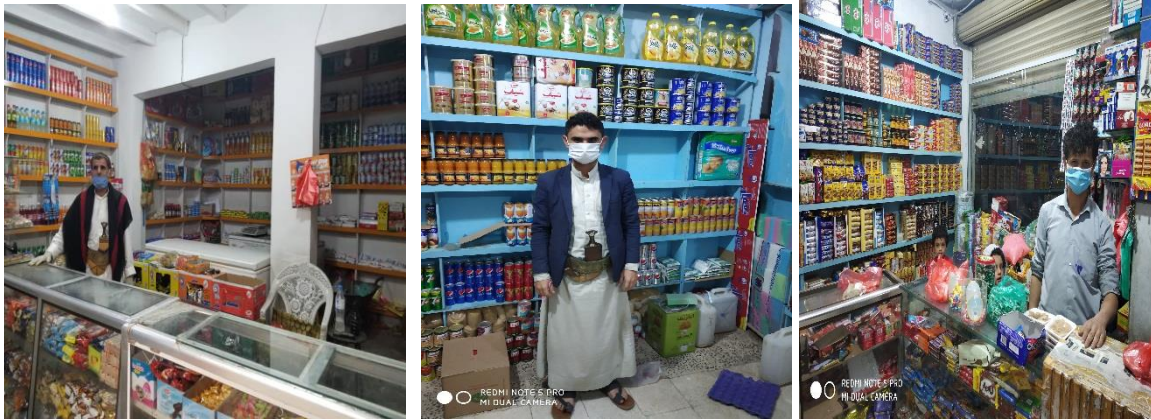


Executive Summary Report on Impact of Covid-19 on Micro and Small Enterprises in Yemen Guidelines for MSEs Businesses Recovery and Continuity.



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Executive Summary

Background

Yemen is one of the poorest countries in the region in particular and in the world in general. Since the start of the conflict in 2015, fuel imports have fallen by 70 per cent, medicine by 50 per cent and food by 39 per cent. In addition, Yemen has lost \$90 billion in economic output and its gross domestic product has declined by 50 per cent. More than 80 per cent of Yemenis now live below the poverty line, an increase of one-third since the conflict began. Public sector salaries are either unpaid or irregularly paid, disrupting incomes for more than a quarter of the population.

Micro, small and medium enterprises (MSEs) contribute significantly to the GDPs of many economies worldwide. They comprise an estimated 70% of global employment and account for around 50% of GDP in developing countries.

The main objective of this report is to examine the impact of Covid-19 on Micro and Small Enterprises in Yemen. This report was based on both Primary and Secondary data. The primary data was collected through questionnaire. The secondary data was collected from reports, studies, articles, etc.

Methodology

This report was conducted during June-September 2020. This report used both qualitative and quantitative approach. This report used both Primary and Secondary data. Primary data was collected through questionnaire, interviews, etc. While the secondary data was collected from review of literature, reports, websites, etc. This report targeted approximately 221 interviewees; both male and female micro, Small and Medium Enterprises owners. This report took place in both Sana’s Governorate and Amanat Al-Asimah Governorate, etc.

Total No. of Targeted MSEs in Sana’a and Amanat AlAsimah

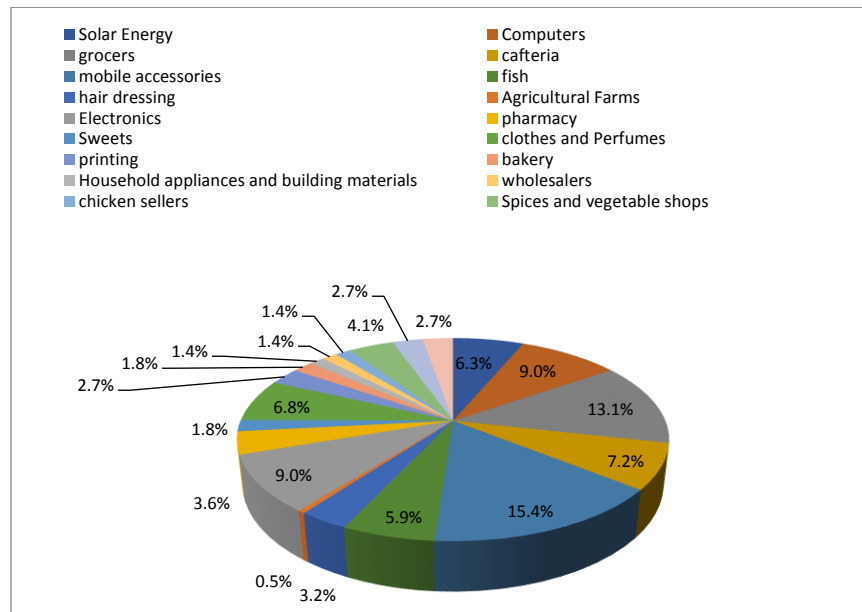


Figure 1: Profile of Targeted MSEs.

Findings

The main findings of this report was that MSEs are affected by the Covid-19 as they faced major crisis and challenges such as liquidity issues, decline in sales, decline in revenues, etc. bad debts, delinquency loans, termination of staff, shortage of raw material, less number of customers, less working hours.

Shortage of Raw Materials and Goods

This report found that MSEs faced major challenge due to Covid-19 crisis which was represented by Mean of 14.96 and Standard Deviation by 3.69 which means that Covid-19 has major effect on the absence of raw materials and goods due to import-export restrictions.

Major targeted enterprises reported that suppliers were unable to provide inputs and that raw materials were not supplied or had become expensive.

Sales Decline

This report found that MSEs faced major challenge due to Covid-19 crisis which was huge decline in the volume of sales. The Mean was represented by 16.26 and the standard deviation by 3.37 which mean that there is huge impact of Covid-19 on MSEs with regard to decline in the sales volumes.

Decline in the Enterprise Capital

This report found that MSEs faced major challenge due to Covid-19 crisis which was Decline in the Enterprise Capital. The Mean was 14.9 and the standard deviation was 3.25 which states that Covid-19 has great effect on the decline of MSEs Capital.

Increase of Debts

This report found that MSEs faced major challenge due to Covid-19 crisis which was an increase in MSEs debts. The Mean was represented by 15.846 and the Standard Deviation was 4.08 which mean that Covid-19 has major impact in the increase of MSEs debts.

Decrease in the Employees/Staff

Another major effect of Covid-19 crisis on MSEs was that there is huge decrease in the number of employees which lead to an increase in poverty and unemployment level and also has major effect on the family stability and bad economic conditions. The Mean is represented by 11.24 and the Standard Deviation is 2.65 which mean that Covid-19 has major effect on MSEs with regard to employee's/staff decrease or termination of work.

Enterprise Closure

This survey found that Covid-19 has also another major effect on MSEs as many MSEs were closed due to this crisis. The Mean is 6.212 and the Standard Deviation was 1.81 which means that Covid-19 has made great effect on MSEs survive and stability.

Covid-19 Measures

Our survey found that Most MSEs were unable to buy covid-19 measures; hands sanitizers, masks, hygiene's, etc. A fair share of enterprises did not have crisis prevention, mitigation and response measures in place.

Business Continuity Plan

Almost 85% of MSEs were found that they don't have a business continuity plan, potentially compromising the resilience of enterprises' management through the COVID-19 outbreak. The absence of a business continuity plan was particularly acute for Micro and small enterprises.

Recommendations

This report provides valuable recommendations and suggestions for stakeholders-international donors, Microfinance Institutions, Government, Micro and Small Enterprises owners, etc.

International Donors

- Providing financial grants and capacity building for MFIs in order to support them to provide adequate loans and also encourage them to enhance their MSME lending.
- Building inclusive financial systems by cooperating with Financial institutions i.e. banks, microfinance providers, and other institutions to open access to financial services and to foster responsible finance principles.

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- Strengthening the global ecosystem for MSEs in order to recover from such crisis and restore their business operations and activities, etc.
- Establishment of the MSEs Recovery and Business Continuity Fund to help and support MSEs to restore their business activities and overcome such crisis caused by the COVID-19 pandemic.
- Building good cooperation, collaboration mechanism and partnerships among international organizations, the private sector, and national governments would be of great help to MSEs.
- Support MSEs with financial assistances and subsidies in order to restore their businesses and overcome such crisis and contribute to the economic development.
- Support MSEs to access financial institutions products and services.
- Support MSEs with overhead costs like rent, salaries, and utilities leave very little liquid cash to owners, especially in the early years.
- Cover the interest rates charged by Microfinance institutions and financial institutions in order to support the MSEs to survive and continue their business operations in the short and long term.
- Promoting financial innovation and technology as tools to enhance efficiency, extend outreach, and expand financial inclusion among MSEs.
- Support MSEs to expand their activities in the digital space through providing free webinars supporting MSE entrepreneurs in building new online business models.

(Donors support to MSMEs during Covid-19 Crisis)

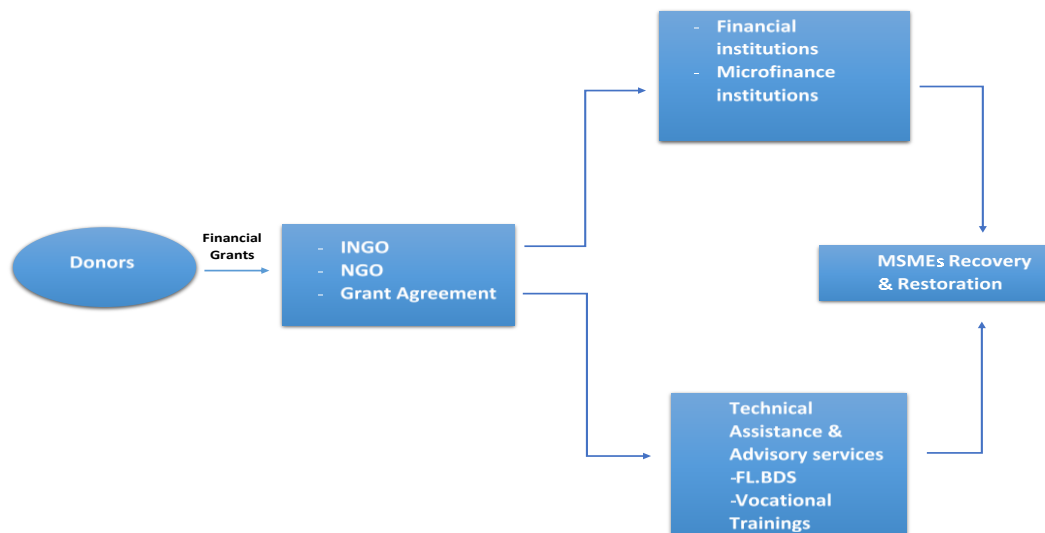


Figure 2: International Donors support for MSEs during Covid-19 Crisis, Business Recovery and Continuity

Microfinance Institutions

- Introduce new schemes or increase volume of existing schemes, reduce collateral requirements, adjust grace period for interest rates, etc.
- Reschedule the loan repayment (installment) period for MSEs in order to survive and operate during the Covid-19 crisis.

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- Provide adequate loans to MSEs with low interest rate during the Covid-19 crisis in order to access MFIs financial products and services, expand their businesses, have financial stability and operate successfully.
- Online banking can help MSEs to continue to operate their business transaction without any physical contact.
- Offer specific products to help MSEs sustain during the crisis such as Deposits, Credit, Digital Loans, Emergency Loans, insurance, etc. i.e. Financial Institutions should offer “emergency loans” to provide liquidity to customers in order to manage the Covid-19 crisis.

MFIs Support to MSMEs during Covid-19 crisis



Figure 3: MFIs support for MSEs during Covid-19 Crisis, Business Recovery and Continuity.

Government

Government should support MSEs with the following:

- Making suitable policies and immediate support for MSEs business continuity and resilience.
- Support MSEs with special and urgent package which include but not limited to special credit lines, grants, debt relief, tax and social contribution relief, wage subsidies and extension of social protection, etc.
- Build good infrastructure and investment opportunities for MSEs on health care, education and food security, etc.
- Providing Staff Wages, online platforms for supporting MSEs with capacity building and Training, etc.
- Provide wages to MSEs staff/personnel in order to survive during such crisis. This type of support will lead to business continuity and also keeping workers and customers safe.
- Support MSEs with capacity building, training and advisory services through online platforms in order to help them adopt to such crisis and learn how to overcome/deals with such an expected situation.
- Establish online Information sources on domestic measures taken to serve as an information portal for MSEs.

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- Governments may consider cash transfers, utilities payment and extension of social protection programs to address the needs of informal MSEs.

Figure 4: Gov

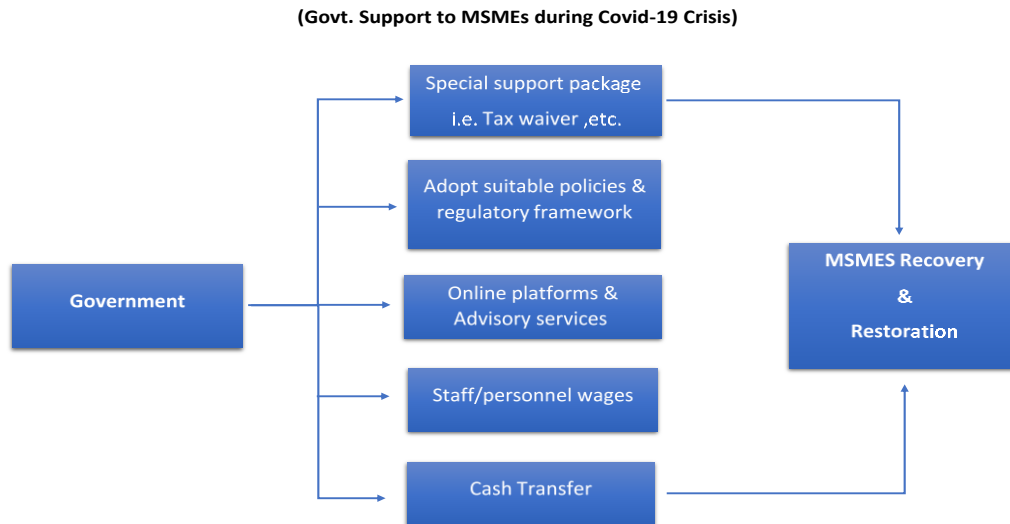


Figure 4: Govt. support for MSEs during Covid-19 Crisis, Business Recovery and Continuity.

Micro and Small Enterprises Owners

- Focus and care for health and safety of employees working during the COVID-19 outbreak is one of the priority areas that MSEs need to consider.
- Access to information, including resources and tools, are key for MSEs to understand the nature of COVID-19 related benefits available to them.
- MSEs should keep in mind that to take the necessary and the precautionary measures into their considerations.
- MSEs require their staff to work from home and perform the tasks very well. Such strategy will help MSEs to reduce certain costs and improved efficiency.
- MSEs should be aware of the internal and external environment. They should know and identify what is going on around.
- MSEs should listen to the accurate information, learn how to deal with each crisis and adopt the best practices done during such a crisis.
- Many enterprises such as vegetable shops, restaurants, electronic stores, mechanicals, technicians, fast food vendors, bakeries, shopping malls, grocery stores, and other related sectors can focus on providing online ordering services with home deliveries to minimize the business losses and maintain the social distances as much as possible.