

Iraq Market Assessment

Impact of COVID-19 pandemic on small and medium businesses in Mosul City

June 2020



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1 INTRODUCTION

COVID-19 (Corona Virus Disease-2019) is an infectious disease caused by the most recently discovered coronavirus strain. The most common symptoms of COVID-19 are fever, dry cough, and tiredness. Other symptoms that are less common and may affect some patients include aches and pains, nasal congestion, headache, conjunctivitis, sore throat, diarrhoea, loss of taste or smell or a rash on skin or discolouration of fingers or toes. These symptoms are usually mild and begin gradually. Some people become infected but only have very mild symptoms.

Most people (about 80%) recover from the disease without needing hospital treatment. Around 1 out of every 5 people who get COVID-19 become seriously ill and develop breathing difficulty. Older people, and those with underlying medical problems like high blood pressure, heart and lung problems, diabetes, or cancer, are at higher risk of developing a serious illness and prone to high mortality rates. However, anyone can catch COVID-19 and become seriously ill. People of all ages who experience fever and/or cough associated with difficulty breathing/shortness of breath, chest pain/pressure, or loss of speech or movement should seek medical attention immediately. If possible, it is recommended to call the health care provider or facility first so the patient can be directed to the right clinic.

People can catch COVID-19 from others who have the virus. The disease spreads primarily from person to person through small droplets from the nose or mouth, which are expelled when a person with COVID-19 coughs, sneezes or speaks.

This new virus strain and disease were unknown before the outbreak began in Wuhan, China, in December 2019. COVID-19 is now a pandemic affecting all countries globally. The first recorded case of COVID-19 was recorded in Iraq on 24-February, in the city of Najaf.

The COVID-19 pandemic hit a vulnerable Iraq, still recovering from the aftermath of the ISIS crisis which affected the livelihoods of the Iraqi population.

Healthcare crisis

The pandemic exposed the vulnerabilities of many healthcare systems around the world, including the most equipped and supported healthcare sectors in the developed countries. Iraq's healthcare system suffers from decades of under-investment, war damage, poor management, corruption, and emigration of doctors. Consequently, Iraq's healthcare sector is not equipped to handle crisis of this magnitude, due to the shortage of skilled health professionals, lack of sufficient healthcare infrastructure, and reliable medications.

Economic peril

The economic crisis that had already begun to hit Iraq's oil-dependent economy is the easiest to quantify. It may also be the most difficult for the Iraqi government and people to address with emergency measures. Oil prices collapsed in March under dual pressures from both slowing demands due to the COVID-19 impact on global economies and a supply glut. By the end of March, the nosedive decline had dragged oil prices below \$20 per barrel, threatening to turn a moderate downward trend in Iraq's oil revenue visible since January into a full blown meltdown.



As of 10 May 2020, the World Health Organization (WHO) has confirmed 2676 cases of COVID-19 in Iraq, among them around 10 cases recorded in Ninawa governorate.

An increasing number of COVID-19 cases in Iraq led the Iraqi government to announce a curfew in all Iraq governorates, Ninawa governorate announced the curfew from 13-March to 1-April except for 18-March the curfew was raised, partial curfew on 2-April to 23-May announced from 6:00 PM to 6:00 AM, during the curfew the main markets for basic needs were functional.

Within the framework of the project “Supporting resilience for host communities, returnees and Internally displaced persons (IDPs) in Iraq”, cofounded by MADAD and CZDA, 1217 SMEs were registered in the program for a chance to receive support either in form of expansion grants or employment services. Based on the emerging crisis caused by the COVID-19 pandemic, PIN livelihoods program department decided to conduct a survey to assess the impact of the pandemic on the livelihoods of the registered beneficiaries. 120 beneficiaries were selected to form the sample of this survey, in order to see the impact of COVID-19 on their businesses. The report finding will show how the markets reacted and coped with the newly imposed situation.

2 METHODOLOGY

Using a survey administered via smartphone, with data recorded via Kobo Toolbox, PIN conducted data collection from the 10th to 16th of June 2020.

Due to the movement restriction during the data collection period, the survey was conducted by phone. Gender and age categories were considered in the sampling, to reflect the distribution among the sample of registered businesses. 18% of the interviewees were females, and 82% males. The difference in the gender distribution in the sample reflects the reality of the business owners registered in the program, and consequently reflecting the reality of the market in Mosul city where a difference in business ownership among genders is observed. The distribution among the age categories was: 16% between 18-25, 80% between 26-50, 4% above 50 y.o.

120 surveys were conducted with registered business owners for SME and Work Placement under MADAD project which provided a confidence level of 95% and a margin of error of 8.5%. The interviewees were from Ninawa governorate, Mosul city. Data collection, analysis and reporting were subsequently carried out by PIN MEAL independent unit

The assessment was performed to have knowledge on the effects of COVID-19 on the markets in Mosul and how it impacted people’s livelihood.

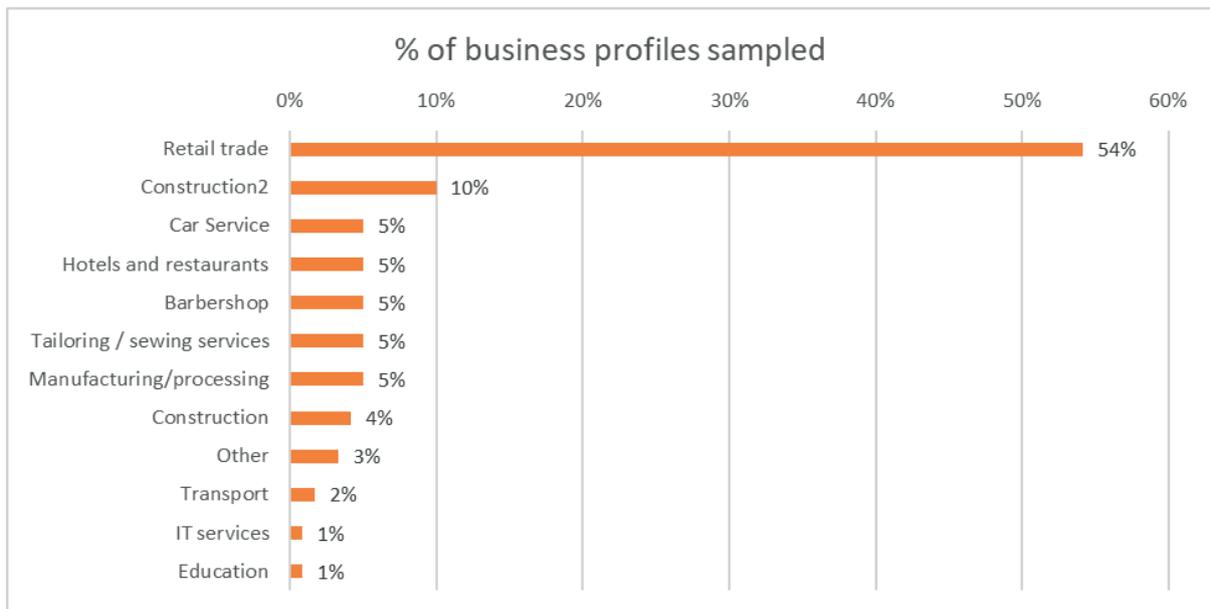
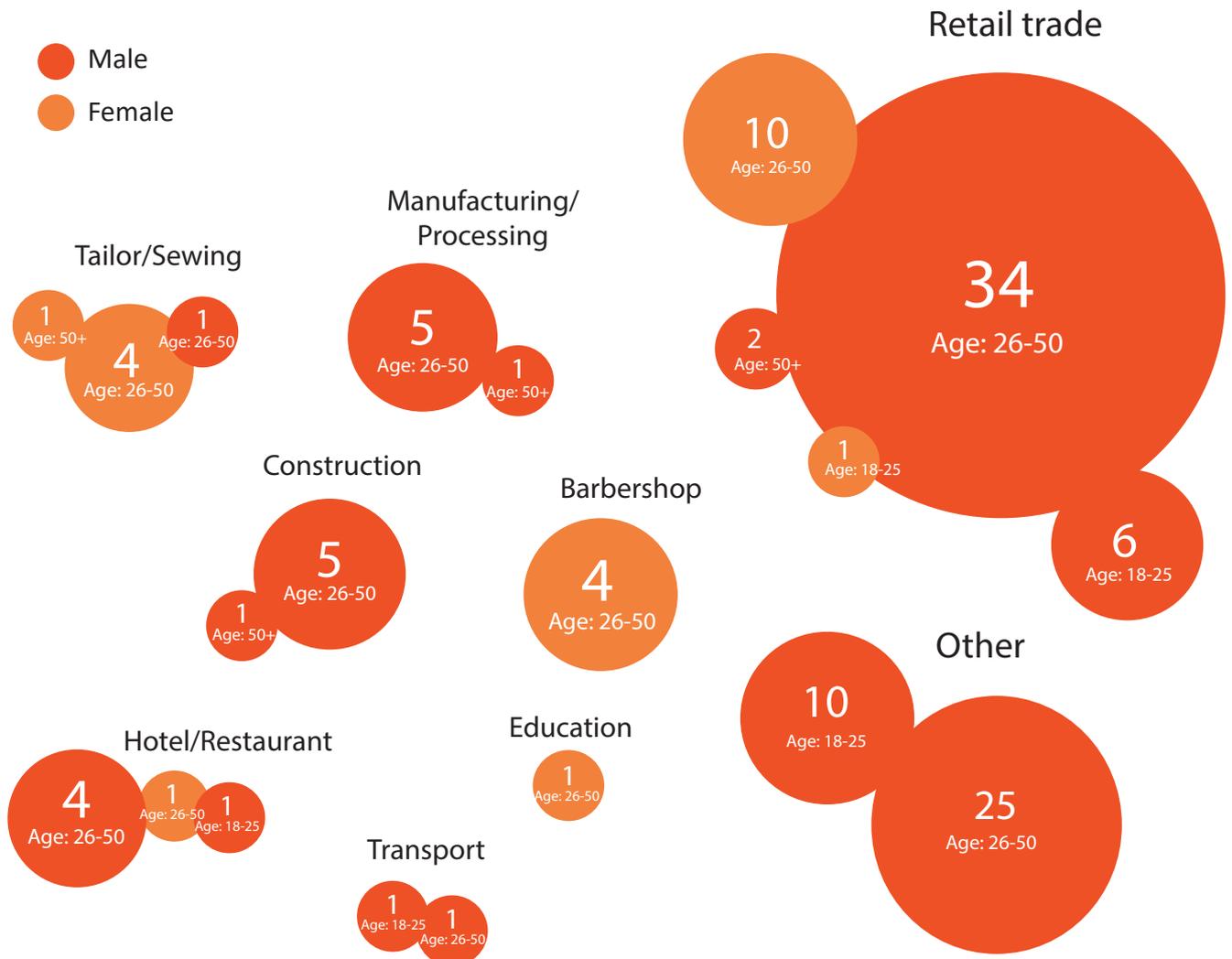
3 FINDINGS

In this section, the findings of the assessed markets will be presented and elaborated.

3.1 Business profile of the interviewees

54% of businesses are retail trade of household necessities such as perishable food items, canned food and basic home appliances. A majority of 105 (87%) businesses had no official registration with the government, while 13 (11%) were registered, and 2 (2%) were in process of registering.

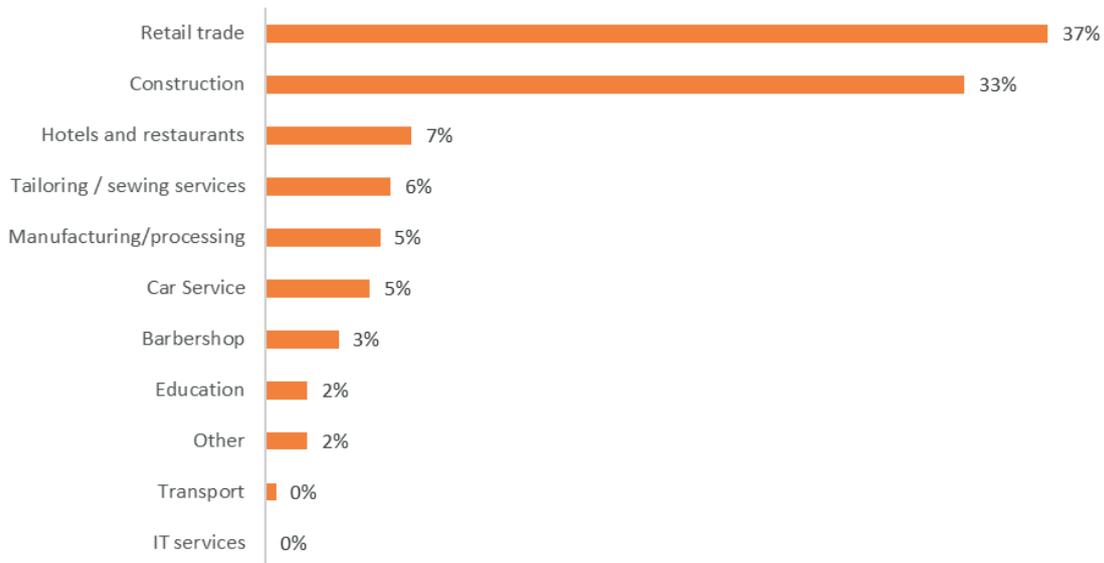
Demographic breakdown of business owners



3.2 Business Staff

The total number of workers in all assessed businesses was 205 of which 88% were Male workers and 12% were Female; 81% of total workers were full-time employees, and 19% were part-time employed.

Workers (%) in relation to the business profile



3.3 Business Operation and Impacts

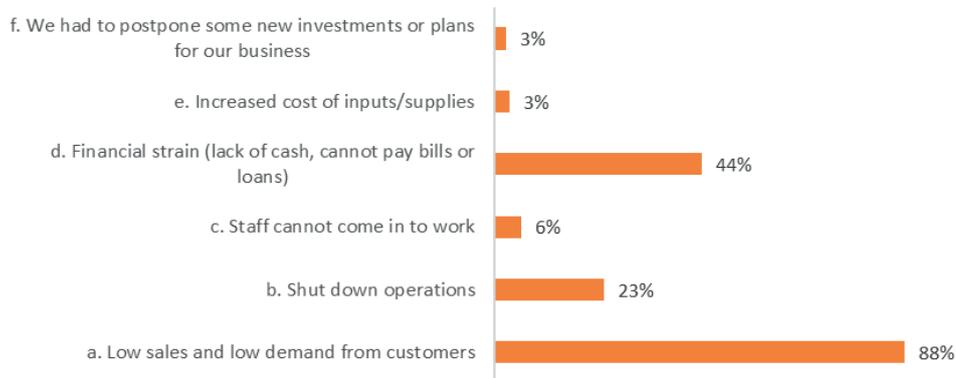
Businesses' operation was affected by the crisis and suffered closure and operation halted. 8% of the assessed markets were running with no stoppage, 8% were permanently stopped, 1% said they stopped operation previously but now running again. 80% said they stopped operation temporarily due to instructions by authority, while 4% reported temporary stoppage because of reduced orders and sales.

Have you stopped the operations because of the current crisis?



Regarding the Impact of COVID-19 crises, the following data was observed:

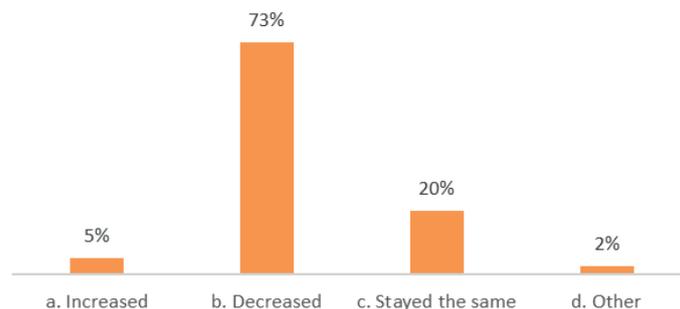
Biggest Impact on Business



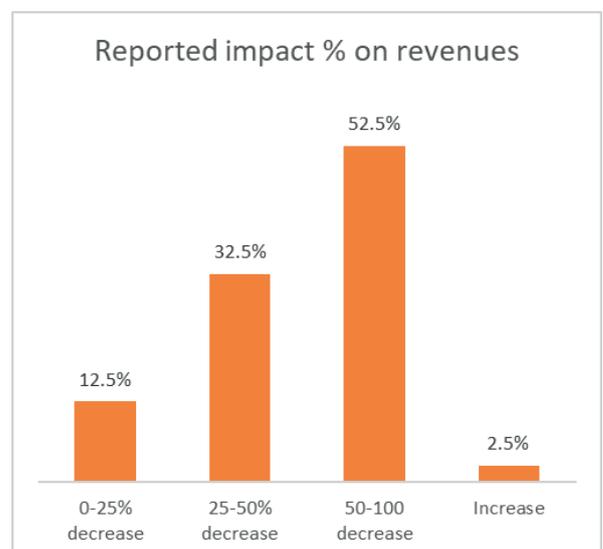
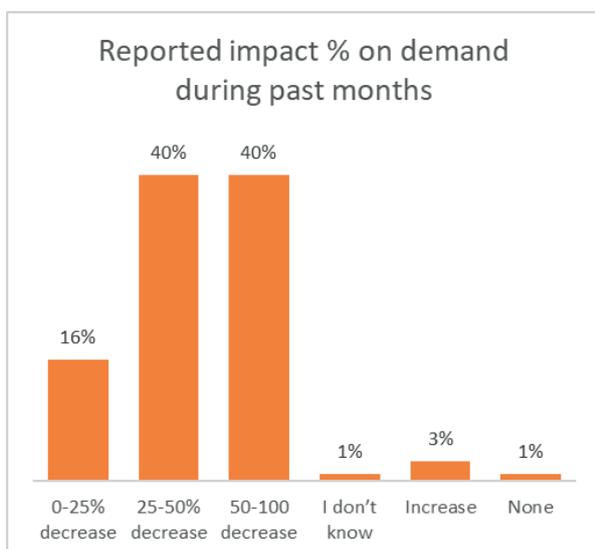
The biggest two impacts business owners reported were the low sales and demands on the commodities, and the austerity manifested in lack of cash.

The crisis affected demand on services and products of the markets. 73% of the owners said demand is decreased, while 20% said it remained unchanged.

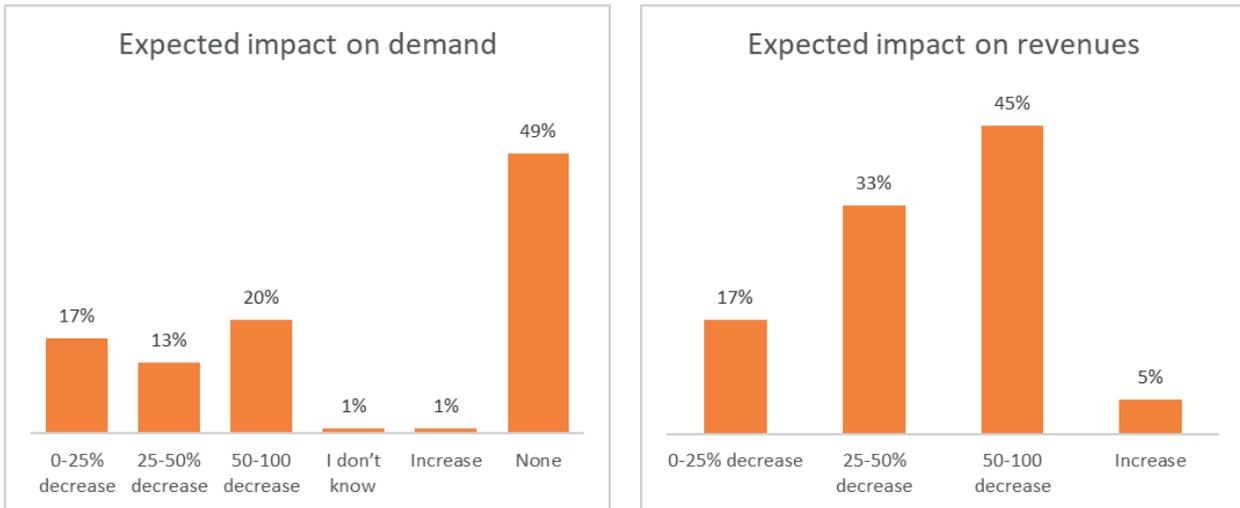
Change in demand on products/Services during the crisis



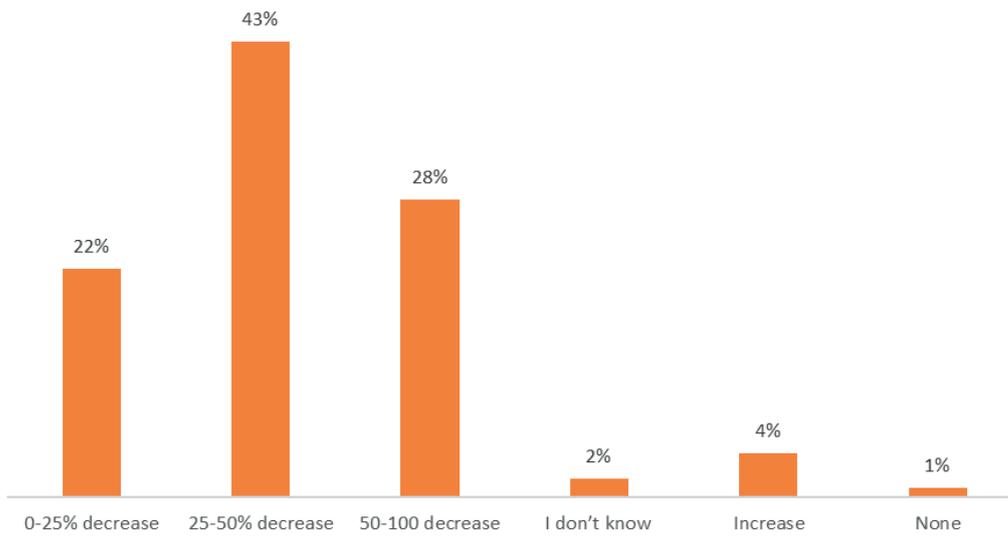
In correlation to the COVID-19 impacts during the past months, owners reported as follow:



The expectation of COVID-19 impacts for the upcoming months, owners reported as follows:

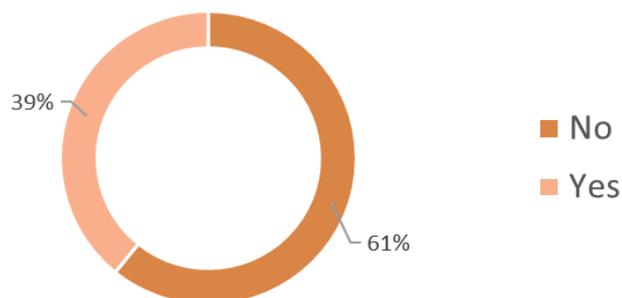


Expected Impact on employees number

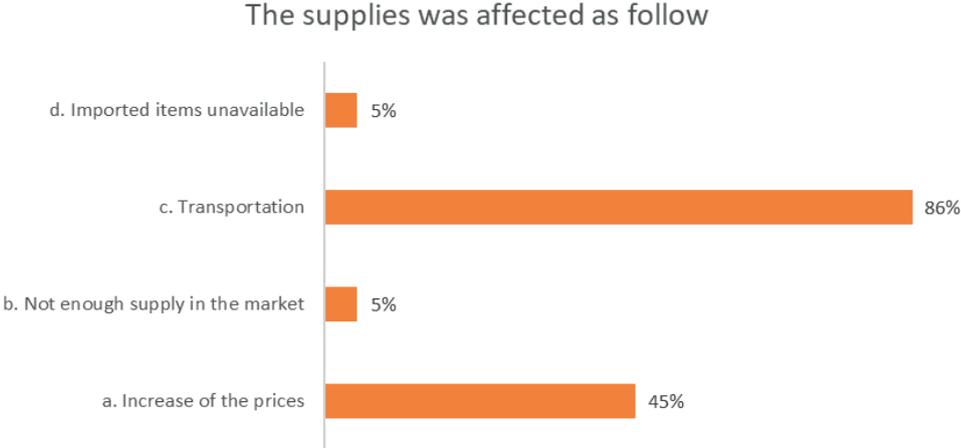


61% of owners reported no effects on the supplies or raw materials, while 39% said their supplies were affected by the COVID-19 crisis.

Access to supplies affected?



Those whose supplies which had been affected stated how it's been affected as following:

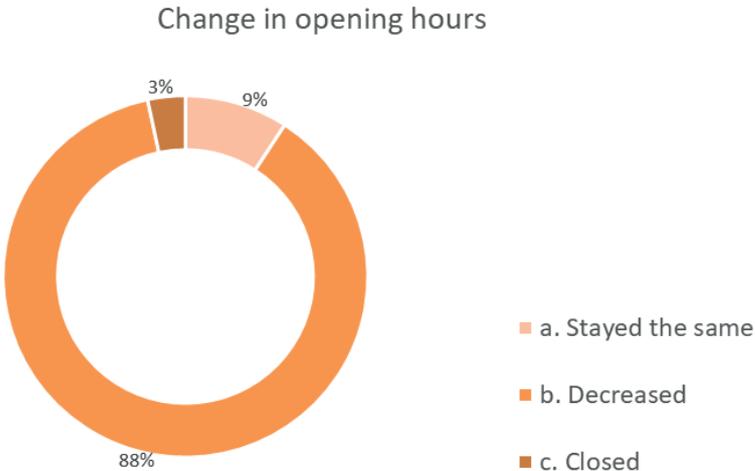


Most of the affected businesses said transportation has most impacted them due to the imposed curfew in Mosul and closure of access roads into the city from other Governorates.

50% of those had shortage of supplies said they do not have any plan to overcome the situation, while 33% said they are seeking new channels of procurement, and 22% said they will reduce their production.

83% of owners said they do not have any products to be stored, while 17% said they do. Around 75% of business owners allow customers to buy on credit (delayed pay), and 37% of them said more customers are requesting to buy on credit since the crisis started, 26% said there is no change in the numbers, while 36% owners said they stopped giving in credit since the pandemic started.

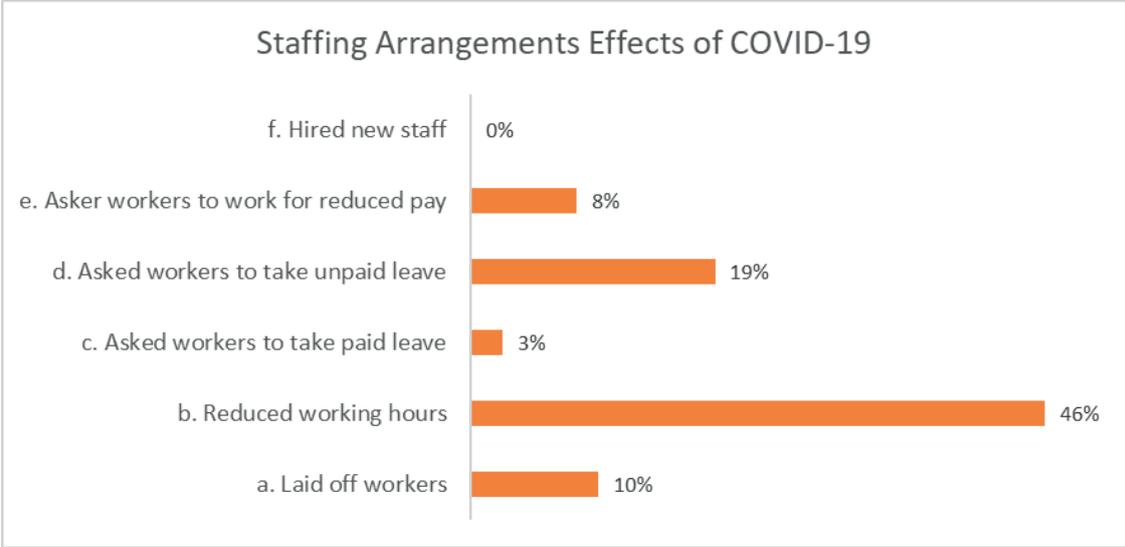
Working hours were affected by the pandemic as 88% of the assessed owners said their open hours have decreased, 9% stayed the same, while 3% said their businesses are closed.



Staff Wages: 41% of owners said they have no workers staff in their business, 16% said the payments are normal, 38% of owners said they are giving the wages with some difficulty, while 6% said they were unable to pay their staff.

Business Rent: 18% of total owners said they are not required to pay rent (have own place), 12% said payments are normal, 49% said they give rent payments with difficulty, and 21% of owners were unable to make rent payments.

Staffing Arrangements: 46% of total owners said they reduced working hours for staff



Around 73% of total assessed businesses said they are facing cash flow problems. When they were asked how long they expect their cash flow to maintain their business in operation is this pandemic, 6% said under a month, 43% said 1-3 months, 26% said 3-6 months, and 25% said more than 6 months.

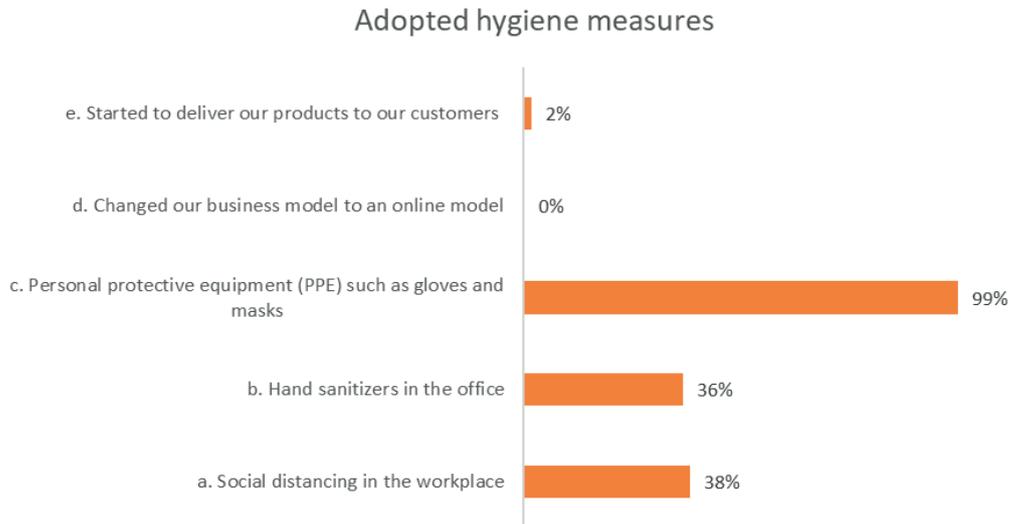
Business Loan Payment: 21% of owners said they are having difficulty with their load payments, 24% said they are unable to make payments, and 54% said they do not have any loan to pay for.

Business Payment of Invoices: 13% of owners are unable to make invoices payments, 77% are having difficulty with payments, while 11% said they are able to pay invoices normally.

Taxes: 95% of the assessed business owners said they are not paying any taxes, 2% said payments are normal, 3% said they are having difficulty with tax payments, while 1% were unable to make the payments.

3.4 Pandemic Response

94% of the assessed business owners said they did adopt new health or hygiene measures in their business. 99% of them adopted basic Personal Protective Equipment (PPE), 38% said they adopted social distancing.

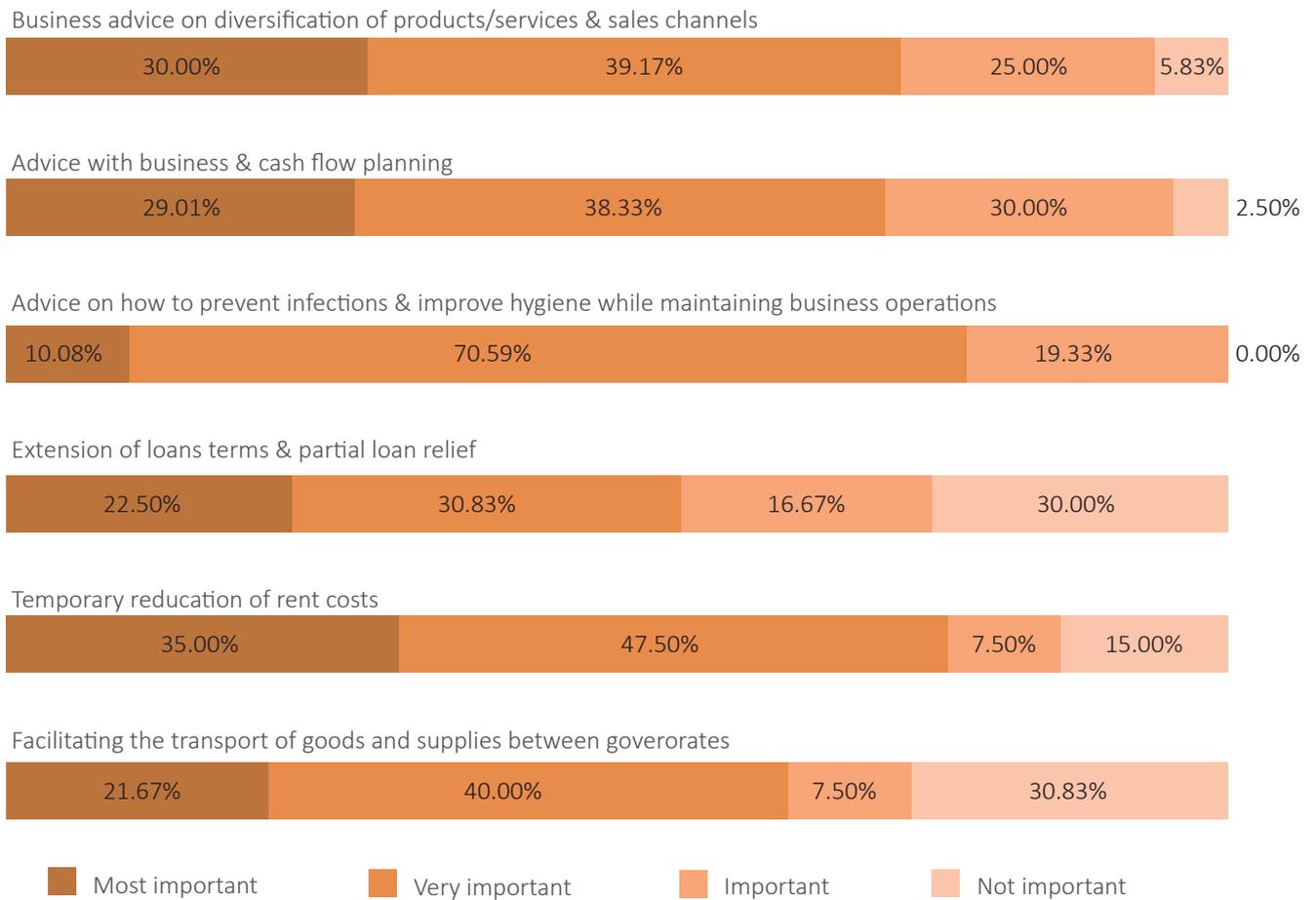


All business owners said no support was offered in adopting these measures. When owners were asked about what actions they are taking to respond to the crisis, their answers are as shown below:



A list of questions was asked to the owners regarding certain support items, they were asked to determine the importance of each item for them, results are in the table below:

Priorities of needed help



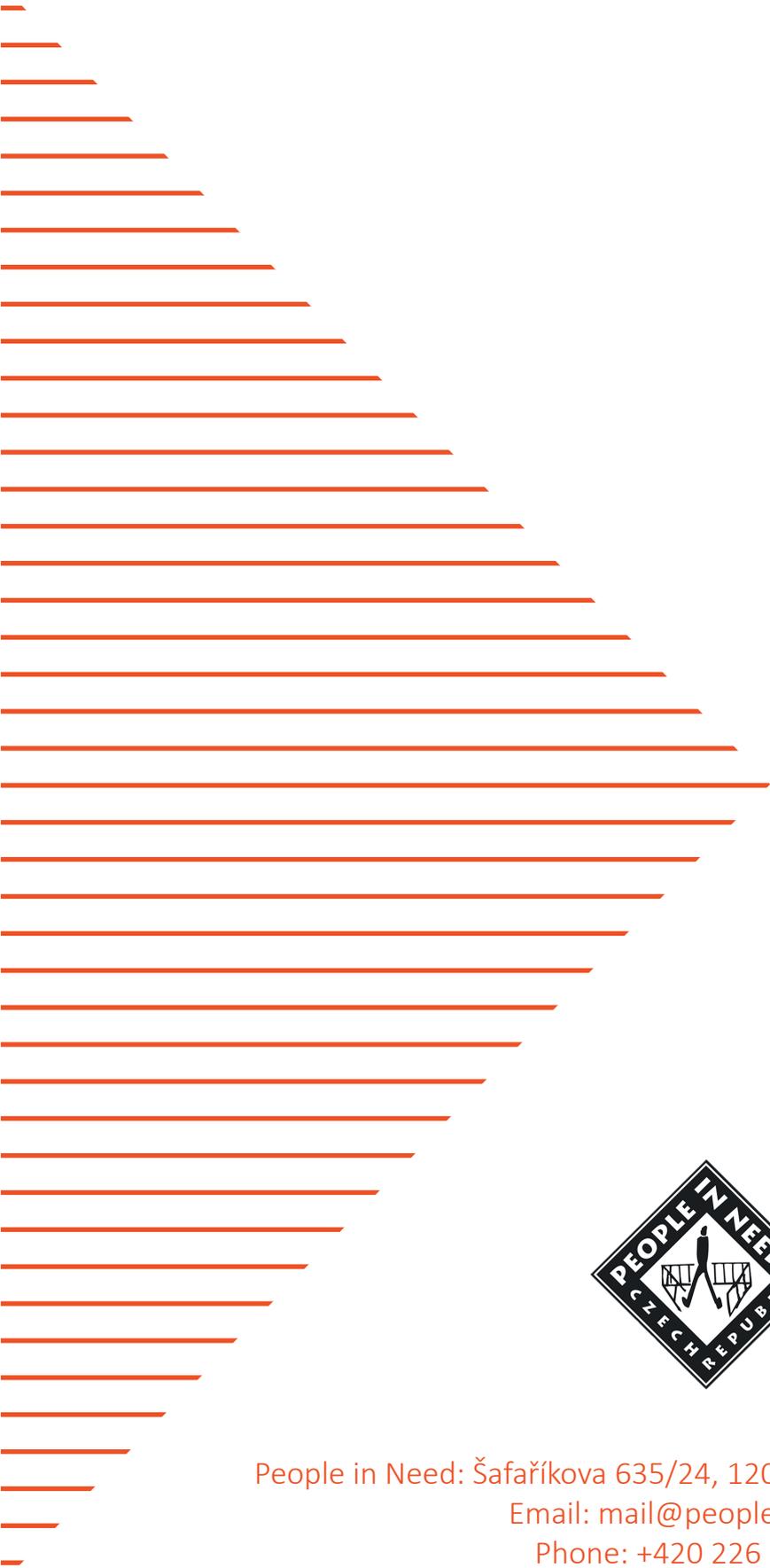
4 CONCLUSION

The general economic situation of the businesses in Mosul was already struggling after years of war. While businesses were on their path of recovery, the pandemic gave a har blow on recovering businesses and the livelihoods of small business owners. The profile of businesses in mosul can be categorized as small and medium enterprises, mainly family owned. General support from the authorities, organizations, and financial institutions is scarce.

The findings of the survey showed a clear impact of the pandemic on the market and businesses in Mosul. Lockdown measures decreased the revenues of most businesses, as well as increased functional and primary costs. In addition, the impact of the pandemic was observed on the job market, as most struggled to provide employment opportunities to a rather affected and vulnerable society.

The findings in the survey showed a good response to the health risk posed by the pandemic, as businesses adopted safety measures. Nonetheless, it showed the lack of support in information and material (protective material, sanitation material) to ensure a safe work environment.

The project “Supporting resilience for host communities, returnees and Internally displaced persons (IDPs) in Iraq” implemented by PIN and cofunded by MADAD and CZDA, as part of the consortium lead by ACTED, and PAH, WHH as partners, proved to be responding to the needs of the market. The provision of expansion grants to struggling businesses, was one of the means of support provided to businesses willing to sustain and expand their operations throughout the health crisis. In addition, PIN supported the businesses with hygiene kits, sanitation materials and COVID19 awareness posters.



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