



**EURASIA
PARTNERSHIP
FOUNDATION**

EPF Armenia's Going Concern Assessment In response to COVID-19 pandemic

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As of June 5th, 2020

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1. The need for going concern assessment

The first case of COVID-19 infection in Armenia was registered on March 1, 2020. By March 13, the number of infected increased. On March 16, the Government of the Republic of Armenia (RA) declared countrywide state of emergency for one month, which was renewed on April 12 for another month, and then in mid-May was again renewed for a month.

Since the beginning of COVID-19 outbreak, EPF Armenia (hereinafter, EPF) was closely following the Armenian Government orders re: fighting the pandemic. EPF has introduced a number of administrative measures and working procedures to adjust its mode of operation and ensure staff's effective work from distance. EPF and primarily its Senior Management Team have held various discussions around the necessary steps in order to mitigate the administrative, human resource, financial and programmatic sustainability risks during the outbreak of COVID-19 pandemic in Armenia and globally.

EPF has taken precautionary steps even before the decision on the state of emergency, and has shifted to online/remote working mode since March 15, which was [communicated](#) with the public, as well as EPF's donors and other stakeholders. EPF staff members also received written notifications from the CEO on the necessary rules and safety measures that each individual must observe while in the lockdown. These rules included restrictions on contacting people and participating in public events/meetings, informing EPF about urgent meetings that cannot be postponed, and then observing two weeks' quarantine before meeting with other staff members. On March 24, the CEO further strengthened these restrictions following the new anti-epidemiological restrictions imposed by the RA Government.

Following the announcement of the state of emergency in Armenia, EPF formed four working groups that would work on four scenarios: futuristic, assistance to the society, assistance to the civil society and CSOs and communications during pandemic. EPF also embarked on drafting relevant revisions to policies and procedures. The results of the analytical work by the four working groups were combined and presented to the public in two announcements: [one](#) presenting EPF's reflections and approaches on future programming and societal developments, and [the other one](#) on the assistance EPF and its staff members individually can provide to the society and CSOs during COVID-19. These documents mainly focused on the need to increase the knowledge of critical thinking and media literacy, human rights related violations; advice to CSOs on how to shift to an online working mode, etc. The other working group worked more on necessary amendments to EPF's Emergency Management Plan and on internal guidelines on how to accommodate the workplace in the post-pandemic period.

2. Expected Financial Impacts of COVID-19 on EPF

In order to have a clearer picture of what will be the financial situation of EPF over the rest of 2020, EPF's Annual Expenses for salaries and administration for the period of May 1-31 were analyzed.

Since mid-March 2020, i.e. since the announcement of a state of emergency in Armenia, EPF managed to cover all staff salaries without any reductions (for March and April 2020). No reductions are envisioned in the nearest future, as EPF's financial situation is rather stable, and the calculation below proves the statement.

2.1. 2020 Fiscal Year Budget Analysis

EPF's 2020 Budget indicates the following figures for staff salaries and administrative expenses. An additional column (**figures highlighted in red**) presents the eight-months apportionment for the period of May 1 – December 31, 2020. These are funds available in the budgets of the ongoing projects.

2020 Budget Category	Unit	# Units	Price/ Unit	Total for 12 months	Total for 8 months
Staff salaries	month	12	\$ 44,560	\$ 534,720	\$356,480
Service contracts and employees other benefit expenses	month	12	\$ 15,520	\$ 186,240	
Office Maintenance	month	12	\$ 10,740	\$ 128,880	\$85,920
Audit and consulting expenses	pool	1	\$ 6,632	\$ 6,632	
<i>Subtotal: Salaries & Admin. Exp.</i>				\$856,472	
Programmatic Expenses	pool	1	\$1,313,502	\$ 1,313,522	
TOTAL				\$2,169,994	

2.2 Donors Coverage of EPF Armenia

Currently, EPF is implementing 15 projects being funded by several donors including US Government (US DRL, USAID- CELOG and MICE, BST), EU (ATNP 3, PeaCE 2), the Netherlands MFA, UK Government, Bulgarian Embassy, UN Structures (OHCHR and IOM) and Stonehill College. The below table demonstrates the apportioned salaries and administrative costs of all the ongoing budgets for 2020, which indicates how much of a secured funding EPF

has at this point. Since the DATA project's Cooperative Agreement was signed on June 2, 2020, DATA project was added in the chart below.

	2020 Budget	Salaries/Service contracts and employees other benefit expenses	Salaries & Administrative Expenses	Subtotal
	Total for 12 months (January - Dec 2020)			
1.	USAID DATA	\$137,264	\$22,720	\$159,984
2.	US DRL	\$113,463	\$30,935	\$144,398
3.	PeaCE-2	\$109,963	\$15,689	\$125,652
4.	USAID CELoG	\$96,511	\$8,392	\$104,903
5.	EC ATNP 3	\$86,941	\$30,033	\$116,974
6.	Dutch AD/RT	\$56,294	\$1,823	\$58,117
7.	SIDA 2	\$51,440	\$10,711	\$62,151
8.	USAID MICE	\$30,571	\$3,840	\$34,411
9.	UN OHCHR	\$8,400	\$2,640	\$11,040
10.	BST	\$7,244	\$3,108	\$10,352
11.	UK Arm-Turk Econ. Research	\$6,716	\$1,264	\$7,980
12.	PINK	\$5,730	\$-	\$5,730
13.	UN IOM	\$4,840	\$1,094	\$5,934
14.	Bulgarian Embassy	\$4,389	\$2,457	\$6,846
15.	Stonehill College	\$1,200	\$800	\$2,000
Total (for 12 months)		\$ 720,966	\$ 135,506	\$ 856,472

As it can be observed from the figures above, both the Personnel and Administrative Expenses are fully covered by EPF's secured funding, **so no reduction in staff costs are envisioned for 2020.**

It is important to mention that all the donors agreed to the changed mode of operations from off-line to on-line due to COVID-19 restrictions. therefore, salaries/payments of all EPF staff and contracted-out experts are accepted by these donors. For some of the projects, especially the ones that include sub-granting component, EPF may consider requesting no-cost extension.

In this overall picture, it is worth mentioning the additional funding expected to come from USAID for the cost extension of the CELoG project. One year cost extension will start from September 1, 2020, and EPF's share from this program will be about \$130,000, out of which approximately \$62,654 will go to salaries costs.

2.3 Cash Flow Analysis

In terms of money transfers, different donors have different patterns/practices of transferring money. These patterns are related to EPF's contractual obligations. The European Union and Dutch Government transfer money annually, whereas USG funding comes monthly.

US Government funded projects

For USG funded projects, such as Justice for Reform Project funded by DRL; and MICE and CELoG projects funded by USAID, EPF sends cash request monthly, and gets the money within 2 weeks afterwards.

EPF received the funding from USAID for DATA project on June 2, 2020. Monthly cash requests will be used for this project as well.

EPF never experienced any delay from USG funding neither in normal circumstances nor since COVID-19 pandemic started.

European Union funded projects

For the EU funded projects, the practice is to get an advance payment for the 1st year of project implementation. Regarding the currently implemented projects, EPF received an advance for ATNP-3 project in November 2019, (Euro account money basically represents this funding). For PeaCE-2, EPF has a verbal and email approval from the donor to start the project from April 15, 2020. However, no contract has not been signed yet, and no money is transferred. So, in the calculations above, PeaCE-2 share of the secured funding (\$110,000 salary and \$16,000 for admin costs) will be received later, which however, does not represent a high risk as EPF's unrestricted funds can be used instead to cover the PeaCE related costs until PeaCE-2 money is transferred to EPF account.

EPF's experience of getting EU funding is that the 1st advance payment is never delayed and is paid within 2-3 weeks upon contracts' signing. However, further financing and the final reimbursement of expenses is usually done by EU with huge delays.

The Netherlands Government funded project

EPF is implementing a 3-year long Anti-Discrimination project funded by the Dutch Government. The money is being transferred annually in advance. On June 1, 2020, EPF enters into the 3rd (the last) year of the project implementation, which means programmatic and

financial reports will be submitted in June 2020, and EPF envisions to get the rest of the funding for June 1, 2020 - May 31, 2021 during July 2020.

Based on the written communication with the donors, we do not expect any delays in the money transfer. EPF has never experienced any delays related to the Netherlands funding.

Projects funded by other donors

OHCHR: A project entitled (how?), with a budget of \$20,000 for 8-month period (May-Dec, 2020). The budget is divided into 2 parts, and we expect to get the funding in June and September, 2020 accordingly.

IOM: A project entitled ‘Research: Migrants’ Access to Information, Healthcare Services and other Basic Human Rights in Armenia during the State of Emergency related to COVID-19.’ The money comes under is a service contract between EPF and IOM Armenia. The overall payment of \$12,000 will be provided in June 2020 upon completion of the research.

Stonehill College: The funding and the actual money for the internship program entitled “Learning Inside Out Network Learning Communities” (which has already started) is already received on EPF’s account.

Government support

In response to COVID-19, RA Government took some measures to support commercial entities that continued paying full-time salaries to their employees after the announcement of the state of emergency. EPF being a non-commercial entity was not entitled to get the RA Government support.

Envisioned projects for 2020

EPF submitted a project to **SIDA** with a budget of EUR 1,500,000 for two years. In case approved, the project is expected to start in summer 2020, based on the correspondence with the donor. Our assumption is that even if it starts later, the latest time is September, 2020.

3. COVID-19 responses and introduced measures

EPF mitigated the fundraising and financial resources risks via the following steps:

- a) Negotiations were held with the donors, and written requests were submitted for receiving approval for no-cost extensions for three projects ending during March-May 2020; three

projects (UK-funded, Black Sea Trust funded and Embassy of Bulgaria) have already been extended: one project till the end of June 2020, the second one till the end of September 2020, and the third one has been extended till mid-September 2020.

- b) Active internal brainstorming and discussions were organized within each programmatic team, and communication was initiated with the donors for the approval of revisions /modifications to match the changed work environment in the online/remote mode.
- c) Active fundraising during and before COVID-19 pandemic. At least, four large scale projects were submitted during December 2019 - April 2020 period to support EPF's five programmatic portfolios: Cross-border, Civil Society, Good Governance, Media and Human Rights. In addition, four small-scale projects were also submitted for funding. Currently, EPF is engaged in fundraising with EU within various consortia, and the future projects focus on Media, Civil Society and Human Rights.
- d) Two small-scale human rights projects received funding during the pandemic period: one (with UN OHCHR) for an amount of 20,000 USD for the period of April-October 2020; the other one (with UN IOM) for 12,000 USD for two and half months for a research project. Two large scale projects (PeaCE-2 in the cross-border and DATA in the civil society) in the total amount of 3 mln. USD have already been approved (PeaCE-2 contract is not signed yet, but the project is approved and can be charged from April 15, 2020).
- e) EPF also decided to diversify the financial reserves (services provision) via opening alternative bank accounts in other banks (currently, EPF has bank accounts in HSBC only). The new banks will serve for financial transactions of the upcoming projects which will start from mid-summer 2020.
- f) EPF Finance Team monitored the distribution of financial resources and the availability of financial incomes of the organization, and proposed a plan of taking voluntarily vacations in order to secure the financial coverage of all staff members and their retention during the period of pandemic. Due to the taken measures, EPF was able to retain all of its staff members during the March-May 2020 period.
- g) Three new documents have been developed as part of Policies and Procedures: Pandemic Emergency Management; Workplace Safety Precautions, and Emergency Leave Policy. The Risk Matrix is being updated to include the pandemic and epidemic risks.
- h) There will be certain modifications done in the office setting to ensure safe working environment after return to the office working mode: less people will be in the office; touchless appliances will be installed in the lavatories; etc.

During the period of pandemic and the state of emergency, EPF Armenia received quite good feedback and appreciation from donors, especially from EU/Brussels and USAID/Armenia. These two donors in particular indicated that it was very important and urgent to start the project implementation as soon as possible, as all of them understood the issue of staff retention, which speaks about very good track record of their cooperation with EPF throughout all the past years.

4. Revisions/modifications in the working style and programmatic action plans

The remote/online work also resulted in the change of programmatic work and adapting new methods and platforms for the internal organizational needs. Following the shift to the online working mode, programmatic, finance/admin and communications teams have been holding on-line discussions to distribute responsibilities for the week and month, as well as circulating updates and upcoming action plans to all staff members. This also relates to the work implemented for projects under Consortia with other organizations.

Programmatically, for instance, EPF's [Network of InfoTuns](#) work continues very actively online, contributing to distant learning knowledge within USAID-funded Civic Engagement in Local Governance (CELoG) and Media for Informed Civic Engagement (MICE) programs. Within the framework of CELoG program, EPF and its partner Communities' Finance Officers Association continued their series of regional trainings as part of the School of Local Democracy (SLD) on the essentials of local democracy, local government operations, strategic planning, budgeting, human rights, and other topics related to activities young people could implement in their communities. During the period the state of emergency, at least eleven online trainings (three hours long) were organized for thirty-five young people from Ararat and Aragatsotn marzes (regions). At least, fifty online discussions and seminars on critical thinking, media literacy, fact-checking, data security, presentation of MICE products and discussions with state representatives were held from mid-March to mid-May period within MICE program. USAID has mentioned publicly that thanks to these activities its plans in Armenia were not delayed.

In addition, as a response to COVID-19 pandemic in Armenia, the Ministry of Labour and Social Affairs of RA (MLSA) approached EPF with a request to involve EPF's InfoTun Network (about 40 representatives from 10 InfoTuns) in the decentralization of the information from MLSA on social packages provided by the Government in response to COVID-19 crisis, dissemination of this information through the Network of InfoTuns and its volunteers, as well as fostering the cooperation with local authorities on this matter.

5. EPF's work restructuring in response to the current needs and environments

EPF also examines its shift towards becoming more of a think tank, research and consultancy based entity. During the period of two months (April-May 2020), EPF received funding from Heinrich Boell Foundation (directly paid to vendors), UN OHCHR and IOM for at least three small scale research projects focusing on the following areas:

- Addressing the culture of violence via the capacities of civil society to help the state agencies dealing with education, defense, police, social issues, etc. to start changing their policies to reduce societal violence.
- Promoting the awareness on Special Procedures of the UN Human Rights Council and Individual Complaints Mechanisms under the UN Human Rights Treaties via a) conducting a baseline research on the practice of individual complaint mechanisms in Armenia; b) developing a workshop module to provide an overview of human rights mechanisms.
- Identifying the largest irregular migrant groups currently residing in Armenia, unfolding the most pressing human rights issues, such as access to information and healthcare services under the State of Emergency caused by COVID-19, and developing practical recommendations on short and middle-term assistance that could be provided by the Government of Armenia, IOM and other humanitarian actors. This is a particularly important ground-breaking research directly targeting COVID-19.

UNDP/Armenia also approached EPF, and asked to submit a bid for the project on civic education for youth under the auspices of the Parliament of RA (in an amount of 30,000 USD) within the larger three-year project entitled ‘Modern Armenia, Modern Parliament’.

6. Provision of enabling and safe environment for effective workplace

EPF understands that the situation of a lockdown, rapid change of working environment, uncertainties in the economic and social life pose emotional and communication challenges to its staff members. Thus, throughout this period, EPF made use of the available resources under the DRL-funded project, where there is a possibility to obtain psychological counseling for EPF staff members and the staff of the Consortium partners. During the period of mid-March and April 2020, two online sessions were organized with two different psychologists on identifying and overcoming stressful situations. Eight participants out of twelve participants on average who participated in the aftermath survey stated that these sessions were either useful or interesting.

After one and a half months of active online work, EPF also introduced new internal communication rules to reduce the overload of instant messaging and define email correspondence guidelines in order to tackle the information flow and increase the effectiveness of work in the current setting.

On May 4, 2020 senior management team (SMT) held its regular meeting, and it was decided that although the Government of RA lifted most of the restrictions connected with the state of emergency allowing wider spectrum of companies to resume their operation, EPF will still refrain from returning to the offline mode of work. The RA Government recommends to the

companies that can continue operating in the remote mode, to continue keeping this working setting until we see how the COVID-19 situation develops. EPF SMT decided that this online/remote working mode will be kept at least until the end of May 2020. This will also provide more time to prepare properly the office space for the resumption of the offline work. SMT nominated two staff members, Human Resources and Office Manager and Events Assistant to proceed with the purchase of all the necessary equipment and cleaning/disinfecting stuff, and organizing the office space to ensure safe and effective operation when EPF decides to return to the offline mode. EPF has also designated certain staff members to regularly follow the new resolutions by the RA Government on the state of emergency measures and provide brief updates/interpretations to the staff and management.

7. Estimated Statement of Financial position as at 31/12/2019

	In thousand drams		In US dollars	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Assets				
<i>Non-current assets</i>				
Property and Equipment	223,771	8,874	466,189	18,497
Other non-current assets	2,000	2,000	4,167	4,170
	<u>225,771</u>	<u>10,874</u>	<u>470,356</u>	<u>22,667</u>
<i>Current assets</i>				
Accounts receivable	4,000	65,337	8,333	136,202
Current income tax assets	927	927	1,931	1,934
Cash and cash equivalents	152,203	411,261	317,089	857,329
	<u>157,130</u>	<u>477,525</u>	<u>327,354</u>	<u>995,465</u>
Total assets	<u>382,901</u>	<u>488,399</u>	<u>797,710</u>	<u>1,018,132</u>
Liabilities and net assets				
<i>Non-current liabilities</i>				
Grants related to assets	223,771	8,874	466,189	18,497
	<u>223,771</u>	<u>8,874</u>	<u>466,189</u>	<u>18,497</u>
<i>Current liabilities</i>				

Accounts payable	10,279	41,469	21,415	86,447
Deferred income	<u>106,846</u>	<u>396,877</u>	<u>222,596</u>	<u>827,344</u>
	<u>117,125</u>	<u>438,346</u>	<u>244,010</u>	<u>913,791</u>
Net assets				
Accumulated result (unrestricted)	42,005	41,179	87,510	102,035
Foreign currency translation reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,191)</u>
	<u>42,005</u>	<u>41,179</u>	<u>87,510</u>	<u>85,844</u>
Total liabilities and net assets	<u><u>382,901</u></u>	<u><u>488,399</u></u>	<u><u>797,710</u></u>	<u><u>1,018,132</u></u>

1. Statement of Activities as at 31/12/2019 (Estimated)

	In thousand drams		In US dollars	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Income from grants and contributions	1,057,861	862,056	2,203,876	1,795,052
Revenue from training and consulting services	11,504	20,910	23,967	43,540
Income from renting office	-	17,512	-	36,468
Total income	<u>1,069,365</u>	<u>900,478</u>	<u>2,227,843</u>	<u>1,875,060</u>
Employee benefit expenses	(346,065)	(307,614)	(720,969)	(625,324)
Grant expenses	(595,283)	(398,998)	(1,240,172)	(830,832)
Trip and representation expenses	(35,198)	(110,112)	(73,330)	(229,285)
Depreciation and amortization expenses	(12,496)	(21,729)	(26,032)	(45,246)
Office expenses	(61,859)	(36,642)	(128,873)	(76,300)
Audit and consulting expenses	(3,184)	(3,392)	(6,634)	(7,063)
Direct Costs of Services Rendered	(4,175)	(17,891)	(8,697)	(52,473)
Total expenses	<u>(1,058,260)</u>	<u>(896,378)</u>	<u>(2,204,707)</u>	<u>(1,866,523)</u>
Finance costs	-	(987)	-	(2,056)
Result before taxation	<u>11,105</u>	<u>3,113</u>	<u>23,135</u>	<u>6,481</u>
Income tax expense	(10,279)	(2,379)	(21,415)	(4,954)

Result for the year	<u>826</u>	<u>734</u>	<u>1,721</u>	<u>1,527</u>
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9. List of Associated Documents

Below is the list of documents associated with this assessment:

- EPF Financial Statements (as at 31/12/2019);
- EPF BvA Excel Sheet (time period: January 2020 to April 30, 2020);
- EPF Fundraising Report (time period: November 1, 2019 to May 15, 2020).

END.