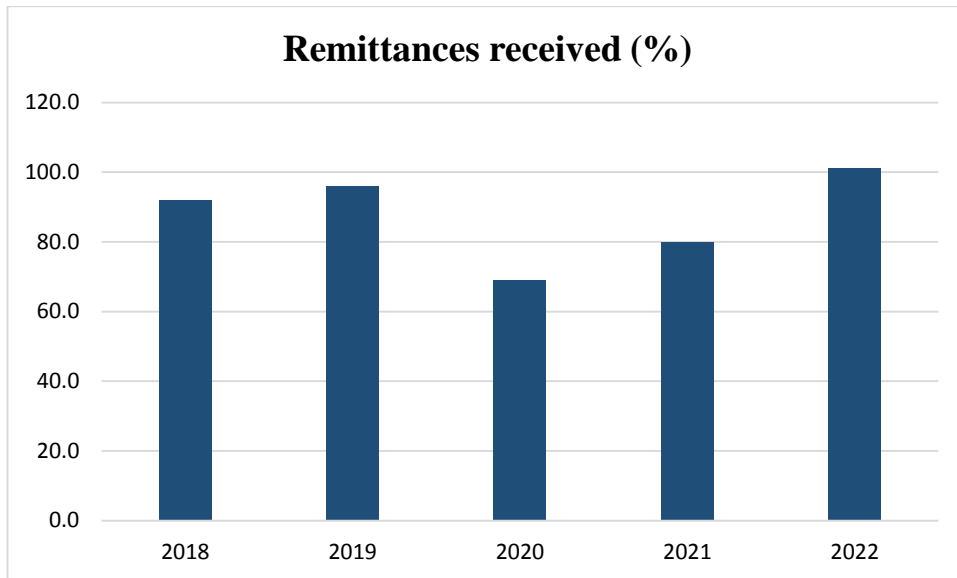


Source: Armenia exports 1990-2024 MacroTrends. Available at: <https://www.macrotrends.net/countries/ARM/armenia/exports>

In 2018, imports accounted for 53.08% of the total GDP. The imports in the country totalled to \$7.46 billion in 2019. However, with the start of the pandemic which created a more challenging trade environment, this number decreased to \$5.02 billion- in 2020. In 2019 imports made up 54.76% of total GDP, whereas in 2020, this number decreased to 39.72%. The country experienced recovery in imports in 2021, amounting for \$6.08 billion, a 20.98% increase from 2020. The same year, Armenia

was number 133 in the world in terms of total exports and number 135 in total imports. Armenia imports for 2022 was \$9.90 billion, a 62.9% increase from 2021.

Graph 11. Remittances received (%) between 2018-2022



*Source: Personal remittances, received (% of GDP) - armenia | data
<https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=AM>*

The remittances received in Armenia are relatively high compared to other countries. In 2018, it was 11.6%. This number experienced a temporary decrease to 10.5% in 2020. The following year it rose to 11.2% indicating renewed momentum. This upward trend was followed by decrease to 10.4% which highlights the dynamic nature of remittance flows.

State support and post pandemic recovery

The government of Armenia implemented some measures with a focus of supporting the enterprises. These involved collaborative funding to cover the interest expenses on bank loans, subsidized loans for SMEs (which are involved in: 1) manufacturing; 2) accommodation and catering; 3) transportation and storage; 4) tourism services; 5) other customer services; 6) healthcare), Grants for enterprises employing 2100 persons, grants for supporting the tourism sector and etc.)

Armenia has been supported by multiple organizations in fighting the coronavirus disease including private/public and worldwide organizations such as DTRA, WHO, ADB, USAID and etc.

The defence threat reduction agency (DTRA) has helped Armenia to purchase the required equipment to increase the testing capacities at the National Center. The total cost of the donated equipment amounted to over \$72 thousand USD. The ADB has approved \$2 million grant from its

Asia Pacific Disaster Response Fund (APDRF) to support Armenia with fighting the crisis. The project, financed by the Japan government was used to upgrade the Laboratory diagnostic and testing capacity and purchase of medical supplies and equipment.

To support the wine making sector, the government implemented some programs. These included zero interest loans until the end of the year and the repayment period was extended from one year to two years. Additional loans were also provided for purchasing raw materials for wine production. The head of the union of winemakers of Armenia stated

According to survey 48% of people were very satisfied with government's management of COVID-19, and 23% were somewhat satisfied. Despite this, most of the population was either very or somewhat concerned about the economic downturn.

Georgia

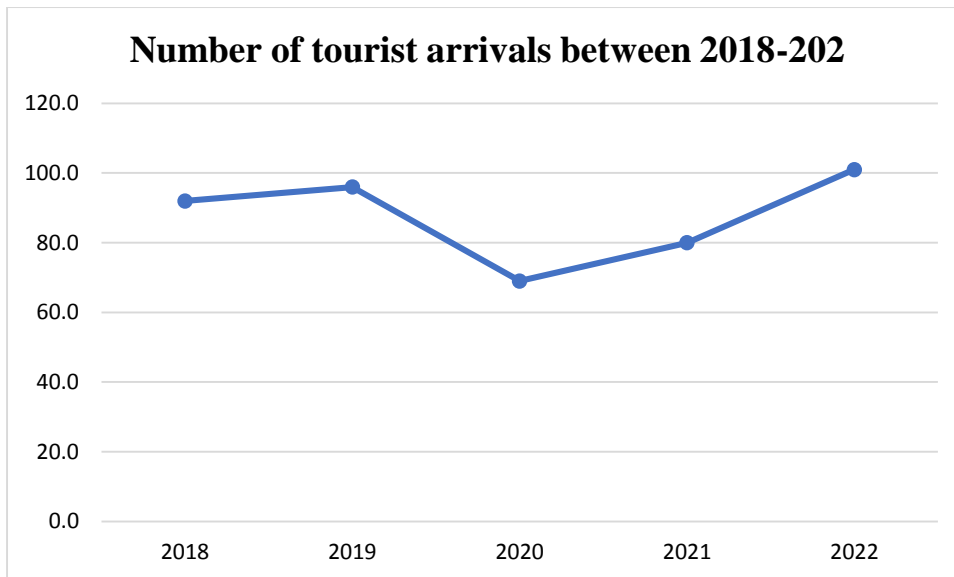
Impact on businesses

Georgia experienced slow growth in 2018 by 4.8%. The growth slightly increased in 2019, growing by 5%. However, in 2020, with the start of the global pandemic, the Georgian economy decreased drastically by 6.8%. The following year the country slowly started to recover with 11 percent increase in growth during the first nine months. This marked the highest growth rate experienced by the country since 2007.

The significant decrease in demand among all sectors contributed to shrank in the economy. SMEs were the most affected from the pandemic. Although, it has declined over the last decade, The average interest rates charged to SMEs has been high in Georgia. It has declined from 17.5% in 2010 to 9.3% in 2020. A drastic change in behaviour of customers made many businesses temporarily close or shut down. According to survey 63% of respondents indicated a more than 50% revenue drop in March and April 2020 compared to the same period of 2019. As a result, the government of Georgia prioritised the development of private sector, job creation and innovation. In 2021, the business sector turnover increased by 31.5% and amounted to \$51.136 billion. According to doing business 2020 report, Georgia was ranked to be 7th in the ease of doing business.

Based on National Statistics office of Georgia, average number of visits made by outbound visitors of age 15 and older in 2019 was 791,2 thousand. The following year with the start of the pandemic this number decreased to 205,2 thousand.

Graph 12 Number of tourist arrivals between 2018-2022



Source: Agayev, M. (2023). *Tourism in the South Caucasus region during the post-pandemic period*. CESD. <https://cesd.az/y/panel/uploads/52203304337-CESDPaperTourismintheSouthCaucasusregionduringthepost.pdf>

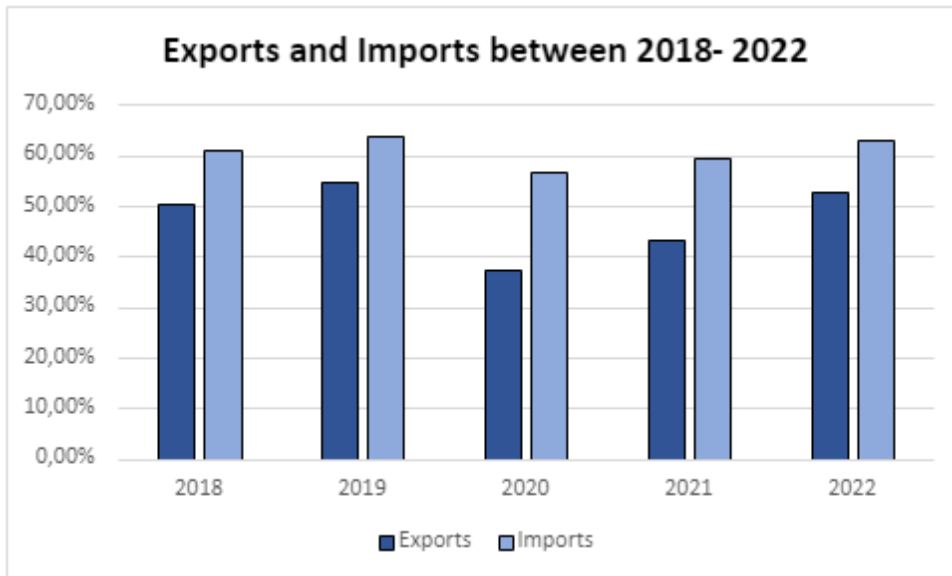
The tourism industry's turnover in 2018 and 2019 accounted for 19.99% and 20.33% of the GDP of Georgia, correspondingly. The pandemic caused a severe setback to the tourism industry in 2020 and 2021. In 2020, there were 1,513,000 fewer tourists than there were in the previous year, a reduction of 83.5%, or \$586 million, in revenue. Consequently, the tourism sector's GDP share plummeted to 3.7%. The tourism industry experienced a rebound in 2022 following the easing of pandemic bans, with an increase of 3,822,537 visitors in comparison to 2021.

The government debt in Georgia was at the peak in 2020 due to the economic crisis. During this period the government took 3 billion USD external debt. Half of it was taken by the private sector and another half was taken by the government.

According to the statistical office of Georgia, the number of unemployed women has been higher than men in the country. This number specifically went up after the lockdown and closure of entities. The number of unemployed women was 18.9% in 2019 while in 2020 it increased to 20.2%. For men however, this number did not change much with an increase from 16 percent to 16.2 percent. In 2022 these numbers went down to 19.3% for women and 14.6% for men, with women still having a higher unemployment rate than men.

Compared to 2019, the number of employees in hotels and restaurants alone has decreased by more than 18 thousand people. The hospitality sector faced significant decrease in revenues caused by the closure of borders. Georgia is usually visited by Armenia and Azerbaijan since it is easier and cheaper to travel by car. However, the land borders were closed, and they remain closed to this day with Azerbaijan which makes traveling quite complicated. Russia Ukraine war also had a huge impact on the tourism industry in the region since the tensions grew along the conflict.

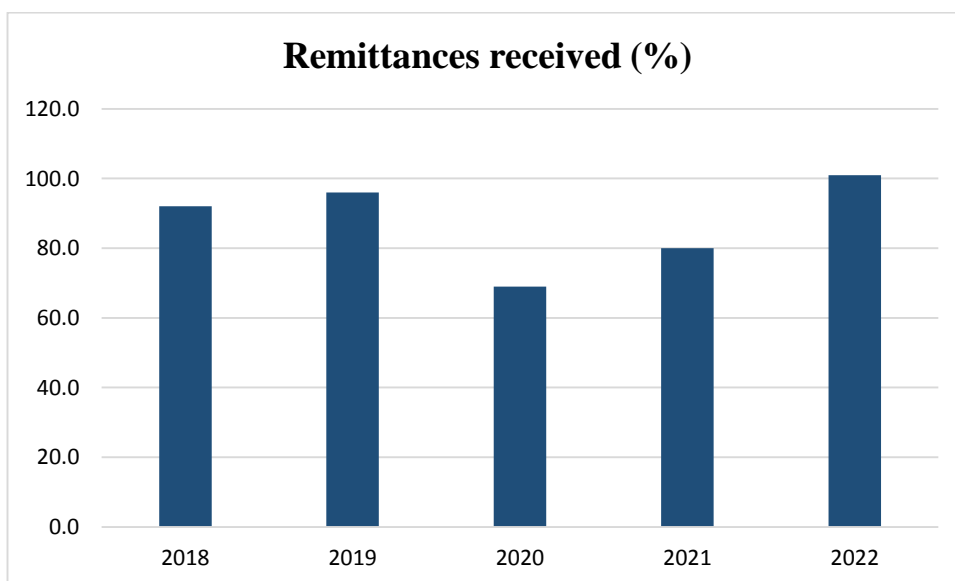
Graph 13. Exports and imports between 2018-2022



Source: Georgia exports 1990-2024. MacroTrends. (n.d.-b). <https://www.macrotrends.net/countries/GEO/georgia/exports>

In 2018 exports made up 50.56% of total GDP which increased to 54.82% the following year. With the start of the pandemic there was a significant decrease in imports which amounted for 37.29% of the total GDP. In 2021 there was a notable rebound with imports amounting for 43.19% of total GDP. The positive trend continued in 2022 and it made up 52.90% of the total GDP.

Graph 14. Remittances received between 2018-2022



Source: Personal remittances received (% of GDP) - georgia | data. <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=GE>

The remittances received in the country have shown a consistent upward trend since 2018. Although the growth was steady and slow between 2018-2020, it is possible to see 14.20% growth in 2021. The following year there was a critical increase to 16% in remittances received.

The growing reliance on remittances is concerning for the country. According to recent report businesses can't find workers since More than a fifth of labor have left the country. "This indicates that the workers are unable to meet their basic needs in the country" said Keshelava.

State support and post pandemic recovery

Due to the economic crisis and vulnerabilities caused by the pandemic, the country was in need for support and assistance. Multiple worldwide organizations helped Georgia with assisting the COVID-19 impacts. The project was financed by World Bank (\$80 million) and Asian Infrastructure Investment Bank (AIIB) (\$100 million) to help Georgia with responding the coronavirus impacts. The WHO provided the country with technical assistance and United States Agency for International Development (USAID) funded the medical commodities to hospitals. The European Investment Bank allocated \$228 million to develop healthcare infrastructure.

Starting from June 2022 the World Bank-supported Communications Campaign initiative in Georgia initiated a project to deliver thorough, precise, and transparent information to the population regarding vaccine availability and the government's immunization strategies. The project lasted for 14 months. During these months, 11 different events took place in order to spread awareness about vaccines. The project involved promotional materials, 4 videos, 900 brochures, 140 'vaccinated' stickers, 200 branded notebooks, 50 awards, 500 T-shirts and 500 bracelets.

The EU allocated \$114 million in macro financial assistance, most of it being for COVID-19. Additionally, WHO and EU provided critical supplies, support training and medical personnel for the country.

The UN has been taking steps to ensure the preparedness and response capabilities of the country as well. Almost 2 million pieces of medical supplies were allocated for Georgian hospitals. The EU provided special assistance for the most vulnerable including old people, people with disabilities and children.

Over \$60,88 million was allocated to facilitate loans for businesses and provide business advice, while \$18,264 million was allocated to stimulate economic activity in areas such as agriculture, travel and etc.

The government response and measures are very important during the times of crisis in order to ensure the safety and wellbeing of the population. To conclude, significant work was done to help the country with the medical field and supplies.

Conclusion and recommendations

In this study, based on three countries of the South Caucasus region, COVID-19, its impacts, and the measurements taken by the governments were discussed. The research focuses on the effects of the

pandemic on economic indicators, businesses and different markets. It is possible to conclude that all three countries were significantly challenged by coronavirus together with the conflict in the region. These factors shared complications for 3 countries including slowdown in economic growth, raised inflation and consumer prices, closure of businesses etc. However, despite the setbacks and barriers, the countries were actively supported by public and private organizations such as WHO, UNDP, EU, etc.

The countries saw high inflation rates and consumer prices throughout the pandemic. In 2021, there was a drastic increase in inflation rates with Georgia having the highest inflation rate in the region. As stated, the region was challenged by multiple factors at the same time, such as geopolitical changes in the region, lockdown, closure of borders, high commodity prices and raising demand from immigrants from Russia and Ukraine. Growth slowed down and the countries are still trying to recover from the economic and social effects.

The pandemic has had lasting implications for businesses across industries, influencing marketing strategies, consumer behaviour, and distribution channels. In order to remain relevant companies had to adapt to these changes.

Although there wasn't a noticeable change in unemployment rates, they remained high in the region. The start of the lockdown affected many jobs and businesses. Statistically, it affected women participation in labor force more than it affected men. The struggle faced by businesses indicates the need to reassess innovative and digital strategies for business operations.

The pandemic almost immediately showed its impact on GDP growth in 2020. Armenia and Georgia faced a more drastic decline compared to Azerbaijan. After the contraction the countries started to recover at a more gradual pace.

Although there have been some fluctuations, the contribution of remittances to GDP did not show a remarkable change in 2020 for Georgia and Azerbaijan. Unlike other countries in the region, Armenia experienced decrease in this figure with quick recovery in the subsequent year. This could be a result of job losses abroad, disruptions in migration etc.

Driven by the closure of the borders, and lockdown measures, all countries around the world experienced a decline in the tourism sector. The regulations made it difficult to travel from one location to another. The arts, entertainment, and aviation industries were all greatly impacted by this. Some cafes, restaurants, hotels, either had to shut down or faced substantial financial setbacks. The tourism sector plays a significant role in the economic landscape of all countries since it is one of the major industries. To protect it from struggling, strict, clear and effective travel measures can help travelers reach their destinations securely.

When it comes to medical sector, The start of the pandemic led to a shortage of medical supplies which caused challenges for citizens. It was hard to provide social and medical assistance because of the lack of beds in hospitals, masks, rubbing alcohol etc. The price of the medical masks rose which led to dissatisfaction among the public. To stop the dependency on exports of masks, the countries started to produce masks domestically. The increase in medicine prices highlights the significant reliance on imported medical products.

One of the most affected sectors in the world was the SME sector. Disruptions in trade, lockdown, high commodity prices caused struggles for enterprises. However, world organizations helped the

entrepreneurs around South Caucasus countries. The governments provided businesses with essential support to combat the crisis.

The research shows that South Caucasian countries are highly dependent on exports and imports. This indicates that the countries should start production of certain products in order not to rely on other countries. The medical and pharmaceutical fields must be developed and a system that is prepared for future crises should be created. To do this the governments can increase the number of certain programs and trainings in medical field. Trainings involving protection and safety measures, communication with patients and fast reaction can help with handling the crisis and preventing panic among public.

Strengthening relationships between countries and public/private organizations as well as NGO's is necessary to cooperate in times of crisis. This helps organizations to share resources and expertise. Regional cooperation is necessary to prevent future crises.

The main problem during the global pandemic was a sudden transformation to digital-centric environment. This compelled people worldwide to adopt remote work practices. In order to minimize economic disruptions, it is recommended for companies to encourage Digital transformation and Hybrid work lifestyle. Not only is this useful in times of crisis, but also it offers flexibility and efficiency in operations.

Job and losses show the critical need to prioritize job creation in countries. Promoting gender equality in the labor market particularly because data shows that women's unemployment rate is higher than men. Women's entrepreneurship and participation in leadership positions should be encouraged. This can foster greater resilience and provide sustainable recovery and growth.

The business environment should be improved by recognizing the contributions of entrepreneurs, celebrating their work and encouraging collaboration among investors. For a favorable legal environment, the registration of businesses and enforcing contracts should be simplified. Startups can be supported through training initiatives and networking opportunities. This will show the significance of businesses in the economic landscape.

To sum up, the COVID-19 outbreak shows the necessity of implementing some economic, social and public health measures. Fostering international cooperation, promoting adaptation and collective effort is necessary in navigating through challenges. With the right strategic plan and effort, a sustainable future for the South Caucasus region can be created in the post pandemic period.

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