

COVID-19 Impact Client Survey Report





Our Mission:

Vitas Group strives to provide financial products and services that respond to our clients' needs and foster the long-term development of individuals, their businesses, their families and their communities.

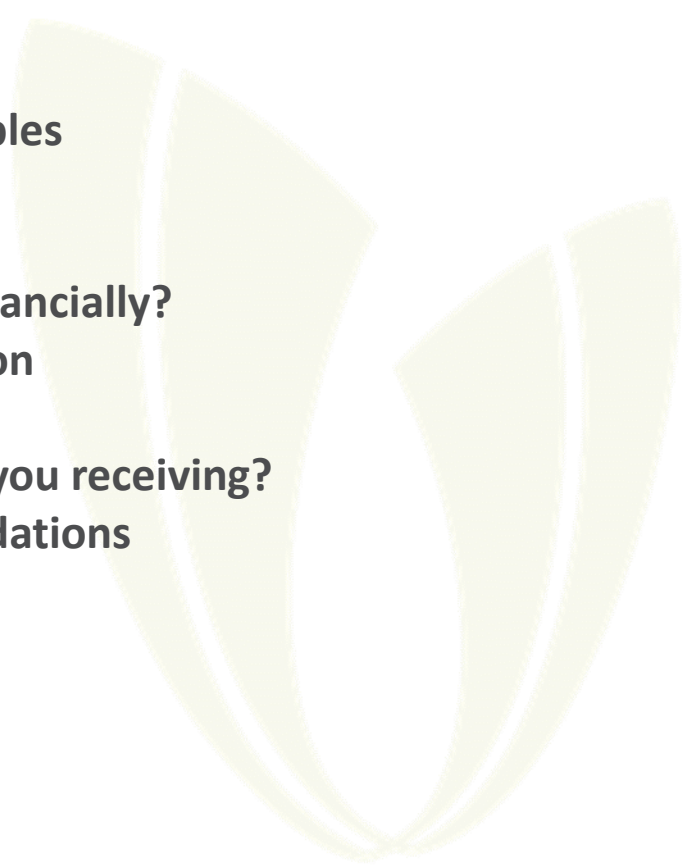
Our Vision:

Vitas Group believes that all people with a desire and capacity to improve their lives should have access to the financial services they need to help them realize their potential and become full social and economic participants in their communities.



Vitas Palestine started sterilizing its headquarters and branches during the COVID-19 pandemic. All offices are disinfected on a regular basis for the safety of our employees and customers.

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A special thanks to all the staff and clients in the field who participated in the study and made this report possible.

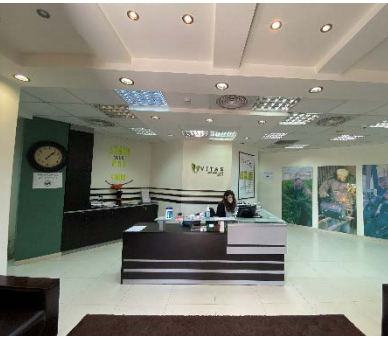
Cover Photo: Vitas Palestine employees working at their branch office during the COVID-19 lockdown.

Together Against Coronavirus



سنكون متواجدين
في جميع فروعنا
لخدمتكم
ابتداءً من الأحد
من الساعة ٨ صباحاً
الى الساعة ٥ مساءً

Vitas Iraq's efforts during the pandemic: Vitas Iraq staff distributed healthcare kits including 20,000 facial masks, 12,000 medical gloves, 64 medical costumes, 100 liters of alcohol, 25 liters of medical disinfectants, and 16 laser thermometers to several hospital emergency care units. Facial masks were distributed to local security forces divisions as well.



Vitas Palestine employees in action during the lockdown: Vitas Palestine's employees worked extra hours during the lockdown to help customers in need. Following the safety guidelines issued by the management, essential employees wore face masks and gloves at their workplaces.



Public awareness efforts: Dissemination of "fake news" and misinformation related to Coronavirus has only intensified the dangers of the pandemic. Vitas companies played their part by creating public awareness related to the spread. Every Vitas entity was extremely active on social media to promote correct information. Together, Vitas companies engage with more than half a million people on different social media channels. Vitas Iraq launched a campaign about the prevention measures to decrease the risk of being infected with the virus. The awareness campaign included the printing and distribution of 360 large banners that described the correct methods of preventing the spread of the virus in a clear and simple manner. These banners were placed in key locations across all provinces of Iraq.



Executive summary

The COVID-19 crisis has severely impacted the business community around the world. Small businesses in developing economies have been hit particularly hard. Countries like Iraq and Lebanon were experiencing social and political unrest as the pandemic struck, while Jordan and Palestine were already facing economic recessions, further compounding their problems.

This report summarizes the results of a COVID-19 client survey among Vitas network institutions. Surveys were conducted in May 2020 with clients in Egypt, Iraq, Jordan, Lebanon, Palestine and Romania, where Vitas served a combined 90,298 active clients and an outstanding portfolio of \$231 million as of March 30, 2020.

Vitas Group

- 90,298 Active Clients
- 31% Female
- 43% Rural
- 39% Youth (under 30 years)

Vitas interviewed a total of 607 clients across the six institutions to understand the impact of the COVID-19 pandemic at the individual business and household levels. One of the biggest worries for small business owners across these geographies was losing their livelihoods and being forced to close down their businesses after experiencing a dramatic drop in income. Approximately 72 percent of surveyed borrowers in Iraq and 71 percent of those interviewed in Lebanon were most concerned about the economic impact and their ability to continue to earn an income to support their families.

Adapting the survey from The COVID-19 Client Interview Tool available on the Social Performance Taskforce (SPTF) website, Vitas interviewed clients from various business types and sectors from the active portfolio. Interviewees were selected at random. The main objectives of this survey were to understand which clients are struggling and require the most attention. Vitas surveyors also sought to learn more about borrowers who currently have sufficient income to survive the short term, but may require additional services in the future. Data gleaned from the survey adds to the body of information for policy makers, regulators, investors and donors with whom Vitas and other Microfinance Providers (MFPs) are actively engaging for the ultimate benefit of clients.

Main findings

Data shows that the **“health of the family”** is the largest concern among clients, followed by financial worries. Lebanon was the exception, with 71% reporting financial worry as number one. With the exception of Jordan (23%) and Romania (27%), the vast majority of clients reported a **“much worse”** financial situation: Lebanon (79%), Egypt (79%), Iraq (67%), and Palestine (63%). Approximately 92% of Vitas Group customers are the primary **sources of income** for their families.

Coping measures

There was a drastic drop in sales and collections due to the lockdowns in all countries surveyed. Banks were partially closed and branches that opened experienced crowding that resulted in **limited accessibility to cash**. This situation left many borrowers with no choice other than to dip into their savings for survival. Fifty percent of borrowers in Egypt and Iraq, 58 percent in Romania, 39 percent in Lebanon, and 33 percent in Jordan and Palestine used their **lifetime savings** to cope with the ongoing financial crisis. A smaller percentage of borrowers offset the loss of income by **postponing or deferring loan repayments** and **borrowing from family or friends**.

Reducing meals

One of the most worrisome findings of the study showed a significant number of clients **cutting back on food intake** in their households, especially nutritional items like meat or fruit. A significant number of clients and their families have been forced to reduce food intake and cut out more nutritional items. Approximately 91% in Lebanon and 70% in Palestine reported they reduced number and portion size of daily meals as well as eliminated things like meat and fruits. Egypt followed with 52% , Jordan 50%, and Iraq 38%. In countries with incidence of **malnutrition amongst children** such as in Iraq, where one in five children is stunted according to UNICEF, these results are extremely concerning.

Lack of support from local governments

Most borrowers from Middle Eastern countries reported not receiving any kind of financial support from their local governments during the crisis. While 18 percent of the clients in Romania received unemployment assistance from the government, 86 percent in Iraq, 85 percent in Jordan, 84 percent in Egypt, 72 percent in Palestine, and 72 percent of respondents in Lebanon stated that the **local government offered them no support**. Respondents from Iraq, Jordan, Lebanon, and Palestine reported that they relied heavily on the support provided by **family and friends**. Anecdotally, a few clients mentioned receiving food baskets from local organizations or friends.

Need immediate help

Survey findings confirmed that a significant percentage of Vitas' customers across all six countries need immediate **"debt relief"** and **"loan restructuring."** Vitas customers are **highly motivated to re-establish their businesses** and **remain in good standing** with lenders. When asked whether there is a need for a **new loan** after the crisis, their responses varied. In Palestine, an overwhelming 74 percent of borrowers were interested in receiving a loan after the crisis. Egypt was a close second at 73 percent. Iraq at 68 percent and Lebanon at 54 percent were solidly in favor of a recovery loan offering. Jordan however was an outlier, where only 33 percent of borrowers expressed interest in a new loan following the pandemic. This may be due to the already sluggish economy that made borrowers wary of taking on too much debt, and the larger size of business that is typical of Jordan's customer segment. Most borrowers wished to use the financial support/loans primarily to **refinance their business** and replenish goods. The second most common interest was for **starting a new business**, followed by the desire to help **refinance existing debts**.

Survey objectives and sample

Objectives:

- Identify which clients are struggling and require the most attention.
- Identify which clients still have sufficient income to survive (e.g., receiving remittances) but may require access to financial services such as payments and savings.
- Identify which clients have a continuing livelihood that will require on-going access to credit.
- Find policy or regulation changes MFPs could promote, in order to benefit clients.
- Solicit additional forms of support clients need, such as providing information about where they may be able to obtain permits to continue trading, or supporting clients to access social assistance.

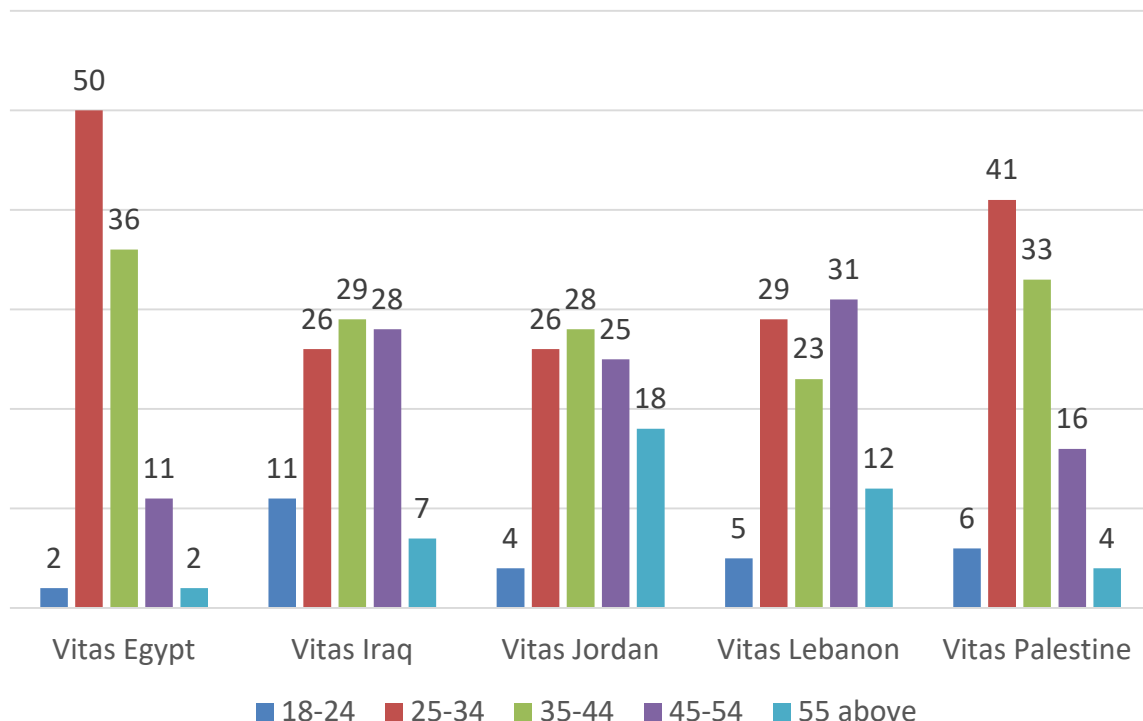
Sample:

- Approximately 100 clients (the representative sample of the active clients population calculating margin of error at 10% and confidence level at 90%.)
- A representative sample in terms of different segments of the main business types in the active portfolio, with a minimum number defined for each.
- A backup list of approximately 20 clients in case a client refuses to participate or is unreachable

Sample size:

Vitas Egypt:100; Vitas Iraq: 100; Vitas Jordan:100; Vitas Lebanon:100; Vitas Palestine:140; Vitas Romania: 67

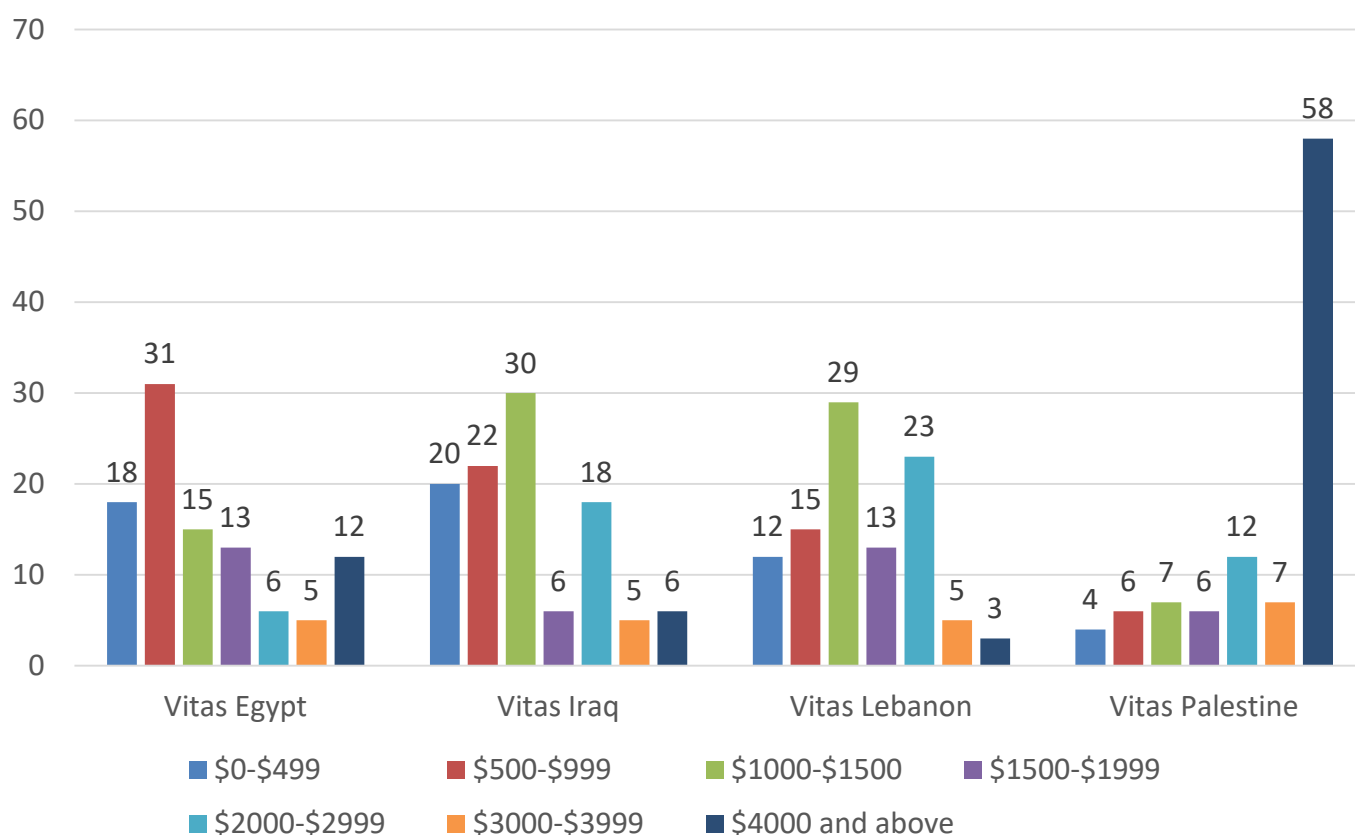
Percentages of age groups sampled



Percentage of outstanding loan amount

Out of the total 100,717 Vitas clients, almost 45% fall under the Small to Medium Enterprise (SME) category. The average loan size for this category is between \$7,000 and \$35,000. Romania and Palestine has the highest percentage of SME clients (86% and 66% respectively) while Lebanon (7.1%) is the lowest. Jordan's portfolio consists of 39% clients over the \$7,000 and above category; Iraq has 45% SME customers.

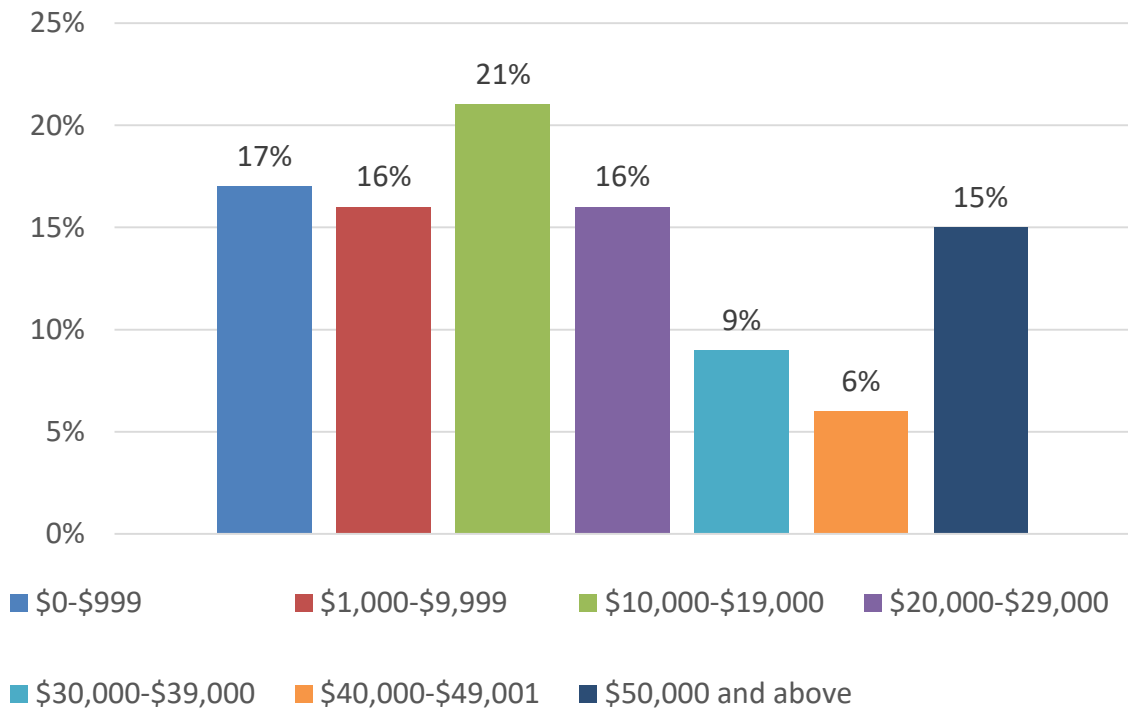
According to Vitas' 2019 Social Impact Report, most clients had used their business loans to purchase fixed assets and inventory. Across the network, 46% of clients increased inventory in 2019, 49% of clients stated their businesses have become more profitable, and 5% of clients added employees. In 2019 Vitas clients added an estimated 8,051 full-time and 2,667 part-time jobs in respective markets.



The above chart shows the percentage of outstanding loan amount for each category of clients that were surveyed. Clients in each country were divided based on the outstanding loan amount they owed to Vitas. Surveyed clients were chosen from different business types and categorized by sectors including production, trade, services, and agricultural.

The highest number of survey respondents with an outstanding loan amount belonged to the \$500-\$599, \$1000-\$1,500, and \$4,000 and above categories.

Jordan



Vitas Jordan serves a slightly larger SME segment than other Vitas subsidiaries, as reflected in the larger loan amounts among surveyed clients in the chart above: 33% of respondents fall in the \$0-\$10,000 category and 21% fall in the \$10,000-\$19,000 bracket. The highest percentage of respondents (46%) belonged to categories above \$20,000.



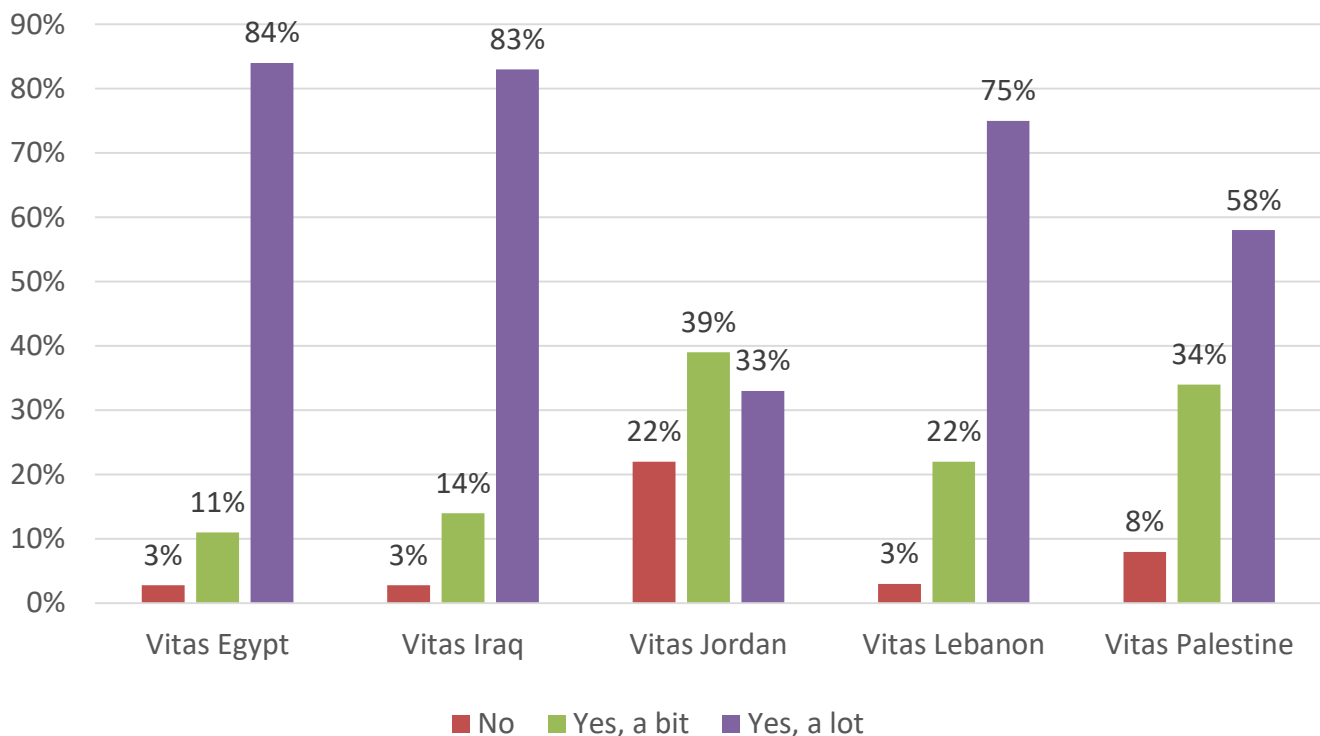
Wafa Darwish borrowed her first loan from Vitas Jordan in 2002 to finance inventory purchases for her mini-market in Aqaba. She is currently on her fourth loan, which she is using to further expand her business.

COVID-19 level of concern

Throughout the geographies in which Vitas operates, widespread suspension of public life and business shutdowns have taken a heavy toll. Unsurprisingly, a significant majority of survey respondents indicated some level of concern about COVID-19. In every country except Jordan, the vast majority of respondents reported being “**very concerned**”.

The Iraqi government began imposing restrictions due to COVID-19 in late February, with several provinces imposing strict curfews in March and April. Except for a few selected pharmaceutical shops working through delivery, all other shops were closed during the lockdown. Any kind of outdoor movement, even walking, was banned. Egypt’s lockdown was not as strict, with some shops and malls allowed to open during the month of Ramadan. Lebanon opted for a complete lockdown starting mid-March, though the government began allowing hair salons, construction sites, and other businesses to re-open at a lower capacity at the beginning of May. Jordan took early steps to restrict the mobility of people in mid-March. Jordan not only sealed its borders but also imposed a strict night curfew and imposed a state of emergency. Palestine ended its lockdown in the last week of May, nearly three months after declaring a state of emergency. In the first week of June, banks, courts, government ministries, public transportation and shops reopened. Romania began easing its two-month lockdown on May 15th.

Are you concerned about COVID-19?

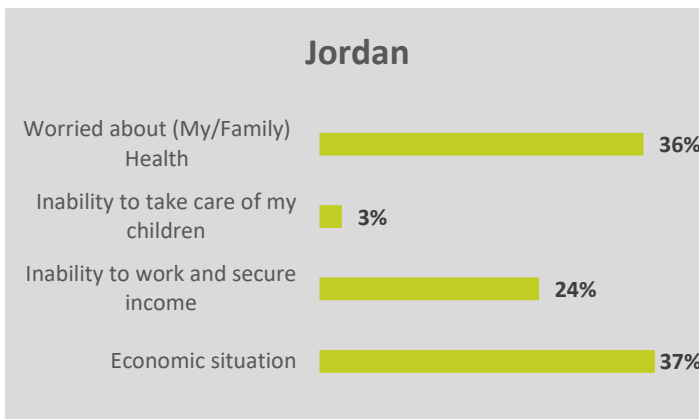
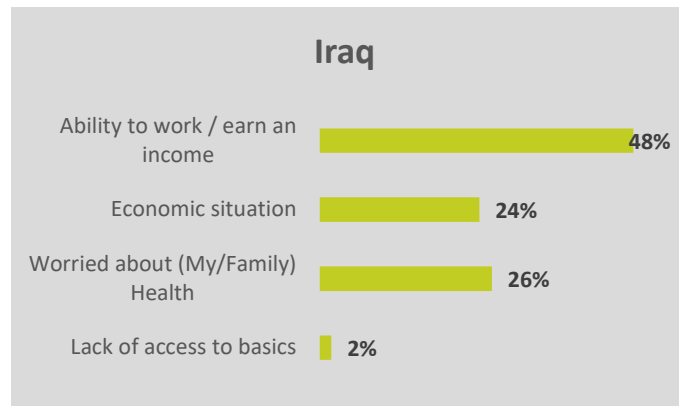
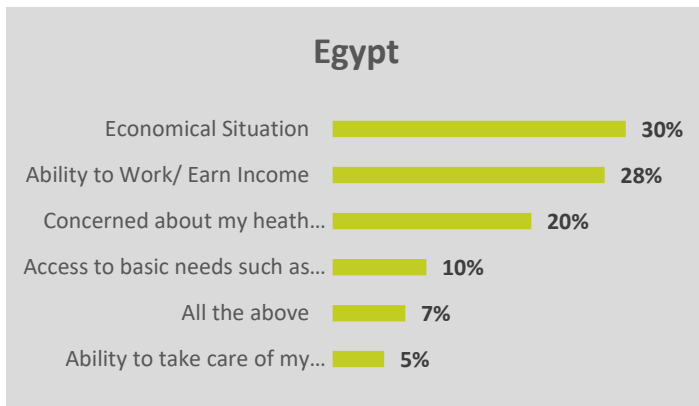


What is your biggest concern?

Survey respondents were asked to expand upon their concern by delineating specific areas of anxiety. Prevailing concerns about COVID-19 varied from country to country, though with definitive patterns. Personal income and ability to work was the largest response group across countries, followed by family/personal health and the economic situation. Despite Jordan's relatively low level of serious concern about the effects of the virus, its effects on the economy and families' health were of greatest concern. Elsewhere, in Romania, Iraq, and Lebanon the impact on income was the leading issue.

Egypt: Among the clients surveyed 85% clients were highly concerned about the situation with COVID-19 and quarantine and 11% were somewhat concerned, with 30% mainly worried about the economic impact and the ability to earn income.

Iraq: Out of the total clients surveyed, 83% were highly concerned about the situation with COVID-19 and quarantine and 14% were somewhat concerned, with 72% mainly worried about the economic impact and the ability to earn income.





Jordan: Among the clients surveyed, 33% were highly concerned about the situation with COVID-19 and quarantine and 39% were somewhat concerned, with 37% mainly worried about the economic impact and 36% worried about their family health.

Lebanon: Out of the total clients, 75% clients were highly concerned about COVID-19 and quarantine, while 22% were a little bit concerned. Approximately 71% are worried about their ability to work/earn income, while 18% are concerned about the economic situation.

Palestine: Out of the 140 clients surveyed, 58% were highly concerned about the situation with COVID-19 and quarantine and 34% were somewhat concerned. For almost 63% of clients, the biggest concern was the economic impact.

Romania: The sample size in Romania was much smaller (67); out of these clients, 37% were worried about the overall economic situation and 52% were concerned about their ability to work and earn income.



What did you do to cope financially?

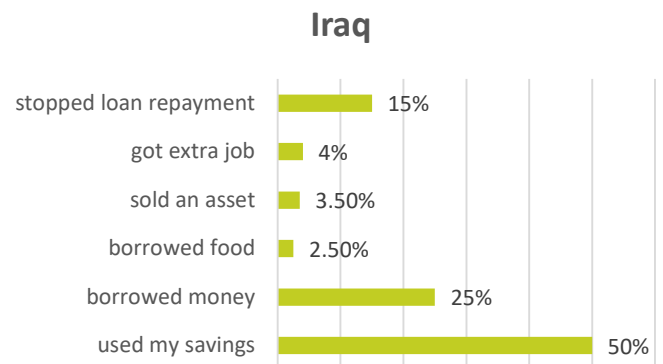
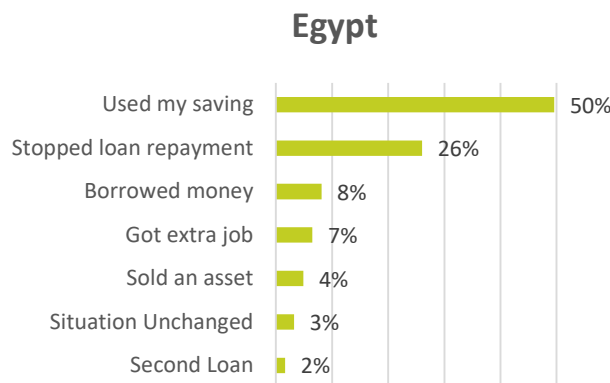
The COVID-19 lockdown and curfews compounded the problems for many small entrepreneurs. Businesses were forced to close and banks were operating at a limited capacity. The majority of Vitas' clients had to use their personal savings or borrow money. At the same time, many borrowers faced challenges in withdrawing cash from bank accounts.

Customers were asked what measure they took to overcome the situation, and reported the following:

Egypt: Nearly 50% used up their savings. Another 8% had to borrow money to cope financially, and 26% stopped repaying their loans, which was encouraged by the Central Bank for two months. In a separate survey question, 49% stated that accessibility to cash became a challenge due to the partial closure of banks and fear of contracting COVID-19.

Iraq: Half of surveyed clients relied on savings, while 25% had to borrow money to cope financially, and 15% stopped repaying their loans, which was offered voluntarily by Vitas. Approximately 30% stated that accessibility to cash became a challenge due to the partial closure of banks and difficulty to access dollars from the market.

Jordan: A significant percentage (39%) stopped repaying loans as part of the Central Bank of Jordan's policy to encourage postponements for two months; while 26% had to borrow money and 23% used their savings to cope financially.



Munther Hawara is a Vitas Palestine youth client from Jenin who first borrowed \$1,500 to purchase new supplies and equipment for his bakery in 2017.

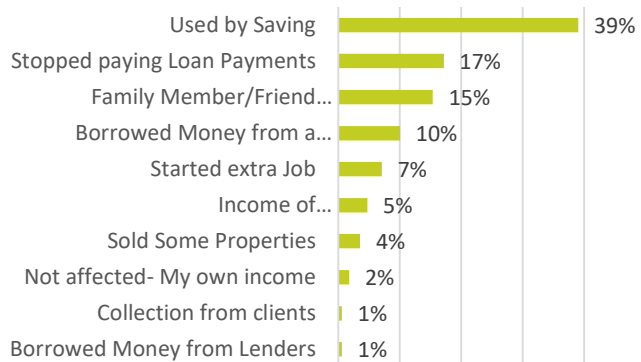
What did you do to cope financially?

Lebanon: Answers for this question included using savings (39%), stopping loan repayments, which was mandated by the Banque du Liban for three months (17%), family member/friend assistance in food (15%), and borrowing money from a family member/friend (10%). While 86% did not have a bank account, 6% stated that accessibility to cash became a challenge, for reasons including the curfew imposed, limits on withdrawals and the obligation to schedule appointments with the bank.

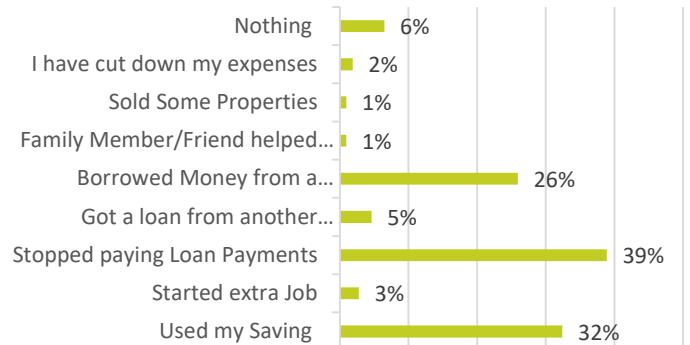
Palestine: A significant percentage (37%) stopped repaying loans as part of the Palestinian Monetary Authorities' moratorium on repayments for three months; 33% had to use their savings to cope financially, and 16% borrowed money.

Romania: The majority of clients (72%) stopped paying loan installments, which was mandated by the National Bank of Romania for banks to give an option from one to up to nine months; 58% used savings and 31% sold assets.

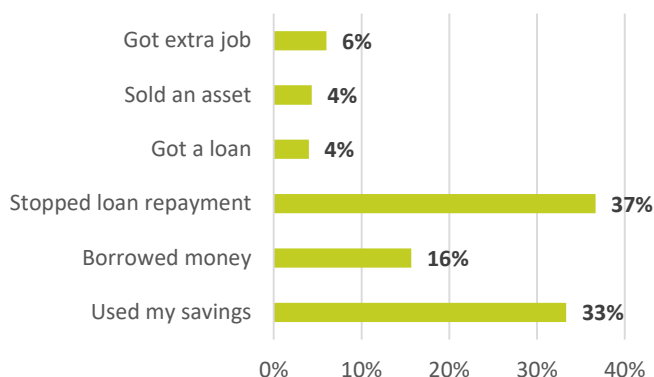
Lebanon



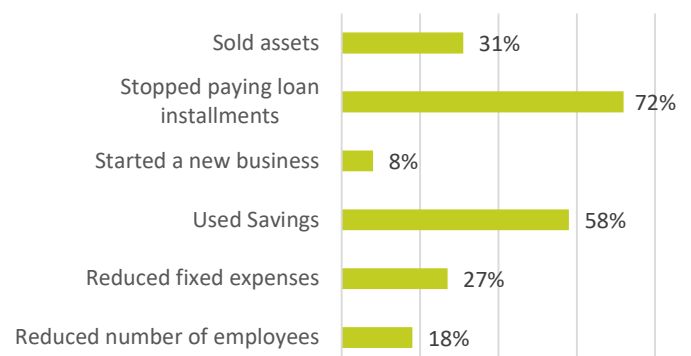
Jordan



Palestine



Romania



Changes in food consumption

One of the most worrying findings from the survey is the impact of COVID-19 on families' food consumption. In all Middle Eastern countries, families were forced to reduce the number of daily meals to survive. Respondents cut down on meat, fruits, and unnecessary food.

The number was extremely high in Lebanon where 91% of borrowers indicated a change in food consumption as well as reduction in certain food types consumed, with answers indicating reduction in consumption of Meat Products (36%), Dairy Products /Cheese/Delicatessen (19%), and equally for Fruits/Vegetables and Sweets/Chocolate (10%), with 19% reducing the number of daily consumed meals.

In Palestine 70% respondents had to make a change in their food consumption habits. A small percentage of clients mentioned receiving food baskets from local organizations.

In Egypt, 52% of surveyed clients saw a change in their food consumption habits, specifically eating less meat, fruits and unnecessary foods.

In Jordan, 50% saw a change in their food consumption habits, specifically eating fewer meals.

In Iraq, 38% respondents saw a change in their food consumption habits, specifically eating less meat, fruits and unnecessary foods.



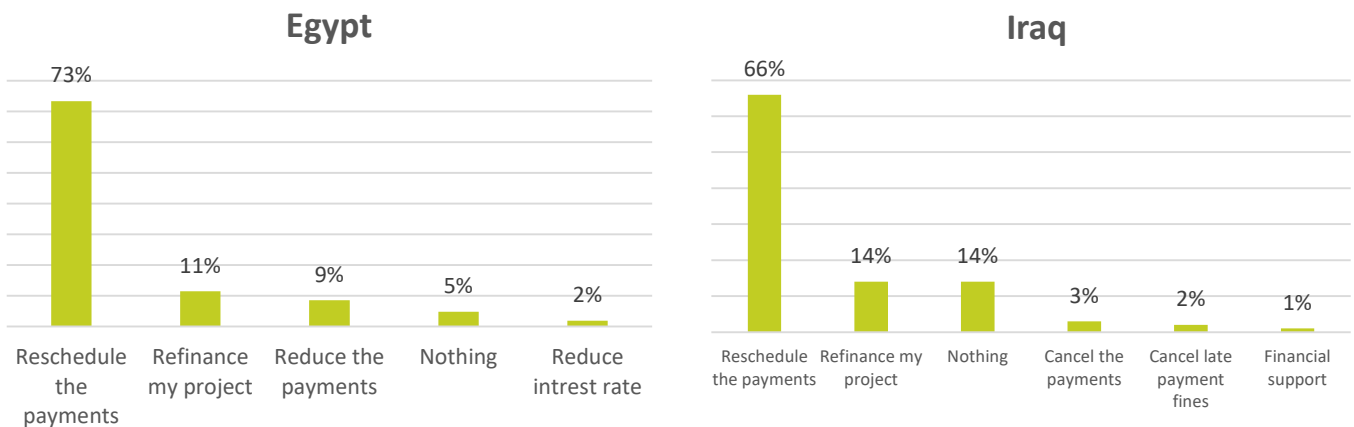
Hussein Hadi Mahdi is an expert upholsterer from Najaf. Hussein inherited the craft and his small shop from his father, but within a few years he started struggling to maintain the business. He didn't have the money to buy new equipment and complete orders. Hussein decided to apply for a loan with Vitas Iraq. He obtained two loans and bought new machines. It helped him to keep his business afloat and offer more design options to his customers.

What can Vitas do to help?

When asked how Vitas can help borrowers during this difficult time, postponement, rescheduling, and refinancing of loans were the top responses across all the countries.

In Egypt 73% of the clients desired payment rescheduling for their outstanding loans, while 11% asked to refinance their projects. Out of the 100 clients surveyed, 35% said they needed a new loan to invest in their business.

In Iraq, 66% of clients desired payment rescheduling for their outstanding loans. Whereas 14% of clients asked to refinance their projects, 65% said that they needed a new loan to invest in their business.



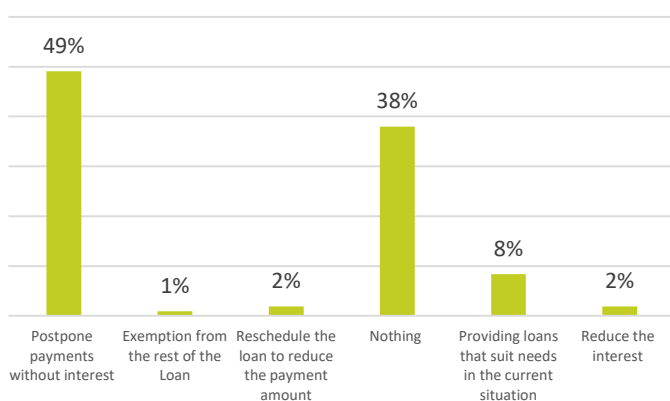
In Jordan, out of the 100 surveyed customers, 49% desired to postpone payments, while 8% demanded new loans to help cope with the market needs. As an outlier in the findings a significant percentage (38%) reported that Vitas could do “nothing” which may be an indication of the prolonged economic recession and uncertain business prospects in Jordan that have affected SMEs for more than a year.

The answers varied widely in Lebanon, where out of the 100 customers surveyed, 22% stated that they did not require support from Vitas, 22% requested postponing loan repayments, 21% asked for patience and consideration regarding the situation, and 13% were interested in any form of financial assistance.

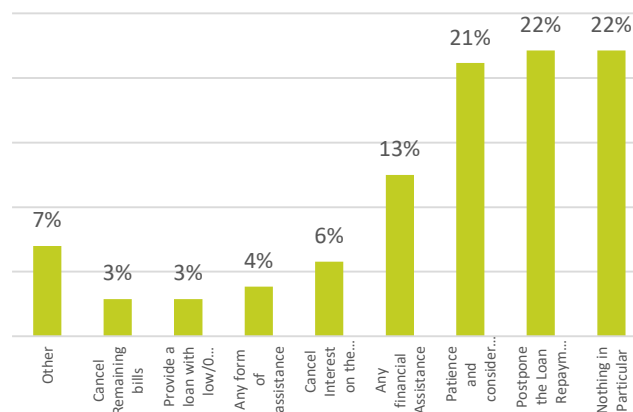
Among the 140 customers surveyed in Palestine, 50% asked to refinance their projects, while 39% asked for rescheduling the payments. Approximately 74% said that they were interested to get a loan after the crisis period subsides.

Vitas Romania posed a slightly different question: “Are you interested in obtaining additional financing?” While 52% of respondents said no, that they would wait to determine their needs, 19% indicated a need for additional financing to complete works or investments, and another 23% indicated a need for additional working capital financing.

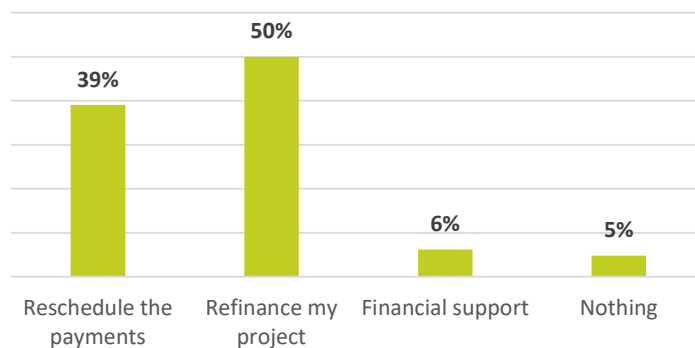
Jordan



Lebanon



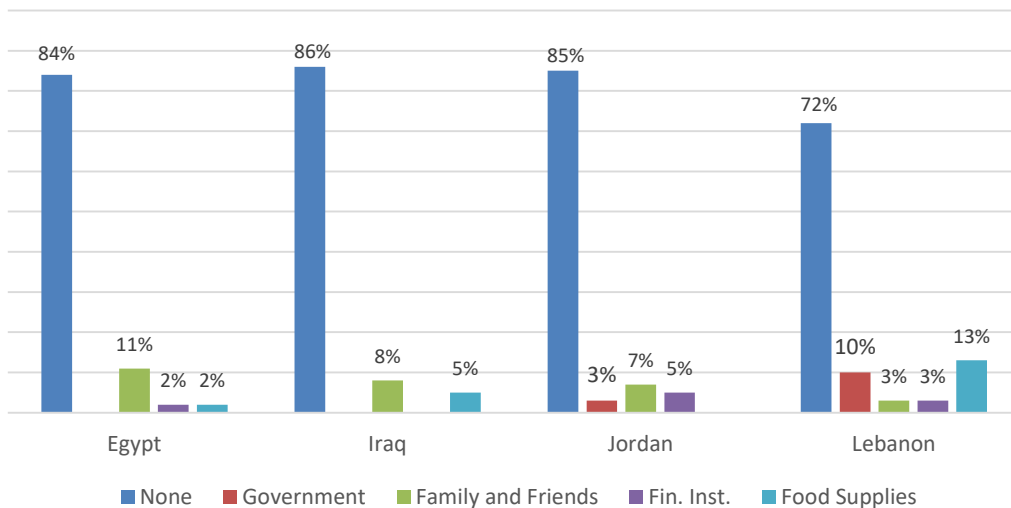
Palestine



What forms of support are you receiving?

Survey participants were asked which forms of support they had received to assist with the economic hardship. A striking majority responded that they had received none. The discrepancy between the majority of respondents reporting economic disruption, and those receiving no support, underscores the difficult reality for clients in countries where there is virtually no social safety net or government capacity to respond to its citizens. Vitas and other MFPs remain on the front lines of providing the only financial assistance to these households.

Forms of Support



While a few borrowers received limited government support and took advantage of central bank payment moratoriums applied through all financial institutions, most had to rely on their network of family and friends. A small number of clients, notably in Lebanon and Iraq, received food baskets/boxes, some of which were provided through Vitas' distribution network through its own resources.



Conclusion and recommendations

The survey results indicate widespread adverse economic effects of COVID-19 across Vitas' portfolio countries. In countries like Iraq and Lebanon, the severe lockdowns and restrictions have compounded the effects of ongoing political or economic crises. In Jordan and Palestine, the pandemic has accelerated economic downturns that were already affecting clients for more than a year. Most clients were forced to use up their savings, tighten already constrained household budgets, and seek informal channels of support, such as borrowing from friends and family.

These results also reflect the challenges that clients face in supporting household income. When over 90% of Vitas client businesses are the main source of income for their household, families are making difficult choices about nutrition and food consumption patterns. The number of clients reporting reduced food consumption is alarming, on top of the economic fallout that is likely to persist. Several recent reports from the World Food Program and the Food and Agriculture Organization have sounded alarm bells about rising food insecurity and the disruption of local food production as well as cost of food imports. Likewise, UNICEF is sounding the alarms of rising malnutrition in MENA among children under the age of five. This survey lends support to the unfolding humanitarian crises in Vitas communities in Lebanon, Palestine and Iraq. It also exposes the risks in countries like Jordan and Egypt which have featured less prominently in the high risk categories. In this regard, surveyed clients were justified in the extreme worry they expressed about the health of their families and the longer term viability of their business in an increasingly uncertain future.

Vitas institutions have already taken steps to meet many borrowers' immediate needs through loan rescheduling, postponement of payments, top-up loans, and refinancing. For existing clients, Vitas has begun to offer emergency loans named "compensation" or "livelihood" loans that can be used to meet basic consumption and monthly household expenses until families and businesses are back on their feet.

Vitas is also exploring the option of start-up loans for prospective clients who have lost their job or means of livelihood but are interested to start a new business project. Vitas is piloting new products targeting small businesses in the agriculture, food, pharma, and other sectors which have been less affected by the pandemic. The pandemic has also accelerated the digitization of Vitas services that was already underway, with clients now able to apply online and transact through agents and mobile channels. Two institutions have launched an end-to-end digital loan product.



Introduced in 2015, 'Vitas Romania's 'The Declaration of Independence' business plan contest encourages young entrepreneurs, such as this child care center owner, to start their own business.

Ultimately, Vitas is limited in how much it can support clients who are facing severe economic constraints. As a group of non-bank financial services institutions, debt is not the optimal solution for families facing falling incomes and depleted savings. Vitas succeeds when its clients live in thriving communities that offer opportunities and multiple tools to overcome crises. Micro-entrepreneurs and small business clients of Vitas have shown resilience in the face of political crises, economic shocks, and violent conflict over the years. As countries deal with an unprecedented health emergency on top of a complex environment, Vitas will continue to support its customers to restart businesses and sustain livelihoods. Vitas and other MFPs are an important part of the overall response to COVID-19 by sustaining financial support to these businesses over the long haul. However, civil society, governments, and the international community will need to further focus efforts to support the most vulnerable during and after the pandemic subsides.

Through this small survey sample, we can see the scale of the problem. There is so much more that we could and should be doing. We urge all actors to join us in the effort to raise the voice of these clients and the families that rely on them.



Ali Mousawy is a Vitas Lebanon client who used his loan to expand his floral shop and the variety of flowers he sells. He intends on borrowing again to finance a van that he plans to use for delivery services.



Vitas Iraq's efforts during the pandemic: Vitas Iraq staff in partnership with local government distributed healthcare kits including 20,000 facial masks, 12,000 medical gloves, 64 medical costumes, 100 liters of alcohol, 25 liters of medical disinfectants, and 16 laser thermometers to several hospital emergency care units. Facial masks were distributed to local security forces divisions as well.

For more information about the survey findings or Vitas Group, please contact rkulkarni@globalcommunities.org.

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A Vitas Jordan client at his crockery and utensils shop near Irbid, Jordan.



VITAS

FINANCING A BETTER WORLD

A Global Communities Enterprise

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