



# IMPACT OF COVID-19

## ON SMALL BUSINESSES IN JORDAN, TURKEY & MYANMAR

### Overview



SMEs Open for Business: **95%**



Total Employed: **8,675**



Reported Sales/Revenue would be, on avg 45% < 2019: **86%**



Spent Savings to Cover Living Expenses in Last 2 Months: **50%**



No Application for any Type of Government Support: **57%**



Top Training Need: **Marketing**

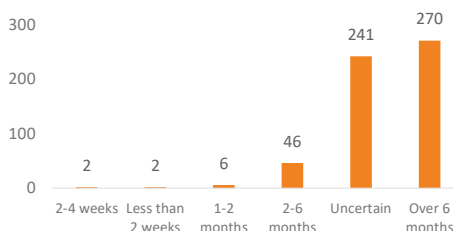


Expect to remain open for next 6 months: **47%**

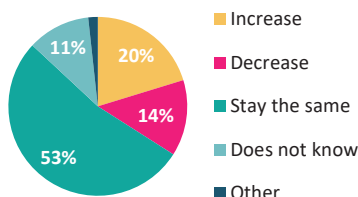
Between June and August 2020, Building Markets surveyed 607 small and medium-sized enterprises (SMEs) in Jordan, Turkey and Myanmar to assess the impact of COVID-19 on local businesses. At the time of Building Markets' survey, 95% of SMEs were open and employing 8,675 people. This is a 665-employee decrease since February 2020. That number may have been higher if local laws regulating and prohibiting employee layoffs were not in place. A little over half (52%) of businesses expected the number of people employed would remain steady for the following 6 months and 20% planned to hire more people over the same period. Nonetheless, 83.3% expected their business' total investment to be reduced in 2020 by, on average, 41.4%.

In good news, on the whole – SMEs are showing signs of short-term recovery. At the time of the survey, most had re-opened, and while profits were lower than normal, business owners had a positive outlook. However, medium and long-term sustainability is still at risk and is heavily dependent on financial support and increased consumer demand. In fact, 42.6% of open SMEs were uncertain of how much longer they would continue to operate and 8.1% expected to remain open for only 2-6 months.

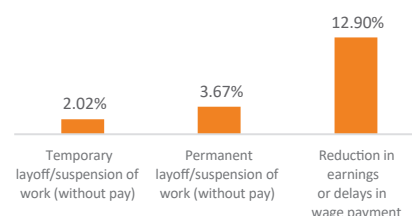
**If Business is Open, How much Longer can you Stay Open?**



**In the next 6 Months, do you Expect your Employ Levels to Increase, Decrease, or Stay the Same?**



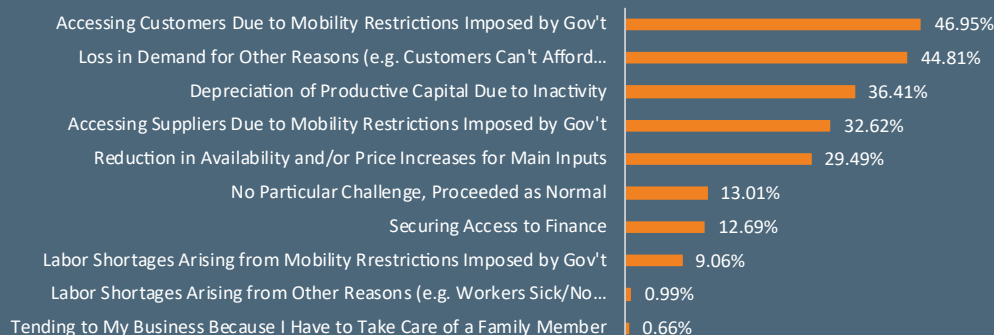
**Layoffs or Reduced Pay (% total Current Employees)**



# Challenges

In the 30 days prior to being surveyed, 12.9% of SMEs reported payment delays and wage reductions for their staff. The average number of employees experiencing this was highest in the construction and manufacturing sectors. The highest cited challenges were difficulty accessing customers due to mobility restrictions imposed by government (47%) although some of these restrictions have since been lifted. Additional challenges reported included loss in demand (45%) and a decline in productive capital due to inactivity (66%).

## In last 30 days, has your business faced any of the following challenges due to COVID-19?

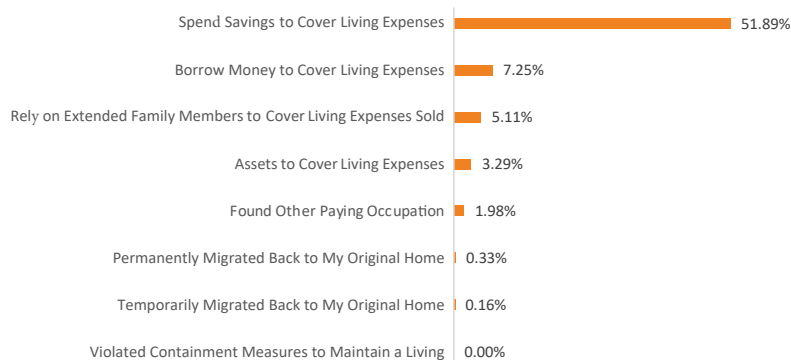


# Coping and Adaptability

SMEs have adapted to the pandemic by increasing their reliance on technology, including phones for marketing and sales communication (37%) and taking their business online (36%). That said, 50% reported spending their savings to cover living expenses in the previous 2 months, and over a quarter expected to do the same in the immediate future.

To cope with decreased demand, 29% of SMEs stated they were targeting new customers to adjust to the crisis and 10% reported producing/selling new products.

## In the last 60 days, have you had to do any of the following?



## Have you Adjusted your Business Model to Target Customers?



**Building Markets**

Connecting Entrepreneurs. Creating Jobs. Sustaining Peace.

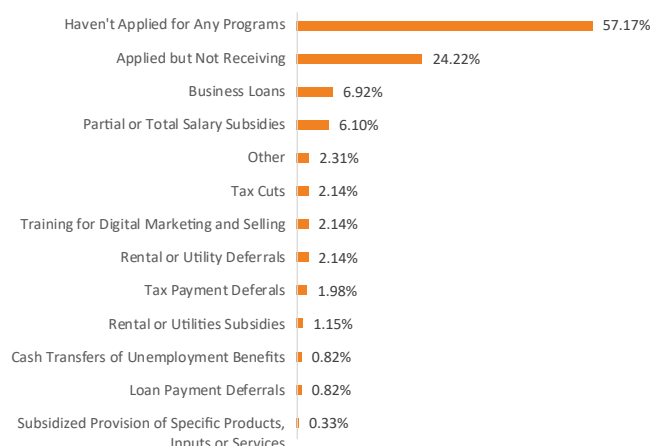
# Finance and Support Needed

Businesses seem to be struggling most from decreasing demand, which may explain why more than 60% identified marketing as their top training requirement. Less than 6% communicated interest in financial management, digital marketing/sales, and procurement and bidding training. These topics are crucial for a sustainable economic recovery and, given the uncertain timeline of the COVID-19 pandemic, may prove to be the most important skills for SMEs still operating in 2021.

Over half (57%) had not applied to any type of government programs to support their businesses. There is low awareness of these programs (28.3% do not know of any) and 37% believed that even if they did apply, they would not receive support. 24% of those who have applied for assistance have not received any.

In terms of what policies were needed to support their business, SMEs reported: loans (21.75%), tax cuts (19%) and rental or utilities subsidies (12.1%). Only 6.4% had applied for loans in response to COVID-19. Informal borrowing and spending savings were more common strategies for obtaining working capital, but this is unlikely to be sufficient for covering financial needs for the remainder of the year. 30.9% of SMEs expressed interest in receiving a formal business loan with an average size of \$145,382 USD each.

## Have you Applied for or are you Receiving Government Support?



## What Type of Training do you Need Most?



# Recommendations



Expand access to working capital and reduce financial obligations. This includes introducing innovative financial products, grants, waivers for fees/or taxes, and loan forgiveness.



Provide demand-driven training that directly responds to the growth constraints that SMEs are experiencing from the COVID-19 pandemic.



Increase SME access to resources and information by using relevant dissemination channels and translating into local languages, including for refugee-owned businesses.



Prioritize the reopening of key sectors, including manufacturing, and ease restrictions on the import of raw materials.



**Building Markets**

Connecting Entrepreneurs. Creating Jobs. Sustaining Peace.



# IMPACT OF COVID-19 ON SMEs IN JORDAN

Population: 9.9m

GDP Growth (2019): 2.2%

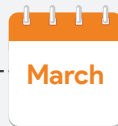
Number of Syrian Refugees: 1.8m

Unemployment Rate: 23%

## Timeline:



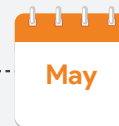
Government plans response



1st COVID-19 case & country-wide lockdown



Factories allowed to operate



Gradual re-opening of economy with safety measures in place



Uptick in cases led to regional curfews



SMEs Surveyed: **169**



Hardest Hit Sectors: **Tourism, Entertainment, Retail, Apparel**



SMEs Open for Business: **94%**



Average size of loan requested by SMEs: **\$325k**



No Application for any Type of Government Support: **39%**



Top Training Need: **Marketing**



Expect to remain open for next 6 months: **44%**

## Local Context

In late January, Jordan's Epidemic Committee implemented a series of policy measures to address COVID-19. This rapid response – more than one month before a single case was reported – is likely responsible for limiting spread of the virus. Less than two weeks after the first case was identified, a significant lockdown closed schools, shut the border, and enforced a strict quarantine for those who had recently travelled. A full curfew was in effect for less than a week in late March that required people to stay in their homes, with a less restrictive curfew lasting until May 2020.

Using emergency military law, the government was able to quickly pass Defense Orders to protect the economy. Additional welfare was enacted for those unable to work, including non-Jordanians. At the beginning of April, factories in industrial zones were the first businesses allowed to resume operations. In May, many companies re-opened, but were prohibited from lowering or delaying wages. Certain hard-hit sectors were given temporary exemptions from this mandate and extra resources were created to ensure workers continued receiving at least partial pay.

## Closure and Survival

In a study in April 2020, the IMF found that most businesses were unclear if they could continue operating for the next month. However, the Jordanian Government has since relaxed mobility restrictions, allowing many workers to keep their jobs or continue receiving wages in the form of welfare. That said, by August 2020, Building Markets' research found that while 94% of SMEs were open 90% had already spent savings, sold assets, or borrowed money to cover living expenses in the past 60 days.

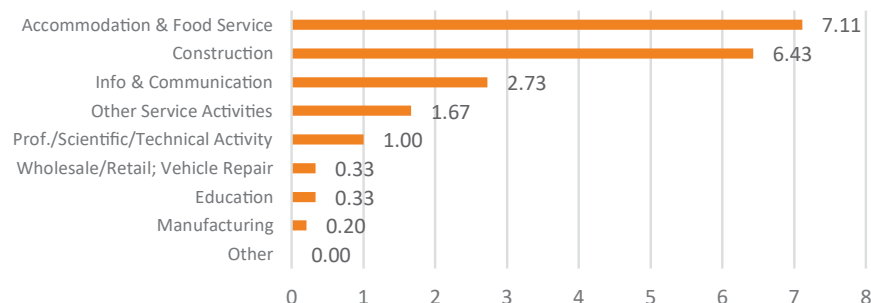
Wage support from the government may help keep jobs losses to a minimum. Building Markets' survey findings show a 9.8% reduction in the number of full and part-time employees between February 2020 and the time of survey. This does not account for daily wage laborers, which are employed in high numbers in sectors such as construction.



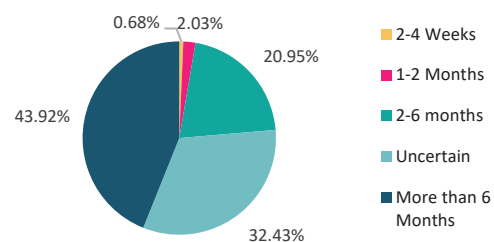
**Building Markets**

Connecting **Entrepreneurs**. Creating **Jobs**. Sustaining **Peace**.

Earnings Reductions due to Work or Delays in Wage Payments (avg)



If Business is Open, how much Longer will you Remain Open?



## Hardest Hit Sectors

The sectors hit hardest by the pandemic are travel, tourism (local and international) entertainment, and retail. Other industries, such as local transportation, have been affected by mobility restrictions and by a shift towards digital and remote working.

Many sectors and entire industries have been heavily affected by a reduction in exports (such as apparel), including cancelled orders and reduced demand due to closed borders. Travel restrictions have also made sales and deal-making more difficult, even if demand existed. Sectors with the highest average number of employees experiencing reduced earnings or delayed wage payments were accommodation/food service and construction.

Most challenges cited by SMEs were due to government restrictions – such as reduced mobility of consumers and workers and the forced closure of businesses during lockdown. Consumer demand for luxury goods has also gone down and instead spending has been focused on essential items. While SMEs have expressed interest in sales and marketing training to cope with decreased demand, marketing skills alone are not enough to address their constraints.

## Finance and Support Needed

Access to capital remains one of the biggest challenge for Jordan's SMEs. This can be attributed to a liquidity shortage due to frequent closures and curfews, changes in consumer consumption, diminished purchasing power, market closures, lack of investments and remittances from expatriates, and a drop in national exports. Many SMEs also froze operations at least temporarily due to government restrictions, with no change in operating costs. This has made it difficult for businesses to pay off existing debt.

38% of SMEs expressed interest in obtaining a loan. On average, the requested amounts are highest for the construction (\$302k) and agriculture/forestry/fishery (\$352k) sectors.

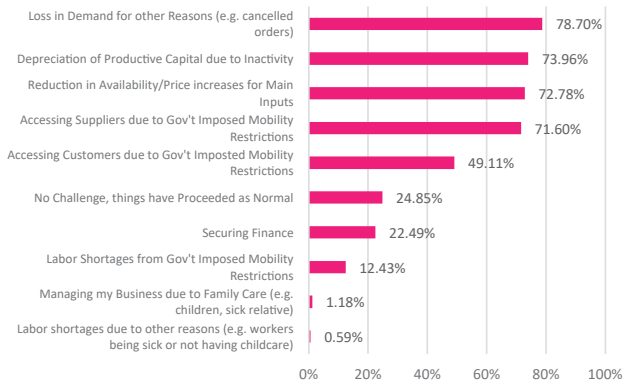
Overall, obtaining formal loans has become increasingly difficult. As the quality of assets has deteriorated and interest rates have gone down, banks have struggled. At the same time, SMEs have been unable to provide sufficient documentation for loans due to the closing of auditor bureaus. Only 14% of SMEs surveyed had applied for or received a loan in response to COVID-19. Nearly 40% were not receiving any type of support. When asked why, more than half believed that even if they applied for support, they would not receive any.



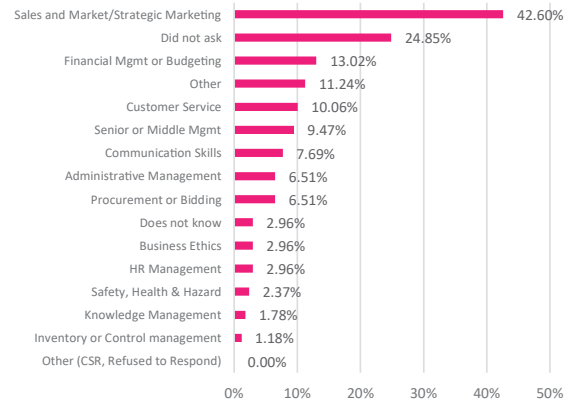
**Building Markets**

Connecting Entrepreneurs. Creating Jobs. Sustaining Peace.

**In Past 30 days, has your Business Faced any of the Following Challenges due to COVID-19?**



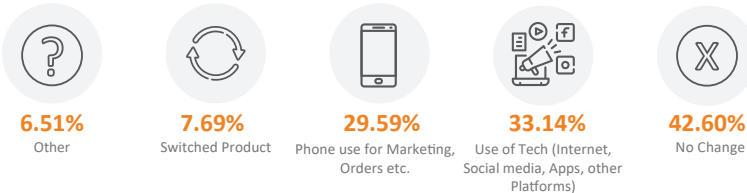
**What Type of Training do you Need Most?**



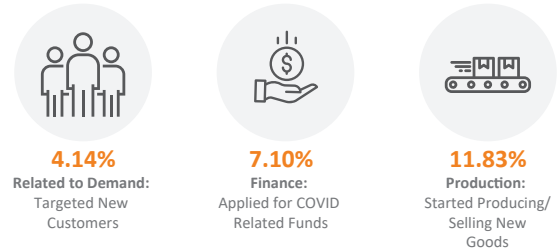
## Coping and Adaptability

42.6% of businesses reported no change to their business model or operations as a result of the pandemic.. This high number could be related to SMEs that produced or sold essential goods (more than half of those that did not change their business model are in the manufacturing sector) and were allowed to continue operating.

**Have you Adjusted your Business Model to Target Customers?**



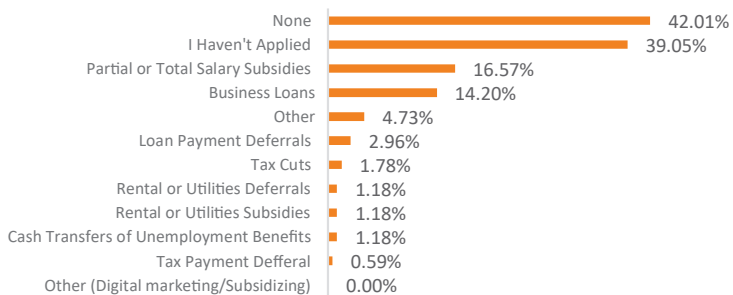
**Has your Business Adjusted to the Crisis in other Ways?**



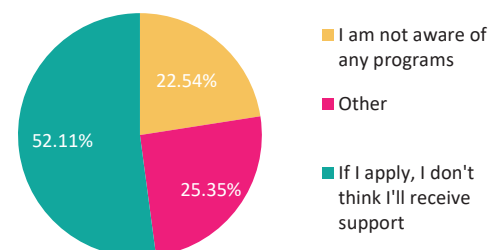
While 78% of SMEs experienced a loss in demand in the last 30 days, essential retail shops reported an upsurge. For example, small, independent grocery stores increased sales due to many larger stores (Carrefour, Safeway) closing operations. Smaller grocery stores may also be in closer proximity to consumers' homes, making them better options when mobility is restricted. Demand was also boosted for electronics sales and IT services to support remote workers.

In addition, for SMEs that sold or produced essential products, or were able to shift to doing so, new demand opportunities emerged. For example, 21 factories that previously manufactured apparel switched to producing masks. However, the ability for SMEs to shift production to meet new opportunities in demand was limited by the availability of raw materials, many of which are imported. The import market was significantly impacted due to the pandemic due to closed borders and stalled production abroad.

**Have You Applied for or are you Receiving Government Support for your Business?**



**Why Haven't You Applied for Government Programs?**



**Building Markets**

Connecting Entrepreneurs. Creating Jobs. Sustaining Peace.

# IMPACT OF COVID-19 ON SMEs IN



## TURKEY

Population: 83m

GDP Growth (2019): 0.9%

Number of Syrian Refugees: 3.6m

Unemployment Rate: 13.7%

### Timeline:

Feb

Initial border closures  
& travel restrictions

March

1st COVID-19 case, economic  
stimulus package announced &  
partial shutdown

April

Curfew  
enforced

May to  
June

Phased re-opening  
of economy



SMEs Surveyed:  
**348**  
(Syrian-owned)



Hardest Hit  
Sectors:  
**Non-essential  
Manufacturing,  
Wholesale, Food &  
Beverage**



SMEs Open for  
Business: **95%**



Average size of  
loan requested  
by SMEs: **\$21k**



No Application  
for Government  
Support : **74%**



Top Training  
Need:  
**Marketing**



Expect to remain  
open for more than  
6 months: **36%**

## Local Context

The government's swift action in Turkey allowed for a quick response to shifting public health and economic needs. After the country's first COVID-19 case was reported, a massive economic stimulus package was announced, including increased unemployment benefits, interest rate cuts, deferred loan payments, and reduced social security responsibilities. A nation-wide ban on layoffs was also accompanied by state paid salaries; however, this benefit only applied to formal workers, leaving the most vulnerable behind. Export and import regulations were also adapted to fulfill national personal protective equipment (PPE) and healthcare needs.

## Closure and Survival

In Building Markets' sample, nearly 95% of business were open in July and August 2020. 57% thought they would remain open for more than 6 months and 36% estimated 2-6 months. However, 63% had already spent their savings to cover living expenses in the past 60 days and over 33% anticipated spending their savings to cover expenses in the next thirty days.



**Building Markets**

Connecting **Entrepreneurs**. Creating **Jobs**. Sustaining **Peace**.

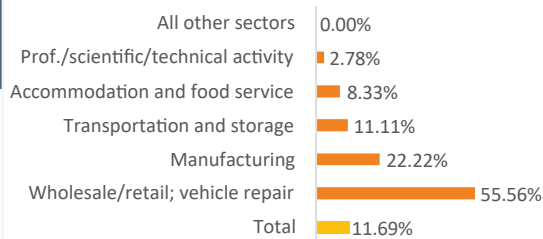




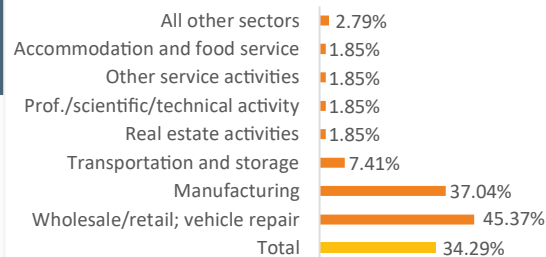
## Hardest Hit Sectors

Employment in the sample decreased by 12% since February. The reduction was highest (more than ten employees per SME) for non-essential manufacturing (such as clothing), wholesale businesses, and food and beverage service providers. Tourism, travel, and businesses in the service sector were also hit hard. Even without travel restrictions, any business requiring face-to-face contact (such as a hairdresser) has seen reduced demand.

% of Imports Affected Since Beginning of 2020 (by Sector):

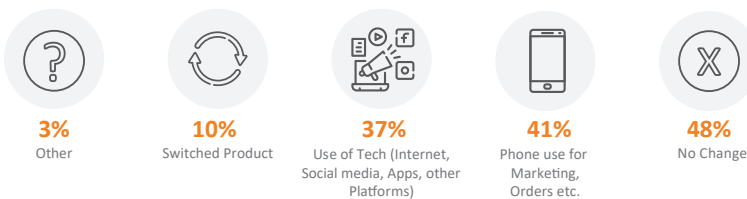


Exports have been affected since beginning of 2020 (by Sector):



Imports were not as heavily affected, given the restrictions imposed by the government were focused on PPE and pharmaceuticals. In total, only 11% of SMEs reported their imports were affected (most common for businesses in wholesale or retail). Exports were more affected, with 31% of SMEs reporting difficulties. In the sample, most exports are sent to Arabic speaking countries in the region, whereas imports come from China and Africa.

Have you Adjusted your Business Model to Target Customers?



Has your Business Adjusted to the Crisis in other Ways?



## Finance and Support Needed

While less than 1% of businesses applied for COVID-19 related funding and only 2.45% applied for or are receiving a business loan, access to finance is a top priority for Syrian SMEs in Turkey. After spending down their savings, 31% would be interested in obtaining a loan (most common for wholesale and retail SMEs, followed by those in manufacturing). Nearly 20% of respondents said they would use the capital to expand operations, either geographically or by hiring more staff. This is likely related to whether or not the SME is selling or producing essential goods, in which case they would have seen a boost in demand over the past six months.

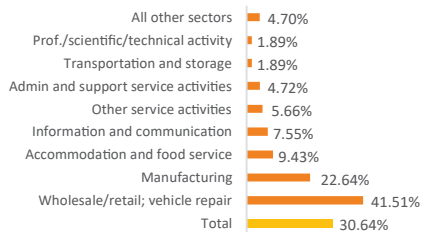


**Building Markets**

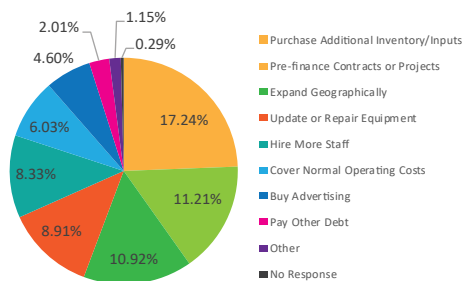
Connecting Entrepreneurs. Creating Jobs. Sustaining Peace.



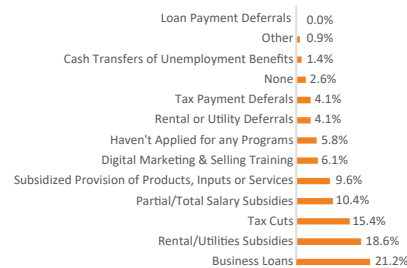
### If your business could get a loan from a bank, would you want one? (by Sector)



### How Would You Spend the Loan?



### Most Needed Policy to Support Your Business During COVID-19



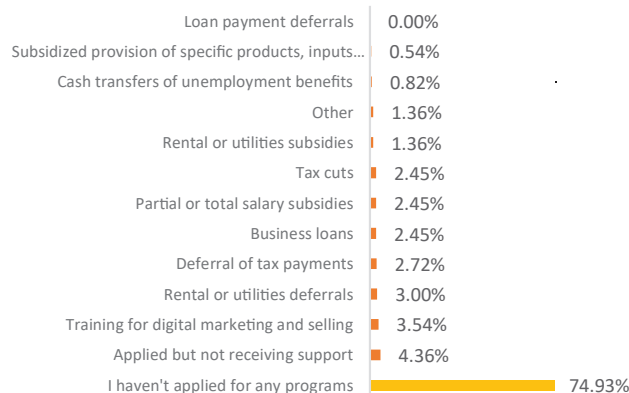
## Coping and Adaptability

Transferring in-person sales to e-commerce would be a game changer for many SMEs in retail, but those that were not already tech-savvy at the beginning of lockdown seemed unlikely to invest in these tools now. Without experience, even utilizing IT for meetings to reduce physical interactions with clients created a long learning curve for some businesses.

The most common type of customers for SMEs in the sample were individuals (80%) and microenterprises (75%) followed by other SMEs (61%) and NGOs (10%). In adjusting to the crisis, businesses were most likely to change their type of customers (46%). 69% planned to bid on tenders in the future and 43% reported having an international client within the past six months.

SMEs experienced severe challenges due to COVID-19 - 90% reported lower revenues than last year and 77% experienced a decrease in clients - but they largely struggled alone. 75% of SMEs had not applied for any type of business support to address the challenges of COVID-19. This is likely due to language barriers, which make it difficult to identify and take advantage of support programs.

### Have You Applied for or are You Currently Receiving any Gov't Support?



### Which Training Type Interests You Most?



**Building Markets**

Connecting Entrepreneurs. Creating Jobs. Sustaining Peace.

# IMPACT OF COVID-19 ON SMEs IN

## MYANMAR



Population: 53m

GDP Growth (2019): 6.3%

Unemployment Rate: 1.58%

### Timeline:

March

Government forms COVID-19 committee, 1st case and death reported

April

Stay at home order issued, markets and transport quickly resume operations, economic relief plan published

May

Beaches and pagodas close, international airlines suspended.

Aug

Second wave of virus results in thousands of new confirmed cases



SMEs Surveyed:  
**90**



Hardest Hit  
Sectors: **Hospitality, tourism, travel.**



SMEs Open for  
Business: **99%**



No Application  
for Government  
Support : **96%**



Expect to remain  
open for next  
6 months: **97%**

## Local Context

In addition to its close ties to China, Myanmar's healthcare infrastructure is nascent, increasing its risk of a widespread health crisis from COVID-19. However, unlike many other governments, the country did not impose an early lockdown, nor was testing widely available. The strongest response came in April before Thingyan Water Festival, when celebrations that normally bring thousands together during the weeklong holiday were banned. However, markets and transportation quickly re-opened and as of June, less than 300 cases had been confirmed, leading many to assume the country had avoided the crisis.

An economic recovery plan was announced by the government in April, which was included funding for healthcare infrastructure and support for the economy through policies such as delayed tax collection, providing soft loans to SMEs, and easing regulations for certain industries. Cash payments to poor households have also been issued. The country has received over \$350 million USD from the International Monetary Fund for relief, but many critics believe that support for entrepreneurs and employees has fallen short and has not been evenly distributed across races and ethnicities.

## Closure and Survival

As part of Building Markets' survey, 90 SMEs were interviewed between June and August of 2020. After the brief lockdown in April, most sectors were operating at a reduced capacity, and some in full capacity. 99% of businesses were open and 97% believed they could continue operating for the next six months.

Stakeholders noted that the only permanent business closures were likely some bars and restaurants, but other SMEs were generally able to re-open, at least in the short-term. Even businesses in hospitality sectors slowly started to resurface to cater to domestic demand and to generate revenue. At the same time, 24% of employees experienced a reduction in wages or delayed payments – an average of 9 people per SME.



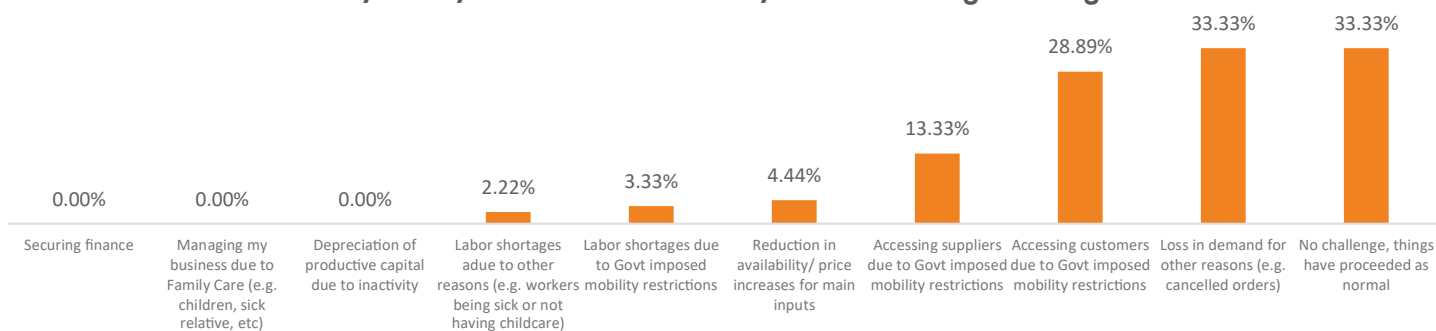
**Building Markets**

Connecting Entrepreneurs. Creating Jobs. Sustaining Peace.

## Hardest Hit Sectors

Hospitality, tourism, and travel appear to be the hardest hit industries. However, retail, food and beverage, manufacturing, and agriculture are struggling, too. Manufacturing, which relies extensively on the import of raw materials and machinery from the region, has also slowed. This started as early as January 2020 when China locked down its own borders, resulting in business closures and layoffs. The export of food has also been impacted by closed borders of neighboring countries, lowering revenue for farmers. The informal sector, especially street vendors that rely on foot traffic, is also heavily impacted and has more difficulty accessing business support, such as formal loans.

### In the Past 30 days, has your Business Faced any of the following Challenges due to COVID-19?



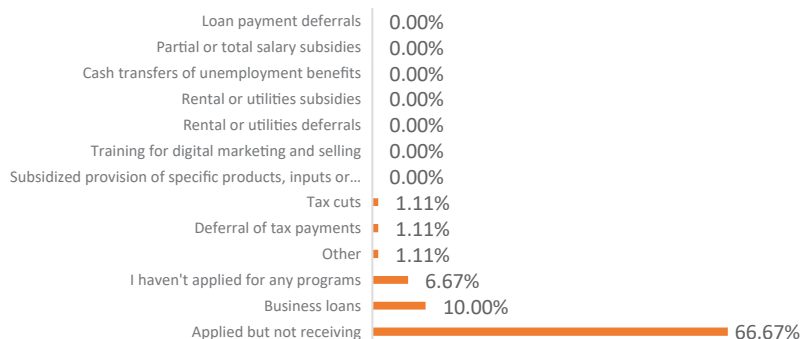
Even without an extended lockdown enforced by government, businesses still reported challenges related to mobility restrictions and decreased demand. Many workers left cities and returned to their villages, and while some workers have come back, the uptick in demand has rebounded slowly. A spike in infections at the end of August led to thousands of confirmed cases across the country in less than a month.

In addition to the economic crisis looming from international and domestic factors, public health remains at risk in Myanmar. COVID-19 has yet to be contained, and the country is currently undergoing a “second wave” with larger numbers of confirmed cases than previously recorded. Even for SMEs who have weathered the first half of 2020, the situation is likely to worsen. To better understand the long-term effects of this pandemic, Building Markets will continue to survey SMEs in the last quarter of 2020 to assess the impact of virus.

### Have you Adjusted your Business Model to Target Customers?



### Have you Applied for or are You Receiving any Government Support?



**Building Markets**

Connecting Entrepreneurs. Creating Jobs. Sustaining Peace.