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Tewodros Aragie Kebede,
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and Maha Kattaa

A blast in the midst of crises

Impact of the Beirut port
explosions on the city's enterprises



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Preface

This report presents the findings from a study of 1,664 enterprises operating within a five-kilometre radius of the Port of Beirut explosion site, to better understand the impact of the blast on their businesses. The study is based on data from a telephone survey mapping out the characteristics of the enterprises, the impacts of the explosion on their operations and labour forces, the enterprises' adaptation and coping measures, as well as the effects and consequences of the COVID-19 pandemic on their businesses.

The project was made possible through the generous contribution of the Netherlands under the framework of 'Partnership for improving prospects for forcibly displaced persons and host communities' (PROSPECTS), and from Germany through the German Development Bank (KfW), which is funding the ILO's Employment Intensive Infrastructure Programme in Lebanon.

We would like to extend our special thanks to the dedicated team of staff and volunteers at Basmeh and Zeitoonah, a local civil society organisation, who implemented the survey including identifying businesses on the ground and conducting the interviews, which took place from 24 November to 16 December 2020.

Our special thanks also go to Anas Alakhras from ILO, and research assistants Reem Kattaa and Maya Alcheikh, for their valuable contributions to providing training and assistance during the various implementation phases of the survey.

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Executive summary

Beirut's enterprises are struggling with the challenges of multitudes of crises including the financial and economic crisis affecting Lebanon for the past years as well as the effects of the ongoing COVID-19 pandemic. On top of an already struggling economic environment, the explosion at the port of Beirut that took place on 4 August 2020 has severely affected the city's enterprises posing further challenges during ongoing crises.

In this extraordinary and challenging business environment, we conducted a study on the impacts of the explosion on businesses using phone survey data on 1,664 businesses operating within the surrounding localities of the explosion site. These enterprises are classified as micro, small and medium enterprises (MSMEs), which are seen as key drivers of economic recovery and reconstruction through their roles as producers of economic revenues, providers of employment opportunities, and contributors of socio-economic stability.

Most of the surveyed enterprises are own-account businesses with no payroll employees, and merely 8 per cent of the enterprises have more than five employees, many of them belonging to the wholesale and retail sector. Only 4 per cent can be categorised as manufacturing enterprises, although most of them resemble workshops rather than factory-like production entities. Fourteen per cent of the enterprises are in the hospitality (i.e., accommodation, food, and beverage) and tourism sector, which are among the most severely affected by the port explosion, as well as by Lebanon's political and economic crisis and the COVID-19 pandemic.

Although around 90 per cent of the enterprises are registered with the government, most of them operate with informal types of employment, reflected by lack of written employment contracts and few social benefits offered to their workers. The modest size of the enterprises is reflected in their low sales revenues. More than 60 per cent of the enterprises have annual revenues below 5 million LBP (about 3,500 USD) and 21 per cent have less than 1 million LBP (about 700 USD) in annual revenues. Only 7 per cent of the enterprises have more than 20 million LBP (about 7,000 USD) in annual revenues. Furthermore, only one-third of the enterprises were running with profit prior to the port explosion, while the remaining were losing money (28 per cent) or running at break-even (40 per cent).

Most of the surveyed enterprises located within a five-kilometre radius of the port area were damaged by the port explosion (86 per cent), and 35 per cent were severely or completely damaged. About one-half of the damaged enterprises have been renovated or rebuilt since the explosion, while 14 per cent have not been repaired at all. Despite the severe damages, 40 per cent of the enterprises currently operates as they did before the explosion took place. The same proportion of enterprises operate with reduced opening hours or reduced workforce. Fourteen per cent of the enterprises have shut down either temporarily or permanently. In addition to the damages from the explosion, reduced operations are closely associated with the COVID-19 pandemic.

Since the explosion, one-third of the enterprises with payroll employees have laid off one or more persons, the average number of layoffs being three persons. Despite

assumptions that the pandemic might be the main reason for layoffs, the interviewed enterprise representatives assert that two-thirds of the layoffs were caused by the port explosion. At the other end of the employment cycle, only 2 per cent of the enterprises have hired new employees since the explosion, and hardly anyone on a permanent contract. A slightly higher share of the enterprises has used daily labourers or casual workers since the explosion (5 per cent). Moreover, to cope with the economic difficulties, the surveyed enterprises have reduced the wages by one-third, on average, contributing to further reductions in the purchasing power of consumers that the enterprises ultimately depend on.

Only 3 per cent of the enterprises run with a profit after the explosion, compared to 32 per cent prior to the blast. Conversely, 85 per cent run with losses, in contrast to 28 per cent before the explosion. However, this steep drop in profitability cannot be attributed entirely to the explosion but may rather be seen as the cumulative effect of the national economic crisis, the pandemic, and the Beirut port explosion. For many enterprises, the explosion was the ‘straw that broke the camel’s back’, adding to the burden already present from the two other challenges.

Most enterprises have reduced their expenditures after the explosion, and 15 per cent of them claim they currently have no expenditures at all. However, such cuts are surpassed by the fall in sales revenue for most enterprises — one-third reported no revenues at the time of the survey. The economic difficulties have also led enterprises to increase their debt to suppliers by 4 per centage points since before the explosion. At present, about one-half of the surveyed enterprises report debt, 70 per cent of them owing money to their suppliers.

The COVID-19 pandemic is undoubtedly a major contributing factor to the economic problems that the surveyed enterprises have faced in the aftermath of the port explosion. Most enterprises (93 per cent) have been affected by the pandemic, and nearly all home-based enterprises (99 per cent) have been affected by closures of market arenas where they used to sell their products and services. The pandemic has led to reduced sales for about 60 per cent of the enterprises, while 17 per cent have increased their debt, and 7 per cent have turned bankrupt due to the pandemic. Enterprises that used to be profitable before the pandemic and were registered with the authorities have been significantly less affected than those enterprises that did not earn money and were unregistered (i.e., informal) enterprises.

Nearly 60 per cent of the enterprises report problems they do not attribute directly to the port explosion or the COVID-19 pandemic — although it is difficult to rule the pandemic entirely out of the equation. Most of these enterprises are affected by rising prices on raw materials and intermediate goods, and difficulties in obtaining such supplies. One-third report reduced demand for their products and services. About 20 per cent of the enterprises reporting problems caused by neither the explosion nor the pandemic, attribute their problems to social unrest and (political) conflict.

Enterprises operating like before the Beirut port explosion can be treated as an indicator of recovery from the blast. By doing so, it seems like enterprises that were profitable prior to the explosion (60 per cent) and enterprises with informal employment (57 per cent) have been recovering better than the average (41 per cent). While informal employment has adverse consequences for workers, the latter finding may be explained by the fact that informal employment provides an opportunity for enterprises to run a ‘flexible’ staffing regime and thereby adjusting their operations more easily to changing market situations. Whether enterprises were insured or not prior to the explosion seems to have played an insignificant role in their ability to recover.

About 20 per cent of the surveyed enterprises utilise the internet to promote and sell their products and services. Compared to this average figure, significantly higher shares of formal enterprises (registered and being insured), enterprises with formal employment (offering employment contracts), and profitable enterprises include internet in their business models. Enterprises damaged by the explosion, and those being repaired, also use the internet more extensively than other enterprises, indicating internet use has become an adaptation and coping measure for affected enterprises.

The number of enterprises offering home delivery and pick-up for their products and services has increased by 6 percentage points since the explosion. Unlike the situation for internet, home delivery has mainly been introduced by informal and unprofitable enterprises, in addition to the youngest enterprises. Many of the latter enterprises have been established in the context of the COVID-19 pandemic, which has propelled the use of home services.

Enterprises that were profitable before the explosion as well as formal enterprises have taken significantly more measures to cope with the effects of the explosion and economic challenges. Most measures are conventional business measures to control profitability, such as adjustments of sales prices, negotiating postponement of credit payments, and selling off assets, in addition to introducing new products and services. Among informal and non-profitable enterprises, adjustment of sales prices is by far the most dominant action taken.

Only 12 per cent of the surveyed enterprises have received assistance to recover from the Beirut port explosion. More than 90 per cent of the support has been provided for the renovation of buildings, physical infrastructure, and equipment, i.e., damage directly linked to the explosion. Sixty per cent of the enterprises that have received assistance obtained it from NGOs while only 7 per cent have received support from the government. Family and friends of the enterprise owners have given assistance to almost 30 per cent of those enterprises that received such help.

Contrary to the type of assistance provided after the explosion, the enterprises themselves mainly wish to see support that addresses their wider economic challenges, including reduction in running expenditures – e.g., on electricity, water, and rents – and access to foreign currency. These priorities and demands reflect that today's structural economic problems in Lebanon and the COVID-19 pandemic is more of a concern to the enterprises than the damages resulting from the port explosion. Many perceive those damages as a mere symptom of the more fundamental economic and political problems facing the enterprises, and the country.

The survey reveals a deep general distrust in the authorities' ability to handle the economic crises and their ability to provide useful assistance to affected enterprises. There is also considerable disappointment with the assistance provided for recovery after the port explosion, and not only with the support from the government, but also the support provided by NGOs. While nearly 90 per cent of the enterprises are dissatisfied with assistance received from the government, approximately 70 per cent are dissatisfied with the support from the NGOs. The government's inability to provide support, and the disappointment expressed by the enterprises in its ability to do so, must also be seen in the context of the deep economic crisis and the volatile political situation in Lebanon. The economic crisis prevents the government from providing support due to lack of funds, while the sectarian political set-up of the government hinders any efficient provision of support.

The despair that enterprises feel with respect to the general economic and political situation is also reflected in their expectations for the future. Sixty per cent of all enterprises are not certain they will be able to sustain their businesses. Nearly all

home-based enterprises (92 per cent) are pessimistic. Their main concerns for the near future are both related to economic performance, i.e., increasing costs and decreasing demand, and to political instability. In the longer term, major concerns are access to cash and foreign currency as well as raw materials and intermediate goods.

To sum up our findings, the enterprises affected by the Beirut port explosion seem more worried about threats from Lebanon's structural, economic and political crises than the direct consequences of the explosion. A lesson for policymakers and aid-programme developers is that policies and support measures must address both the immediate and medium-to-long-term needs of the enterprises to enhance their capacity to overcome future shocks. Addressing the structural economic challenges is essential to ensure business sustainability and promote development and growth.

1 Introduction

On 4 August 2020, massive explosions at the Port of Beirut — a key artery for the national economy — destroyed most of the facility and flattened surrounding neighbourhoods, killing more than 200 people, wounding more than 6,500, and displacing around 300,000.¹ According to the World Bank, 56 per cent of commercial and industrial facilities were affected (all of them privately owned), including businesses providing gas, food and beverages, construction materials, services, furniture, cars, clothes, plastics and chemicals, paper, and manufactured items. About 50 per cent of all damaged facilities were either clothing or furniture and home accessories stores, which suffered the highest monetary losses. More than 90 per cent of all medium-to-large manufacturing industries operating within a five-kilometre radius of the explosion site were damaged. Besides wreaking havoc on nearby businesses, damages from the Beirut port explosion extended to residential buildings, schools, and hospitals. The blast's damage was colossal, with a hefty repair bill of over 15 billion USD — adding further load to the serious economic challenges already facing the country, including the business environment and enterprises of Beirut.²

Discontent with Lebanon's political and economic leadership has been voiced for years, and in late 2019, the introduction of taxes on tobacco, petrol, and voice calls via messaging services (e.g., WhatsApp) to mitigate the decline of the economy turned the discontent into open street protests. The protests forced the government to abandon new taxation plans and ultimately led to its resignation. When a new government was appointed, the national economy was already moving towards collapse. Lebanon's GDP had decreased from 55 billion USD in 2018 to 33 billion USD in 2020, with GDP per capita falling by around 40 per cent. This rapid decline in the economy is considered among the three worst cases globally since the mid-nineteenth century, including countries that have experienced war and conflict.³ At the same time, the country's foreign debt was high, and the public debt-to-GDP ratio was the third highest in the world.⁴

To deal with increasing inflation and to maintain the local currency's fixed exchange rate with the U.S. dollar, the Central Bank was borrowing from commercial banks to pay back the country's foreign debt. This 'state-sponsored pyramid game' led to a shortage of foreign currency, and to the emergence of a black market in the country for the first time in three decades, creating serious challenges to businesses that were dependent on products and services from abroad. At the same time, basic government services deteriorated, and the population had to deal with daily power

¹ Center for Disaster Philanthropy, 'Beirut Explosion', 4 August 2020, <https://disasterphilanthropy.org/disaster/beirut-explosion/>.

² World Bank in cooperation with the European Union and the United Nations, 'Beirut Rapid Damage and Needs Assessment', August 2020, <http://documents1.worldbank.org/curated/en/650091598854062180/Beirut-Rapid-Damage-and-Needs-Assessment.pdf>.

³ World Bank, Spring 2021. 'Lebanon Economic Monitor: Lebanon Sinking (To the Top 3)', <https://www.worldbank.org/en/country/lebanon/publication/lebanon-economic-monitor-spring-2021-lebanon-sinking-to-the-top-3>.

⁴ BBC, 5 August 2020, 'Lebanon: Why the country is in crisis', <https://www.bbc.com/news/world-middle-east-53390108>.

cuts, lack of safe drinking water, limited public healthcare and poor internet connections.⁵ Furthermore, since 2019, poverty has risen, with more than 40 per cent of the population having difficulties accessing food and other basic needs; the unemployment rate has increased to nearly 40 per cent, and the purchasing power of workers being paid in Lebanese pounds (LBP) has declined substantially.⁶

Most analysts point to the malfunctioning structure of Lebanon's political system when explaining the root causes of the country's economic problems and the incapability of the political leaderships to provide proper services and development to its population. The three main political offices — that of the president, the speaker of parliament, and the prime minister — are divided among the three largest religious sects (Maronite Christian, Shia Muslim, and Sunni Muslim, respectively) under an agreement dating back to the country's liberation in 1943, and the seats in parliament are divided by quota between the country's 18 officially recognised sects. This system enabled an end to 15 years of civil war (1975-1990) but is blamed for promoting corruption due to patronage relationships between the political leaders and the communities that they represent (including foreign actors). Lebanon is ranked 149th out of 179 countries (179 being the worst) on Transparency International's Corruption Perception Index.⁷ Furthermore, the political system — and the principle of consensus underlying all decisions taken — is blamed for ineffective political governance and for not serving the interest of all communities and the country as a whole.

In the midst of these economic and political challenges, Beirut experienced the port explosion, adding further strain on the country's economy and business environment. Many view the explosion as a mere symptom of the government's neglect and incapability to govern. The incident also triggered a new wave of protests against the political elites (that were still heavily present in the new government formed in 2019 intended to be independent of the sects) and the political system. Because of the protests, this government resigned in August 2020 (after just a year in power) but were forced to continue due to a lack of willingness by the political parties to take over national leadership. Hence, Lebanon currently lacks a fully functioning executive authority and is in the process of forming its third government since the end of 2019. In this fragile and chaotic political situation, foreign donors and funders are holding back funds and investments, which could have helped Lebanon's enterprises and population to deal with some of the economic challenges they face.

Thus, it is in this context of an extraordinary challenging business environment that the present report assesses the impacts of the port explosion on the city's enterprises. Most of its enterprises are classified as micro, small and medium enterprises (MSMEs), which are seen as key drivers of economic recovery and reconstruction through their roles as producers of economic revenues, providers of employment opportunities, and contributors to socio-economic stability. The report aims to answer three main questions:

- 1 What are the direct operational and economic impacts from the explosion on the enterprises, and how has the explosion affected the sustainability of the enterprises in the context of the economic and political challenges they were already facing before the explosion, including COVID-19?

⁵ Ibid.

⁶ World Bank, Spring 2021. 'Lebanon Economic Monitor: Lebanon Sinking (To the Top 3)', <https://www.worldbank.org/en/country/lebanon/publication/lebanon-economic-monitor-spring-2021-lebanon-sinking-to-the-top-3>.

⁷ <https://www.transparency.org/en/cpi/2020/index/lbn>

- 2 To what extent have the enterprises been able to cope with the effects of the explosion, and what characterises the enterprises that have coped better than others have?
- 3 What kind of assistance have the enterprises received to recover from the explosion, and to what degree have these support mechanisms addressed the needs of the enterprises?

The purpose of the assessment is to provide empirical knowledge on the situation that Beirut's enterprises find themselves in after the port explosion. It is our hope that such increased understanding can inform the development of policies and programmes aiming to mitigate the negative effects of the explosion on enterprises and their employees, and to help creating an overall enabling environment for enterprises and business development. A key challenge of such policies is to address the immediate needs of the enterprises after the port explosion while at the same time addressing the systemic economic constraints to the sustainability of Beirut's enterprises and overall business development in Lebanon.

2 Methodology and profile of the enterprises

The assessment presented in this report is based entirely on data obtained through a telephone survey carried out between 24 November and 16 December 2020. The survey covered 1,667 enterprises, randomly selected from all enterprises found within a five-kilometre radius of the Port of Beirut explosion site. This chapter outlines the survey methodology and provides a profile of the surveyed enterprises.

2.1 Survey methodology

Purpose and content

The survey's main purpose is to provide information about the conditions of enterprises after the explosion. It collected data on the profile of businesses, impacts of the explosion on business operations and labour force, their adaptation and coping measures as well as support measures and aid mechanisms from which they may have benefitted. Furthermore, the survey addressed the effects and consequences of the COVID-19 pandemic on the enterprises. The survey questionnaire contained five main modules (Table 1). The complete questionnaire can be found in the Annex.

Table 1 Content of questionnaire.

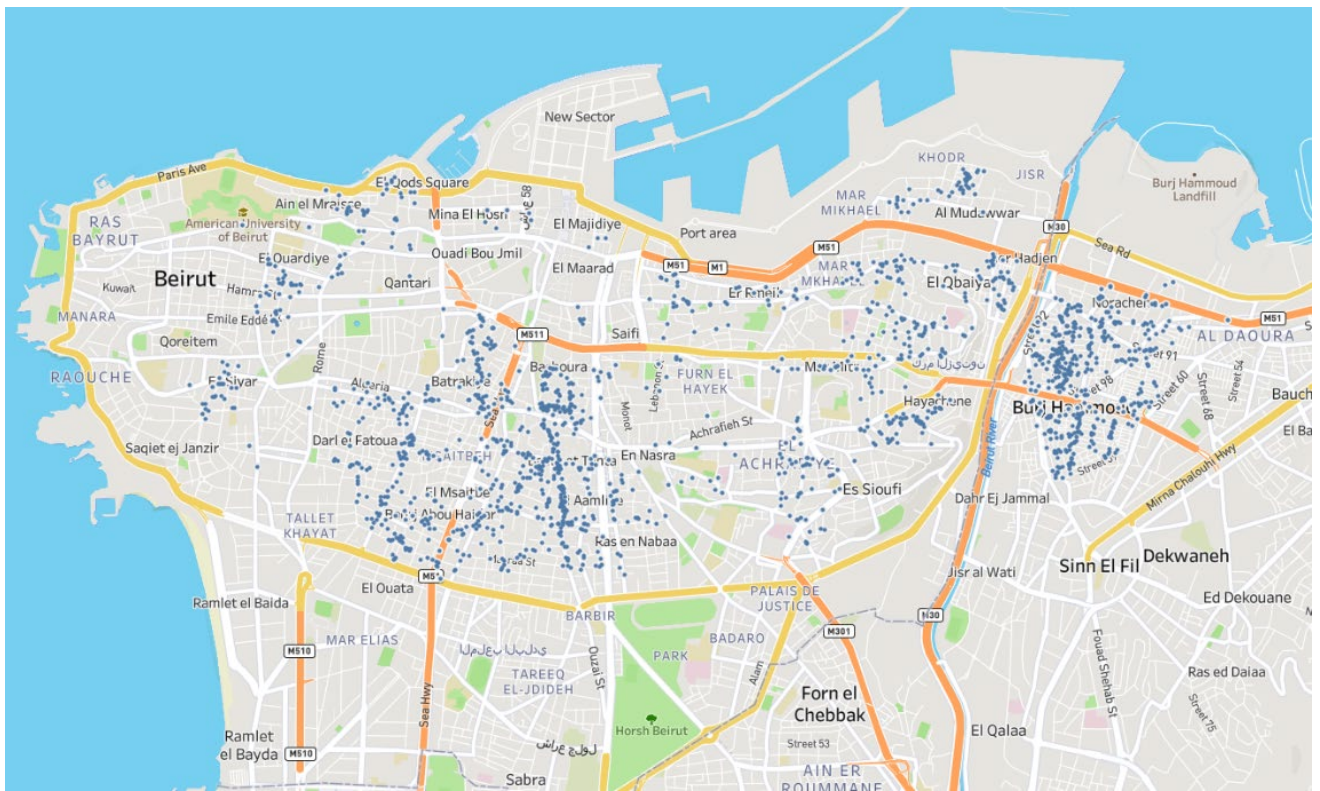
Module	Description
Cover	Enterprise identifiers, telephone numbers, location, etc.
Enterprise profile	Type of businesses, ownership, location, labour force, financial health prior to the explosion.
Impacts of the explosion	Brief assessment of physical damages and recovery, current operational status, labour force conditions, expenditure, current revenues, and profits.
Coping measures	Adaptations and coping to effects of the explosion, type of support received, risks and challenges, overall satisfaction with response measures.
Impacts of COVID-19	Overall assessments on the effects of the pandemic, revenues and overall financial conditions, response measures.

Coverage

The survey covers enterprises found in 18 major localities surrounding the explosion site. The listing exercise entailed developing a list of all enterprises within a five-kilometre radius of the explosion's centre, with contact information (including telephone number) of the owner, type of business and status of business operation. The listing activities were carried out in October 2020 by visits to the enterprises and obtaining information through face-to-face interviews with the owners or their representatives. The exercise resulted in complete information for a total of 2,998 enterprises. To account for the potentially high non-response usually experienced in

telephone surveys, all the 2,998 listed enterprises were selected for interview. The geographic distribution of these enterprises is shown in Figure 1.

Figure 1 Map of surveyed enterprises.



Data collection and response rates

The survey was conducted over the phone by the Lebanese NGO Basemeh and Zeitooneh⁸ between 24 November and 16 December 2020, resulting in a response rate of 56 per cent (Table 2).

Table 2 Sample allocation and response rates by localities.

Localities	Number of listed enterprises	Number of completed interviews	Response rate (per cent)
Achrafieh	296	140	47
Gemmayzeh	63	32	51
Ghabi	75	43	57
Jeitaoui	49	26	53
Khodr	38	30	79
Mar Mikhael	102	58	57
Mazraa	102	38	37
Mousaitbeh	572	277	48
Ain El-Mreisseh	100	42	42
Rmeil	35	22	63
Sanyeh	81	33	41
Hamra	116	49	42
Ras El-Nabaa	63	26	41
Karantina-Mdaouar	61	34	56
Bachoura	172	112	65
Basta El-Faouqa	254	148	58
Basta El-Tahta	77	46	60
Bourj Hammoud	724	415	57
Other	18	5	28
Total	2,998	1,664	56

2.2 Profile of the enterprises

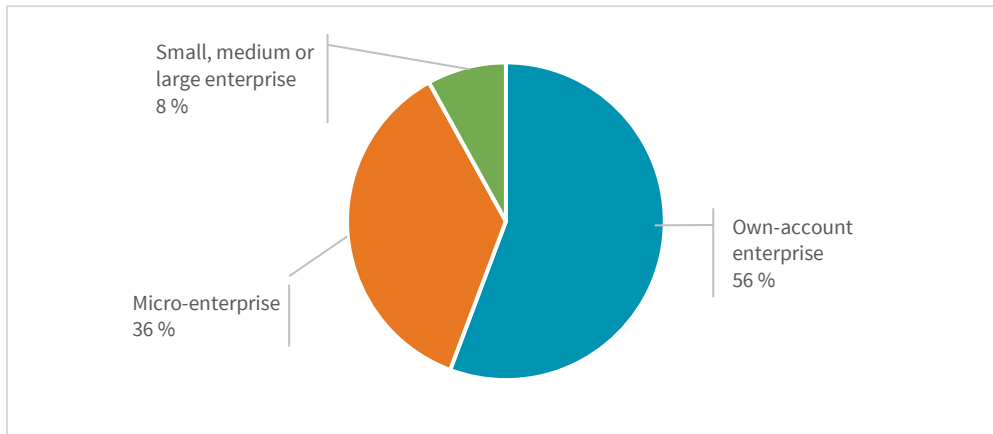
The following section describes the main characteristics of the surveyed enterprises. They are used as background variables in the tables and graphs throughout the report.

Size

More than one-half of the businesses are own-account enterprises where only the owner works and there are no payroll employees. In addition to own-account enterprises (56 per cent), we have grouped the enterprises into micro enterprises comprising one to five employees (36 per cent) and small, medium, and large enterprises (SMLEs; 8 per cent of all enterprises) employing six persons or more (Figure 1). The mean (average) and median number of workers in the micro enterprises and SMLEs taken together are five and three, respectively.

⁸ <https://www.basmeh-zeitooneh.org/>.

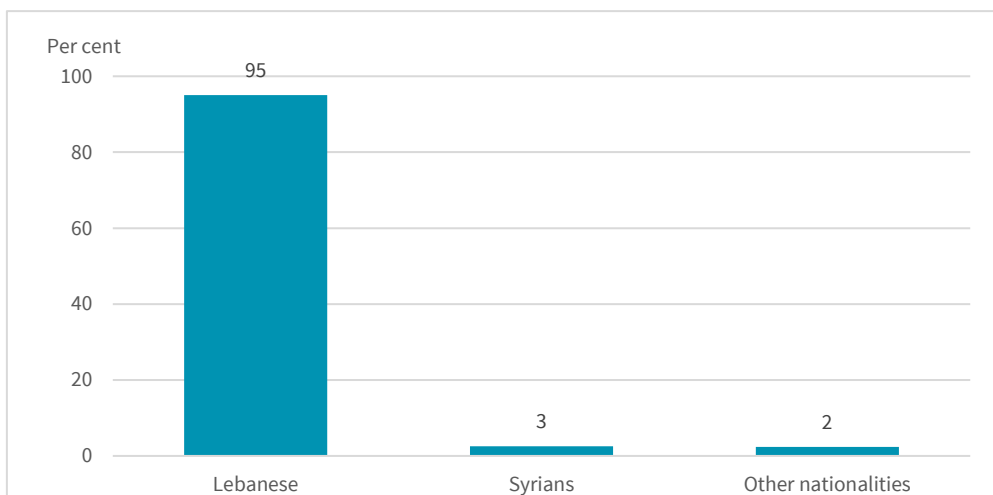
Figure 2 Businesses by size. Percentage of enterprises (n=1,664).



Ownership

Four in five of the own-account enterprises (78 per cent) were owned by men and one in five (22 per cent) by women. Lebanese owned most of the enterprises (95 per cent); Syrians owned 3 per cent, and people of other nationalities owned 2 per cent — some of them co-owned with Lebanese (Figure 3).

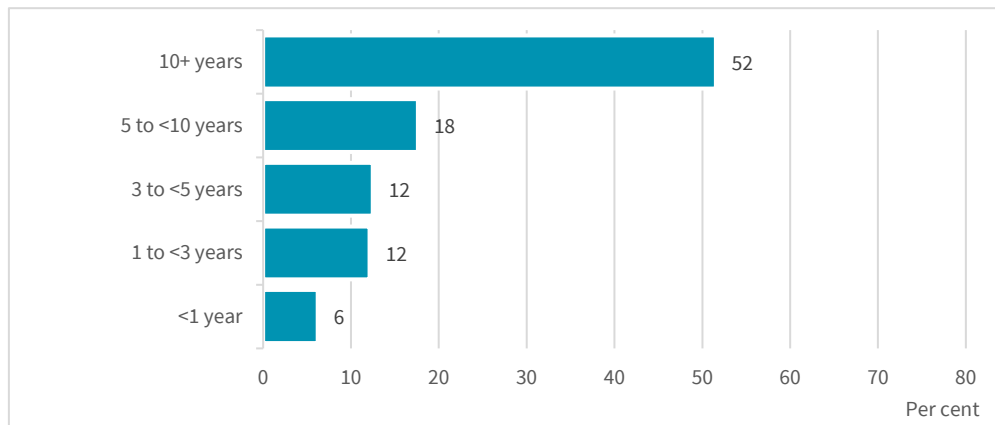
Figure 3 Nationality of business owners. Percentage of own-account enterprises (n=927).



Age

Eighteen per cent of the enterprises were established less than three years before the survey, 30 per cent between three and ten years ago, and over one-half (52 per cent) had been in operation for more than ten years (Figure 4).

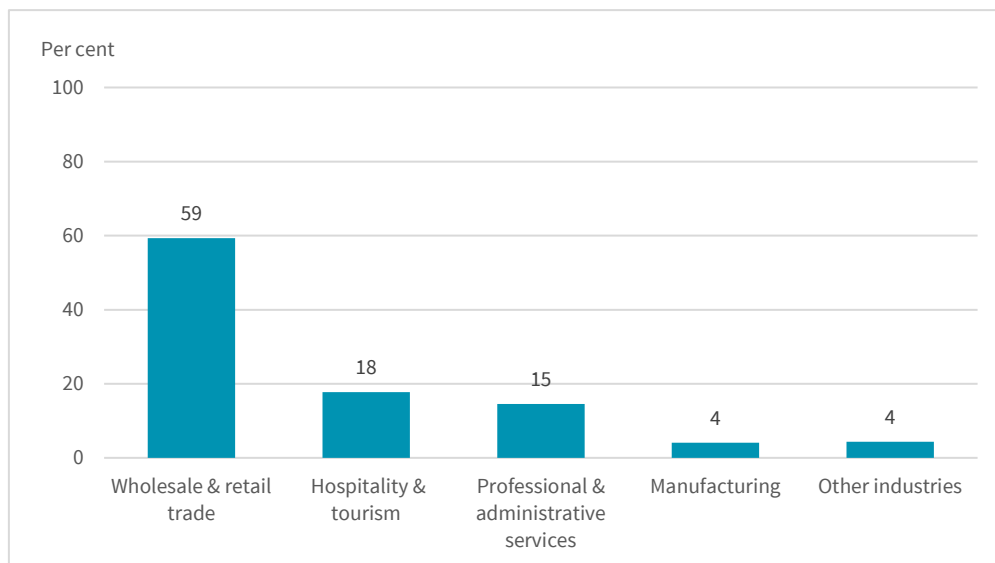
Figure 4 Age of businesses. Percentage of enterprises (n=1,657).



Industrial sector

The surveyed enterprises are grouped according to industry or sector as follows: wholesale and retail industry, 59 per cent; hospitality (i.e., accommodation, food, and beverage) and tourism, 18 per cent; professional and administrative services, 15 per cent; manufacturing, 4 per cent; and other industries, 4 per cent (Figure 5).

Figure 5 Industry categories. Percentage of enterprises (n=1,664).



Ownership of premises

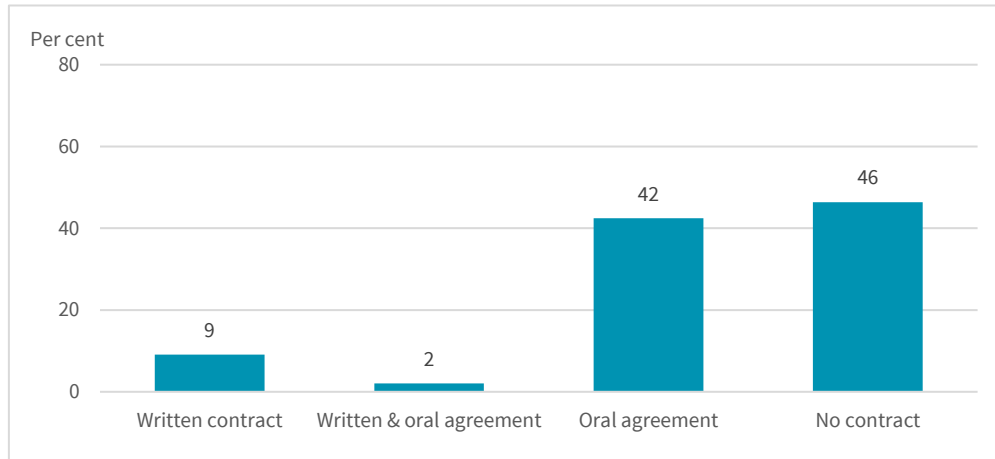
Most enterprises — four in five — operate from rented premises, whilst the remaining enterprises own the premises and physical infrastructure. Some businesses (7 per cent) operate from more than one location, which could be situated both elsewhere inside Beirut, and/or outside Beirut.

Type of employment contracts and registration status

The micro, small, medium and large (MSML) enterprises (i.e., excluding the one-person own-account businesses) have an average of five employees on their payrolls. A limited number of these enterprises offer written contracts (11 per cent) while nearly

one-half of them (46 per cent) do not provide any form of contract to their employees (Figure 6). Forty-two per cent of the enterprises offer oral agreements only. This is testimony to the informal employment conditions characterising these businesses.

Figure 6 Type of contract offered to employees. Percentage of MSML enterprises (n=735).

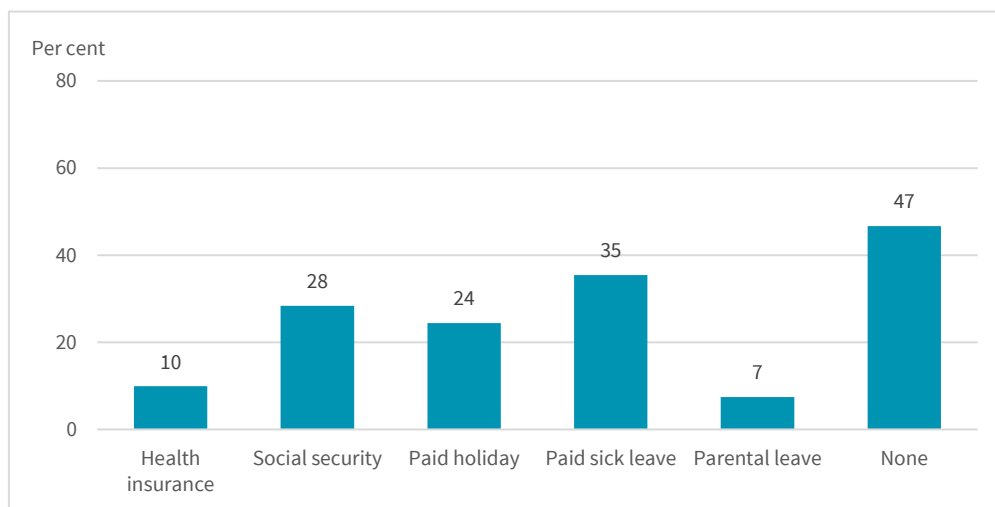


Ninety-two per cent of all enterprises, including the own-account enterprises, report being registered with the relevant authorities, something that is often used to define enterprises as formal. This is a stark contrast to the one-tenth of enterprises offering written employment contracts. In conclusion, the surveyed enterprises are characterised by rather informal employment arrangements in a formal sector, as assessed using registration status.

Social benefits

Nearly one-half of the businesses (one-person own-account enterprises exempted) do not offer any non-pay benefit to their workers (Figure 7), something which is further testimony to the informality prevailing in Beirut and Lebanon. Non-pay benefits covered by the survey include health insurance, social security, paid holiday, paid sick leave, and parental leave.

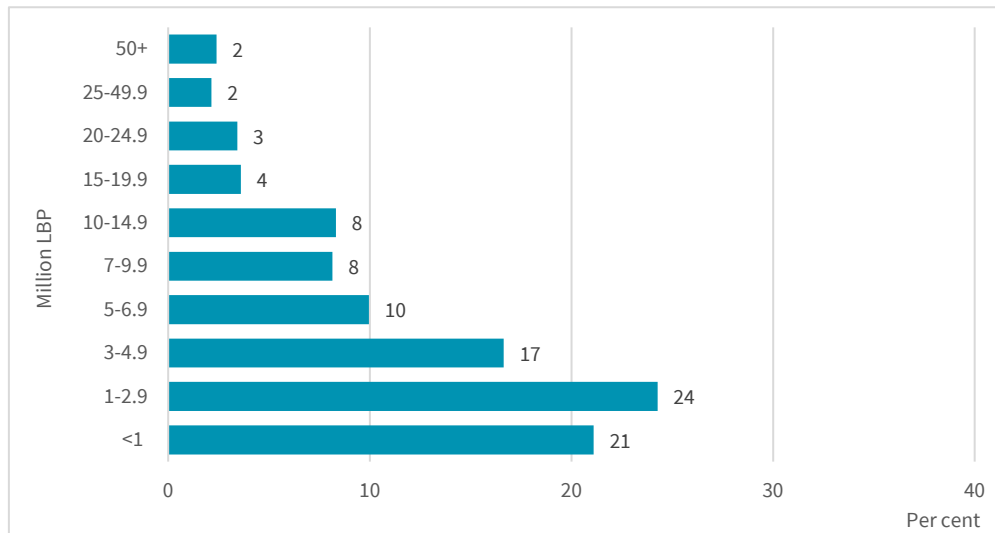
Figure 7 Type of job benefits provided to employees. Percentage of MSML enterprises (n=735).



Profitability and economic status prior to the explosion

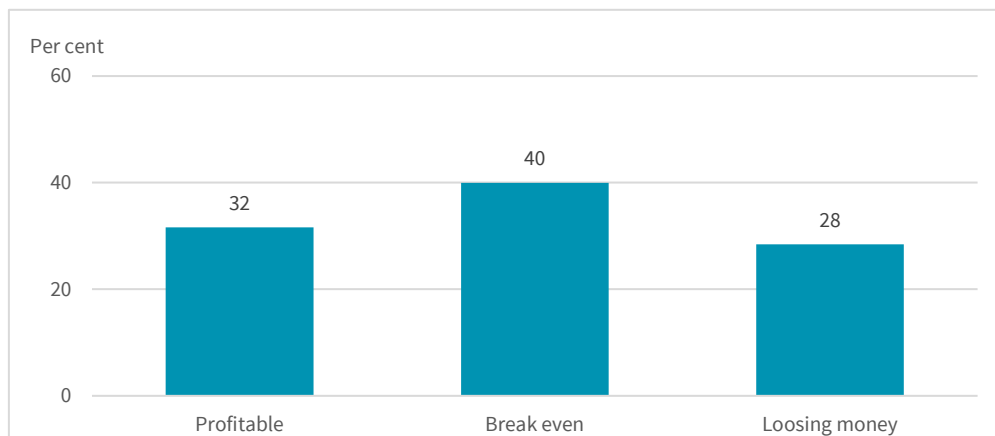
About one-quarter of the enterprises report an average monthly revenue in the range of 1 to 3 million Lebanese pounds (LBP)⁹ prior to the Beirut Port explosion. One-fifth of enterprises earned less than 1 million LBP. Another one-fifth earned 10 million LBP or more (Figure 8).

Figure 8 Average monthly revenue (in million LBP). Percentage of enterprises (n=1,166).



Four in ten businesses were just getting by, while one-third of them were reporting profit for the first seven months of 2020. About the same proportion of the enterprises reported losses during this time, indicating the challenging business conditions they were facing prior to the explosion (Figure 9).

Figure 9 Financial status, January to July 2020. Percentage of enterprises (n=1,664).

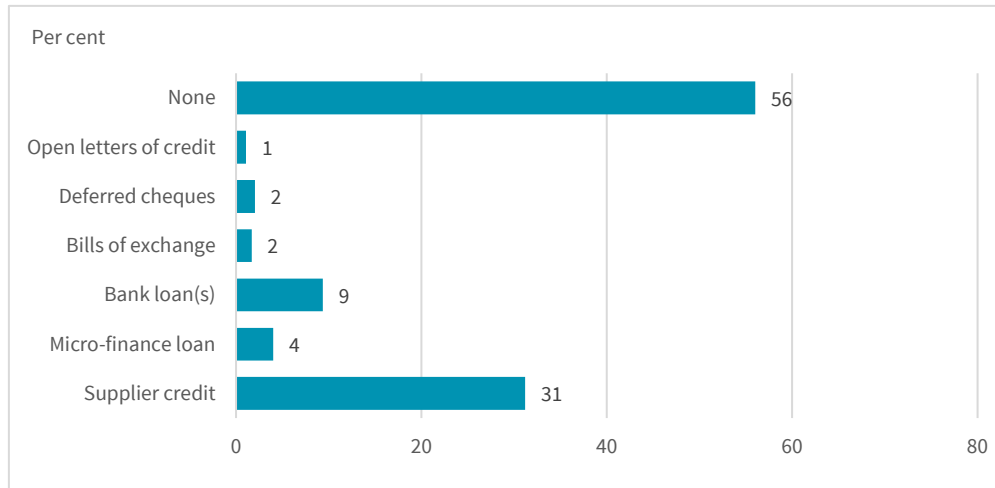


Before the port explosion, very few enterprises (only 6 per cent) had savings or reserves. Instead, 44 per cent had financial commitments, with 31 per cent having

⁹ According to the official currency rate, 1 million LBP is equivalent to about 660 USD. However, from the autumn of 2019, the value of Lebanese pound in Lebanon's black market has steadily decreased compared to the official rate. In June, just before the Beirut port explosion, 1 million LBP was worth 222 USD in the black market, while currently (June 2021), 1 million LBP equals only 65 USD (<https://lirarate.org/>).

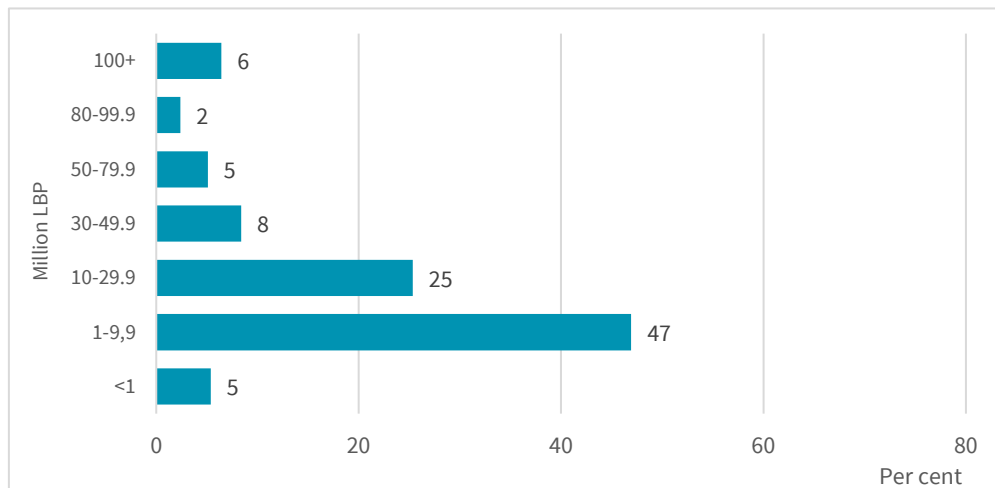
supplier credit followed by 9 per cent with bank loans (Figure 10). However, it should be noted that these financial commitments only cover formal debt, i.e., commitments to formal lending institutions (as listed in the graph). Since private loans from family and friends are quite common in Lebanon, one would expect many, and particularly own-account and smaller enterprises, to have private debt instead, or on top, of debt to the formal institutions captured by the survey. Unfortunately, the survey did not enquire about such more informal debt. However, as we shall see in section 4.2, family and friends provided help to some of the enterprises damaged by the explosion.

Figure 10 Financial commitments before the explosion. Percentage of enterprises (n=1,664).



Among the enterprises with formal financial commitments, nearly one-half had a debt in the range of 1-10 million LBP, while one-quarter had in the range of 10-30 million LBP, and nearly as many, one-fifth of all enterprises with financial obligations, had debts reaching more than 30 million LBP (Figure 11).

Figure 11 Debt in million LBP incurred by businesses before the explosion. Percentage of indebted enterprises (n=667).



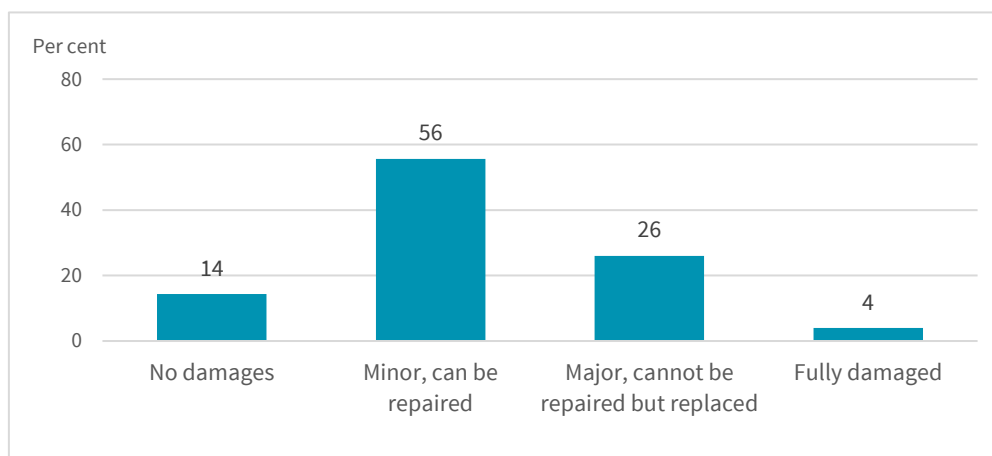
The economic capacity of businesses to cope with unprecedented crises such as that of the Beirut port explosion seems to have been rather limited. Very few had large reserves, and only 7 per cent of the enterprises had insurance that covered physical damages like those caused by the explosion.

3 Impacts of the explosion

3.1 Physical damages

Most enterprises (86 per cent) suffered physical damages to the building structures¹⁰ from the massive explosion at the Beirut port: minor, repairable damages, 56 per cent; damages that cannot be repaired but require reconstruction, 26 per cent; and complete destruction of premises, 4 per cent (Figure 12). For comparison, another survey found that 31 per cent of the surveyed companies reported ‘total damage’, that 10-11 per cent were ‘completely destroyed’, and that the affected companies reported an average damage cost of 109,000 USD.¹¹

Figure 12 Extent of damages to the physical structures of the enterprises. Percentage (n=1,664).



The relation between damages and repair status is shown in Table 3. Nearly one-half of the enterprises have been fixed. The smaller the damages, the higher the share of enterprises, which have been restored to their original condition.

Table 3 Status of repair and reconstruction efforts. By extent of damage to buildings structures. Percentage of damaged enterprises (n=1,425).

Extent of damage	Fully repaired/ rebuilt	Partially repaired/ rebuilt	Repair/ reconstruction under way	No repair/ reconstruction	Total	Sample size
All damaged enterprises	48	36	2	14	100	1,425
Minor damages	54	30	0	15	100	926
Major damages	39	47	3	11	100	433
Completely damaged	20	38	21	21	100	66

¹⁰ Physical structures include windows, doors, shutters, walls, ceiling, floor, etc.

¹¹ The survey, which was implemented 22 January to 5 February 2021, approached enterprises that were assumed to be affected, had a response rate of 55 per cent, and the final dataset included information on 1,145 enterprises. See, Jad Chaaban, ‘Status of the businesses and employees affected by the Beirut Port explosion’, June 2021, Oxfam.

3.2 Operational status

At the time of the survey, just four in ten enterprises (41 per cent) operated the way they did before the port explosion. Forty-five per cent operated with reduced capacity, i.e., with reduced number of staff and/or operating hours, while 14 per cent of the enterprises were either temporarily closed (12 per cent) or had closed down the business completely (Table 4).¹² The survey did not identify any significant variation across enterprises by such characteristics as industry, age, or type/size of operation. However, a considerably higher share of the enterprises that did well before the blast were fully operational (60 per cent), compared to those that used to be at break-even (37 per cent) or operated with a loss (27 per cent) before the explosion. Yet, the share that had given up was not significantly higher among the latter two kinds of enterprises. Neither was the proportion of enterprises temporarily closed. This suggests the major difference lies in the capacity to rebuild the damaged premises and re-establish the business as it was prior to the port explosion. Indeed, as shown in Table 4, the enterprises that suffered the worst physical damages and had not been able to rebuild (enough), were the ones most likely to be out of business at the time of the survey.

Table 4 Current operational capacity. By industry, age, type of enterprise, profitability prior to the pandemic, damages after the blast, and status of repair at the time of the survey. Percentage of enterprises (n=1,664).

	As before the blast	Reduced hours	Reduced staff	Both reduced hours & reduced staff	Temporarily closed	Permanently closed	Total	Sample size
All enterprises	41	39	1	5	12	2	100	1,664
Industry								
Wholesale & retail trade	44	40	0	4	10	1	100	987
Hospitality & tourism	36	36	3	6	16	2	100	295
Professional & administrative services	38	41	1	4	16	1	100	242
Manufacturing	38	31	3	13	10	4	100	68
Other industry	44	44	-	4	6	1	100	72
Age of enterprise								
< 1 year	31	44	1	3	17	4	100	103
1 to < 3 years	42	33	1	6	14	2	100	201
3 to < 5 years	46	33	1	4	13	2	100	207
5 to < 10 years	43	35	0	7	13	1	100	292
10 years or more	41	43	1	5	10	1	100	854
Type of enterprise								
Own-account enterprise	39	45	-	2	12	2	100	927
Other enterprise	45	31	2	9	12	1	100	737

Table continues next page

¹² Just after the explosion, about one in five enterprises had ceased their operations — according to Chaaban (ibid.) — something which, when considered together with our statistics, may suggest that half a year after the blast many, or in fact most, of them had still not resumed their business.

Table 4, continued.

	As before the blast	Reduced hours	Reduced staff	Both reduced hours & reduced staff	Temporarily closed	Permanently closed	Total	Sample size
Profitability prior to the explosion								
Profitable	60	23	0	4	11	1	100	526
Breakeven	37	44	1	5	12	1	100	665
Was losing money	27	49	2	7	12	2	100	473
Condition of building structure after the explosion								
No damages	55	35	0	3	6	1	100	239
Repairable damages	40	42	1	3	13	1	100	926
Some non-repairable damages	38	38	2	10	11	1	100	433
Completely ruined	35	15	-	6	32	12	100	66
Repair status								
No damages	55	35	0	3	6	1	100	239
Fully repaired	41	41	1	6	11	1	100	684
Partially repaired	44	37	1	5	13	1	100	510
Reconstruction/repair under way	17	34	3	3	34	7	100	29
No repair to date	25	44	0	7	19	5	100	202
Offer employment contracts								
Written contracts	30	34	3	10	21	1	100	67
Written & oral contracts	40	20	-	13	20	7	100	15
Oral agreements	35	40	3	9	12	2	100	312
Do not offer employment contracts	57	23	1	9	9	1	100	341
Insurance at the time of explosion								
Insured	44	31	4	5	13	3	100	119
Not insured	42	40	1	5	12	1	100	1,474

However, the port explosion cannot alone account for the economic challenges faced by the surveyed enterprises. In fact, it appears the enterprises attributed more blame to the tough economic circumstances they face than to the negative impacts of the COVID-19 pandemic and the related containment measures. In the view of 41 per cent of those enterprises not operating as usual, COVID-19 is mainly to blame, 53 per cent think that it is the combination of the blast and COVID-19, while 3 per cent consider the blast alone as the main culprit for not operating as they once did. Similarly, four out of five enterprises that were temporarily out of business believed that it was mainly due to the pandemic. The exception to this view is mainly among those enterprises, which suffered major damages and whose premises are yet not (entirely) repaired or rebuilt. Among the (rather few) enterprises closed for good, there is a higher share pointing to the port blast than the pandemic.

3.3 Layoffs and recruitment

Three out of ten interviewed enterprises with a minimum of two employees (31 per cent) confirmed that they had laid off one or more employees since the August 2020 explosion. Laying off someone implies releasing that person temporarily or permanently from his or her work. There is little variation across various background variables but enterprises in the hospitality and tourism sector appear to have laid off a higher proportion of workers (43 per cent) than other enterprises. Furthermore, a lower share of enterprises unharmed by the blast have laid off employees (16 per cent) than other enterprises (34 per cent).

Those enterprises, which had laid off employees, dismissed on average three persons (with a median value of two). Two of these persons, on average, were reportedly laid off due to difficulties following the explosion. Hence, despite the earlier suggestion that COVID-19 is more to blame for the enterprises' economic problems than the port explosion, this indicator suggests that the explosion also had a solid impact, according to those enterprises that had to let people go. Very few enterprises have dismissed employees on a permanent contract. Instead, workers on temporary hire of various sorts have paid the heavy price of unemployment. One in five enterprises (19 per cent) that had dismissed workers granted them (or at least some of them) compensation. On the other hand, the same proportion of enterprises (19 per cent) reduced the salary of current workers since the explosion in August 2020. On average, wages have been cut by about one-third (34 per cent), a figure which appears to be the same across industries, size and age of enterprise, profitability, level of damage caused by the explosion, etc. The surveyed enterprises report using an average of about 22 per cent of their total expenditures on wages and salaries.

Only 5 per cent of the enterprises with a minimum of two employees have granted their employees leave (holiday) since the explosion — leave with pay was more common than leave without pay.

3.4 Hires and recruitment plans

A picture of the surveyed enterprises' workforces would not be complete unless we also included statistics on those that have hired new workers since the Beirut port blast. Only 2 per cent of all enterprises — a much lower proportion than those reporting layoffs — had hired someone during the months since the explosion. The figure is highest for the hospitality and tourism sector at 5 per cent. Among the few businesses that employed new employees, the average number of people hired is two. Hardly any of those recruited were offered a 'permanent' contract.

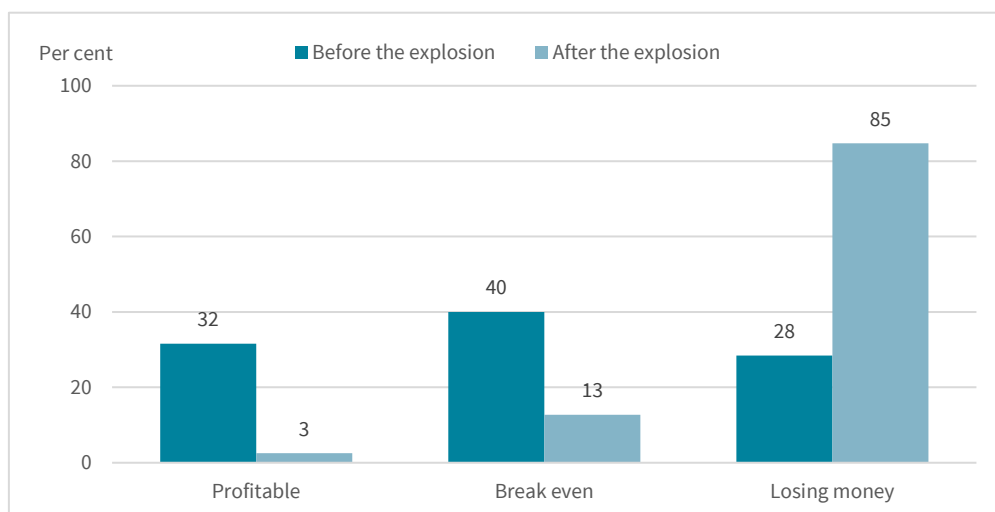
This picture is complemented by the fact that 5 per cent of all enterprises reported using daily workers or casual labour in the same period — which is more than twice as many as the number of enterprises that 'hired' someone. Use of casual labour was most common in manufacturing industries (9 per cent). Among the enterprises that used workers on a daily or very short-term basis, the average number of people employed is two.

Only very few enterprises, 2 per cent, expect to hire new workers soon (the coming three months). On average, these 'optimistic' enterprises intend to recruit two new workers. There is very little evidence in our data of an expected (further) downscaling of businesses; most enterprises expect to keep virtually all current workers on their payrolls.

3.5 Economic impacts

The profitability of the enterprises has reduced dramatically since before the port explosion (Figure 13). Thirty-two per cent of the enterprises reported that they ran with profit in the period before the explosion whilst only 3 per cent claimed to be profitable after the explosion. Three in ten of the enterprises (28 per cent) reported to be losing money before the explosion, while the majority claimed to be losing money after the explosion (85 per cent). For most of the enterprises, this steep reduction in profitability cannot entirely be attributed to the explosion. However, the survey does suggest that the explosion tipped many enterprises from economic profitability into loss making, by adding to the pressure already caused by the difficult economic circumstances in the country – characterised for instance by loss of purchasing power and falling demand for products and services – and the COVID-19 pandemic.

Figure 13 Level of profitability before (n=1,664) and after the explosion (n=1,587). Percentage of enterprises.



When asked to estimate their profits for 2020 compared to 2019, 92 per cent of all enterprises claimed that it would be lower (24 per cent) or much lower (68 per cent). Merely 1 per cent expected increased profits (Table 5). Enterprises were slightly more optimistic about expected profitability if they exhibited characteristics of formality, i.e., they offer written employment contracts, were insured, were profitable before the explosion, or were among those that were not damaged by the explosion.

Table 5 Assessment of profitability in 2020 compared to 2019. Percentage of enterprises (n=1,539).

	Much higher	Higher	About the same	Lower	Much lower	Total	Sample size
All enterprises	0	1	6	24	68	100	1,539
Ownership of premises							
Owned, no debt	-	1	8	30	61	100	275
Owned, have debt	-	-	9	18	74	100	34
Rented	0	1	6	23	69	100	1,214
Occupied for free	-	-	22	11	67	100	9
Damage status							
No damages	-	3	13	28	56	100	213
Minor, repair impossible	-	1	6	24	69	100	863
Major, cannot be repaired but replaced	0	1	4	23	71	100	409
Fully damaged	-	-	4	22	74	100	54
Repair status							
Yes, fully repaired	-	1	7	26	66	100	637
Yes, partially repaired	-	1	4	21	74	100	482
Reconstruction/repair under way	4	-	8	20	68	100	25
No repair so far	-	1	5	24	71	100	182
Financial condition prior to the explosion							
Profitable	-	2	9	28	61	100	496
Break even	-	0	7	27	65	100	603
Losing money	0	1	3	17	80	100	440
Insurance at the time of the explosion							
Yes	-	4	16	29	52	100	112
No	0	1	5	24	70	100	1,361
Type of employment contracts offered							
Written contract	-	3	14	25	58	100	64
Written & oral agreement	-	7	14	21	57	100	14
Oral agreement	-	2	9	30	59	100	291
None	0	1	5	22	71	100	317

Just as profits, the enterprises' monthly expenditures and revenues have declined substantially since the port explosion (Figure 14 and Figure 15). Thirty-two per cent of the enterprises report no sales revenues while 15 per cent have no expenditures, implying they have been economically inactive after the explosion. For the remaining enterprises that have been operating to various degrees after the explosion, both their revenues and their expenditures have declined significantly.

A comparison of total monthly expenditures with total monthly revenues for all enterprises in October 2020 verifies that many enterprises are running with losses after the explosion (Figure 16).

Figure 14 Total monthly expenditure before the explosion (January to July 2020) (n=1,214) versus after the explosion (October 2020) (n=1,274) in million LBP. Percentage of enterprises.

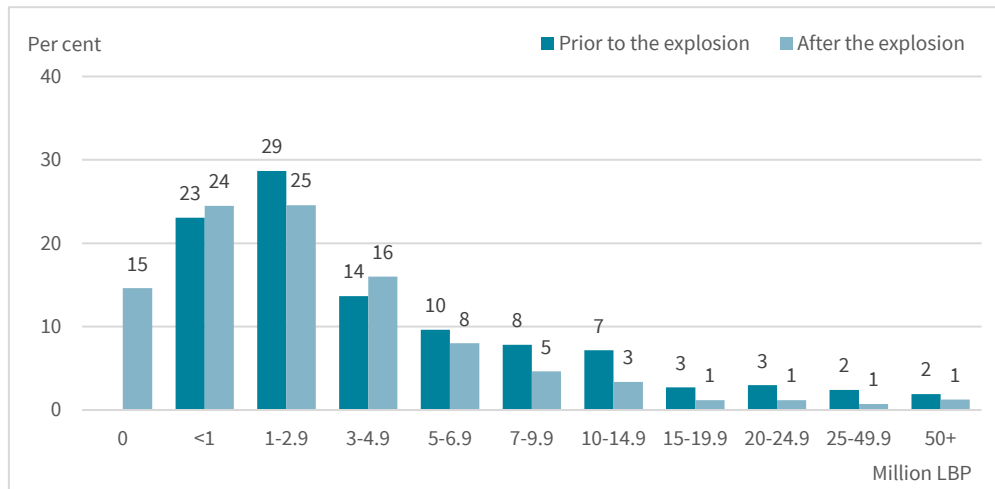


Figure 15 Total monthly revenue before the explosion (January to July 2020) (n=1,259) versus after the explosion (October 2020) (n=1,166) in million LBP. Percentage of enterprises.

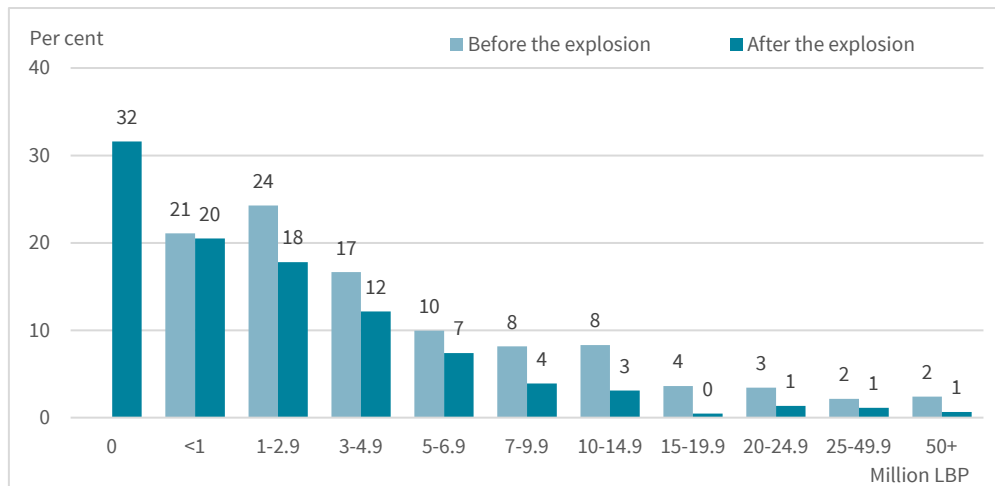
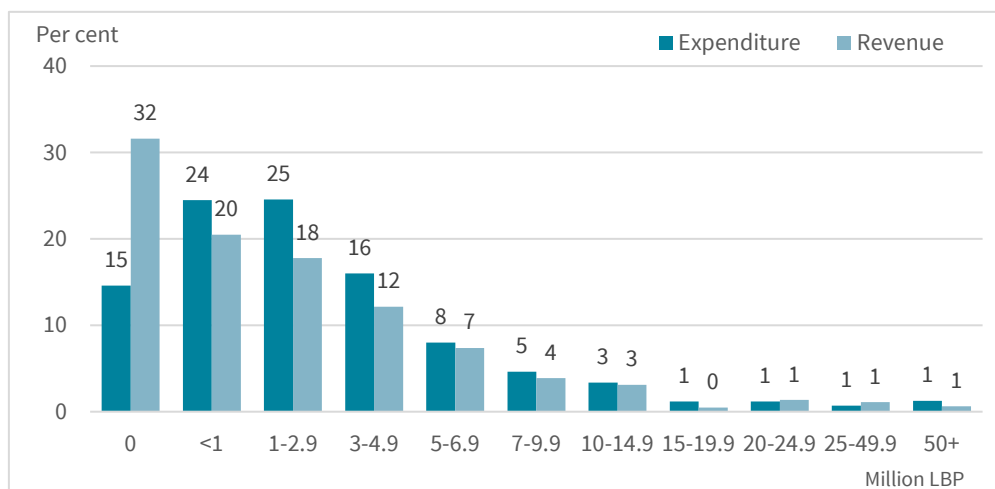


Figure 16 Total monthly expenditure (n=1,274) compared with total monthly revenue (n=1,259) after the explosion (October 2020). In million LBP. Percentage of enterprises.



Poor economic performance could lead enterprises to borrow money to cover losses. However, the share of enterprises with financial commitments increased by only 4 percentage points since the port explosion (from 44 to 48 per cent). This relatively modest rise in financial commitment is entirely attributed to an increase in enterprises' debts to suppliers. In total, one-third of the surveyed enterprises are currently indebted to suppliers. The remaining enterprises with financial obligations have debts to banks (9 per cent), micro-finance providers (4 per cent) and creditors issuing bills of exchange (2 per cent), and report deferred checks (2 per cent) and open letters of credit (1 per cent). However, as already mentioned in section 2.2, private loans from informal sources, such as family and friends ('informal debt'), are common among privately owned and small enterprises in Lebanon. Hence, the growth in debt among the surveyed enterprises might be higher than indicated by the financial commitments covered by the survey.

The magnitude of formal debt to creditors has not changed significantly since the explosion. The proportion of enterprises owing between 10 and 30 million LBP has increased by 2 per cent, while the proportion owing less than 1 million LBP has fallen as much. Enterprises in the hospitality and tourism sector seem to have increased their total formal debt slightly more than other industries, reflecting that this sector has been among the hardest hit by the explosion and the recent difficult situation in Lebanon, including the COVID-19 lockdowns. Since the explosion, 35 per cent of the hospitality and tourism enterprises have accumulated formal debt in the excess of 10 million LBP, compared to 32 per cent before the explosion, while 6 per cent have less than 1 million LBP in debt, contrasted with 13 per cent prior to the explosion.

3.6 Challenges beyond the explosion

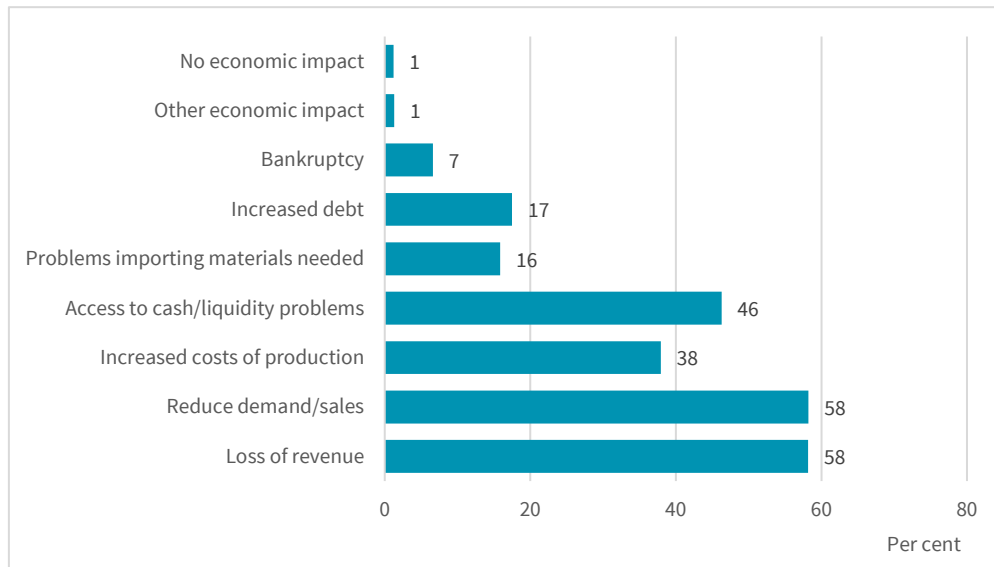
In the difficult economic context in which Beirut's enterprises operate, it is not straightforward to identify one single cause for their problems. As mentioned, the political and economic situation in the country since 2019 has made business operations very challenging for all Lebanese enterprises. The port explosion, however, has further aggravated the economic and political crises, and made existence even harder for many of Beirut's enterprises, particularly those directly hit by the explosion. On top of the economic and political crisis, the COVID-19 pandemic has disturbed the national economy and the performance of businesses since its outbreak in early 2020. In this section, we look at challenges to enterprises that cannot be directly related to the port explosion, including impacts of the COVID-19 pandemic.

Impact of the COVID-19 pandemic

Many of the surveyed enterprises (93 per cent) reported being affected by the COVID-19 pandemic in one way or another. For home-based businesses, the major problem was the shutting down of market spaces where they normally sold their products and services. Literally all home-based businesses (99 per cent) were affected by the closure of markets. More than one-half (53 per cent) of enterprises operating from designated business premises had been hurt by compulsory shutdowns to fight the pandemic, whilst many of them (76 per cent) complained about poorer access to market spaces, like the home-based businesses.

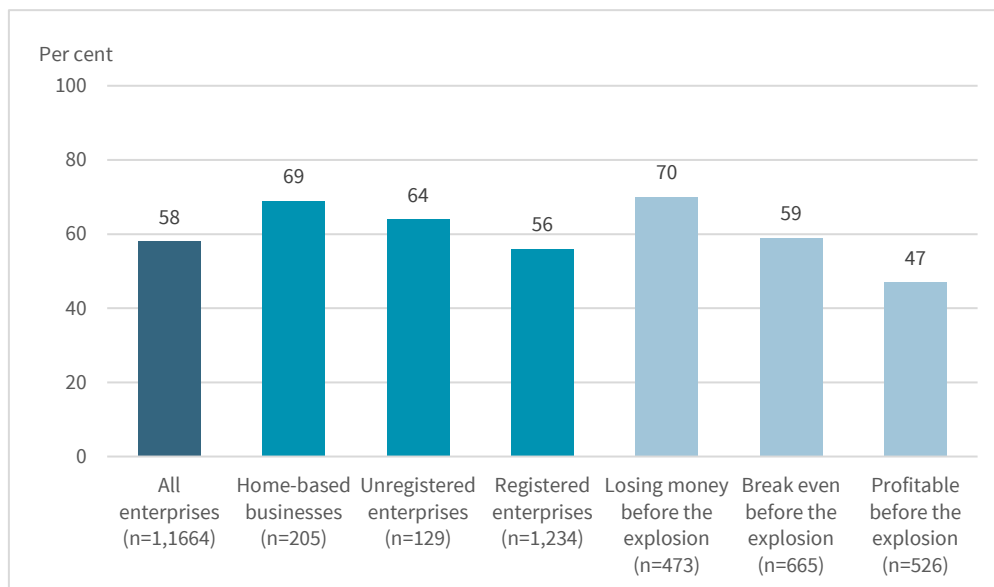
When asked to identify the three most severe economic impacts of the pandemic and the measures taken to contain it, 58 per cent of the enterprises reported loss of revenue and reduced demand for their products and services, i.e., reduced sales, while 46 per cent reported liquidity problems (Figure 17).

Figure 17 The most severe impacts of the COVID-19 pandemic on enterprises. Up to three answers allowed. Percentage of enterprises (n=1,664).



Comparing the sales revenue before and after the port explosion, the average loss was estimated by the enterprises to reach 58 per cent (Figure 18). For home-based businesses and unregistered (informal) enterprises, losses were significantly higher, at 69 and 64 per cent, respectively. Enterprises that were not profitable during the first months of 2020 had also lost noticeably larger shares of their sales revenues due to the pandemic (70 per cent), while enterprises that were profitable before June 2020 had lost significantly less than average due to the pandemic (47 per cent).

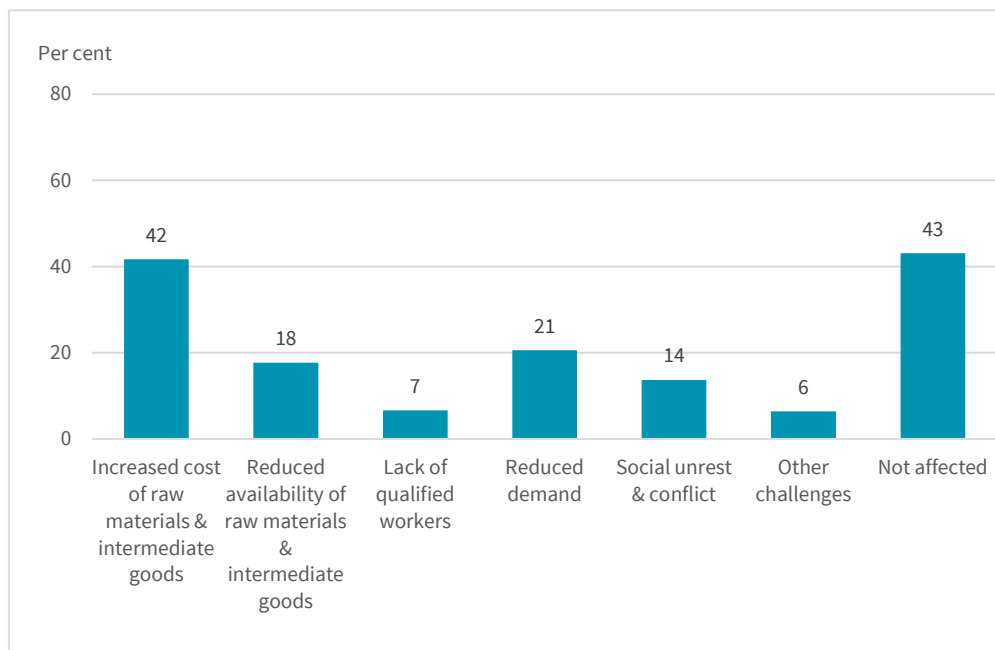
Figure 18 Percentage loss in monthly sales revenue due to the COVID-19 pandemic. A comparison between the usual monthly revenue before the port explosion (March to July 2020) and the actual revenue the month preceding the survey (October 2020). By type of enterprise and level of profitability before the explosion (n=1,664).



Other challenges

When asked to identify difficulties other than those resulting from the port explosion, 57 per cent of the enterprises reported at least one such difficulty (Figure 19). Forty-two per cent of the enterprises point at increased prices and 18 per cent mention reduced supply of raw material and intermediate goods (18 per cent) as major challenges. One in five (21 per cent) refers to reduced purchasing power and lower demand for products and services as a major challenge. A significant number of enterprises (14 per cent) also includes social unrest and political conflict as a factor interfering with their respective business operations and profitability. The COVID-19 pandemic and the policies put in place to fight it have undoubtedly aggravated several of these challenges.

Figure 19 Problems faced by enterprises in addition to those (directly) related to the port explosion. Multiple answers allowed. Percentage of enterprises (n=1,664).



4 Adaptation and support

This chapter examines how the surveyed enterprises have adapted to sustain their operations after the port explosion. It identifies those enterprises that have adapted better than others have and examines what characterises these enterprises. Furthermore, we consider the enterprises that have received support to recover from the explosion, and ask what type of support they have received, and from where. Finally, the chapter considers the kind of assistance the enterprises think would best serve them to recover from the present situation.

4.1 Adaptive measures

The surveyed enterprises have taken various measures to cope with the problems that the explosion — and other negative circumstances, including COVID-19 — have caused their businesses. These measures include: 1) adjustments to operational capacity, for example reduced business hours, lower wages, and contraction of the labour force; 2) modifications to customer outreach, for example use of internet and introduction of home delivery; and 3) other adaptive changes, such as adjusted prices, a move to a new location, and the introduction of new products and services.

Adjustment of operational capacity

Currently, 41 per cent of the surveyed enterprises are operating as they did before the explosion. Thirty-nine per cent of the enterprises operate with reduced business hours, while 12 per cent are temporarily closed (Table 4).

Around twice as many enterprises that were profitable before the explosion are back to normal operations (60 per cent) compared to those enterprises that were either losing money (27 per cent) or ran at break-even (37 per cent). This verifies the well-known fact that enterprises with favourable access to economic reserves are more resilient than enterprises with lower, or the total lack of, such reserves, and that they are more likely to recover from shocks. Interestingly, enterprises not offering written employment contracts to their employees, i.e., enterprises with a high grade of informal employment, have recovered better (57 per cent operating as normal) than enterprises offering more formal employment that is more formal (about 34 per cent operating as normal). One possible explanation for this finding could be that enterprises with a high degree of informal employment are more flexible about adjusting their labour capacity and expenses than other enterprises.

The survey results also show that insurance plays a minor role in the enterprises' ability to recover, as there is no significant difference in recovery rates between enterprises that were insured (44 per cent) and not insured (42 per cent). One likely explanation of the minor effect of insurance is that most of the surveyed enterprises (94 per cent) attribute reduced operational capacity to the COVID-19 pandemic, or to a combination of the pandemic and the explosion, rather than the explosion alone. This implies that insurance only partly cushions the negative impacts on their

businesses. Furthermore, a majority of the temporarily closed enterprises (more than 80 per cent) also attribute their situation to the pandemic rather than the explosion.

Nearly one-third of the surveyed enterprises (having as a minimum two employees before the port explosion) have laid off employees since the explosion occurred. In addition, about 5 per cent of the enterprises have offered their employees leave (holidays) since the port explosion, of which two-thirds of them have offered leaves with payment.

A larger proportion of enterprises in the industry (including restaurants, cafés, and bars) have laid off employees (43 per cent), compared to other industries. Although 83 per cent of the surveyed enterprises in hospitality and tourism claim that layoffs are due to the explosion, it is not unlikely that the COVID-19 pandemic has played a role in this process as well. More unregistered than registered enterprises have laid off employees (47 versus 30 per cent).

Table 6 Percentage of enterprises (own-account enterprises excluded) that have laid off employees since August 2020 (n=737).

	Laid off workers	Did not lay off workers	Total	Sample size
All enterprises	31	69	100	737
Age of business				
<1 year	33	67	100	39
1 to <3 years	36	64	100	101
3 to <5 years	29	71	100	109
5 to <10 years	32	68	100	146
10+ years	31	69	100	338
Industry				
Wholesale & retail trade	29	71	100	387
Hospitality & tourism	43	57	100	180
Professional & administrative services	26	74	100	100
Manufacturing	35	65	100	34
Other	17	83	100	36
Damage status				
No damage	16	84	100	98
Minor, can be repaired easily	34	66	100	351
Major, cannot be repaired but replaced	34	66	100	238
Fully damaged	34	66	100	50
Repair status				
Fully repaired	30	70	100	300
Partially repaired	36	64	100	255
Repair under way	39	61	100	23
No repair to date	38	62	100	61

Table continues next page.

Table 6 continued.

	Laid off workers	Did not lay off workers	Total	Sample size
Financial status				
Profitable	28	72	100	307
Break even	36	64	100	244
Losing money	31	69	100	186
Insurance status				
Had insurance	31	69	100	88
No insurance	33	67	100	604
Employment contracts offered				
Written contract	33	67	100	67
Written & oral agreement	27	73	100	15
Oral agreement	34	66	100	312
None	30	70	100	341

To reduce costs, about one-fifth of the surveyed enterprises have reduced employee wages since the explosion.¹⁵ The proportion of enterprises that have reduced wages is similar across industries, while fewer young enterprises have cut wages (13 per cent of enterprises established the past year) compared to older enterprises (22 per cent of enterprises older than ten years). The more formal enterprises have reduced wages more often than informal enterprises – i.e., unregistered enterprises and enterprises not offering contracts to their employees. Moreover, wage reduction is a measure taken more frequently by enterprises that were heavily or fully damaged by the explosion (54 per cent) than those less severely affected and is a measure taken more often by those enterprises under reconstruction or repair (57 per cent). Enterprises not offering employment contracts have also cut wages more often (41 per cent) than enterprises with more formal employment arrangements (about 30 per cent).

Web-based outreach and home services

One in five (19 per cent) of the surveyed enterprises offer products and services via the internet. Enterprises in the hospitality and tourism sector are the most frequent users of the internet (26 per cent). Formal enterprises use internet more frequently than informal enterprises. While 20 per cent of registered enterprises use the internet for sales and services, only one-half that many unregistered enterprises (11 per cent) do so. While 41 per cent of enterprises with insurance use the internet, only 16 per cent of enterprises lacking insurance do so. Excluding own-account businesses from the calculations, 49 per cent of enterprises offering written contracts to their employees use internet in their operations compared to only 21 per cent of enterprises not offering such contracts.

Furthermore, enterprises that were profitable before the port explosion use the internet slightly more for sales and services (24 per cent) than enterprises that were losing money or were at break-even prior to the blast (16 per cent). Interestingly, a significantly higher proportion of enterprises severely damaged by the explosion (36

¹⁵ Chaaban, referenced in footnote number 11, found the same prevalence.

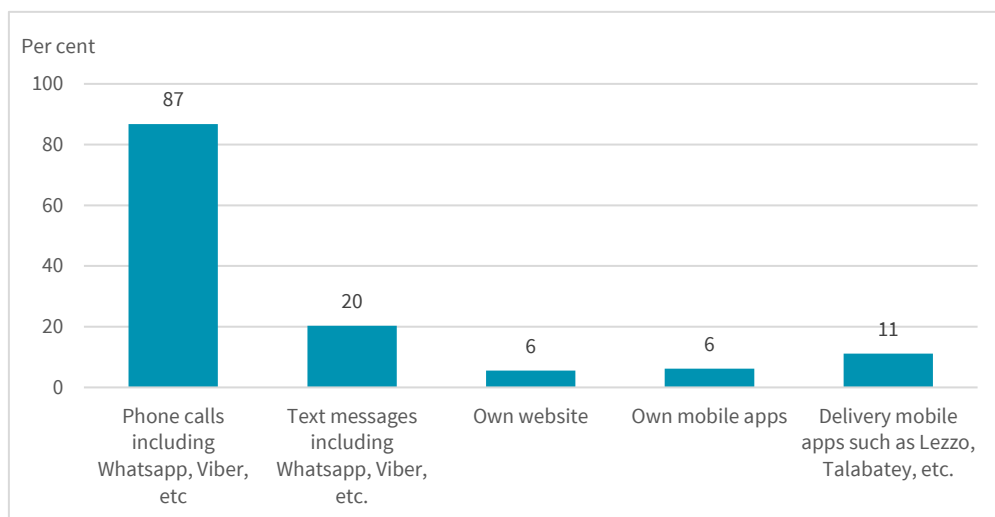
per cent) and enterprises under reconstruction and repair (30 per cent) than enterprises with little or no damage uses the internet for sales and services.

Currently, 22 per cent of the surveyed enterprises offer home delivery or pick-up for their products and services. This share has only increased by six percentage points since before the explosion, up from 21 per cent. Young enterprises (those in operation for less than five years) have expanded home services more than older enterprises, and unregistered (informal) enterprises have expanded home services more than registered (formal) enterprises. Before the explosion, 30 per cent of the profitable enterprises offered home services, compared to only 17 per cent of enterprises that were losing money or where at break-even before the explosion. However, after the explosion, enterprises that were losing money prior to the explosion have expanded home services by 15 percentage points, contrasted by a rise of 3 percentage points for the enterprises that were profitable before the explosion.

Most home services are organised via phone (87 per cent) and text message (22 per cent), including by using WhatsApp, Viber, etc. Meanwhile, only a fraction of these enterprises uses newer and more ‘sophisticated’ platforms such as their own websites (5 per cent), mobile apps (7 per cent) or delivery mobile apps (11 per cent) (Figure 20). Since before the explosion, the use of phone and text messages for home-delivery and pick-ups have increased by 2 percentage points, while the use of ‘sophisticated’ platforms has fallen by 3 percentage points. However, among young enterprises (operational for less than five years), the use of such platforms has grown by between 10 and 18 percentage points, respectively.

There is also variation across industries. For example, among enterprises in the hospitality and tourism sector, the proportion applying sophisticated platforms have increased by 10 percentage points since the explosion. However, many enterprises have converted back from such more ‘modern’ platforms to phone and text messages since the explosion, which partly may be explained by damage to electronic infrastructure. Many of the surveyed enterprises, which have begun offering home services, claim that this is due to the explosion (63 per cent). However, one cannot rule out the impact of the COVID-19 pandemic and the measures taken to fight it.

Figure 20 Platforms used to organise home services. Percentage of enterprises providing home service (n=358).

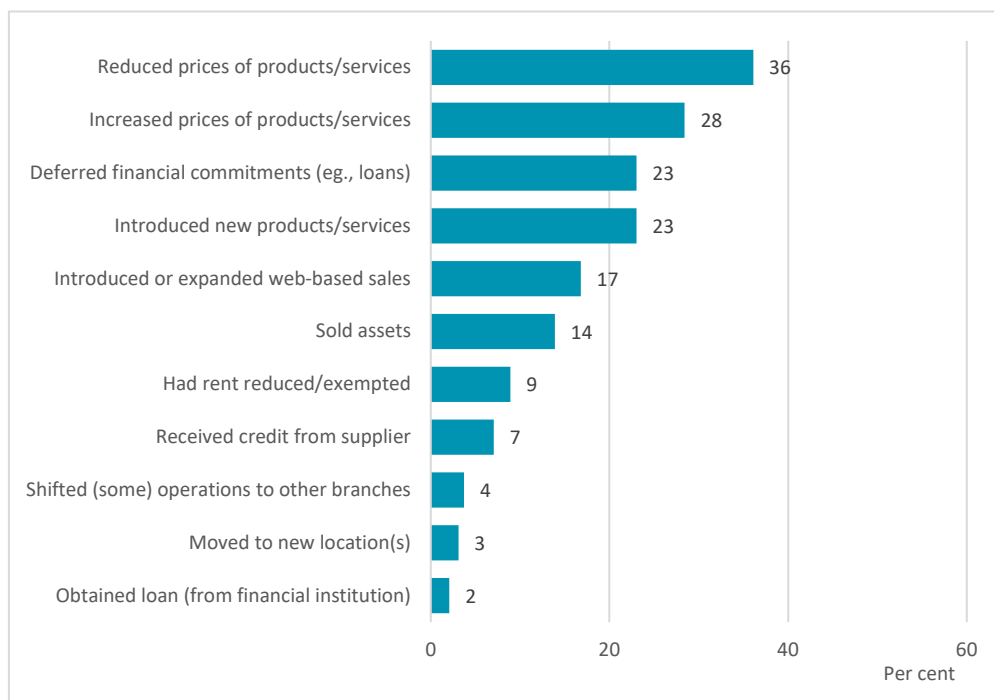


Other measures

Thirty per cent of the surveyed enterprises have taken one or more operational measures to cope with the effects of the explosion (Figure 21). Out of these, most enterprises have adjusted the prices of their products and services to boost sales and income – either reducing prices (36 per cent) or increasing prices (28 per cent). One in four enterprises (23 per cent) have negotiated deferred payments of their loans and other financial commitments to creditors, while the same share of enterprises has introduced additional products or services, and 17 per cent have introduced or expanded web-based sales. Fourteen per cent of the enterprises have sold off assets to increase their income and liquidity.

A larger share of enterprises that were profitable prior to the blast have taken operational measures to cope with the situation (40 per cent) than those that were losing money (21 per cent) or operating at break-even (27 per cent). This once more confirms that economically well-off enterprises are more adaptable to shocks and difficult circumstances than the economically weaker enterprises. Enterprises with insurance have taken operational measures more often (41 per cent) than enterprises that were not insured at the time of the blast (29 per cent). These two findings would lend support to the assumption that access to economic assets and reserves enhances the likelihood to buffer shocks, increases the capacity for enterprises to adapt. Enterprises not offering contracts to their employees, i.e., enterprises with informal employment, have reduced the prices of their products more often than enterprises with more formal employment (52 versus 11-34 per cent of enterprises depending on type of employment contracts offered).

Figure 21 Type of measures taken to tackle the negative effects of the port explosion. Percentage of the enterprises that have taken at least one measure. Multiple answers allowed (n=482).



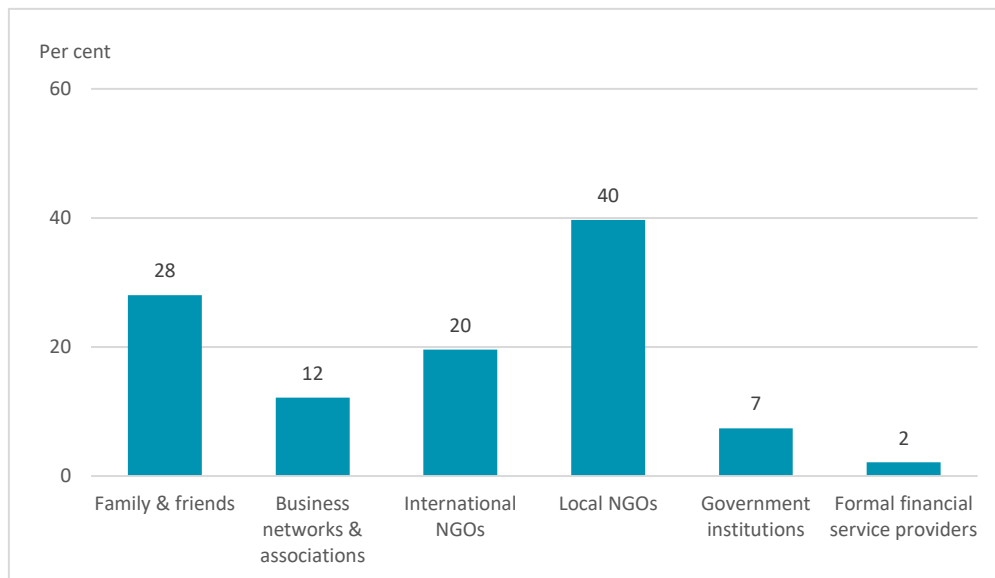
4.2 Support

Only 12 per cent of the surveyed enterprises have received support to cope with the effects of the explosion. In general, assistance appears to have been distributed according to needs, i.e., the largest proportion of enterprises that have received support are those heavily or fully damaged (20 and 26 per cent, respectively) and those under reconstruction and repair (37 per cent). Registration status or formality of the enterprises do not seem to have affected the access to assistance.

Type of assistance

Most of the assistance to the victims of the port explosion has come from various humanitarian organisations: 40 per cent of the enterprises receiving assistance obtained it from national NGOs and 20 per cent received help from international organisations (Figure 22). However, family and friends of the business owners have been generous and provided help to nearly three in ten enterprises (28 per cent). Fellow business owners and associates as well as various business associations have also helped some, as has the government. Most of the assistance was provided for physical reconstruction (69 per cent) and the repair and purchase of equipment (19 per cent). Only 1 per cent of the enterprises received support to secure the payment of wages to their employees.

Figure 22 Sources of assistance. Multiple answers allowed. Percentage of enterprises that received assistance (n=189).



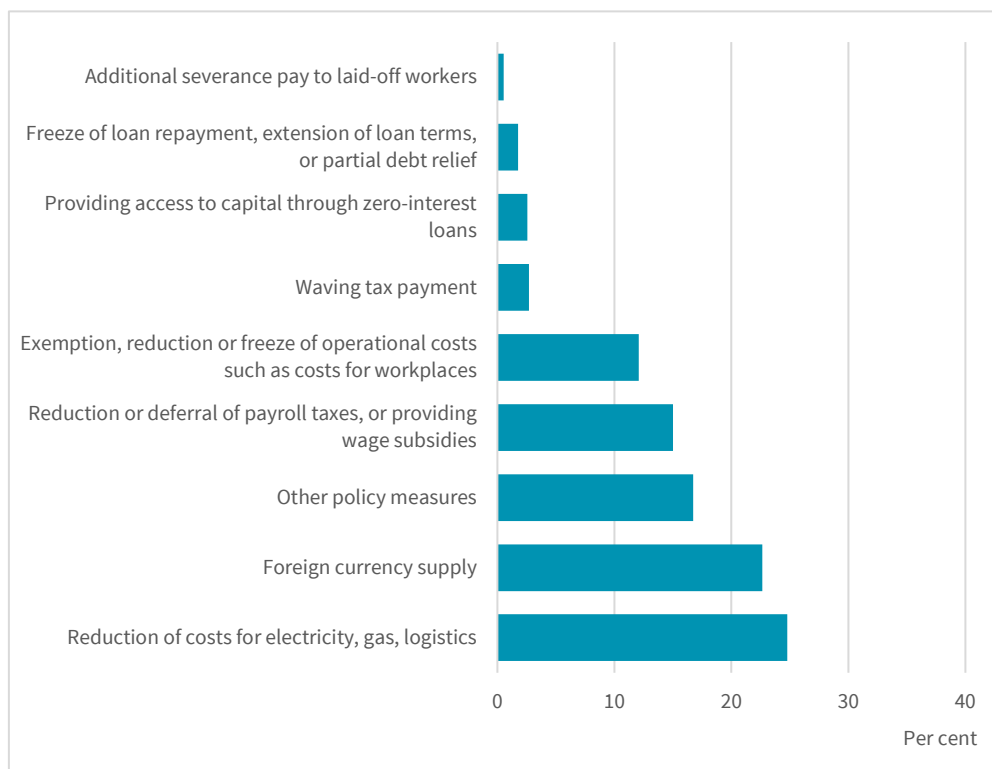
Insurance

Sixteen per cent of the surveyed enterprises have received insurance payments to cover damages to building structures caused by the explosion, and 37 per cent have received insurance payments to cover health expenses incurred due to injuries caused by it. In general, formal and profitable enterprises have received insurance payments more often than informal and the less successful enterprises. This reflects the fact that primarily the economically solid and formal enterprises are insured.

Preferred support

Most surveyed enterprises (52 per cent) would like support to reduce running costs. This includes a reduction or freezing of rent for the enterprises' premises (12 per cent); a reduction of costs for basic infrastructural services, such as gas and electricity, and logistic services (25 per cent); and a reduction or deferral of payroll taxes and/or provision of wage subsidies (15 per cent) (Figure 23). A considerable number of enterprises (23 per cent) would also wish to receive support in the form of foreign currency supply to maintain or enhance their purchasing power in the present foreign-currency crisis faced by Lebanon. None of these suggested forms of help can be associated directly with the effects of the explosion, however, but simply reflect the overall bad economic and political circumstances characterising Lebanon, enforced by the COVID-19 pandemic. Yet, there is no denying that the explosion severely aggravated the situation for numerous enterprises. The interest in various forms of support is quite similar across all types of enterprises.

Figure 23 Most relevant policy measures. Percentage of enterprises (n=1,638).



The survey question on the type of support most relevant to the enterprises also urged the respondents to come forward with their own ideas and thoughts. Many seized this opportunity, expressing their despair with the economic and political situation in Lebanon and venting a deep mistrust in the government's ability to provide measures that could alleviate the situation. Many respondents gave blank answers to the question on possible support measures, but instead added strong remarks about the government and politicians' inability to take proper action. Many respondents also answered 'I do not know' to the question, reflecting a general sense of hopelessness with respect to the current economic conditions of the country. Those enterprises that responded to this open-ended part of the question, largely suggested some form of financial support, or demanded compensation for losses caused by the

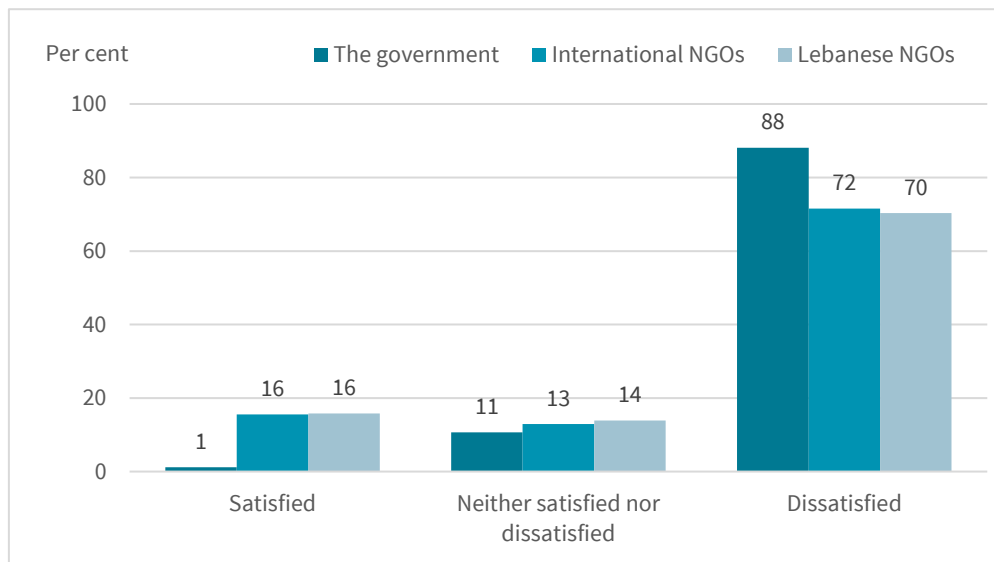
explosion and the COVID-19 lockdowns. In general, respondents expressed great concerns for the economic wellbeing of the country. The currency exchange rates were of particular worry.

Satisfaction with the provided support

In general, enterprises voiced a high degree of dissatisfaction with the support meant to help them recover from the damages caused by the port explosion (Figure 24). Above all, the enterprises were dissatisfied with the support provided – or rather, not provided – by the government. Only 1 per cent of the enterprises were satisfied with the government assistance, while 88 per cent were rather or very dissatisfied. This is not very surprising given the political and economic situation in Lebanon, and the government’s financial (in)ability and governing (in)capability to provide support. However, about 70 per cent of the enterprises also expressed dissatisfaction with the support that civil society provided, with national NGOs fairing somewhat better than their international counterparts do.

Enterprises in the manufacturing industry were slightly more satisfied with the government’s support mechanisms than enterprises in the other sectors. This is possibly because the government has given manufacturing enterprises some extra attention due to its importance for international trade, as well as Beirut’s need for foreign currency. However, 75 per cent of the enterprises in the manufacturing sector were still dissatisfied with the government’s support. Nearly two-thirds of the enterprises severely damaged or fully destroyed by the explosion (64 per cent) expressed that they were highly dissatisfied with the government’s support, compared to an average of ‘only’ 53 per cent for all surveyed enterprises. The satisfaction with NGOs was particularly high among home-based businesses, many of which have received NGO-support in the past.

Figure 24 Level of satisfaction with support provided by the government and NGOs. Percentage of enterprises (n=1,664).



Not surprisingly, enterprises without damages caused by the port explosion, and those that have been fully repaired are somewhat less dissatisfied with the support from the government than the other enterprises (Table 7). Twenty per cent of the enterprises fully damaged by the explosion are satisfied with the support provided by local NGOs, which is well above average, while almost one-third of the partially

repaired enterprises are satisfied with such help. Nevertheless, the overall picture is one of utter dissatisfaction with the assistance to the enterprises affected by the blast (and their dissatisfaction with both the coverage and amount of support, one would guess, although the survey did not ask for such details).

Table 7 Level of satisfaction with the support provided by the government and NGOs. By damage and repair status. Percentage of enterprises (n=1,664).

	Government			International NGOs			Local NGOs		
	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied
All enterprises	1	11	88	16	13	72	16	14	70
Damage status									
No damages	1	15	83	16	20	64	16	22	62
Minor damages	2	10	88	15	10	75	14	11	75
Major damages	-	9	91	18	16	67	18	17	65
Fully damaged	-	8	92	12	11	77	20	8	73
Repair status									
Fully repaired	1	12	87	18	13	69	17	14	69
Partially repaired	1	9	90	13	12	75	15	13	72
Repair underway	-	3	97	24	10	66	31	7	62
No repair to date	1	5	93	10	6	84	10	6	84

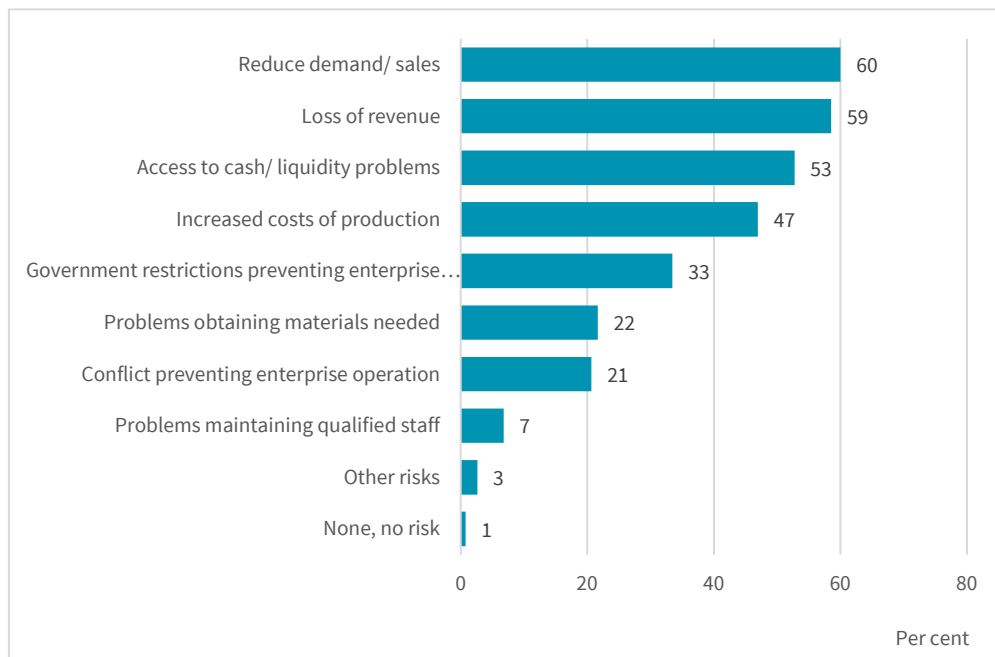
5 Outlook

Whilst it should be fairly evident from the first chapters of this report that there is little optimism amongst business owners and managers in Beirut these days, we will next turn to what the future holds, as assessed by themselves.

5.1 Greatest risks the coming year

When contemplating the 2021 business year, the enterprises covered by the survey were clearly concerned that the demand for products and services, and the resulting low revenues and liquidity problems, would not pick up. Hence, the perceived highest risks were at the demand side (Figure 25). However, they also had worries about the production side, including access to raw materials and intermediate goods, and their high costs. Furthermore, the enterprises expressed fear that government restrictions would hinder their operations. Most likely, they had continued lockdowns to contain the spread of COVID-19 in mind. Finally, a good number of enterprises mentioned that conflict could jeopardise business operations, perhaps thinking of both social and sectarian domestic strife as well as strong regional tensions.

Figure 25 Perception of the highest business risk factors for 2021. Multiple answers allowed. Percentage of enterprises (n=1,638).

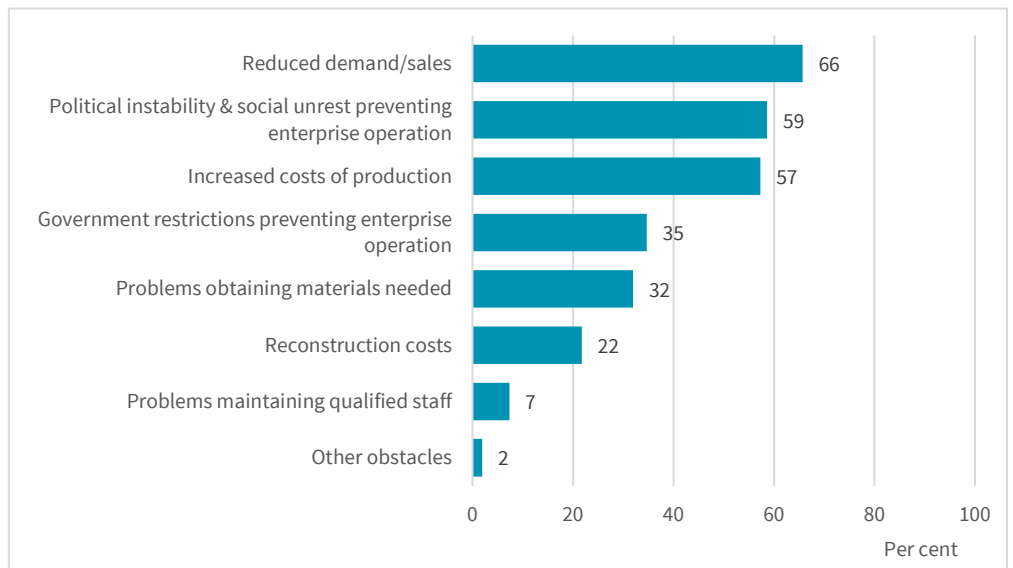


5.2 Major obstacles the coming months

When asked to identify the main obstacles to their businesses in the coming year (a question not very different from the one on risks), two in three enterprises (66 per

cent) alluded to reduced demand (Figure 26), caused primarily by the country’s weak economy and people’s low purchasing power. For the most part, the results displayed in the graph are consistent with answers to the risk question shown in the previous graph. Figure 26 is, however, different in two notable ways. Firstly, the costs of reconstruction appear, and are mentioned by as many as one in five enterprises. Secondly, political instability and social unrest figures very high on the list and is mentioned by six in ten enterprises (59 per cent). It is a testimony to the exceptionally volatile state Lebanon finds itself in, and the insecurity people, including business owners and managers, feel in this situation.

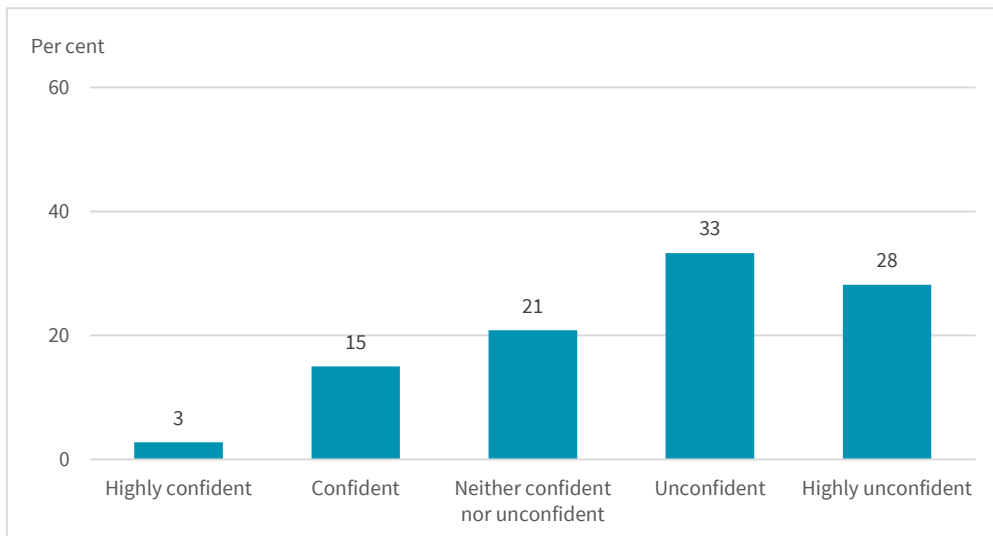
Figure 26 Major obstacles facing the enterprises the coming year. Multiple answers allowed. Percentage of enterprises (n=1,638).



5.3 Little confidence in resuming profitable business

Less than one in five enterprises trust their economic robustness and are highly confident (3 per cent) or confident (15 per cent) they will make it through the current economic crisis as profitable businesses. As many as six in ten (61 per cent) are uncertain they will survive the crisis and reach (again) a profitable situation (Figure 27). The lacking belief in their own capability to tackle the crisis appears at the same low level across industries. However, those enterprises not damaged by the port explosion appear slightly less pessimistic, as 27 per cent are highly confident or confident they will make it through the crisis. Similarly, enterprises that were profitable before the explosion are more self-confident than other enterprises (26 per cent state they are highly confident or confident). Those with the most optimistic outlook, i.e., with the strongest faith in their own robustness and capacity to make it through the crisis, are those enterprises that were insured before the blast (37 per cent highly confident or confident).

Figure 27 Level of confidence in the robustness of the business. Percentage of enterprises (n=1,638).



6 Findings and recommendations

6.1 Summary of findings

Beirut's enterprises have been strongly affected by the explosion in the city's port area on 4 August 2020. Within a radius of five kilometres from the blast site, most enterprises were affected, and one-third of them were severely or fully damaged. For these businesses, the explosion added to an already challenging business environment created by the economic and political crises in the country as well as by the COVID-19 pandemic. Although the physical damages and economic effects of the blast have been severe, one key conclusion from this survey is that problems associated with the economic and political crisis and the pandemic are of more concern to the city's enterprises than the consequences of the explosion. Yet, their predicament should be understood as the cumulative effects of all these circumstances.

Nevertheless, the economic and political challenges make up the key structural problem of the enterprises – whether the explosion has directly affected them or not. After all, the problems caused by the explosion, while highly detrimental to those directly affected as well as indirectly to some of those enterprises that were not physically harmed – are quite tangible compared to the structural economic and political crises, and – just as the negative implications of the pandemic – will eventually disappear.

Being able to sustain business operations within the context described above is challenging almost independently of the enterprises' resources and business skills. However, the report has identified certain attributes characterising those enterprises, which have coped better than others. First, and not surprisingly, the enterprises that were profitable before the port explosion have coped well compared to those that were not, corroborating the well-known fact that access to resources paves the ground for adaptation and resilience. Second, formal enterprises, i.e., enterprises that appear in official registries and are associated with insurance and social security systems, seem to have managed well compared to the more informal enterprises. Third, young enterprises and enterprises seriously damaged by the explosion have adapted their business models more actively than the older and undamaged enterprises, e.g., by adopting web-based marketing and home delivery services. This confirms that shock and pressure are strong incentives for innovation and adaptation.

Lastly, enterprises with low or moderate running costs seem to have adapted more easily to new situations compared to enterprises with higher running costs and financial commitments. The former enterprises are often characterised by a high degree of informal employment, i.e., not offering employment contracts or social benefits to their employees, something that makes them quite 'flexible' in adjusting to changing market situations. In well-functioning, stable business environments, such behaviour is not a viable business model. However, in present-day Lebanon, whilst not positive as viewed from the workers' angle, this can be seen as a good way to minimise risk.

The enterprises affected by the Beirut explosion are strongly dissatisfied with the assistance they have received from both civil society and the government. Almost all

support has been directed towards repair and reconstruction of physical infrastructure, including buildings and business equipment. The main request from the affected enterprises is for support that addresses the severe and more fundamental economic problems they face, a wish that points to the need for structural (economic and political) reform. Dissatisfaction with the current economic and political situation in Lebanon, and strong disbelief in the authorities' ability to handle the 'deeper' problems faced by the enterprises, shines clearly through in the enterprises' survey responses.

6.2 Recommendations

Enterprises are struggling because they face many different crises. While the port blast damaged buildings, equipment, and stored goods, the ongoing COVID-19 pandemic and the financial crisis have reduced the purchasing power of customers and thus the demand for products and services. The financial crisis and the associated devaluation and falling value of the Lebanese pound against the U.S. dollar also increased production and input costs and has left many enterprises unable to adapt their business models and strategies to the new and challenging circumstances.

Given the broader picture this report paints on the challenging situation in which Beirut's enterprises find themselves, and the assistance they believe is required for them to salvage and improve their businesses, it is obvious that policies must consider the complexities of their situation. This means that policies, programmes, and support activities must comply with the enterprises' immediate needs while at the same time addressing the structural and more fundamental challenges constraining business development. However, based on the survey findings, it is our opinion that more attention should be given to the structural economic challenges of the enterprises than to provide (more) support to physical reconstruction.

While many NGOs to-date have concentrated their support on funding necessary repairs and reconstruction, restocking, and providing moral and technical support to restart operations, such aid seems to have mainly reached a small portion of the enterprises, namely those that were particularly hard hit. In lieu of little government support and limited or lacking public social safety nets, an argument can be made for further grants and aid from civil society organisations to rebuild more broadly, particularly targeting sectors hard hit by the general economic crises such as food and beverages.

Enterprises that have – and have not – received support to rebuild damaged infrastructure struggle to adapt their business strategy to new market environments and circumstances. As the survey shows, most enterprises resort to short-term coping strategies such as reducing working hours, cutting wages, or laying off employees, but are unable to modify their business models with a longer time horizon, adapting to circumstances characterised by massive instability, reduced local purchasing power, and increased cost of intermediate goods.

The multiple crises have also exposed deficits regarding the resilience of the wider market system in which these enterprises operate. The crises have left MSMEs without savings and the ability to obtain credits, and they have severely hampered the functioning of supply chains. Many MSMEs seem unable to access support from sectoral associations or specialised Business Development Service (BDS) providers that would help obtain relevant information on markets and suppliers, and take collective action for common sectoral constraints, which could help reduce operational costs. Many enterprises do not have insurance that points at the absence of a functioning

(micro-) insurance system offering insurance products adapted to the needs of small enterprises which could help cushion future shocks.

Based on the assessments presented in this report, it is recommended to design holistic support schemes that would entail:

- 1 **Direct support to enterprises:** Technical support and coaching for affected enterprises in the form of ‘business continuity’ training and tutoring to help enterprises adjust their business model to new circumstances and develop business contingency plans. This should be accompanied with cash grants targeting those enterprises that have not yet received support to renovate and rebuild their enterprises and restock.
- 2 **Long-term action to improve resilience of the wider system:** Analysis of the sectors that have been most negatively affected by the multiple crises the past one to two years (food and beverages, services, etc.) to identify common challenges and constraints of MSMEs and design tailor-made solutions, would be required. This could entail, for instance, building the capacity of sectoral associations and clusters to support MSMEs more effectively, developing mechanisms to provide MSMEs with up-to-date information on markets, prices, and actors in the sector and/or developing specialised BDS provision to better support MSMEs with common issues. This could also entail a detailed analysis of the (micro-) insurance market and support to build the capacity of providers to offer (micro-) insurance products adapted to the needs of MSMEs for mutual benefit.

Annex: Survey questionnaire

Impact of the Beirut Port Explosion on the Labour Market, Enterprise Questionnaire

Date	Date of Interview	dd.mm.yyyy		
QI01	Interviewer Name	_____		
QI02	Telephone number of the respondent	_____	10 digits	
entname	Name of the enterprise			
QI03	Name of the respondent	_____		
QI04	Did anyone answer the call?	Yes, connected Call not answered Busy signal Telephone is switched off Number disconnected	1 2 3 4 5	
Intro 1	Greetings! My name is [NAME of INTERVIEWER]. I am calling from Basmeh and Zeitooneh on behalf of the International Labour Organization (ILO). We are currently doing a survey on the impact of the Beirut port explosion on business enterprises. I am trying to reach [NAME OF ENTERPRISE]. Who am I speaking to please?			
QI05	Are you speaking to your assigned respondent?	Yes No, the assigned person couldn't be found on this number	1 2	
Intro 2	This interview will take around 25 minutes. Any information you share with us will be kept strictly confidential and only be used for statistical purposes. If at any point there are any questions you do not feel comfortable answering, you can choose not to answer them. You can also choose to stop the interview at any point. Are you willing to participate?			
QI06	Does the respondent agree to be interviewed?	Yes Yes, but not now. Told to call back No, refused	1 2 3	→QI08
QI07	What is the role of the respondent in the enterprise?	Owner President, Executive Director, or CEO Chief Financial, Chief Operational Officer (CFO/COO) Operational or plant manager Sales or marketing manager Accountant Lawyer Human resource Other administrative Other management	1 2 3 4 5 6 7 8 9 10	
QI09	Are you asked to call back later?	Yes No	1 2	
QI10	On what day?	_____		
QI11	What time?	_____		→ QI10

Section 1: Enterprise profile

Thank you for your willingness to participate in the interview. Now, I would like to start by asking you about the background of the business enterprise.				
101	<p>What type of business, service or activity is carried out by your enterprise?</p> <p><i>If respondent does not understand, give examples: What are the main goods/products or services produced at the place where you work? Describe the main activities carried out by the enterprise.</i></p>	<p>_____</p> <p>_____</p> <p>_____</p>		
102	<p>Which industry does this enterprise represent?</p> <p><i>Interviewer: Please conduct the classification. Do not ask the respondent!</i></p>	<p>Agriculture, forestry, and fishing</p> <p>Mining and quarrying</p> <p>Manufacturing</p> <p>Construction</p> <p>Wholesale and retail trade</p> <p>Transportation and storage</p> <p>Tourism and hospitality (incl. restaurants, bars, etc.)</p> <p>Information and financial services</p> <p>Professional and administrative services</p> <p>Education and health</p> <p>Other</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p>	
103	<p>For how long has your enterprise existed?</p>	<p>Less than 1 year</p> <p>1 to less than 3 years</p> <p>3 to less than 5 years</p> <p>5 to less than 10 years</p> <p>More than 10 years</p> <p>Don't know</p> <p>Refusal</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>8</p> <p>9</p>	
104	<p>What is the ownership structure of your establishment?</p>	<p>Fully Lebanese</p> <p>Fully Syrian</p> <p>Equal share: Lebanese and Syrian</p> <p>Mostly Lebanese</p> <p>Mostly Syrian</p> <p>Owned, or mostly owned, by other nationalities</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p>	
Profile in July 2020				
105	<p>In July 2020, was the business premises owned or rented?</p>	<p>Owned, no debt</p> <p>Owned, have debt</p> <p>Rented</p> <p>Occupied for free</p> <p>Refusal</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>9</p>	
106	<p>What was the estimated area of your business establishment at the time?</p> <p><i>In square metres</i></p>	<p> _ _ _ _ _ _ _ </p> <p>Square metres</p>		
107	<p>In July 2020, did your enterprise have establishments at more than one location?</p>	<p>Yes</p> <p>No</p>	<p>1</p> <p>2</p>	→ 109
108	<p>Where were your other establishments located in relation to the explosion-affected areas?</p>	<p>Inside/close to the explosion-affected areas in Beirut</p> <p>In Beirut and outside of the explosion-affected areas</p> <p>Outside of Beirut</p>	<p>1</p> <p>2</p> <p>3</p>	
109	<p>Was your enterprise a member of any business association prior to the Beirut explosion?</p>	<p>Yes</p> <p>No</p> <p>Don't know</p> <p>Refusal</p>	<p>1</p> <p>2</p> <p>8</p> <p>9</p>	

110	Was your enterprise a member of any other association in July 2020?	Yes No Don't know Refusal	1 2 8 9	
Workforce in July 2020				
Type	In July 2020, was the enterprise owned and operated by only one person? (No other employees?)	Yes No	1 2	→120
Gender	Gender of the enterprise owner	Male Female	1 2	
Nationality	What is the nationality of the owner?	Lebanese Syrian Palestinian Other	1 2 3 4	
111	What was the total number of employees your enterprise had in July 2020?	_ _ _ _ Number of employees in July 2020		
112	How many of these employees were women?	_ _ _ _		
113	How many of your employees were Lebanese, Syrians, Palestinians or other nationalities?	Lebanese _ _ _ Syrians _ _ _ Palestinians _ _ _ Other nationalities _ _ _		
114	What type of contracts did your enterprise offer to its employees at that time have? <i>Select all that apply</i>	Written contract Oral agreement None Refusal	1 2 3 9	→116 →119 →119
115	How many of your workers had a written contract during July 2020?	_ _ _ _		
116	Approximately, how many of the employees had oral agreements? <i>In July 2020</i>	_ _ _ _ Don't know Refusal	98 99	
117	Approximately, how many of your employees had a contract with duration of 1-year or more? <i>In July 2020</i>	_ _ _ _ Don't know Refusal	98 99	
118	How many daily labourers or casual workers did you hire in July 2020? <i>Daily labourers or casual workers are those who work on a short term, occasional, or intermittent basis. And often, they do not have time-bound contracts with employer.</i>	_ _ _ _ Don't know Refusal	98 99	
119	Before the explosion, which of the following benefits did your enterprise offer to its employees other than wages/salaries? <i>Select all that apply</i>	Health insurance Social security Paid holiday Paid sick leave Parental leave None	1 2 3 4 5 6	

Economic status prior to the Beirut explosion.				
I would now like to ask you about the economic status of your enterprise prior to the Beirut explosion. This refers to the time before August 2020.				
120	How much did you pay for renting the premises before the Beirut explosion? Monthly		___ Monthly pay	Only asked for Rented premises
121	What was the main market for your enterprise in July 2020? <i>Select all that apply</i>		Local area market Broader domestic Regional (Middle East) Global	1 2 3 4
122	PLACE HOLDER			
123	PLACE HOLDER			
124	Before the explosion and during January-July 2020, what was the average amount of monthly expenditure for the enterprise? <i>In LBP</i>		Show intervals	
125	Before the explosion and during January-July 2020, what was the average amount of monthly revenue for the enterprise? <i>In LBP</i>		Show intervals	
126	Before the explosion and during January-July 2020, what has been the financial status of your enterprise?		Profitable Breakeven Was losing money	1 2 3
127	Did your enterprise have any savings set aside?		Yes No Don't know Refusal	1 2 8 9
128	Did you have insurance for the business enterprise at the time of the explosion?		Yes No Don't know Refusal	1 2 8 9
129	Did you have any existing financial commitments prior to the explosion? <i>Select all that apply</i>		Supplier credit Micro-finance loan Bank loan(s) Bills of exchange Deferred Cheques Open letters of credit None	1 2 3 4 5 6 7
130	How much debt did your enterprise have in July 2020?		Less than 1 million LBP 1-9,9 million LBP 10-29.9 million LPB 30-49.9 million LBP 50-79.9 million LBP 80-99.9 million LBP >100 million LBP Don't know Refusal	1 2 3 4 5 6 7 8 9
131	What is the registration status of your enterprise? <i>Interviewer: Please fill in this information if available.</i>		Home based (registered) Home based (unregistered) Unregistered/informal Registered Don't know Refusal	1 2 3 4 8 9

132	What is the reason that your business has not been registered so far?	_____		
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Section 2: Impacts on employment

Now, I would like to ask you about the explosion's effect on your enterprise and employment.				
201	What was the status of the physical structures/buildings of your enterprise after the explosion? <i>Note: Physical structures include windows, doors, shutters, walls, ceiling, floor, etc.</i>	No damages Minor, can be repaired easily Major, can't be repaired but replaced Fully damaged	1 2 3 4	
202	Has any repair been made to the damaged structures of the enterprise?	Yes, fully repaired Yes, partially repaired Reconstruction/repair under way No repair so far		
203	Currently, what is the operational status of the enterprise?	Operating as usual Operating with reduced hours Operating with reduced staff Operating with reduced hours and reduced staff Workplace closed temporarily Enterprise closed permanently Other	1 2 3 4 5 6 7	
	What is the main reason that the enterprise is operating less than the usual or closed?	Coronavirus restrictions Due to effects of the explosion Other, specify		
204	Prior to the explosion, how many days did your enterprise usually operate per week?	__ Number of days per week		
205	How many days did your enterprise operate during the last week? <i>Record 0 if the enterprise was closed the entire week.</i>	__ Number of days the enterprise was operational		If >0 →208
206	How many weeks do you think the enterprise will remain closed?	__ __ Number of days per week		
207	Last week, how many hours per day did your enterprise typically operate on days that it was operating?	__ __ Average number of hours		
208	Have you hired any worker since August 2020?	Yes No	1 2	→213
209	How many workers have you hired for pay since August 2020?	__ __ Number of new workers		
210	How many of these were women?	__ __		
211	How many of these hires were on a permanent contract?	__ __		
212	How many of these hires were on a temporary contract?	__ __		
213	Have you used daily workers or casual workers since August 2020? <i>Daily labourers or casual workers are those who work on a short term, occasional, or intermittent basis. Often, they do not have time-bound contracts with employer</i>	Yes No	1 2	→215

214	How many daily labourers or casual workers have you used since August 2020?	_ _ _ _		
215	Did you lay off any workers since August 2020 for any reason, including the explosion?	Yes No		→224
216	How many workers were laid off since August 2020?	_ _ _ _ Number of workers		
217	How many workers have you had to let go of because of the explosion?	_ _ _ _ Number of workers		
218	How many of these were women?	_ _ _ _		
219	How many of these layoffs were on a permanent contract before being laid off?	_ _ _ _		
220	How many of these layoffs were on a temporary contract before being laid off?	_ _ _ _		
221	Were any of the laid off workers given compensation?	Yes No	1 2	→224
222	How was the compensation calculated?	A proportion of monthly salary A severance pay Other unemployment benefits	1 2 3	
223	What was the total value of the compensation for workers who were laid off?	_ _ _ _ _ _ _ _ _ LBP		
224	Did you grant any of your workers leave (holidays) since August 2020? <i>This should not include workers who are laid off or those who quit of their own accord</i>	Yes No	1 2	→226
225	How many were granted leave/holidays with pay and how many leave/holidays without pay?	Number of workers with pay Number of workers without pay	_ _ _ _ _ _ _ _	
226	Currently, how many employees does your enterprise have?	_ _ _ _ _ _ _ _ _ Number of employees in July 2020		
227	How many of these employees are women?	_ _ _ _ _ _ _ _ _ Number of female employees		
228	How many of your employees are Lebanese, Syrians, Palestinians, or other nationalities?	Lebanese _ _ _ _ Syrians _ _ _ _ Palestinians _ _ _ _ Other nationalities _ _ _ _		
229	How many of your current workers have written contracts?	_ _ _ _		
230	Approximately, how many of them have oral agreements?	_ _ _ _ Don't know Refusal	98 99	
231	Approximately, how many of your current employees have a contract with duration of 1 year or more?	_ _ _ _ Don't know Refusal	98 99	
232	Do you expect to hire any workers in the next 3 months?	Yes No	1 2	→234
233	How many workers do you expect to hire in the next three months?	_ _ _ _		
234	How many of the workers who are currently working with you do you expect will not be working with you in the next 3 months (for any reason)?	_ _ _ _		

235	Have you reduced the salary of any of your current workers since August 2020?	Yes No	1 2	→237
236	Approximately, what was the average percentage reduction in the salary of your current workers since August 2020?	__ __ Percentage reduction in salary		
237	During October 2020, what percentage of your total expenditure was for wages and salaries?	__ __ Don't know Refusal	98 99	
238_E	How much was the total expenditure for enterprise for October 2020? Excluding any repair and maintenance expenses. In LBP	Nothing, no expenditure Less than 1 million 1-9,9 million 10-29.9 million 30-49.9 million 50-79.9 million 80-99.9 million >100 million Don't know Refusal	0 1 2 3 4 5 6 7 8 9	
239_R	How much was the sales revenue for enterprise for October 2020? In LBP	Nothing, no sales activities Less than 1 million 1-9,9 million 10-29.9 million 30-49.9 million 50-79.9 million 80-99.9 million >100 million Don't know Refusal	0 1 2 3 4 5 6 7 8 9	
239	What was the enterprise's profit during the last completed month (October 2020)? <i>Profit= Revenue-Expenditure</i>	Nothing, no profit Less than 1 million 1-9,9 million 10-29.9 million 30-49.9 million 50-79.9 million 80-99.9 million >100 million Don't know Refusal	0 1 2 3 4 5 6 7 8 9	
240	Did the enterprise owner have income from other supplemental sources?	Yes No Don't know Refusal	1 2 8 9	
240	Approximately, what was the amount of total sales revenue for the enterprise during 2019? In LBP	Less than 1 million 1-9,9 million 10-29.9 million 30-49.9 million 50-79.9 million 80-99.9 million >100 million Don't know Refusal	1 2 3 4 5 6 7 8 9	
241	How would you describe the financial status of your enterprise prior to the explosion in July 2020?	Profitable Breakeven Was losing money Don't know Refusal	1 2 3 8 9	
242	Compared to last year (2019), what do you expect your profit will be in 2020?	Much higher Higher About the same Lower Much lower	1 2 3 4 5	

243	Do you have any existing financial commitments? <i>Read out and select all that apply</i>	Supplier credit Micro-finance loan Bank loan(s) Bills of exchange Deferred Cheques Open letters of credit None	1 2 3 4 5 6 7	→245
244	How much debt does your enterprise currently have? <i>In LBP</i>	Less than 1 million 1-9,9 million 10-29.9 million 30-49.9 million 50-79.9 million 80-99.9 million >100 million Don't know Refusal	1 2 3 4 5 6 7 8 9	
245	Does your enterprise have web/internet-based sales or provision of services?	Yes No	1 2	
246	Before the explosion, did your enterprise offer home-delivery or pick up for its sales or services?	Yes No	1 2	→248
247	How was the delivery or pick-up arranged? <i>Select all that apply</i>	Phone calls including Whatsapp, Viber, etc Text messages including Whatsapp, Viber, etc. Own website Own mobile app Delivery mobile apps such as Lezzo, Talabatey, etc. Other	1 2 3 4 5 6	
248	Does your enterprise offer home delivery or pick up for its sales or services?	Yes No	1 2	
249	How is the delivery or pick-up mainly arranged? <i>Select all that apply</i>	Phone calls including Whatsapp, Viber, etc Text messages including Whatsapp, Viber, etc. Own website Own mobile app Delivery mobile app Other	1 2 3 4 5 6	
250	Are these changes in forms of delivery introduced because of the explosion?	Yes No	1 2	

Section 3: Coping measures and support

Next, I would like to ask you about some of the measures your enterprise has taken or is taking to cope with the challenges created by the explosion.				
301	Has your enterprise taken any measures so that it could continue to be operational and ensure that business continues after the explosion? <i>If it was able to continue operating without any challenges, select no.</i>	Yes No	1 2	

302	<p>What measures has your enterprise taken to ensure business continuity?</p> <p><i>Mark all that apply</i></p> <p><i>Ask what changes the enterprise owner made to the business model, operations, or delivery mechanisms to ensure business continuity, i.e., the enterprise being able to continue functioning after the explosion.</i></p>	<p>Moved to new location(s) 1</p> <p>Redistributed/shifted [some] operations to other branches 2</p> <p>Introduced or expanded web-based sales 3</p> <p>Sold [some] assets 4</p> <p>Introduced new products/services 5</p> <p>Reduced prices of products/services 6</p> <p>Increased prices of products/services 7</p> <p>Had rent reduced/exempted 8</p> <p>Obtained loans [from financial institutions] 9</p> <p>Deferred financial commitments (e.g., loans) 10</p> <p>Received credit from supplier 11</p>	
303	<p>Has your enterprise received any support to cope with the effects of the explosion?</p>	<p>Yes 1</p> <p>No 2</p>	
304	<p>From where has the enterprise received such support?</p> <p><i>Select all that apply</i></p>	<p>Family and friends 1</p> <p>Business networks and associations 2</p> <p>International NGOs 3</p> <p>Local NGOs 4</p> <p>Government institutions 5</p> <p>Formal financial service providers 6</p>	
305	<p>What type of support has your enterprise received?</p>	<p>Financial support to cover reconstruction costs 1</p> <p>Financial support to pay wages to employees 2</p> <p>In-kind support in the form of equipments 3</p> <p>Other forms of support 4</p>	
306	<p>How many workers were you able to keep due to the support you received from any of these sources?</p>	<p>0 None</p> <p> _ _ _ </p>	
307	<p>Have you received insurance payments to cover damages related to the explosion?</p>	<p>Yes 1</p> <p>No 2</p>	
308	<p>Have you received insurance payments to cover injuries and health-care costs related to the explosion?</p>	<p>Yes 1</p> <p>No 2</p>	
309	<p>After the explosion, what policy measures do you believe are the most relevant for your enterprise?</p> <p><i>Do not read out the options!</i></p>	<p>Covering, reduction or freeze of operational costs such as costs for working places 1</p> <p>Reduction of costs for electricity, gas, logistics 2</p> <p>Reduction or deferral of payroll taxes or providing wage subsidies 3</p> <p>Additional severance pay to laid off workers 4</p> <p>Waving taxes payment 5</p> <p>Reduction or deferral of pension contributions 6</p> <p>Reduction of bank interest rates 7</p> <p>Freeze of loan repayment, extension of loan terms or partial debt relief 8</p> <p>Providing access to capital through access to zero-interest loans 9</p> <p>Providing technical advice on business operations related with the crises 10</p> <p>Improving export tax rebate services 11</p> <p>Foreign currency supply 12</p> <p>Relaxing labour regulations (e.g., easing the laying off or firing of workers) 13</p> <p>Other, specify: _____ 14</p>	
310	<p>In the past two years, has your enterprise been affected by any of the following shocks or stresses in addition to the explosion?</p> <p><i>Select all that apply</i></p>	<p>Price increases for goods/raw materials 1</p> <p>Lack of availability of goods/raw materials 2</p> <p>Difficulty recruiting qualified employees 3</p> <p>Conflict prevented enterprise operations 4</p> <p>Reduced customer demand 5</p> <p>No, not affected 6</p> <p>Other, specify: _____ 7</p>	

311	<p>What do you consider the greatest risks to your enterprise over the coming year?</p> <p>Select the 3 risks that are most relevant to you.</p> <p><i>Maximum 3 options allowed!</i></p>	<p>Loss of revenue 1</p> <p>Reduce demand/sales 2</p> <p>Increased costs of production 3</p> <p>Access to cash/liquidity problems 4</p> <p>Problems obtaining materials needed 5</p> <p>Problems maintaining qualified staff 6</p> <p>Government restrictions prevent enterprise operation 7</p> <p>Conflict prevents enterprise operation 8</p> <p>None, no risk 9</p> <p>Other, specify: _____ 10</p>	
312	<p>What are the biggest obstacles facing your establishment in the coming months?</p> <p><i>Mark all that apply</i></p>	<p>Reconstruction costs 1</p> <p>Reduce demand/sales 2</p> <p>Increased costs of production 3</p> <p>Problems obtaining materials needed 4</p> <p>Problems maintaining qualified staff 5</p> <p>Government restrictions prevent enterprise operation 6</p> <p>Political instability, social unrest prevents enterprise operation 7</p> <p>Other, specify: _____ 8</p>	
313	<p>How confident are you that the enterprise is economically robust enough to come through the crisis and resume profitable business? Are you ...</p>	<p>Highly confident 1</p> <p>Confident 2</p> <p>Neither confident nor unconfident 3</p> <p>Unconfident 4</p> <p>Highly unconfident 5</p>	
314	<p>How satisfied are you with the support provided by the government to manage the effects of the explosion? Are you ...</p>	<p>Highly (very) satisfied 1</p> <p>Satisfied 2</p> <p>Dissatisfied 3</p> <p>Highly dissatisfied 4</p>	
315	<p>How satisfied are you with the support provided by international NGOs to manage the effects of the explosion? Are you ...</p>	<p>Highly satisfied 1</p> <p>Satisfied 2</p> <p>Dissatisfied 3</p> <p>Highly dissatisfied 4</p>	
316	<p>How satisfied are you with the support provided by local NGOs to manage the effects of the explosion? Are you ...</p>	<p>Highly satisfied 1</p> <p>Satisfied 2</p> <p>Dissatisfied 3</p> <p>Highly dissatisfied 4</p>	

Section 4: Impact of COVID-19

Now, I would like to ask you about the effects of the coronavirus pandemic on your business.				
401	<p>Is your enterprise affected by the COVID-19 pandemic in any way (either positively or negatively)?</p>	<p>Yes 1</p> <p>No 2</p>		→403
402	<p>How is your enterprise currently affected?</p> <p><i>Select all that apply</i></p>	<p>Lower demand of products 1</p> <p>Lower supply of raw materials and intermediate goods 2</p> <p>Restricted movement of workers 3</p> <p>Forced closure of business 4</p> <p>Workers absence from workplace 5</p> <p>Closure of market place/shops 6</p> <p>Insufficient protective equipment 7</p> <p>Higher demand for produce/services 8</p> <p>Higher price for produce/services 9</p> <p>Lower price of raw materials and intermediate goods 10</p> <p>Higher price of raw materials and intermediate foods 11</p> <p>Other, specify: _____ 12</p>		

403	<p>So far and since the onset of the coronavirus crisis in the country, what are the three most severe economic impacts of the coronavirus pandemic on your enterprise?</p> <p>Maximum 3 options!</p>	<p>Loss of revenue 1 Reduce demand/sales 2 Increased costs of production 3 Access to cash/liquidity problems 4 Problems importing materials needed 5 Increased revenue 6 Increased debt 7 Bankruptcy 8 No economic impact 9 Other, specify: _____ 10</p>		
404	<p>Because of the COVID-19/coronavirus pandemic, what percentage of the monthly sales revenue did you lose since March 2020?</p>	<p>____ ____ Record 0 if no revenue is lost</p>		
405	<p>What are the two most significant financial problems for your company since the coronavirus pandemic began?</p> <p>Select up to two options</p>	<p>Staff wages and social security payments 1 Rent 2 Repayment of loans 3 Payment of invoices 4 Other expenses 5 No specific problem 6 Other, specify: _____ 7</p>		
406	<p>What measures has your enterprise taken to increase the safety of its workers?</p> <p>Select all that apply</p>	<p>Disseminated protective gear (i.e., hand sanitiser, masks, gloves) for employees to use at their discretion 1 Enhanced cleaning and sanitising efforts across facilities 2 Implemented a shift schedule to rotate staff and minimise the number of people at the worksite 3 Established a dedicated commuter shuttle for our employees 4 Permitted workers to work from home 5 Granted workers paid leave 6 Strict social distancing requirements in the work place 7 No measures have been taken (yet) 8 Other, specify: _____ 9</p>		

A blast in the midst of crises

Lebanon's economic crisis has been in the making for several years stemming from long-standing structural fiscal challenges, and the situation further deteriorated with the COVID-19 pandemic. The powerful explosion at the Port of Beirut on 4 August 2020 damaged many of the city's enterprises, threatened their operations and exacerbated the economic crisis.

This report presents results from a phone survey of 1,664 enterprises located in the areas surrounding the explosion site. It maps out the characteristics of the enterprises, the explosion's impact on them and their workers, and their adaptation and coping measures. The report also looks at the effects of the COVID-19 pandemic on these businesses.

The project was made possible through the generous contribution of the Netherlands, under the framework of 'Partnership for improving prospects for forcibly displaced persons and host communities' (PROSPECTS), and from Germany through the German Development Bank (KfW), which is funding the ILO's Employment Intensive Infrastructure Programme in Lebanon.



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