

MAY 2020

Adapting Enterprise to COVID-19

RAPID ASSESSMENT OF COVID-19 IMPACTS ON SMALL ENTREPRENEURS



Hanane packages cheese in her shop she established with support from NEF. She is one of the 8,200 vulnerable entrepreneurs who have received business support services through NEF's Siraj Centers in Jordan and Lebanon.



SUMMARY

To better understand the impact of the ongoing COVID-19 crisis on small entrepreneurs, the Near East Foundation (NEF) conducted an April 2020 rapid assessment among participants in its livelihoods programs in Armenia, Iraq, Jordan, Lebanon, Morocco, Sudan, and Syria. NEF teams in these countries conducted the assessment remotely using a combination of surveys and focus groups. The assessment sought insight into the challenges faced by entrepreneurs, the specific ways the crisis has affected their businesses, and how they are responding and adapting to the situation.

Despite the detrimental effects of the COVID-19 pandemic on supply chains, mobility and access, and demand for non-essential products and services, there are opportunities for short- and long-term adaptations in each context. Amid these challenges NEF-supported entrepreneurs are showing resilience, despite the fact that the majority were selected based on multiple physical and socio-economic vulnerabilities, and many remain optimistic. Specifically, the assessment found that: (1) none of the NEF-supported entrepreneurs plan to permanently close their business, (2) a small but notable number are adapting business models currently, and (3) some are looking at ways to learn from this crisis and adapt business models in the future.

The findings of this rapid assessment are presented in *Section III*: (1) readiness for business continuity; (2) business and employee protection; (3) digital transformation; (4) marketing and supplies in uncertain times; (5) new markets, products, and customers; (6) differential impacts, (7) financial support; (8) perceptions of long-term impacts; and, (9) collaboration on COVID-19 response efforts.

Based on the challenges cited in the surveys, possible interventions include minimizing job losses and wage reductions through rapid technical and financial support, providing bespoke support on business process upgrades and adaptations, and providing business owners with ongoing advice and information. Refer to *Section IV* for our specific recommendations.



Ahlam, a Lebanese entrepreneur, opened a small grocery store after participating in NEF business development trainings.

BACKGROUND

Though elements of the COVID-19 pandemic are unprecedented and the full extent of damage can only be speculated at this time, some lessons can be drawn from comparable outbreaks of the past. A 2015 World Bank [study](#) of the Ebola Virus Disease (EVD) epidemic concluded that the worst hit sector was informal, urban, non-agriculture firms — which represent the majority of NEF-supported enterprises in places such as Morocco, Jordan, Lebanon, and Iraq. Women in particular were more affected, largely due to their higher likelihood of working in the worst hit sector.

The COVID-19 crisis impacted businesses, particularly micro, small and medium enterprises (MSMEs), by disrupting both demand and supply. *Demand* decreases when household spending decreases or when markets close; *supply* decreases when workers stay home, businesses cannot open, or supply chains are disrupted.

Under circumstances such as these, it is critical that enterprise development programs have systems in place to help businesses navigate immediate challenges (e.g., lockdowns and policy restrictions on business activities), to monitor impacts and facilitate adaptive management, and to prevent liquidation of assets and consumption of working capital. In parallel, it is important to identify how to harness and facilitate adaptive business practices to help MSMEs recover and thrive as local economies begin to open up.

METHODS

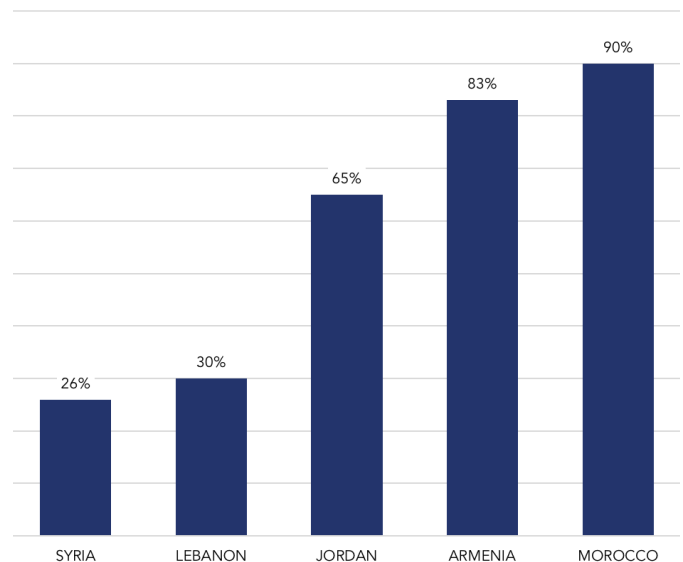
In April 2020, NEF conducted surveys with 442 current and past participants in its enterprise development programs in Armenia, Iraq, Jordan, Lebanon, Mali, Morocco, and Syria. NEF’s team in Sudan also conducted a qualitative analysis. The diverse profiles of entrepreneurs in NEF’s program locations (i.e., size of enterprise, vulnerability level of the entrepreneur, type of business, and local economic conditions and fragility context) provide a rich opportunity to examine the range of COVID-19 impacts and responses. The following sections summarize our findings and recommendations.

FINDINGS

1. Readiness for Business Continuity

The majority of respondents recognize the importance of adapting to changing market dynamics, with a notable proportion having adapted their business models immediately. However, few have clear medium- or long-term plans for adapting businesses to new business environments after local economies begin to open up.

Figure 1: NEF-Supported Businesses that Temporarily Closed



Some types of businesses are better equipped for new work styles than are others. For example, in **Morocco**, roughly 90% of surveyed enterprises are not currently operating. Most entrepreneurs involved in NEF’s program work in the service, tourism, and production sectors. These sectors are least suited for adaptation. Those enterprises that were ready to transition to the new reality of remote work and management and to adopt safety precautions were able to continue operating. By contrast, in **Lebanon**, agricultural and food processing enterprises had lower rates of temporary closure and reduced income. They needed to make fewer changes to their business models than enterprises in the service and commercial sectors.

In *Armenia*, the two (of 12) social enterprises that continued work through the crisis are in agricultural production. The sector has been impacted by reduced income and disrupted seed supplies. The other ten CSO-run social enterprises (83%) are temporarily closed and have no plans to alter business models fundamentally, apart from exploring new digital processes for operation such as improving online platforms for retail, tourism, and education.

Smaller microenterprises, such as those in Jordan, Lebanon and Syria, have reported making some changes to their business models. In *Jordan*, 20% of microenterprises adapted immediately to the crisis by offering new products and services (e.g., healthy food, cleaning materials, sanitizers, masks), and 15% are offering free delivery of products or services to the consumer. However, a majority have stopped doing business at this time (65%) or reported making no sales (90%). A small proportion have not made any changes (10%) or have completely changed their types of products or services (5%).

In *Lebanon*, only 30% of businesses closed temporarily, waiting for the end of the crisis. More than 20% of microenterprises there reported using alternative methods, such as providing home delivery, changing types of products and services to address high demand needs (e.g., sanitization services, items, and equipment; food products).

In *Syria*, a significant portion of respondents reported having adjusted their business models: 36% use remote management such as social media or remote communication tools; 11% are considering scaling down in response to

decreased demand; and 3% intend to grow their own crops for processing rather than procuring them from local markets. Twenty-six percent (26%) have suspended their work temporarily.

In *Mali*, 87% of surveyed entrepreneurs are adapting to the crisis, while 13% do not have an adaptation strategy. Twenty percent (20%) said they have not been impacted by the crisis, while a majority (80%) have business continuity plans in place. Adaptation strategies include compliance with preventative health and sanitation measures, ordering larger quantities of essential products to avoid shortages, sourcing goods from different places due to border closures, and changing delivery times or offering home delivery.

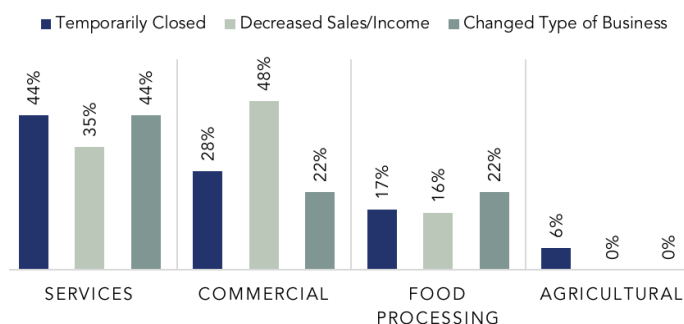
2. BUSINESS AND EMPLOYEE PROTECTION

Although local conditions, such as health preparedness and public health measures, influence individual entrepreneurs' capacity and practice in providing COVID-19 protection measures, there is a correlation between enterprise size and ability to provide protection to employees and clientele. For example, 83% of medium size social enterprises surveyed in *Armenia* reported having supported community members and employees during the crisis through disinfection activities, legal and psychological consultation, awareness raising, and production and distribution of masks. However, smaller enterprises (e.g., microenterprises in *Jordan*, *Lebanon*, and *Syria*) report low ability to provide protection, with less than one-third reporting putting such measures in place. Survey respondents reported adopting other protection measures, including use of personal protective equipment (PPE) such as face masks and gloves while conducting business, following stricter cleaning and sanitation procedures to disinfect products and protect both employees and customers, and following health and safety instructions when accessing open markets.

3. DIGITAL TRANSFORMATION

A significant number of surveyed enterprise owners have adopted or increased their reliance on technology to advertise and sell their goods and services. Where businesses have stopped operating temporarily, there is evidence that their managers recognize the importance of digital platforms for the future of business.

Figure 2: Business Continuity Strategies, Lebanon



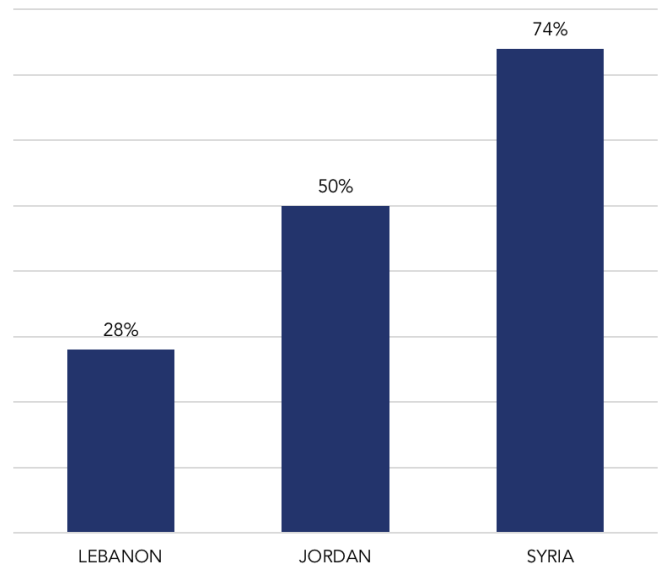
In **Armenia**, where 83% of CSO-led social enterprises have temporarily ceased operating, most are using this time to improve their online skills and platforms (e.g., development of websites, participating in online classes). Half of respondents in **Jordan** are now using digital marketing platforms (e.g., social media), and in **Syria** nearly three-quarters of processors plan to use social media to market their food products.

In **Morocco**, active enterprises reached through the assessment are working remotely and thus using some form of digital means for managing and/or operating business activities. Beyond MSMEs, the COVID-19 crisis has accelerated the digital transition in Morocco, where a large proportion of people have been reluctant to adopt digital systems (e.g., due to mistrust of online payments, security concerns).

In **Iraq**, some participants in the early phase of NEF programs cited unreliable internet access or lack of familiarity with online platforms as barriers to this transformation, even as they prepare to launch their businesses. In **Lebanon**, 28% of respondents reported using platforms such as WhatsApp, Facebook, and Instagram to

advertise products, receive online orders and communicate with customers; at the same time, more than half responded they have not adopted and do not plan to adopt such measures.

Figure 3: Businesses Using or Planning Use of Digital Marketing Channels



A Jordanian entrepreneur stands with sheep she purchased after receiving training and financial support from NEF's business development program.

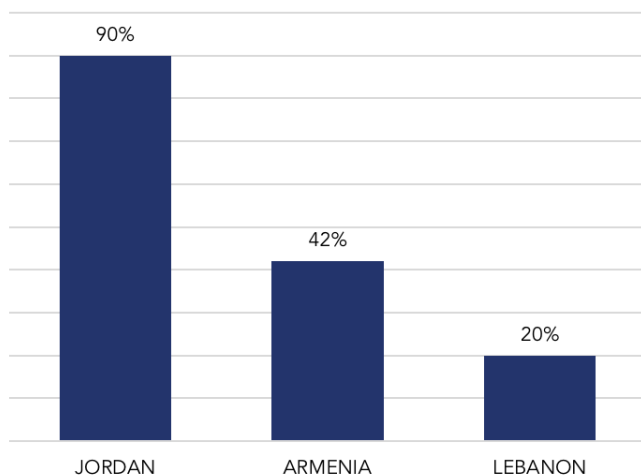
4. MARKETING AND SUPPLIES IN UNCERTAIN TIMES

The majority of businesses still operating at present have reported a disruption in raw supplies (e.g., lower quality; shortages in materials, tools and equipment; increased prices; and government enforced mobility restrictions affecting access to market supplies). Entrepreneurs also recognize that product and supply delivery has been impacted potentially long-term, particularly for non-essential items such as cosmetics, clothing, aromatics, and artisanal products. This observation has implications both for the viability and potential for recovery among different types of businesses and for business ideation as entrepreneurs look for opportunities in post-COVID economies.

NEF-supported entrepreneurs in **Morocco** suggest that their sector-specific supply chains might be reorganized by relying more on small suppliers and locally sourced supplies.

In **Armenia**, both of the agricultural social enterprises surveyed are still active; however, they have had to purchase lower quality seeds due to supply chain disruptions. Five of the 12 surveyed enterprises (42%) are experiencing difficulty or inability to obtain raw materials and supplies for their operations.

Figure 4: Businesses Using or Planning Use of Digital Marketing



In **Jordan**, 90% of microenterprises are experiencing shortages of materials, tools, and equipment. Twenty percent (20%) report being unable to access markets, even when they are open, due to government enforced mobility restrictions. As a result, 10% of microenterprises have reported a decrease in sales, and 90% are not making any sales at all.

Twenty percent (20%) of microenterprises in **Lebanon** report a lack of supplies, and 15% reported that the products/services they offer are not a priority for consumers during the crisis. Twenty-eight percent (28%) reported an increase in prices for products and raw materials; this is likely linked to the country’s financial crisis independent of COVID-19.

In **Syria**, sales volumes remain high for value-added agricultural products but volumes are predicted to decrease with time as production and availability of raw materials in local markets decline. NEF staff in Northeast Syria also cited shortages of supplies such as labels and containers.

In **Sudan**, agricultural producer cooperatives are facing significant disruption to their market channels due to mobility restrictions, particularly for exported agricultural products. Investment in storage facilities and practices and in local processing have accelerated.

Businesses that market their own (manufactured) products and services are adopting digital platforms (e.g., social media, WhatsApp, and other electronic platforms) for marketing. For example, in **Morocco**, some enterprises are capitalizing on the slowdown by creating online marketing and sales solutions. The Moroccan government has also championed online marketing solutions, and the Agricultural Development Agency has created an electronic platform for marketing local products.

5. NEW MARKETS, PRODUCTS, AND CUSTOMERS

Many NEF-supported enterprises indicated they have begun offering new goods/services and have sought to reach new market sectors, platforms, and customers. In **Jordan and Lebanon**, 15% of surveyed participants said they are working on new, high-priority products (e.g., masks, sanitizing products and services). A CSO-run

sewing enterprise in *Armenia* is producing face masks. In *Jordan*, several participants who have not yet launched a business are considering a shift in products available (e.g., production and/or sale of cleaning and disinfectant products) or offering differently processed products or improved packaging for longer storage. Entrepreneurs in *Morocco* cited an increase in home delivery platforms for food-related enterprises, commerce, and service industries. In *Lebanon*, 16% of entrepreneurs said they are offering or considering offering alternative methods, such as home delivery or in-home services. In *Syria*, a small percentage of food processors observed that increased demand for local food products has prompted them to expand agreements with local retailers and other sellers.

6. DIFFERENTIAL IMPACTS

Further assessment work is needed to understand more fully the impact of COVID-19 on different types of entrepreneurs based on gender, age, and nationality. The results from *Lebanon* suggest two trends and related questions:

- **Gender.** A greater proportion of men surveyed (66%) than women surveyed (53%) were trying to adapt their businesses to the challenging circumstances they faced. The lower proportion of women who are trying to adapt their business models could reflect differential care burdens (e.g., women are preoccupied with family, child care, and home schooling); it could also reflect that women are more likely to work in the types of businesses that are less impacted by the shut downs (e.g., agricultural production); or it could reflect that women are in less adaptable businesses (e.g., services).
- **Age.** Among the 35% of entrepreneurs who were adapting to the circumstances using online or other alternatives, a far greater proportion were young people (62% were 18-35) than people over the age of 50 (9.5%). This may suggest a need for building capacities of older entrepreneurs to understand and use digital platforms or a point to be aware of that digital/online platforms may find challenges in reaching/serving older beneficiaries; it also could reflect the kinds of businesses that older beneficiaries are engaged in and whether those are readily adaptable.



In Syria, NEF works with female food processors to improve the quality and quantity of their production and market access.

7. FINANCIAL SUPPORT

The surveys showed that individual and group enterprises have not received financial support from government or other sources to sustain their businesses (immediate/emergency), mitigate ongoing setbacks (medium term), or adapt for growth and success (long term). The only exception is a limited employee support program in *Armenia*. In *Morocco*, the Ministry of Industry, Trade, Green and Digital Economy is launching a support program for MSMEs investing in the manufacture of products and equipment used against the pandemic. However, the program would not benefit all enterprises or sectors. The NEF Morocco team has shifted some of its focus to public-private roundtables to ensure that entrepreneurs understand emerging government programs and that public administrators improve their understanding of the challenges entrepreneurs face.

8. PERCEPTIONS OF LONG-TERM IMPACTS

Long-term planning. The crisis has forced many enterprises to become familiar with and adopt digital platforms or engage in new or modified income-generating activities. A majority of MSMEs surveyed in *Jordan* and *Lebanon* do not plan to adapt their businesses over the long-term. However, 69% of food processors in *Syria* highlighted either their ability to adapt or the fact that they have already made adaptations. Many entrepreneurs acknowledged the negative impacts of the crisis but require expert support in long-term planning. Over half of CSO-run social enterprises in *Armenia* recognize the need for long-term thinking.

Long-term opportunities identified. Many NEF-supported entrepreneurs shared emerging opportunities they identified for the long-term, and some are already pursuing these opportunities. For example:

- **Localization.** Food processors in *Syria* and CSO-run agricultural enterprises in *Armenia* cited an increased demand for local agricultural products and local sourcing and marketing of products. Due to the lack of processed foods and the increased cost of imported products in the market in *Syria*, food processors see an opportunity to increase production of homemade, local foods and improve packaging and delivery options on their value-added agricultural goods. In *Morocco*, entrepreneurs mentioned the importance of collaborative storytelling to improve the perceived importance of buying local products, particularly during this time of disruption.
- **Digitalization.** Respondents in *Lebanon*, *Armenia*, and *Morocco* are taking advantage of this slow period to improve their businesses and learn new skills – including digital skills. NEF’s Livelihoods team in *Morocco* noted that the uptick in connectivity for individuals who otherwise may not have had an online footprint could potentially present interesting opportunities to reach new client bases and revenue sources in the future.

9. COLLABORATION ON COVID-19 RESPONSE EFFORTS

MSMEs are contributing to local COVID-19 response efforts by demonstrating the key role they can play in public health initiatives. In *Armenia*, CSO-run social enterprises provide awareness-raising, providing psychological or legal support among their beneficiaries and communities. In *Lebanon*, more than one-quarter of entrepreneurs disseminate information about COVID-19 on online platforms or collaborate with local doctors and municipalities to raise awareness about the disease. Ten percent (10%) of surveyed micro-enterprises in *Jordan* stated they are open to supporting the response by offering free delivery services or following preventative measures. In *Syria*, local authorities have asked NEF’s community based “Siraj” centers to participate in pandemic mitigation measures by avoiding large gatherings and raising awareness during virtual training sessions with food processors. Similarly, NEF’s team in *Sudan* has incorporated hygiene messages (including handwashing) into private sector development interventions.



Two young entrepreneurs in Marrakech stand in their shop where they sell organic argan oil beauty products. They received support from NEF in developing their business plan and marketing strategy.

RECOMMENDATIONS

In line with the International Labour Organization's policy recommendations for COVID-19 response¹, NEF advocates a human-centered approach to economic growth and development. We base our recommendations on experience implementing livelihoods programs in crisis contexts (including the current COVID-19 pandemic) and the insights from this rapid assessment. We stress the need for program continuity to preserve existing gains in the near term and to facilitate growth, resilience, and business success over the medium and long terms.

1. SUPPORT BUSINESS CONTINUITY

Given the short-term negative impacts of the COVID-19 crisis thus far and the lack of official support available for MSMEs, we recommend a suite of interventions to help business owners protect their working capital, business assets, and jobs. These may include wage subsidies, alternative income support, flexible loans, business recapitalization, joint ventures, safety nets and social protection mechanisms for vulnerable entrepreneurs, and tailored, remote expert support for product/service or business process adaptation or development. We also recommend support for businesses to operationalize recommendations by health authorities, such as improved protection for employees, customers, and the wider population.



NEF helped Ranya, a young university graduate, develop her business *Hygiène Pro Services* to meet market needs for pest control in Essaouira, Morocco.

¹ March 2020, available [online](#).

2. IMPROVE ACCESS TO FINANCE FOR MSMEs

As business owners identify new opportunities and make plans for adaptation, access to finance (e.g., flexible revolving funds managed by CBOs) will be crucial to increase working capital and enable them to invest in upgrades and new operating environments. Support for living expenses can also help vulnerable entrepreneurs – particularly for those who have limited or no access to social safety nets (e.g., displaced communities) – offset household consumption costs, reinvest business income, and rebuild working capital.

3. BUILD ADAPTABLE, RESILIENT BUSINESSES

While the duration of the pandemic and its long-term impacts on businesses are uncertain, we recommend offering current and aspiring entrepreneurs tailored services to update their business models and to make market-informed, feasible investments for necessary adaptations. This approach builds upon existing fundamental business development skills, relationships, and business models while taking into account emerging challenges and opportunities.

The sudden onset of COVID-19 in the communities covered in this assessment exposed a need for contingency planning and anticipation of force-major situations, including future public health emergencies and natural disasters. Tailored expert support and monitoring is necessary to enable long-term business planning for post-COVID-19, including alternative business models, remote work, and cash reserves.

4. BOOST BUSINESS DEMAND, FACILITATE MARKET ACCESS, AND PRESERVE VALUE CHAINS

Additional in-depth and context-specific assessments are needed to (1) determine specific ways to increase demand for existing goods and services, (2) identify new or alternative pathways to ensure goods and services can reach clients and markets, and (3) support actors along different value chains. Given the disruption and uncertainty around supply chains, we recommend that these assessments emphasize localized opportunities for inputs, processing, and marketing. Based on NEF's experience peer-to-peer networks, expert individual or small-group coaching, frequent market diagnostic exercises, and rigorous enterprise data monitoring are essential for building or improving commerce channels.

5. SUPPORT DIGITAL TRANSFORMATIONS EFFORTS WHERE POSSIBLE

In every context surveyed, uptake of technology, digital payments, and internet and social media platforms that facilitate business operations will become even more essential for doing business. Although such adaptations are seen as temporary adaptation measures by some, they will likely be integrated permanently into business operations for improved business efficiency, product/service upgrades, and for the diversification of market channels. Technology also can be integrated into business support interventions, accompanied by creative measures taken to inspire uptake.

6. SUPPORT BUSINESS INTEGRATION IN LOCAL COVID-19 RESPONSE EFFORTS

Where possible, we recommend encouraging entrepreneurs to explore how they can participate in local response efforts and recognizing such efforts already undertaken. Entrepreneurs play key roles in local social networks and can be very effective hubs for information and action.

Their participation may include: (1) leading community awareness sessions in line with recommendations of local health authorities, (2) providing relevant products (e.g., PPE, sanitizers), and (3) providing social protection support for those that are highly vulnerable to COVID-19 and other shocks. This type of civic engagement from small and medium businesses can boost morale and improve social cohesion within communities, increase businesses networks and improve public-private sector collaboration, improve trust in businesses, and open new opportunities for business expansion or adaptation.

7. CONDUCT FOLLOW UP ASSESSMENT

We have been deeply impressed by the overall capacity, resilience, and innovation of NEF's entrepreneur partners under these remarkable circumstances. We recommend a follow-up assessment to understand how they fare as the lockdowns persist, how they navigate the business and social environments as their local economies open again, and how they adapt their business models for the long-term.

For more information about the assessment contact Rabih Yazbeck, NEF Program Director for Inclusive Economic Development at ryazbeck@neareast.org.



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