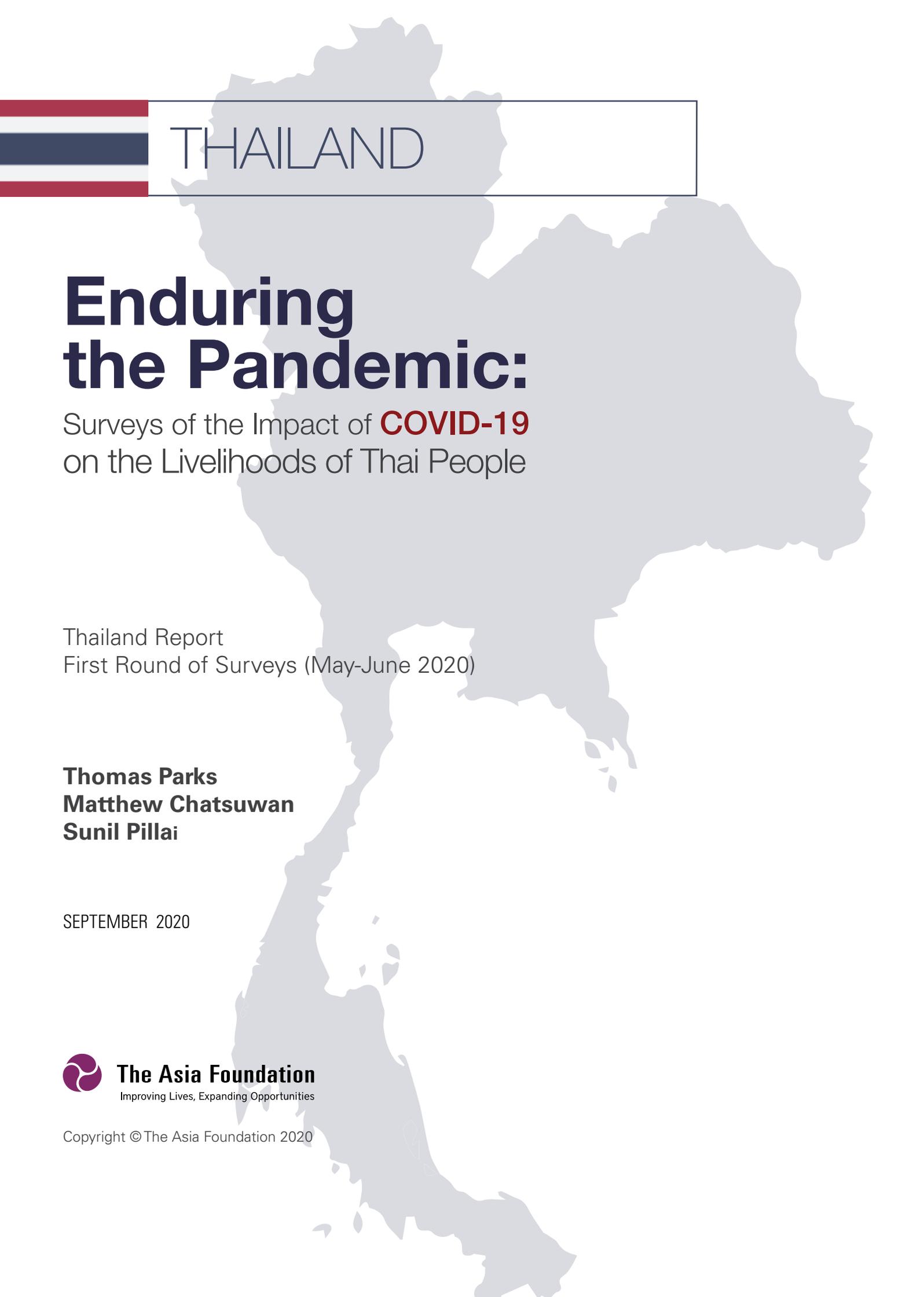


Enduring the Pandemic:

Surveys of the Impact of **COVID-19**
on the Livelihoods of Thai People





THAILAND

Enduring the Pandemic:

Surveys of the Impact of **COVID-19**
on the Livelihoods of Thai People

Thailand Report
First Round of Surveys (May-June 2020)

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SEPTEMBER 2020



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Improving Lives, Expanding Opportunities

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For this report, which presents the research we conducted in Thailand, the Foundation would like to thank our Thai partners: the School of Development Economics of the National Institute of Development Administration (NIDA) and the survey firm, MI Advisory (Thailand). This study also would not have been possible without the generous support of our funders. In Thailand, our study is financed by the Foundation's United States Congressional Appropriation.

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This is an independent study, managed by The Asia Foundation. The findings, interpretations, and conclusions, however, do not necessarily represent the views of the Foundation or our funders.

Introduction

The COVID-19 pandemic is leading to a dramatic roll-back of economic progress across Southeast Asia. While the region has managed to contain the spread of the virus better than most others, the economic impact on the region has been devastating. Southeast Asia is highly integrated into the global economy, both with regard to trade, and international travel. Since international travel stopped almost entirely in March 2020, the tourism and business travel sectors have experienced unprecedented contraction. Many small businesses have closed permanently as they cannot survive the economic contractions brought on by COVID-19 lockdowns and travel restrictions. With each passing month, millions more workers become at risk of sliding into poverty, including many in the middle class. As the pandemic drags on, temporary job losses have become permanent, and household incomes have plummeted.

Governments across Southeast Asia have responded with an array of new programs to help the people and small businesses most affected by the pandemic. Many governments have expanded their social protection schemes, or introduced new programs so that they can provide additional income, and temporarily reduce expenses or delay payments by people who have lost their jobs and income. For small businesses, governments have introduced new subsidized loan programs, tax breaks, debt repayment holidays, and incentives for keeping employees on the payroll. These crucial programs will be essential for economic recovery, and the prevention of large-scale increases in poverty and inequality.

One critical challenge for governments, however, is the lack of timely information on the economic and social impacts of the pandemic. Across Asia, governments have had to make major decisions about COVID-19 economic relief measures with little reliable and up-to-date information. As large amounts of public funds are being mobilized to help address the unprecedented crisis, governments must have ground-level data on how small businesses and workers are being affected, and how they are coping. This information is essential so that governments can target their programs to achieve maximum benefit. However, until social distancing restrictions have been lifted, government data collection processes are unlikely to generate these critically needed data. Therefore, collecting data through telephone calls and online platforms is urgently needed.

To address this need for accurate data on how COVID-19 is disrupting micro and small enterprises, vulnerable workers, the informal economy, and heavily affected sectors, The Asia Foundation (TAF) is conducting a series of national surveys and case studies in six Southeast Asian countries: Cambodia, the Lao Peoples' Democratic Republic (Lao P.D.R.), Malaysia, Myanmar, Thailand, and Timor-Leste. These surveys and cases studies, which are being conducted with TAF's local research partners, are largely carried out via telephone calls and Internet platforms. To determine the key survey questions for all six countries, and make them as locally useful as possible, TAF offices in each country have engaged with national government officials and policy-makers. TAF's local research partners have then finalized and conducted the surveys and case studies, analyzed the data, and collaborated with TAF in writing up the results.

Research Methodology

Starting in May 2020, the Foundation and its partners have been conducting surveys in Cambodia, Lao P.D.R., Malaysia, Myanmar, Thailand, and Timor-Leste. By the end of 2020, three rounds of surveys will have been conducted in each country, and a final report on all six countries will be published in early 2021.

While each survey is customized to the local country context, and the sample of respondents differs slightly in each country, all of the surveys use a similar set of core questions, which will facilitate a reasonable degree of regional comparison. In addition to the quantitative surveys, TAF's country offices and local partners are conducting case studies on individual small businesses in order to understand these businesses' COVID-19 experiences.

This publication presents the findings from the first round of quantitative surveys that were conducted in Thailand between May and July of 2020.

Research questions: The surveys for all six countries have been designed to give policy-makers answers to the following questions.

For micro, small, and medium enterprises (MSMEs):

1. How much longer can MSMEs stay in business under current circumstances?
2. How are the supply chains of MSMEs being affected?
3. Are government programs reaching the MSMEs that need assistance? How can

government programs be improved? How could government programs be better targeted?

4. Which of MSMEs' most critical needs are not being addressed?
5. Which of MSMEs' coping strategies are helping them to stay in business?

For workers:

1. Which groups of workers (by profession, sector, geographic region, and gender) have been the most affected by the economic slowdown resulting from the COVID-19 pandemic?
2. For vulnerable workers, under current circumstances, how much longer will it be until they have exhausted their financial resources?
3. Are government programs reaching the workers that most need assistance? How can government programs be improved? How can government programs be better targeted?
4. Which strategies are helping vulnerable workers to cope with the crisis?

Panel Surveys: To track the evolving situation in each country, the rapid survey assessments are intended to repeat every three months. This approach will allow the research team to understand how the circumstances of individual enterprises and workers may be improving or deteriorating. In Thailand, the data collection schedule is as follows:

	Thai Workforce	Micro & Small Businesses	Country Report Released
First Round	May 2020	June 2020	September 2020
Second Round	August 2020	September 2020	N/A
Third Round	November 2020	December 2020	February 2020

Sampling Methods:

Thailand	Target Group	Sample	Sampling Method Overview
	Small and micro enterprises in tourism and manufacturing	982	<ul style="list-style-type: none"> • Tourism MSMEs (60% of the sample) randomly sampled from the TripAdvisor website and supplemented by a list of travel agents from the Thai Revenue Department • Small-scale manufacturing MSMEs (40% of the sample) randomly sampled from the Thai Department of Business Development's list of MSMEs that are classified as manufacturing enterprises
	Workers	3,181	<ul style="list-style-type: none"> • Randomly selected from NIDA Poll's sample frame (n=300,000) • Nationally representative sample • 55% informal workers

Thailand (Workers): The three Thailand workers' surveys are being conducted with a nationally representative sample of the country's labor force by the NIDA Department of Economics and Development and NIDA Poll.¹ The sample comprises 3,181 individuals in Bangkok, and all four major regions in Thailand who were drawn from NIDA Poll's database of 300,000. This closely reflects the demographics in the Thailand Labor Force Survey. The sampling methodology closely followed the population's distribution in Thailand, with 14.0% drawn from Bangkok, 31.2% from the Central Region, 16.3% from the North, 25.2% from the Northeast, and 13.3% from the South.² The provinces that had no reported COVID-19 cases, as of May 2020, were excluded from this study.

For each of the four regions, NIDA randomly selected three large provinces, three medium-sized provinces, and two small provinces. Thus, along with Bangkok, eight provinces were surveyed in each region (for a total of 33 surveys). The number of businesses and individuals sampled in each location depended on the proportion of observations needed.³ Informal workers, who make up roughly 55% of the Thai work force, are defined as those workers with no social insurance, regardless of their working status or sector of employment. Therefore, the sample comprises

approximately 55% informal workers and 45% formal workers—the same as the percentages for these groups in the national labor force.

Thailand (MSMEs): The Thailand MSME survey covered 982 small and micro businesses. Of these, 591 were tourism enterprises (60% of the total), and 391 were small-scale manufacturing enterprises (40% of the total). A quota was applied to the tourism MSMEs so that a range of subsectors were sampled: Food & Beverage (30%); Hotels/Accommodation (30%); Travel Agent/Tours/Transportation (20%); and others (20%). These quotas were applied equally across Thailand's four regions, but the sample's distribution by province could vary, depending on the database of MSMEs' names. Respondents were all Thai owners of micro and small enterprises (medium enterprises were not included). To qualify for the study, enterprises had to meet two of the three criteria that the International Finance Corporation (IFC) uses to define MSMEs. These concern the enterprise's number of employees, the value of its assets, and the value of its sales, or whether the enterprise's loan falls within the relevant MSME loan size proxy.

1. NIDA Poll is a survey organization affiliated with NIDA: <https://nidapoll.nida.ac.th/>

2. The number of observations collected from Bangkok and each region followed this regional distribution, namely: 420 observations from Bangkok, 935 from the Central Region, 489 from the North, 756 from the Northeast, and 400 from the South.

3. For instance, for the 935 observations in the Central Region, since Chonburi Province accounts for 21.43% of the total population in the region's eight provinces, we needed to have $935 \times 0.2143 = 200$ observations from the province.

IFC's definition	Employees	Total Assets US\$	Annual Sales US\$	Loan Size at Origination US\$
Micro enterprise	<10	<100,000	<100,000	<10,000
Small enterprise	10 - 49	100,000 - 3 million	100,000 - 3 million	<100,000

Qualitative Case Studies: Some key topics are better understood through qualitative case studies that complement the survey data. The case studies in this report looked at the impact of COVID-19 on relevant sectors/areas, and how companies and workers have adapted to the restrictions. In Thailand, the qualitative research was conducted from July 14 to 17, and comprised interviews with 12 small and micro businesses in tourism and small-scale manufacturing on the island of Koh Samet (Rayong Province); and in Buriram, Nakhorn Ratchasima, and Pak Chong/Khao Yai (Nakhorn Ratchasima Province).

Potential Bias from Non-Responses: One possible source of bias in the MSME survey comes from a high non-response rate, which was a result of challenges in reaching selected respondents. When randomly selected individuals could not be reached or were unwilling to participate, those initially selected had to be replaced with others that could be reached, and were available. In this survey, which was conducted via telephone due to the pandemic, the 'reachability' problem was heightened due to travel restrictions, lack of accurate contact details, and the closure of some businesses. These issues were especially challenging in the MSME surveys, as many businesses did not answer the phone, or their phone numbers were disconnected.

Estimated Non-response Rates

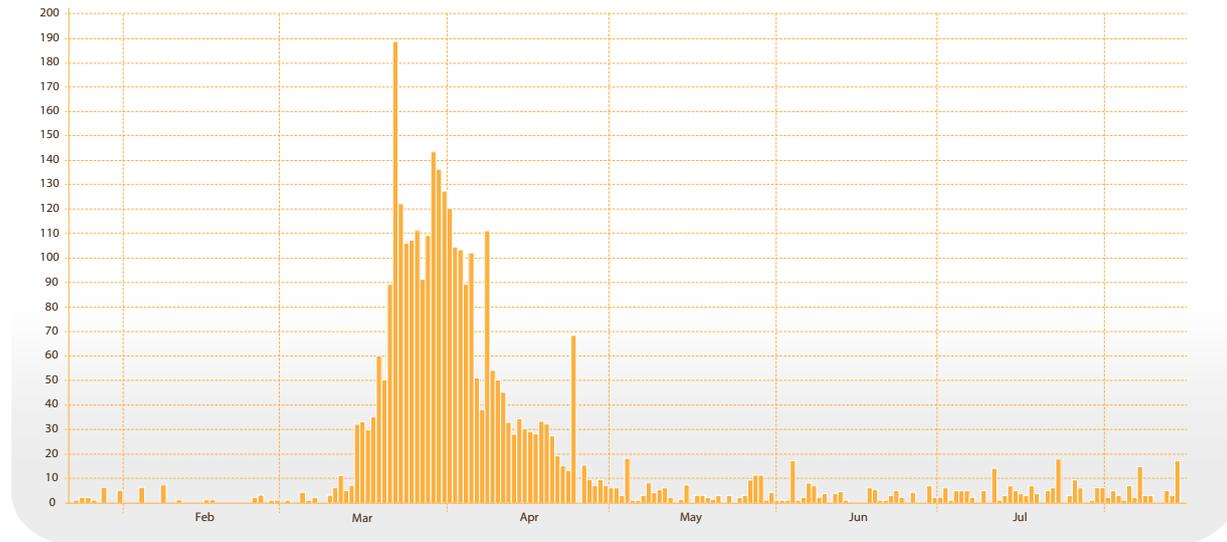
Country	Survey	Non-response rate (%)
Thailand	MSMEs in tourism and small-scale manufacturing	85%
Thailand	Workforce	3.6%

While it was not possible to calculate the actual effect that this non-response rate had on the survey findings, the research team estimates that the likely impact was under-reporting of the negative impact on workers and MSMEs. Of the original MSME sample, roughly 40% of the randomly selected business owners were unreachable through their officially registered phone number. It appears likely that a large percentage of these businesses were unreachable because they had either closed down, or their business phone had been disconnected as a result of ceasing operations. These businesses would almost certainly have experienced a significant decline in revenue, and would most likely have laid off all of their employees. As a result, the research team believes that the survey findings likely underreport the actual negative impact of the pandemic.

Socio-economic Impact of COVID-19 on Thailand

Thailand has fared extremely well in managing the COVID-19 pandemic. Although Thailand was the second country, after China, to report a COVID-19 infection, there have been fewer than 3,500 cases since the first case in January 2020, and only 58 people have died. While there is broad speculation about the reasons why infection numbers are so low, by any measure, Thailand's public health response has been an unqualified success. Given that Thailand is an incredibly popular destination for international visitors, and a hub for travel to the rest of mainland Southeast Asia, Thailand's low infection numbers are a remarkable accomplishment for Thailand's people and its government.

New COVID-19 Cases in Thailand Per Day



Source: COVID-19 Dashboard by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University (JHU)

But despite this success, another storm is brewing on the horizon. The Thai economy is showing signs of a severe and prolonged contraction that will rival the Asian Financial Crisis of the late 1990s. The macroeconomic outlook continues to deteriorate as borders remain closed, and the prospects for tourists returning to the country are increasingly

poor. The Bank of Thailand recently predicted that the Thai economy will contract by 8.1% in 2020,⁴ and a prominent local bank is predicting a contraction of 8.8%.⁵ By comparison, in 1998, the worst year of the Asian Financial Crisis, the economy contracted by 10.5%.

GDP Growth: Thailand



Source: data.worldbank.org

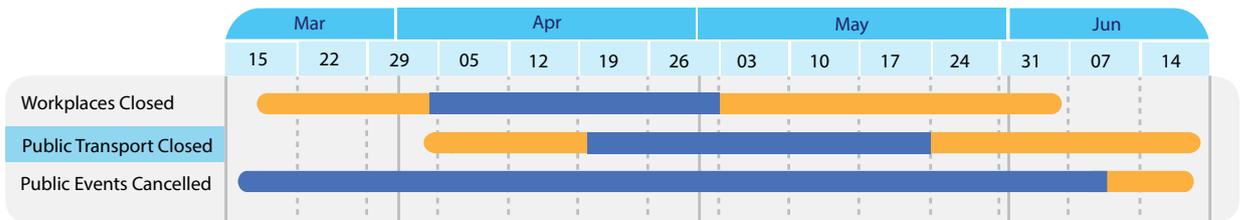
4. <https://www.bangkokpost.com/business/1940320/bot-pauses-rate-downgrades-gdp>
 5. <https://thethaiger.com/coronavirus/thailands-economy-will-take-2-3-years-to-recover-krungthai>

In August 2020, the signs of a looming economic crisis were not clearly obvious in Thailand. As the country's lockdowns gradually eased in May and June, economic activity appeared to be rebounding: traffic had returned to the roads of Bangkok, the city's markets and malls were full of customers, and positive signs of reopening were spreading across the country. By June and July, some popular vacation spots such as Hua Hin were welcoming a wave of local visitors, and

raising hopes that the tourism sector could recover, despite the lack of international visitors.

However, like an invisible ocean tide, unmistakable signs of widespread economic distress are starting to appear. TAF's survey results suggest that Thailand is in the early stages of an economic crisis that could far outlast the pandemic.

Thailand's Lockdown



Source: Oxford COVID-19 Government Response Tracker ⁶

January 23	The Ministry of Public Health, and the Civil Aviation Authority of Thailand issue guidelines on preventing the spread of COVID-19; all on inbound direct or connecting flights from Wuhan, China are subject to screening tests before entering Thailand
February 28	WHO reports 33 countries have COVID-19 infections, including Thailand; all outbound passengers from Thailand must be screened for the virus
March 18	All travelers arriving from countries identified as disease-infected zones are subject to a 14-day quarantine upon entering Thailand, and must present proof of good health, and evidence of health insurance; airlines are required to adopt measures that include a 2-meter distance between passengers, face coverings, and limited service provided to passengers
March 25	Government declares a State of Emergency in all areas of Thailand to take effect on March 26
March 26	Section 9 of the Decree on Public Administration in Emergency Situations goes into effect, which includes: <ul style="list-style-type: none"> • Prohibition of entry to risk-prone areas, including boxing stadiums, sport stadiums, sport arenas, playgrounds, racetracks, pubs, entertainment venues such as movies and theaters, massage parlors, fitness centers, and education institutions • Natural tourist attractions, museums, public libraries, religious sites, air terminals, bus and train stations, markets, and department stores are closed entirely or partially, as deemed appropriate • Points of entry into Thailand are closed, except for exempted people • Assembly is prohibited • People at risk due to age or health conditions must stay inside, or close to their homes • Only medical facilities, supermarkets, and shops selling essentials can remain open • Cross-provincial boundary travel is discouraged • Disease prevention measures must be enforced such as wiping surfaces with disinfectant, and making hand sanitizer and face masks available • Curfew imposed between 22.00 and 04.00
April 6	With the exception of repatriated Thais, the Civil Aviation Authority of Thailand bans all passenger flights into Thailand until April 28
April 28	The government extends the State of Emergency to May 31

6. Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira. 2020. Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, data accessed July 2020.

May 1	The government announces plans to relax some prohibitions on May 3, but the ban on international passenger flights is extended from May 1 to May 31
May 3	<p>Some prohibitions are relaxed:</p> <ul style="list-style-type: none"> • If disease prevention measures are followed, the sale of food and beverages by restaurants, cafes, hotels, and hawkers is permitted • Department stores, shopping centers, and community malls may open, but only for access to supermarkets, pharmacies, and stores selling essential items. Their restaurants can only provide take away food • Beauty salons and barbers may open, but customers cannot wait inside before their appointments • Medical facilities of all types may re-open, including dental clinics • Outdoor sports fields may open, but players must maintain social distancing, and audiences are banned • Public parks may open, but performances, and gatherings remain prohibited
May 17	<ul style="list-style-type: none"> • Curfew is reduced to 23:00 to 04:00 • The use school and educational institution buildings and premises is permitted for special purposes • Food and beverage enterprises may open, but serving alcohol is prohibited • Department stores, shopping centers, and community malls may sell consumer products, provide services, and open activity centers • Gatherings are permitted in meeting rooms, hotels, convention centers, and when shooting television programs, however, the number of people must be limited • Fitness centers and other indoor exercise places, and public swimming pools and gardens may operate if there is no person-to-person contact
May 31	The government extends the State of Emergency to June 30
June 1	<ul style="list-style-type: none"> • Foreigners with work permits or permission from the Ministry of Labor or another government agency are permitted to enter the country. Only those who services are urgently needed can apply for a permit; and they must be COVID-19 free, remain in quarantine for 14 days, and provide documents proving they have health insurance • The curfew is reduced to 23:00 to 03:00 • Buildings and premises of schools and educational institutions are open to non-formal students for education and training, and meetings and examinations are permitted • Department stores, shopping centers, and community malls are permitted to open until 21:00 • Convention and exhibition centers may hold meetings and exhibitions in spaces that do not exceed 20,000 square meters • Fitness centers may hold classes for small groups • Cross-provincial boundary travel is permitted for travelers complying with disease control measures • The ban on international passenger flights is extended to June 30
June 15	<ul style="list-style-type: none"> • The curfew is lifted • School premises and educational institutions can now provide education or training if classes are smaller than 120, and comply with government rules to prevent infection • Meetings, seminars, training, exhibitions, ceremonies, movies, and performances are permitted • Consumption of alcoholic beverages in restaurants and eateries is permitted; however, bars and pubs remain closed • Traditional Thai massage parlors may operate • Group exercise and sports venues may operate, but not animal fighting venues • Cross-provincial boundary public transport is permitted, but with limited passengers per vehicle, spaces between passengers, and multiple rest stops • Extension of the ban on international passenger flights is extended to June 30
June 29	The government extends the State of Emergency to July 31
July 1	<ul style="list-style-type: none"> • Bars and pubs may operate, but must shut by midnight • Foreigners can enter Thailand if they meet following criteria: <ul style="list-style-type: none"> ◦ Persons exempted by the Prime Minister or a chief official ◦ Authorized by the Prime Minister or a cabinet minister ◦ Diplomats ◦ Delivering goods ◦ Operating transport ◦ Other non-Thais can enter if they meet one of following requirements: married to a Thai citizen; have a residency permit; attend a Thai university or school; have a work permit; are coming for medical treatment; or have been granted entry under a special arrangement ◦ Short-stay business travelers from Japan, South Korea, Singapore, and China, including Hong Kong
July 29	The government extends the State of Emergency to August 31

In the early stages of the pandemic, Thai government-mandated lockdowns were successful in slowing the spread of the virus. On February 28, 2020 the Thai Government began restricting international travel from high risk countries. As cases began to surge in mid-March, the government began restricting public events, social gatherings, and the operation of some businesses. Citizens were also strongly encouraged to wear face coverings.

On March 24, the government declared a state of emergency and imposed a nation-wide lockdown that continued until May 2. Emergency measures to prevent the spread of the virus included closing risk-prone places such boxing arenas, sport stadiums, playgrounds, fitness centers, massage parlors, racetracks, bars, pubs, and entertainment venues such as movies and theaters. Other places such as museums, natural attractions, public libraries, religious sites, air terminals, bus and train stations, markets, and department stores were closed partially or entirely, as deemed appropriate. The government prohibited people from coming together in groups and advised people who are at risk due to age or health conditions

to remain at home. Additional control measures included deterring cross-provincial travel, taking disease prevention measures such as disinfecting surfaces in public places, promoting the use of hand sanitizers, enforcing the use of facemasks, and imposing a curfew between 22:00 to 04:00. Beginning on May 3, on a bi-weekly basis, the government began to incrementally relax the lockdown measures. By late June, nearly all the restrictive measures were removed.

Restricting international visitors has been extremely effective in reducing imported cases of the virus, but this has also deeply affected Thailand's crucial tourism industry. From April 28 until June 30, the government restricted all international visitors so that the only arrivals were Thai citizens returning home. On July 1, the government began to allow foreigners with valid work permits and long-term visas to return, but on arrival, everyone coming into the country had to stay in state-managed quarantine centers for 14 days. As a result of the government's restrictions, in 2020, the number of tourists visiting Thailand is expected to fall by nearly 70%.⁷

7. Bangkok Post. 2020. "Tourism chiefs mull ways to open safely", August 3, 2020, <https://www.bangkokpost.com/thailand/general/1961455/tourism-chiefs-mull-ways-to-open-safely>



Phuket town, April 17, 2020. Ko Kim/Shutterstock.com

Impact on Small Businesses

Figure 1: Operating Status: Comparison of Lockdown and Post-lockdown Periods

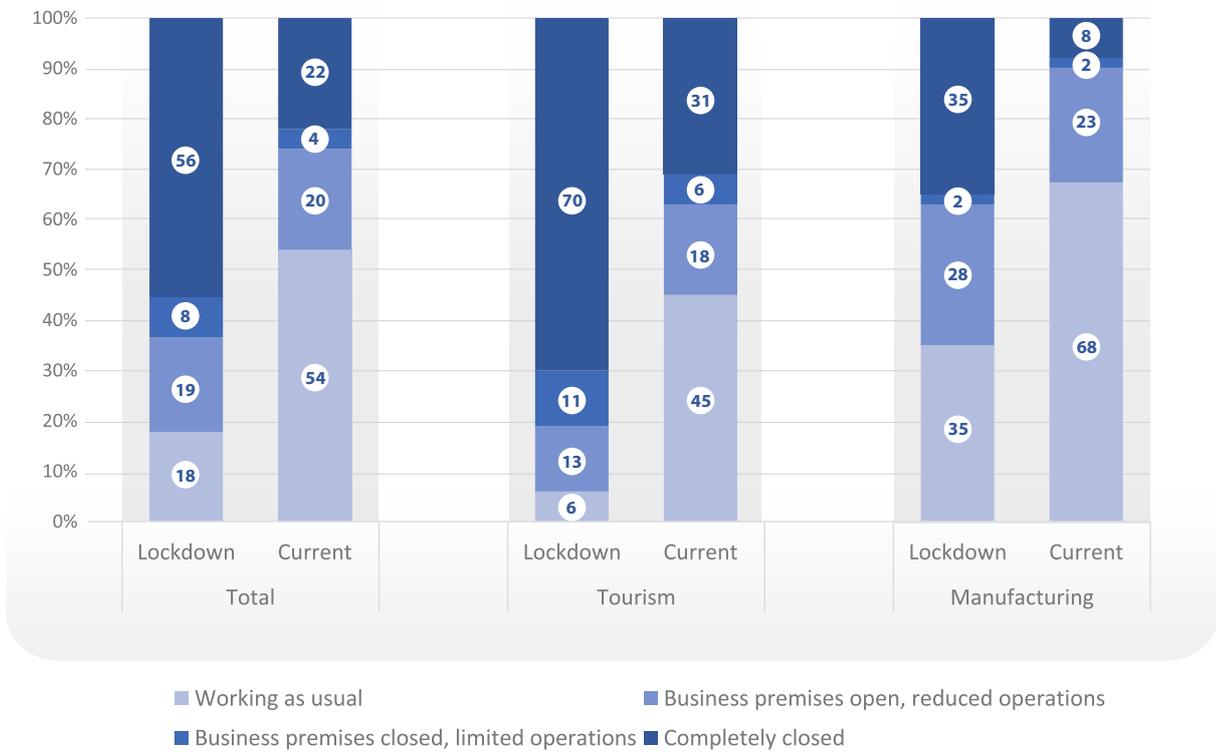
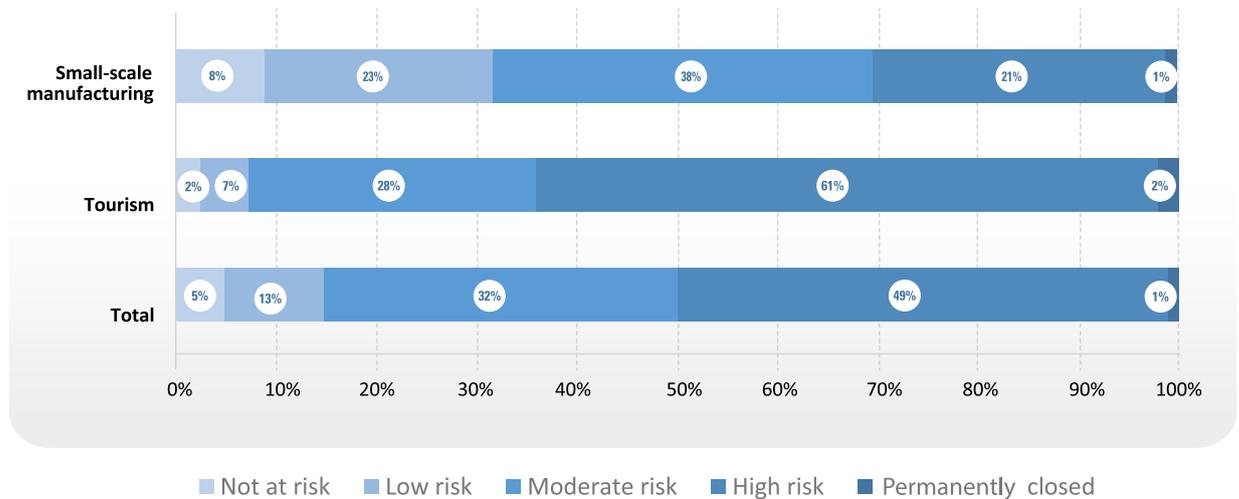


Figure 1 shows the effect of government lockdown restrictions (to prevent the spread of COVID-19) on the operating status of small businesses. For each category, the left column shows the operating status during the most restrictive periods of the lockdown (March 24 to May 2, 2020); while the right column shows the operating status after relaxation of most restrictions (June 2020).

This finding indicates that many businesses have been slow to resume normal operations after the lockdown. As expected, tourism businesses have been extremely slow to resume operations. The percentage of tourist businesses still closed in June (31%), is comparable to the percentage of manufacturing businesses closed during the most restrictive period of lockdown (35%). Even manufacturing has not returned to normal, with only 68% of businesses fully open in June.

Despite the lifting of most restrictions, just over half (54%) of MSMEs were operating normally in June.

Figure 2: Risk of Permanently Closing Business



Business owners were asked to indicate on the quantitative survey whether their businesses were at risk of closing permanently as a result of pandemic disruptions. Respondents were asked to identify their level of risk on a scale from "Not at risk" to "High risk". Businesses that have already closed down permanently were also identified.

to closing down permanently. Tourism businesses were particularly vulnerable, with 63% of owners indicating that their business was either high risk or already permanently closed). Manufacturing businesses were comparatively better off, though the owners also indicated high levels of risk. Only 31% of manufacturing businesses considered themselves safe ("Not at risk" or "Low risk"), while almost the same percentage (30%) are highly vulnerable ("High risk" or already permanently closed).

Nearly half (49%) of business owners indicated that their business was highly vulnerable (i.e., "High Risk")

Figure 3: Primary Causes of Disruption to Business

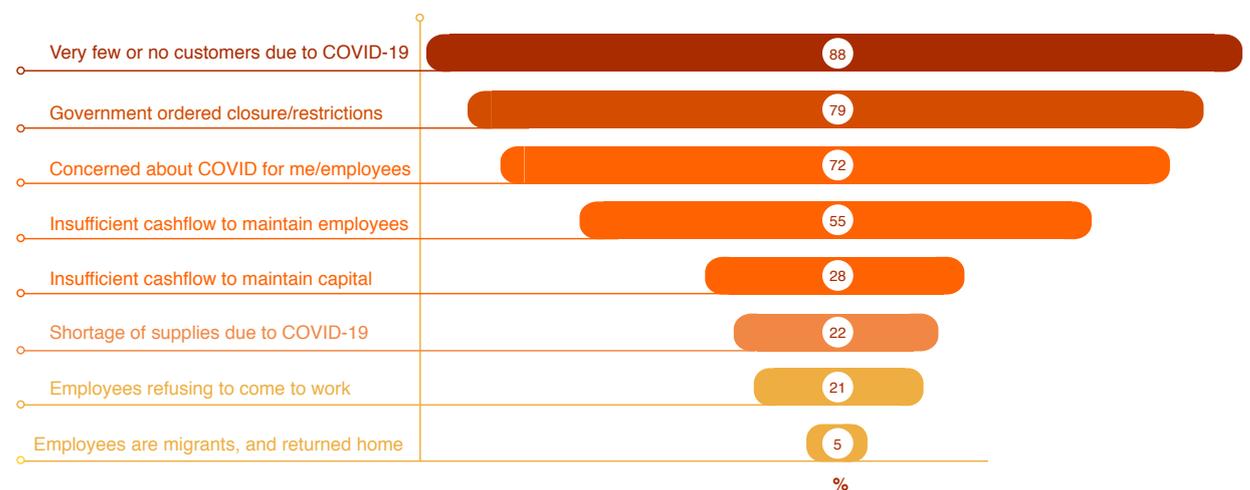


Figure 3 shows the primary causes of disruption to businesses. Survey respondents were asked if their business was affected by each of the challenges listed. The most significant challenge for businesses was the drop-off in customers due to COVID-19 (88%). Government ordered closure/restrictions was the second most common cause of business disruption, affecting 79% of MSMEs. Lingering concerns over the health risks of COVID-19 were also a major cause

of disruption, as 72% of businesses altered their operations to reduce their personal risk of catching the virus, and the risk to their employees. Despite the large-scale repatriation of many migrant workers, only 5% of businesses reported disruptions due to migrant workers returning home. Figures 4 and 5 illustrate the breadth and depth of impact on business revenues from the pandemic, and related restrictions.

Figures 4 and 5: Impact on Revenue and Scale of Revenue Reduction

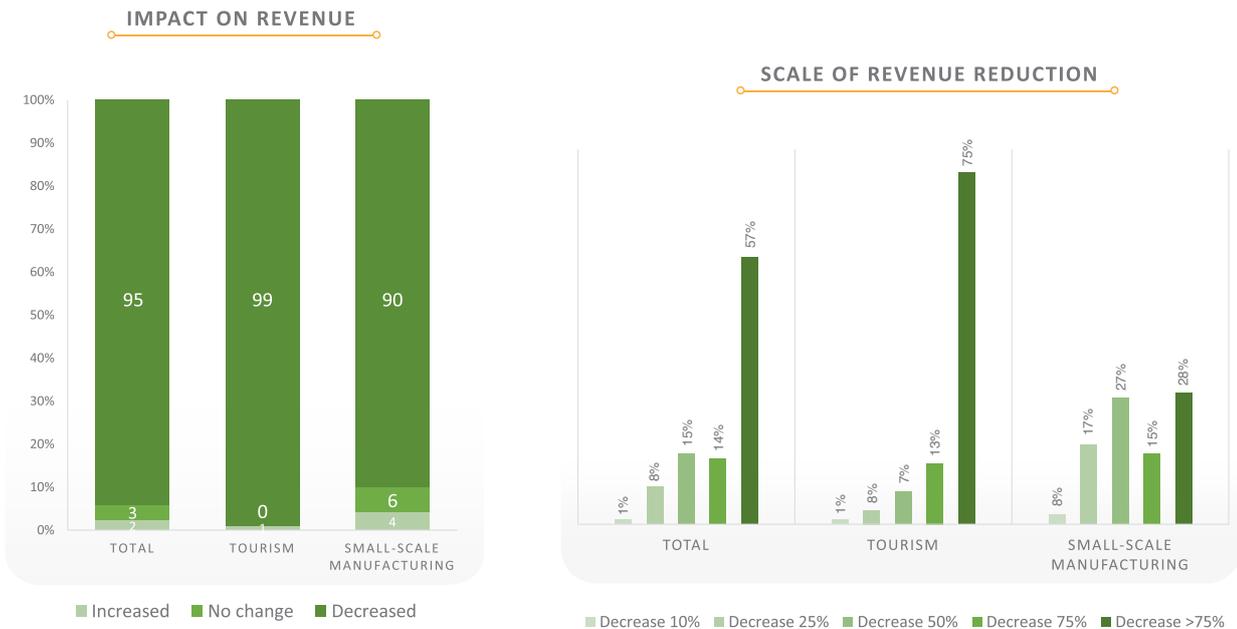


Figure 4 shows the percentage of businesses that saw a reduction in their revenue. The vast majority of businesses experienced a decline in their income—99% of tourism-related businesses, and 90% of manufacturing businesses. The scale of reduction is particularly striking. Three-quarters of tourism businesses indicated that their revenue

had declined to less than 25% of pre-COVID levels, and many of these businesses indicated that their revenue had completely stopped. Surprisingly, 28% of manufacturing businesses also experienced a severe decline in revenue—down to less than 25% of their pre-COVID revenue.

Figure 6: How Much Longer Can Businesses Last?



Figure 6 illustrates the crisis that many small businesses are currently facing. In June, when most of the lockdown restrictions had been lifted, business owners were asked how much longer they could stay in business under current conditions. Remarkably, 11% of MSMEs were on the verge of closing permanently, which included 15% of tourism businesses. Only half (49%) of small business owners were confident that they could make it through the crisis (i.e., could stay in business indefinitely). Tourism was the worst affected, with more than one in three (36%) small businesses unable to last six months. While manufacturing is somewhat better, there are clear indications that a large percentage of small and micro businesses are in trouble, with nearly one in three (32%) reporting that they cannot last six months.



Jomtien, June 18, 2020. Norbert Braun/Shutterstock.com

A photograph of a beach scene. In the foreground, several colorful beach umbrellas (blue, orange, yellow) are open, casting shadows on the sand. Blue lounge chairs are arranged on the beach. In the background, the ocean is visible under a clear sky. The text of the case study is overlaid on a semi-transparent white box in the center of the image.

Case Study – Impact of the Decline in International Tourists on Koh Samet

Koh Samet is an Island off the coast of Rayong Province in Thailand’s central region. The island’s economy primarily dependent on international tourists. After the lockdown ended, the island re-opened to visitors on July 1, which was much later than the re-opening in the rest of Thailand. The delayed opening of the island prevented tourism businesses from earning an income for three full months and, in order to survive, many businesses had to cut costs and reduce their expenses. Businesses with employees dramatically cut staff costs by laying off employees and/or reducing the working hours of those who stayed.

Even with the island re-opening, the outlook for the tourism sector on Koh Samet is bleak. With international tourists still barred from entering Thailand in August 2020, businesses across the island have been marketing themselves to domestic tourists, but this has had limited success.

In July, the research team interviewed four different types of businesses on Koh Samet: a medium-sized hotel and restaurant, a jetksai and motorcycle rental shop, a water sports center, and a family-run restaurant. Since the COVID-19 pandemic began, all of these businesses have experienced a severe decline in revenue (75% or more), and since the island re-opened, customers have not returned to pre-COVID levels. While some Thai tourists have started to visit the island, their numbers are small. Generally, Thai travelers only visit on weekends, and their preferences are quite different from international tourists, which makes it difficult for most businesses on the island to attract them. Now, to reduce their operational costs, many businesses are opening only on the weekends. Also, to make ends meet, two of the four business owners are working part-time on the mainland.

There was strong consensus among the four business owners that a second lockdown would be catastrophic for them, and they worry that a second lockdown will occur. In mid-July, one member of an Egyptian military delegation tested positive for the virus shortly after visiting the nearby town of Rayong. The incident was widely reported in the national media, and nearly 2,000 local residents were required to quarantine for 14 days. Following this incident, many domestic tourists cancelled their reservations, which highlights the fragility of the island’s situation. Three of the four business owners interviewed for this study said that they were thinking about closing their business and leaving the island as they do not believe that their situation will improve in the near future.

Figure 7: How Much Longer Can Businesses Last? (Ranked by Operating Status)

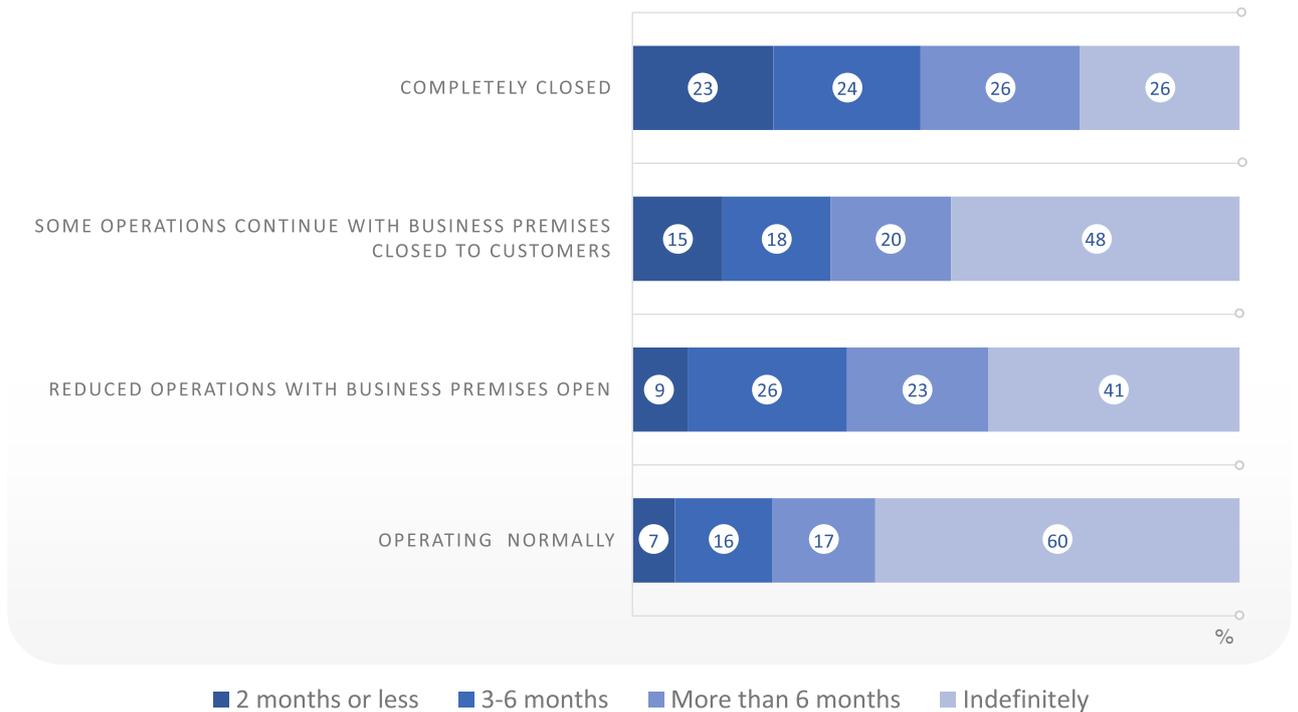


Figure 7 shows how long the MSMEs surveyed for this study thought their enterprise could survive. The responses are grouped according to the businesses' current operating status. Businesses that remained closed in June were the most likely to shut down permanently, with nearly half (47%) of these expecting to shut down within six months, or less. However, even businesses that have been able to

reopen and operate normally are confronting major challenges. Nearly a quarter (23%) of the businesses that are operating normally expect that they will have to close by the end of 2020, or sooner. This finding is likely a result of the drop off in customer demand that has continued to depress revenues, despite the lack of restrictions.

Figure 8: Regional Comparison – Operating Status

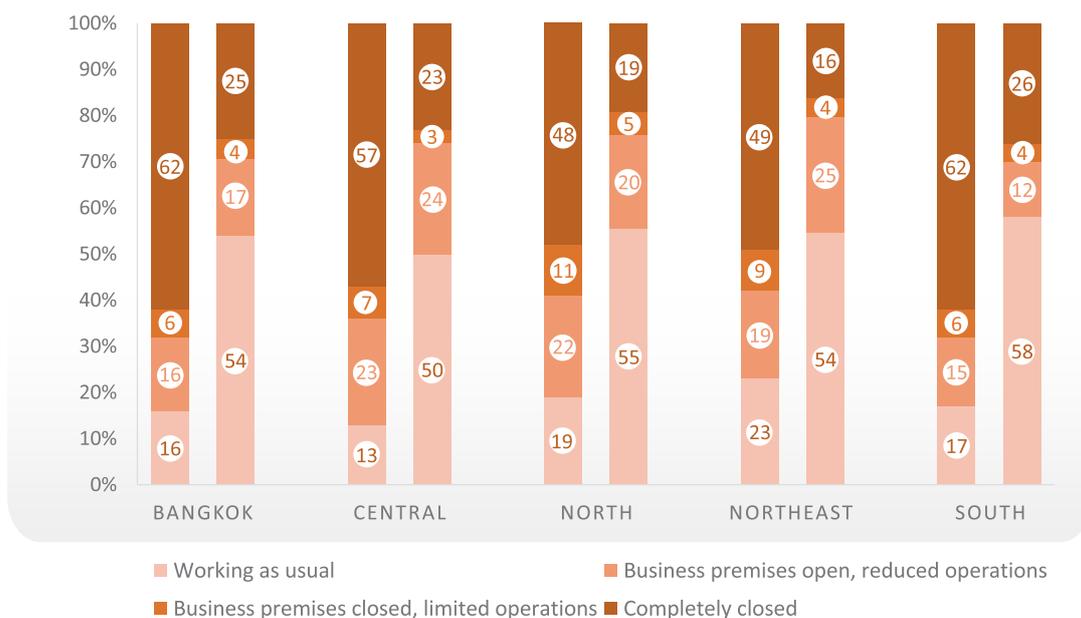


Figure 8 compares the five major regions of Thailand, based on the operating status of the businesses this study surveyed. In June, after most lockdown measures were relaxed, in all five regions, just over half of the small businesses surveyed were operating as usual.

Bangkok and the South: These two regions are highly dependent on international tourism, and have been the most heavily affected in the country. During the most restrictive lockdown period (left column), 62% of businesses in these two regions were completely closed, and only 16–17% were operating normally. This trend has continued, post-lockdown (see the

right-hand column), with 25–26% of businesses in Bangkok and the South still completely closed.

North and Northeast: Generally, the businesses in these two regions, which rely much less on international visitors, have been comparatively better off. Fewer than half (48–49%) of the businesses surveyed were completely closed during the most restrictive lockdown. In June, while the number of businesses that were operating normally in the North and Northeast was comparable to the rest of the country, a higher percentage were partially open (25–29%), and a comparatively low percentage were still closed (19% in the North, and 16% in the Northeast).

Figure 9: Regional Comparison – Risk of Permanently Closing

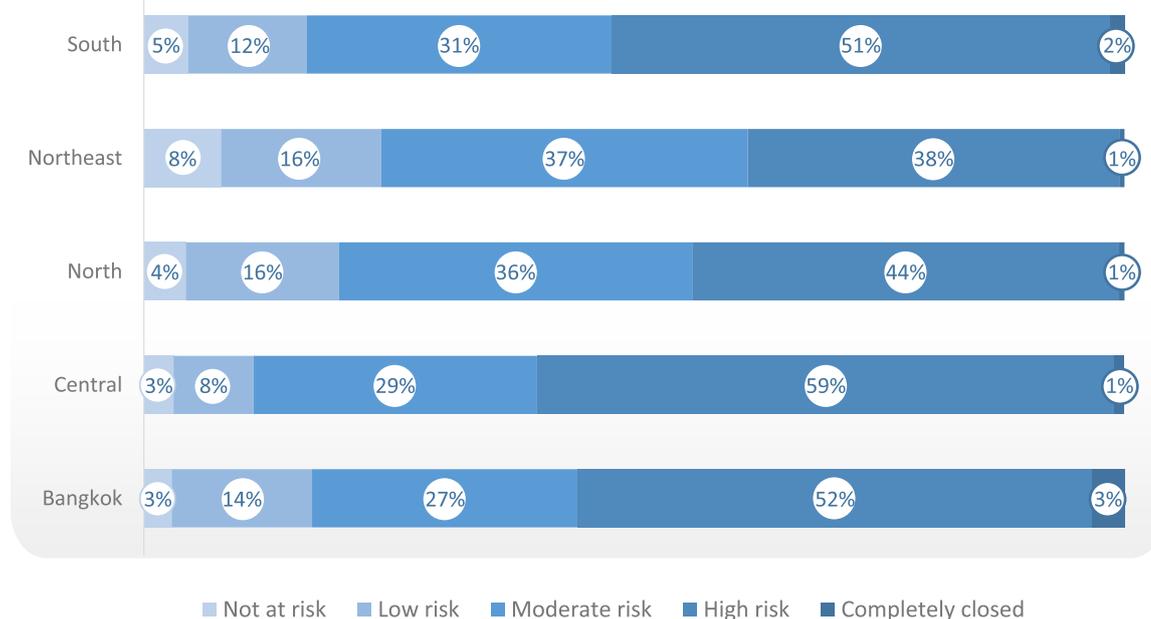


Figure 9 shows a similar pattern to Figure 8, with the North and Northeast both comparatively better off. In the Northeast, for example, nearly a quarter (24%) of the businesses surveyed were confident that they could survive the crisis (“not at risk” or “low risk”), while just over a third (38%) considered themselves at high risk of closing permanently.

In this comparison, however, the Central Region (excluding Bangkok) appears to be the most vulnerable, with only 11% of businesses confident that they can survive the crisis (“not at risk” or “low risk”), and 60%

at high risk, or already permanently closed. In Bangkok and the South, three times as many businesses are at high risk of closing compared to those that are not at risk, or low risk.

These findings appear to demonstrate that the regions that have not benefitted as much from foreign tourism in recent years are likely to be better off than regions that became international tourism ‘hotspots’. Ironically, regions that are more integrated into the global economy seem to be at greater risk.

Case Study – Long-established Restaurant in Khao Yai that is Popular with Thai Tourists

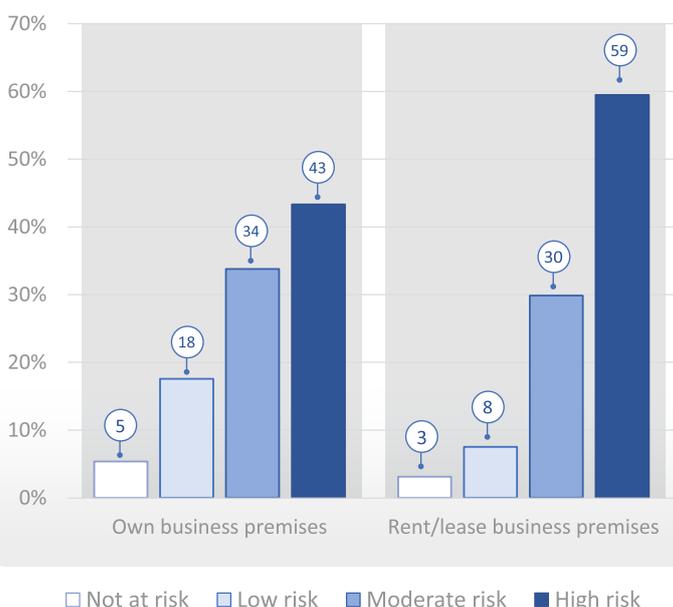
The research team interviewed the owner of a 26-year old restaurant in Pak Chong (near Khao Yai National Park)—an area that is popular with domestic tourists. Despite being popular with international as well as domestic tourists, the business owner said that 2020 brought the worst economic crisis that her business has ever faced. In fact, she said that it was much worse than the Tom Yum Kung Crisis (or Asian Financial Crisis of 1997–1998), which was one of the worst economic crises in recent Thai history.

Over the course of the lockdown, this restaurant was forced to close for dine-in customers. They tried to shift into food delivery, but with limited success. The owner believes that the restaurant’s atmosphere is one of the major reasons that patrons visit regularly, and she said that the types of food she prepares are not well-suited for delivery. Since the lockdown was lifted on June 1, the restaurant has re-opened for dining in, but its revenues have been only 10% of the pre-COVID-19 level.

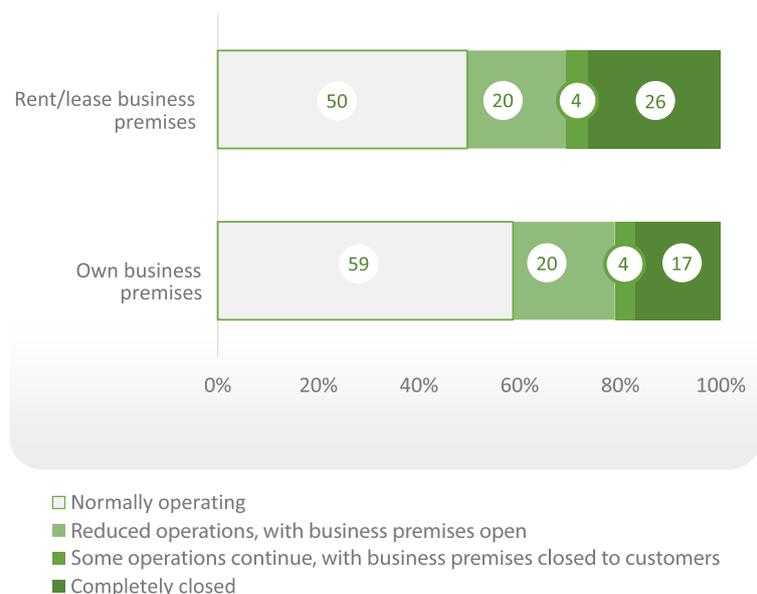
In order to adapt to its decline in income, the restaurant cut staff from 5 to 3, one of whom is working part time. Now the restaurant only buys supplies on a day-to-day basis, or every two days, and it no longer stocks a large inventory of items. While these adaptations have helped a little, the business owner said that even with a 50% cut in her rent, she still cannot pay all of her expenses. As a result, if her business does not improve by the end of 2020, she will likely close down permanently. She is hopeful that the high season, which starts in November, will be more profitable, however, she is afraid that a second lockdown could force her to close again. Additionally, if an outbreak is reported for the Khao Yai area, she is sure that this will deter people from visiting, and further damage her business. She hopes, therefore, that the government will prioritize maintaining public health above all else.

Figures 10 and 11: Impact on Businesses that Rent their Premises

Rent vs. Own - Vulnerability



Rent vs. Own - Operational Status

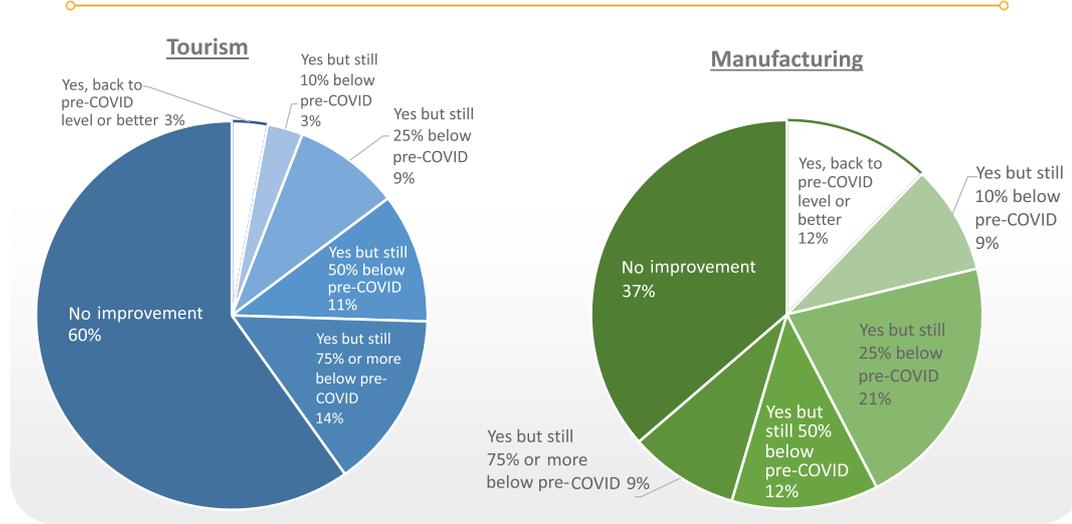


Businesses with higher ongoing expenses are generally in a more precarious position. Figure 10 shows that businesses that rent their premises are far more vulnerable than those that own their premises. A total of 59% of businesses that rent or lease their premises are at high risk of permanently closing. This contrasts with the percentage of businesses that own their premises and are at risk of closure (43%).

Figure 11 shows that more than a quarter (26%) of businesses that rent or lease were still completely closed in June, compared to 17% of businesses that own their premises. This trend could also be a reflection of the difficulties that businesses are facing in more expensive regions (such as Bangkok), where they are less likely to own their premises, and more likely to be dependent on international tourism.

Figure 12: The Shape of Recovery

Has your revenue improved since the government began lifting restrictions?



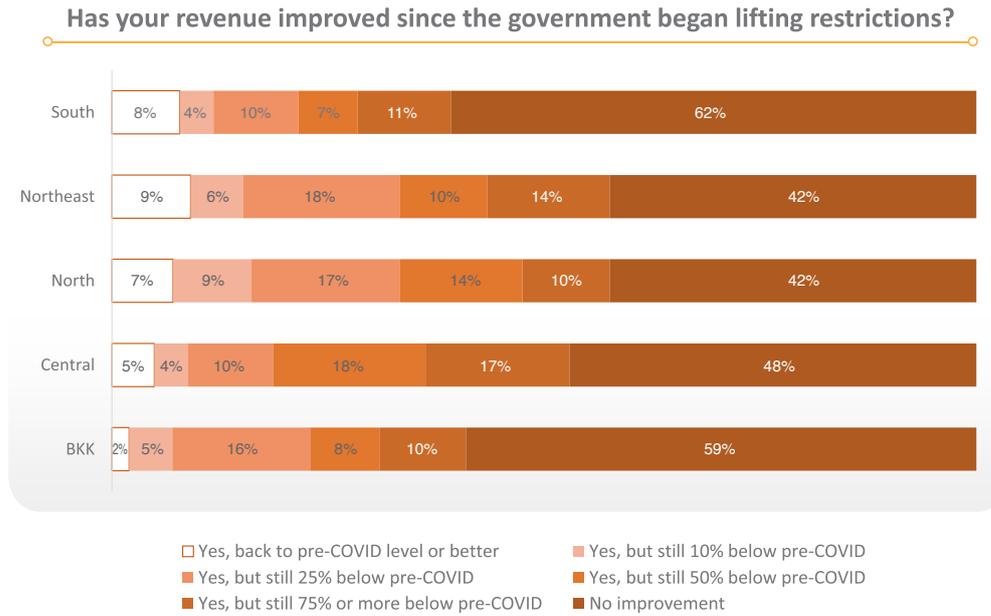
The prospects for a quick economic recovery are increasingly low. In the survey, business owners were asked whether their revenue had improved since the government began to relax lockdown measures on May 2, 2020. At the time this study's survey data were collected, more than a month had passed since the most restrictive lockdown had ended, and the majority of businesses had been able to resume normal operations. Figure 12 shows that over the two months after the lockdown ended there was no quick recovery. More than half (52%) of all the MSMEs surveyed did not see any improvement in their revenue after the end of the lockdown.

Tourist businesses barely improved at all after the lockdown ended. Three out of four of the enterprises

surveyed (74%), were making less than a quarter of their pre-COVID revenue, and 60% saw no improvement at all. Manufacturing MSMEs were struggling as well, with 3 out of 5 making less than half of their pre-COVID-19 sales. The percentage of businesses that were able to quickly return to pre-COVID levels was extremely small—only 3% of the tourism businesses, and 12% of manufacturers.

It is possible that in June, when the surveys were conducted, that it was simply too early to observe a rebound in the economy, especially because there was still some modest community spread of the virus at that time. Subsequent rounds of this study's survey will continue to monitor revenue levels since the end of the lockdown.

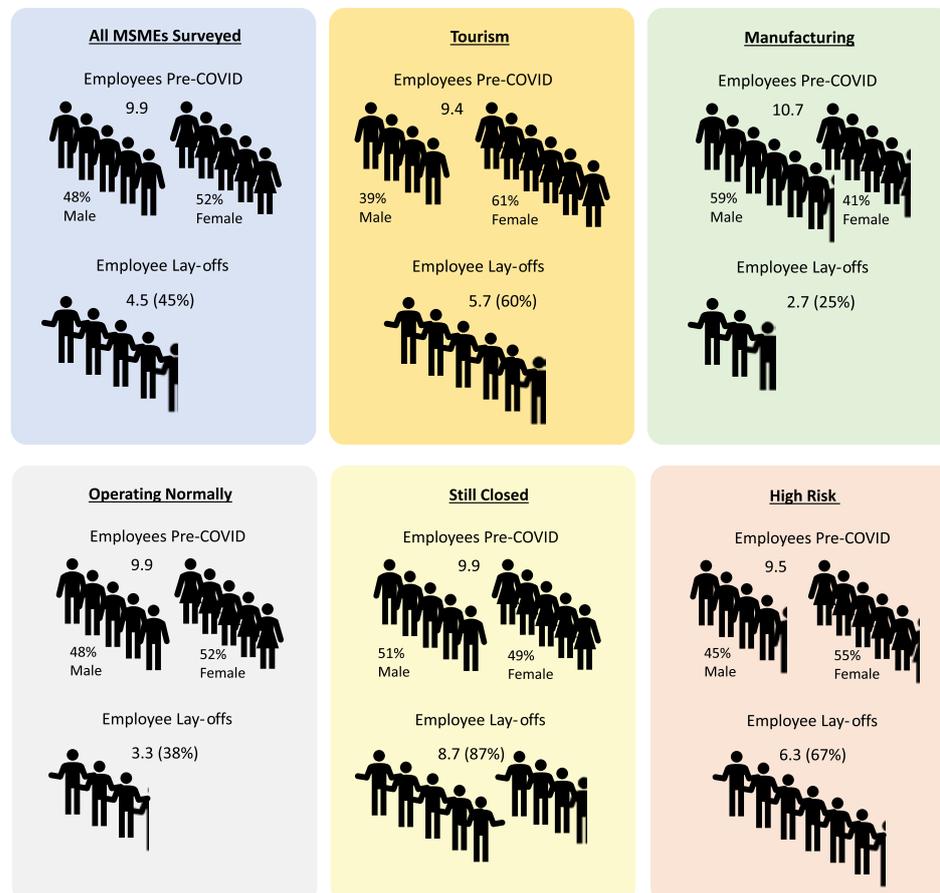
Figure 13: Regional Comparison – Shape of the Recovery



The survey results show that all five regions are recovering very slowly. Only 2% of small and micro businesses in Bangkok have recovered to pre-COVID-19 levels of revenue, while 77% have revenue that is still less than half of their 2019 level. In the South, where international tourism is particularly important, 62% of businesses have seen no improvement at all

in their revenue since the end of lockdown, and 80% still have less than half of their pre-COVID earnings. While the North and Northeast are recovering slightly better, 42% of their businesses have not seen any improvement in revenue since the lockdown ended, and less than 10% are back up to their pre-COVID sales.

Figure 14: Employee Retention



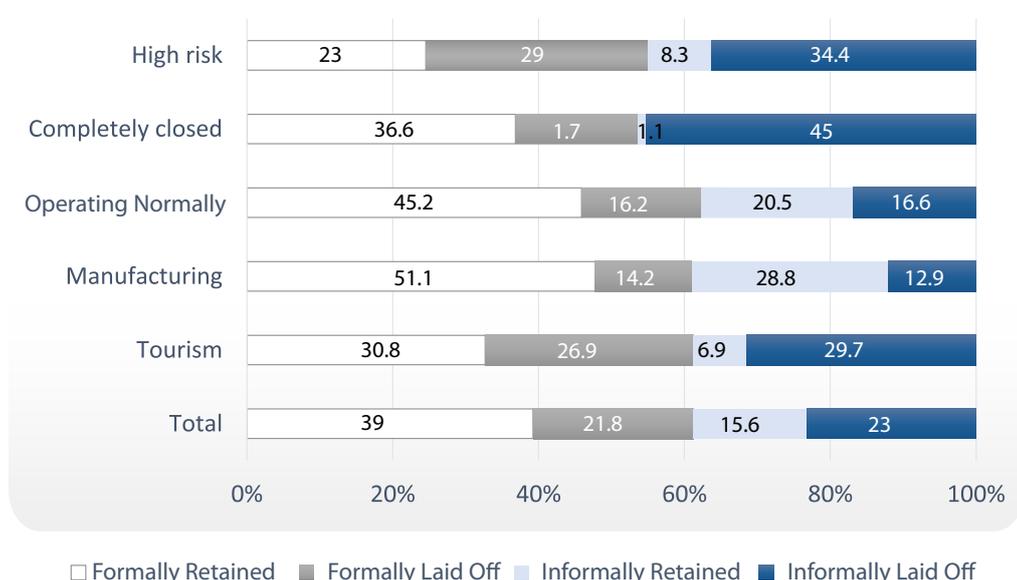
As businesses are in survival mode, they have been letting employees go at an alarming rate. The average micro and small business has terminated 45% of their staff, while tourism-related businesses have let go nearly 60% of their staff. Figure 14 illustrates the extent of employee retrenchment between March and June 2020, as well as the differences by gender. The average number of employees for the 982 businesses surveyed was roughly 10, with slightly more female employees than male.

There is clear evidence that women employees have been more affected than men. Tourism businesses, which have 61% female employees, have let go of

5.7 employees, on average (60%). Manufacturing businesses, which have 41% female employees, have let go of 25% of all their employees or 2.7 people.

Those businesses that have not yet re-opened since the lockdown ended let go of nearly all of their employees (87%). Surprisingly, even those businesses that have been able to re-open, have terminated more than a third (38%) of their employees. This trend illustrates that even post lockdown, businesses are struggling to attract customers, and are rapidly reducing costs, including those for staff. Businesses that consider themselves at high risk of closing permanently have let two-thirds (67%) of their staff go.

Figure 15: Comparison of Employee Retention for Formal and Informal Enterprises



The survey shows that informal and part-time employees are much more likely to be laid off. More than half of informal and part-time workers (60%), who have no unemployment insurance or social security, have been removed from MSMEs' payrolls. By comparison, 36% of formal workers have been let go. Employers are obligated to pay severance to formally

employed workers when they are laid off, which leads many businesses to terminate their informal workers first. Tourism businesses, for example, have let 81% of their informal workers go. Of the tourism and manufacturing MSMEs that are still closed, almost all of their informal workers (98%) have been laid off.

Case Study – Medium-sized Hotel and Restaurant in Koh Samet at Risk of Closing

In Koh Samet, an international tourist destination that has been particularly hard hit by the pandemic, small hotels are struggling to keep their businesses afloat. One owner of a medium-sized hotel and restaurant with 16 rooms and 20 tables, told the research team that her business revenue is still 90% below her pre-COVID-19 level. When the island re-opened (three weeks prior to her interview), she was hopeful that customers would come back quickly, lured by discounts and lightly populated beaches. However, news of the COVID-positive Egyptian soldier in near-by Rayong led to the cancellation of most of her bookings. With the continuing closure of Thailand's international borders, the hotel owner is deeply concerned about the viability of her business. Thai tourists comprise only a small fraction of the previous foreign visitors, as they generally visit only on weekends and spend much less in comparison to their international counterparts. In order to survive, the hotel owner has reduced her staff by 50%, and reduced the working hours of her remaining staff by 50%. Despite these dramatic reductions, the owner is still losing money and she is uncertain about how much longer she can stay in business. To further reduce operating costs, she will likely close the business during weekdays, and only open on the weekends. She says that if international tourists do not return until 2021, as most expect, many businesses on the island will shut down permanently.

Figures 16 and 17: Impact of Public Health Measures on Small Businesses

WILL LIMITING THE NUMBER OF CUSTOMERS HURT YOUR BUSINESS?



■ Yes, it will hurt my business ■ Neutral
 ■ No, it will not hurt my business

WILL THE FACE MASK REQUIREMENT FOR CUSTOMERS HURT YOUR BUSINESS?



■ Yes, it will hurt my business ■ Neutral
 ■ No, it will not hurt my business

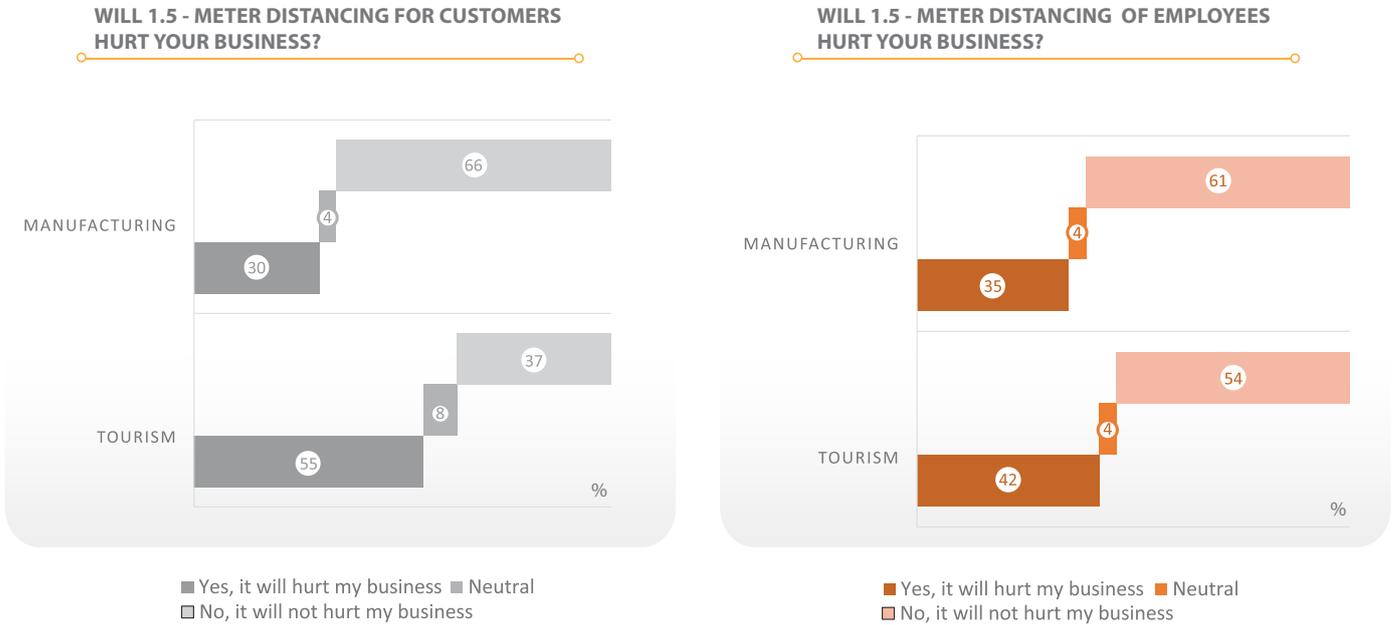
Most businesses are supportive of public health measures to prevent further spread of the virus. Nearly all of the businesses interviewed for the case studies said that another lockdown due to a second wave of virus would be devastating.

However, there are significant differences between the impact that public health measures have on tourism and small-scale manufacturing businesses. Figures 16 and 17 illustrate the views of business

owners on the impact of limiting the number of customers entering their premises, and on customers requiring face masks. A total of 63% of the tourism businesses surveyed believe that they are negatively affected by restrictions on their number of customers. By comparison, manufacturing businesses that often sell their products wholesale to retailers, or online, are much less concerned about limiting the number of customers, with only one third (33%) saying it would hurt their business.

The requirement to wear masks seems to have affect their business. Manufacturing businesses held the lowest impact on businesses, including those in tourism. Almost two thirds (64%) of tourism businesses said that this requirement would not

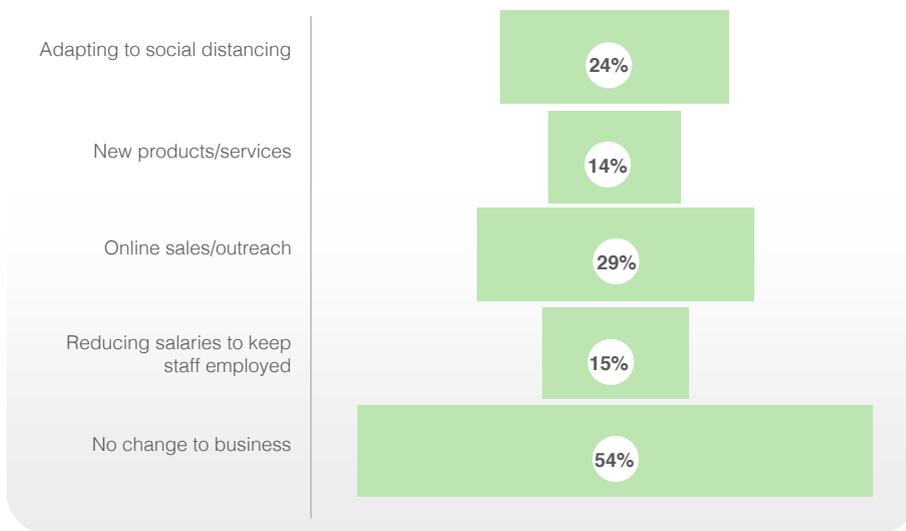
Figures 18 and 19: Impact of Social Distancing on Small Businesses



Figures 18 and 19 illustrate that social distancing requirements are likely to be costly and challenging for tourism businesses. More than half of tourism businesses (55%) surveyed indicated that they would be negatively affected if they are required to have 1.5 meters of distance between customers. Social distancing of employees was also considered challenging and costly by 42% of businesses, though more than half (54%) of tourism businesses said

that they could comply with no additional cost. Manufacturing businesses are generally in a better position to comply with social distancing, though separation of employees is slightly more challenging than separation of customers. More than a third (35%) of manufacturing businesses said they would be negatively affected by social distancing requirements for employees.

Figure 20: How are MSMEs Adapting to the New Normal?



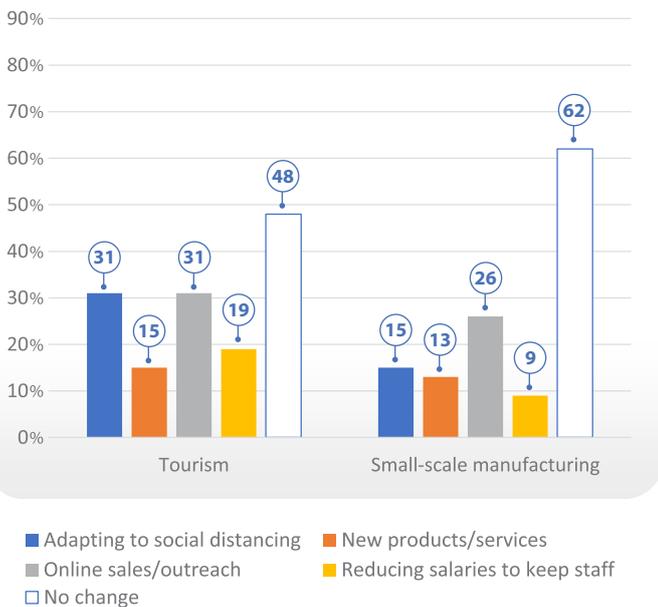
Many businesses have been adapting in response to the crisis. Nearly a third (29%) have been increasing their online presence by reaching out to customers online, and selling more of their products and services through social media applications such as Line and Facebook. Almost one quarter (24%) have introduced measures to comply with social distancing requirements. While only 14% have developed or introduced new products or services, based on findings of the qualitative case study, this percentage

is likely to increase in subsequent rounds of the surveys,

However, more than half (54%) of the businesses surveyed have not changed their approach at all. Given the scale of the crisis, this figure seems to indicate that many businesses will struggle in future, especially if the escalating crisis continues until 2021. Figures 21 to 24, below, further illustrate which businesses are not adapting, and why.

Figures 21 and 22: Which MSMEs are Adapting?

Tourism MSMEs are adapting more than manufacturing



Moderate and high risk MSMEs

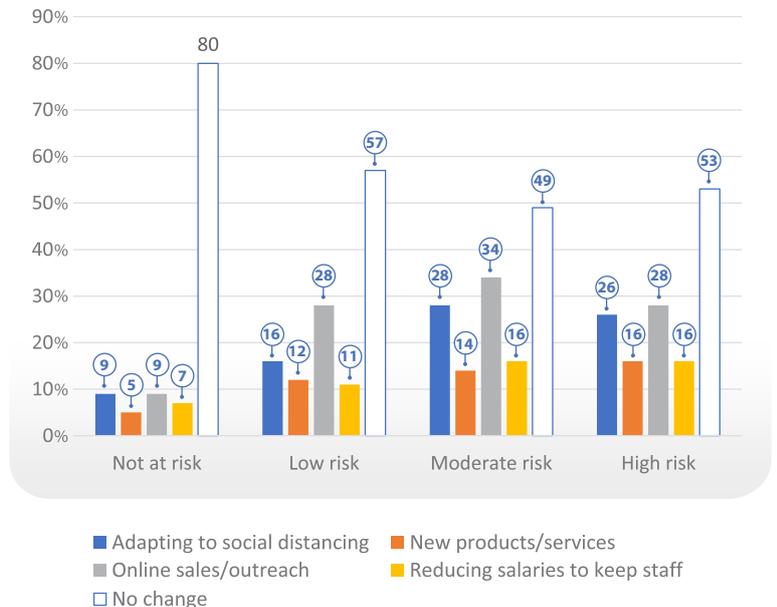


Figure 21 shows that tourism businesses are more likely to adapt to the crisis than manufacturing businesses, though nearly half (48%) have not changed at all. Almost a third (31%) of tourism businesses are adapting to enable more social distancing, compared to only 15% of manufacturing businesses. Tourism businesses are also more likely to reduce staff salaries (19%) and utilize more online approaches for sales and outreach (31%).

Almost two thirds of manufacturing businesses (62%) have not changed their business model due to the crisis. Of the 38% of manufacturers that have adapted, the most common adaptation is increasing their online presence and customer outreach through social media.

Figure 22 shows which businesses are adapting, based on their self-perceived risk of closing. Unsurprisingly,

those businesses that are most confident that they will survive the crisis are also the least likely to be adapting their businesses. More than three quarters (80%) of these businesses that are “not at risk,” and 57% of businesses at “low risk” have not changed their business as a result of the pandemic and economic slowdown. The most likely businesses to change are those with “moderate risk,” with a slight majority (51%) indicating a change of some kind, including 28% adapting with social distancing measures, and 34% operating more online.

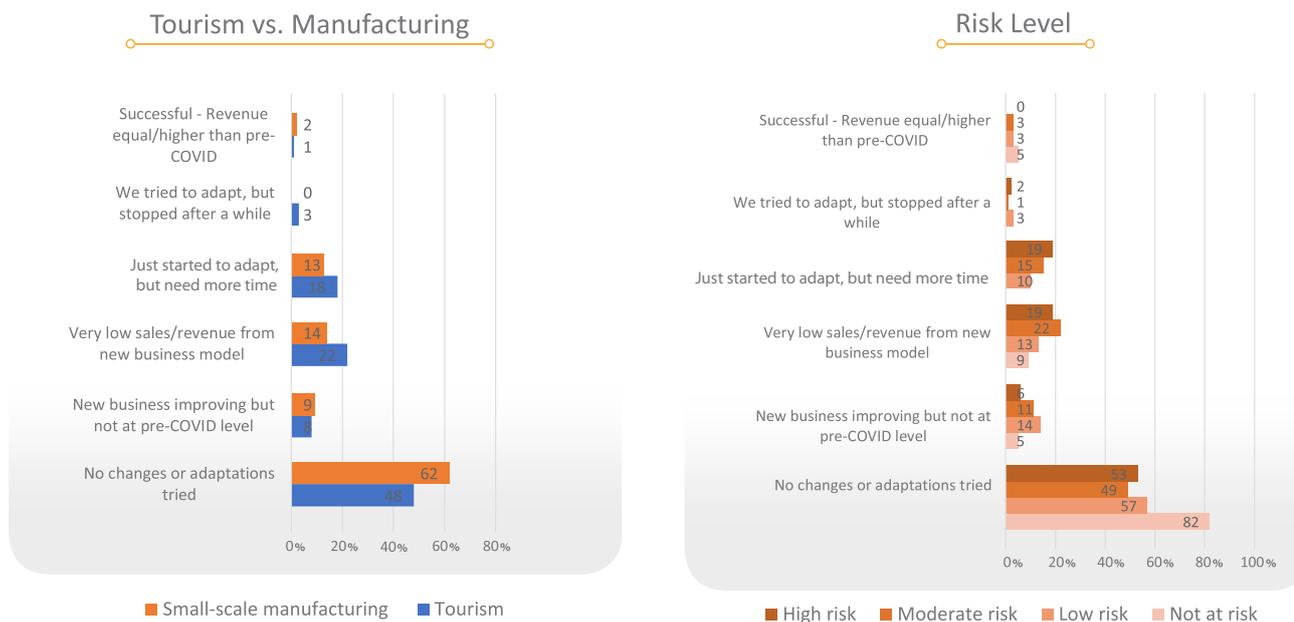
The most surprising finding is that less than half (47%) of businesses at “high risk” are attempting to change their business in response to the crisis. Many of these businesses are on the verge of permanently closing, so it is unclear why they would not be trying to adapt in much larger numbers. Figures 23 and 24, below, may explain why so many businesses are not adapting.

Case Study – Banana Chip Production Cooperative Adapting in Buriram

In a rural district of Buriram Province, in Northeast Thailand, the research team interviewed members of a women’s cooperative group producing banana chips. This group has 25 members who work together in the production process, with profits shared among the members. This micro enterprise has been impacted in several negative ways by the government’s COVID-19 control measures. During the most restrictive lockdown period, the cooperative’s sales fell significantly due to its inability to sell products through retailers that had been forced to close. Restrictions on cross provincial travel in April also prevented the business from selling their products beyond Buriram.

In response to declining sales and restricted business operations, the cooperative used online applications such as Facebook and Line to improve its sales. These changes were quite successful in helping the business to rebound from low sales. In mid-July, more than two months after the lockdown’s relaxation began, 50% of the cooperative’s sales were still online. Prior to COVID-19, they had no online sales. These changes helped the business to recover quickly, and by mid-July, sales reached 80% of pre-COVID sales. While online sales have been extremely helpful, the business is facing other new challenges, such as the additional costs associated with packaging and shipping.

Figures 23 and 24: How Successful are Adaptations?



Based on data in Figure 23, it appears that very few businesses have been successful in adapting their business. Only 1% of tourism businesses, and 2% of manufacturing businesses have been able to reach their pre-COVID level of revenue as a result of their adaptations. A small minority of MSMEs (8% in tourism and 9% in manufacturing) are optimistic that their adaptations will succeed eventually (“new

business improving but not at pre-COVID levels”). Most businesses are struggling with their adaptations to improve revenue. Nearly one quarter (21%) indicated that their changes did not lead to greater revenue, while 16% said that it was too early to tell. Figure 24 shows that businesses at high risk of closing have either failed in their efforts to adapt their business, or they have not tried to adapt.

Case Study – Bar and Cafe in Pak Chong With a New Business Model

A small-scale bar and café in Pak Chong in Nakhorn Ratchasima Province in Northeast Thailand illustrates how some businesses have completely changed their business model to survive during the crisis. The bar and café used to cater to locals in the Pak Chong area, as well as international and domestic tourists. But despite easing of the lockdown, bar/café's such as his have remained closed. When interviewed for his case study, the owner said that tourists are few and his local patrons were only spending money on essential items such as food and household goods, and saving the money they used to spend at his bar and café. With his business stagnating, the owner began focusing on a side business that he started prior to the pandemic. This business involves producing fish snacks, using high quality inputs from Thailand's southernmost region. Prior to COVID-19, the snack business was not a priority for the owner, and therefore received little attention and investment. However, after the income from his bar and café steeply declined, the owner began focusing all his efforts on producing and selling the fish snacks, and this has now become his primary source of income, with sales of 500 packages a week. The fish snacks are made to order, and sold through delivery, which means the business is less impacted by the lockdown. As a result of the owners' efforts, his snack production business has grown by 50-60%, and he now plans to turn his bar into a facility for producing his fish snacks and also produce his product at another property he owns.

Figure 25: Dependence on Tourism

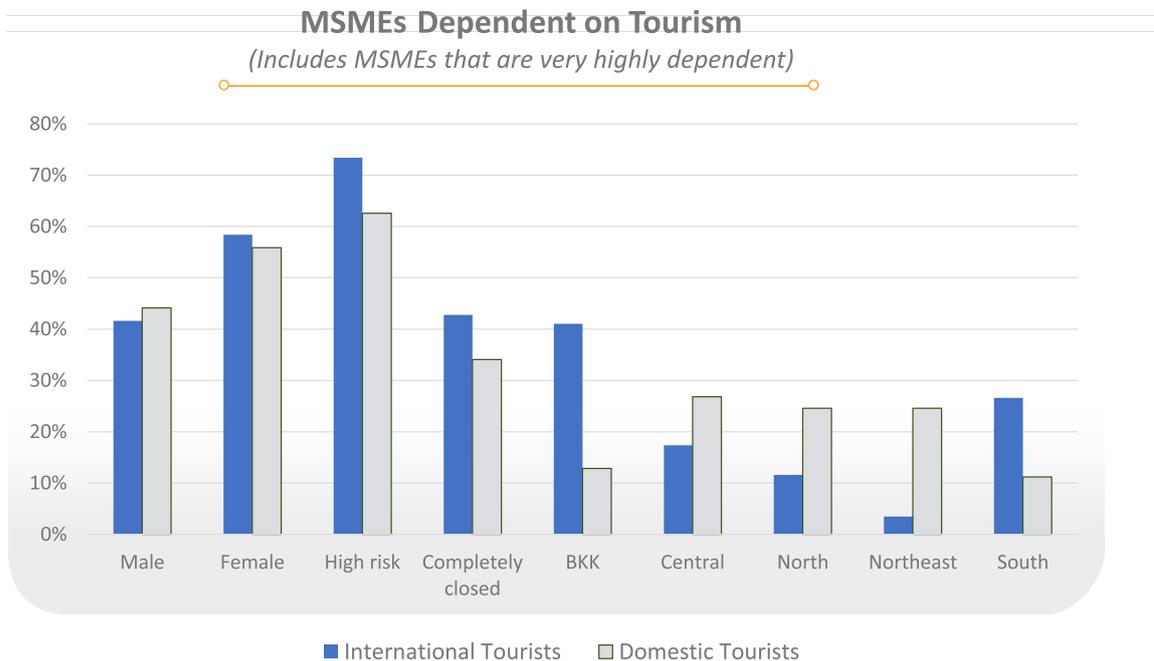
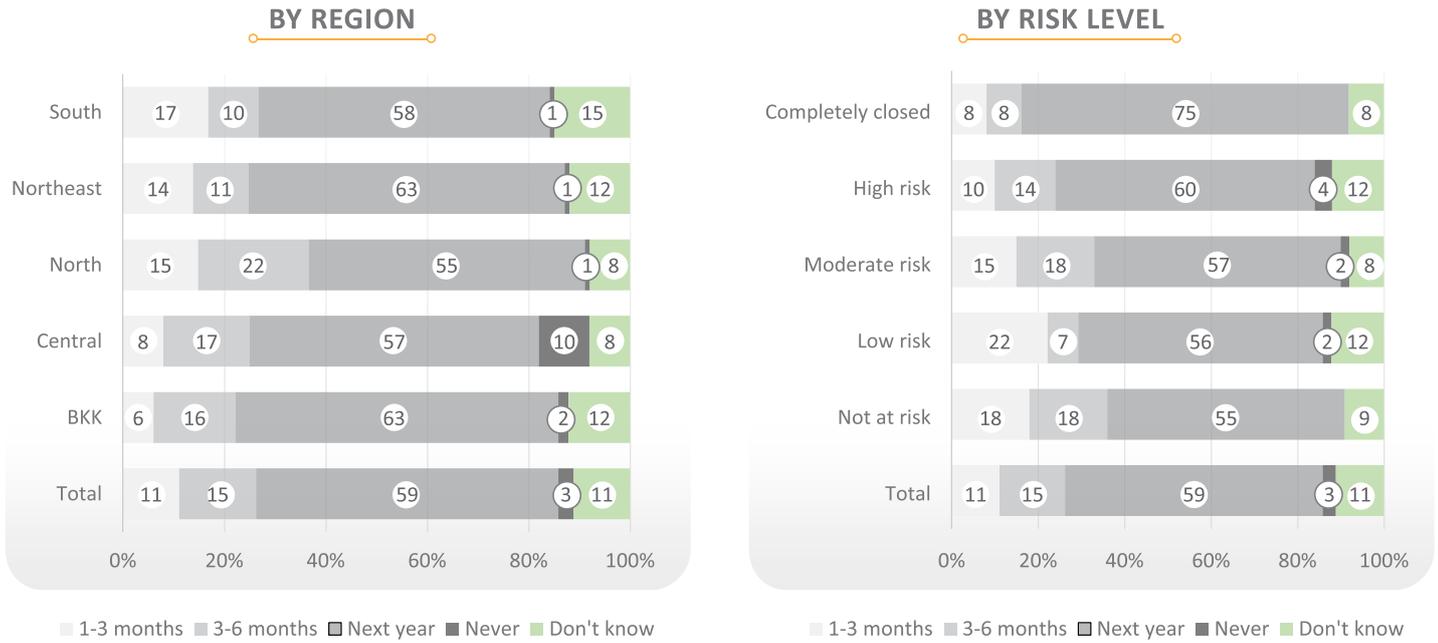


Figure 25 shows which businesses rely on international visitors, and which rely primarily on domestic visitors/patrons. Given that Thailand has had no international tourist arrivals since March—a trend that is likely to continue until 2021—businesses that depend on international tourism have been the most heavily affected. This figure shows that 73% of tourism businesses that serve international tourists

are at high risk of closing permanently. Bangkok (41%) and the South (27%) have the highest dependence on international tourism, which may explain why these regions have been more heavily affected. The Central, North, and Northeast regions have a higher percentage of domestic visitors, and the Northeast, in particular, had very few international visitors prior to the pandemic. Female-owned businesses are more reliant on tourism, and slightly more reliant on

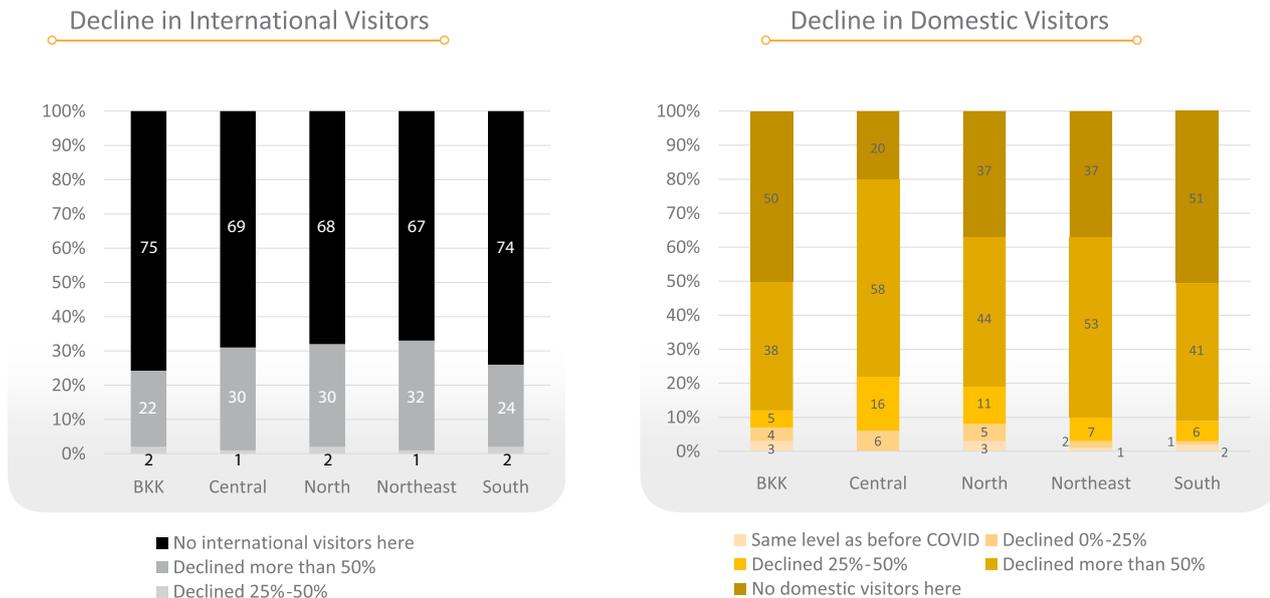
Figures 26 and 27: Expectations about When Visitors Will Return



As shown in the data presented in Figure 26, businesses in the tourism sector have a realistic expectation of when tourists will likely return to their area. Over half (59%) of all tourism businesses expect that visitor numbers will return to pre-COVID levels in 2021, while 3% think they may never return to this level. Figure 27 helps to illustrate the tough

choices that many tourism businesses are facing. Of those businesses that were still closed in June, 75% thought that customers will not return until 2021. “High risk” businesses showed similar views, with 64% assuming that visitors will return to pre-COVID levels either in 2021, or never.

Figure 28: Decline in Tourists



Unsurprisingly, Figure 28 illustrates the decline in international visitors in all five regions, with the vast majority of this study's survey and case study respondents indicating that there were no international visitors at all in their area.

Figure 28 shows that as of June 2020, domestic tourism numbers were also far below normal levels. For example, in the Central, North, and Northeast regions, businesses indicated that the number of domestic

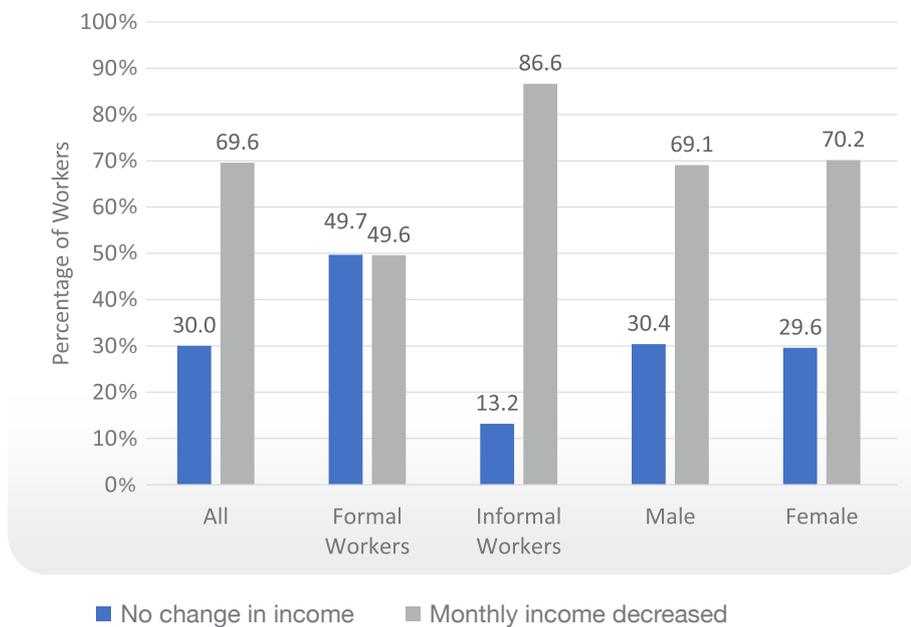
visitors was dramatically lower. In the Central Region, for example, 20% of businesses said that there were no domestic visitors at all, and 58% said that the numbers were down by more than 50%. As domestic travel restrictions were lifted, these numbers should have improved. But as of June, domestic tourism did not seem to be contributing much, and it certainly was not making up for the dramatic decline in international tourists.



Bangkok construction workers, February 1, 2011. 1000 Words/Shutterstock.com

Impact on the Thai Workforce

Figure 29: Impact on Individual Incomes



This study shows that workers' incomes have contracted at an alarming rate. In total, 70% of the national workforce has seen their monthly income

decline. Figure 29 shows that 87% of informal workers have had a decline in their monthly income, and 50% of formal workers have seen a decline too.

Table 1: Average Decline in Individual Income

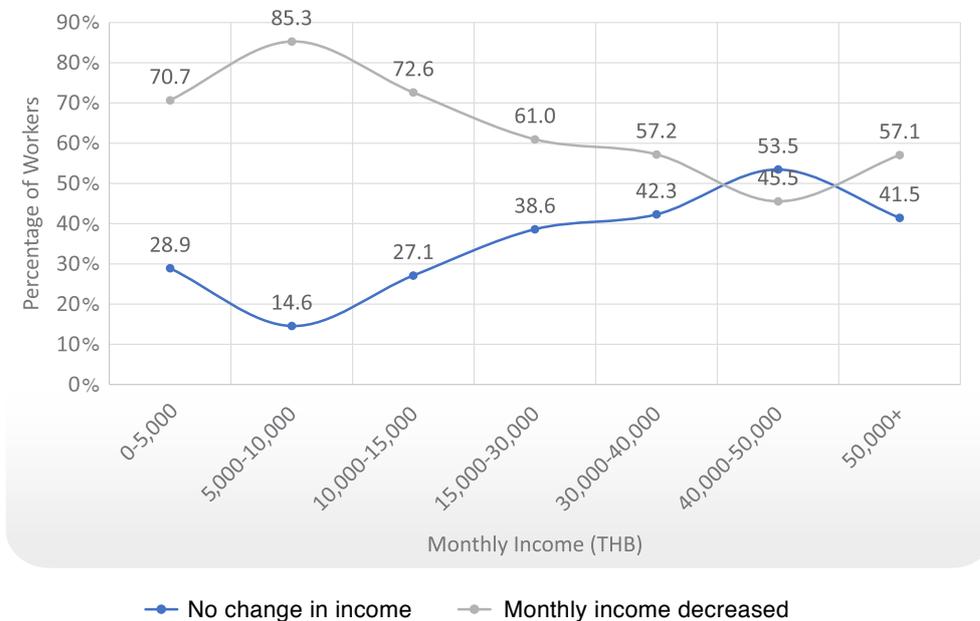
	Average change in income (%)
Male	- 45.15
Female	- 49.27
Formal labor	- 27.86
Informal labor	- 63.30

of Thai workers. Respondents who indicated in the survey that they have had a decline in their income were then asked a series of questions to determine how much their income had declined as a percentage of their pre-COVID monthly income.

The average decline in income was 47%. According to Table 1, women were slightly worse off than men, with an average decline in income of 49%. Informal workers have seen most of their income disappear, with an average decline of 63% of their monthly income.

The scale of income decline in Table 1 indicates a major contraction in the personal incomes of millions

Figure 30: Comparing Impact Across Different Income Groups



While the economic downturn has been felt at all income levels, the poor and less educated have been hit the hardest. This regressive economic impact is a major concern in a country that already had a high level of income inequality. The second lowest income earning group (those earning THB 5,000 to 10,000 per month) had the highest percentage of people experiencing a decline in their income (85%). By comparison, the second highest income group (those

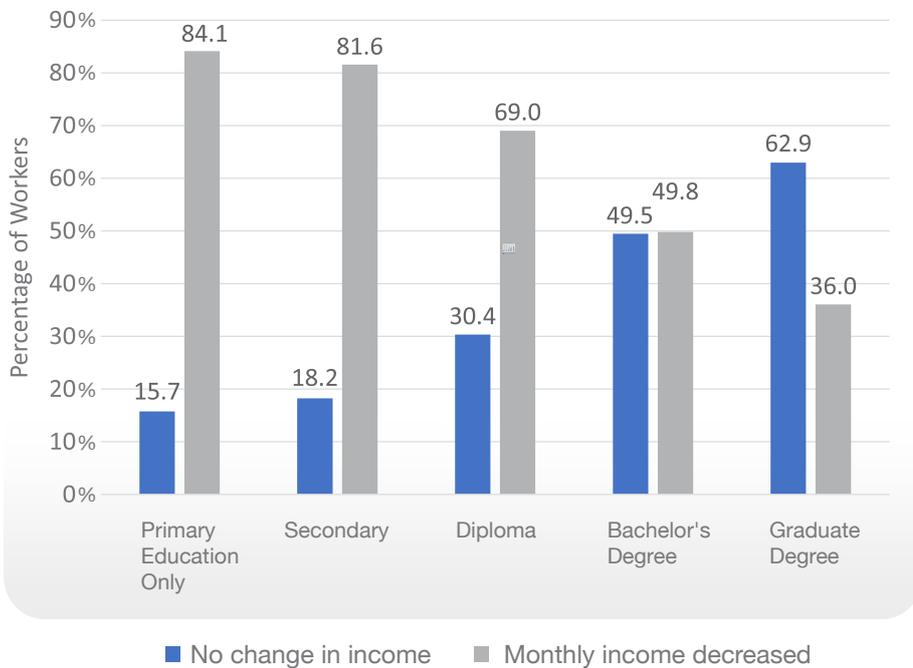
earning THB 40,000 to 50,000 per month) was the only group in which fewer than half (45.5%) experienced a decline in their monthly income. Table 2 illustrates the scale of impact on different income groups. The two lowest-earning income groups have seen the largest relative contraction in their incomes, with the incomes of those earning THB 0–5,000 contracting by 63%, on average, and the incomes of those earning THB 5,001–10,000 contracting by 57%.

Table 2: Average Decline in Individual Income (by Income Group)

Initial Income	Average change in income (%)
0 - 5,000	- 63.04
5,001 - 10,000	- 57.40
10,001 - 15,000	- 44.12
15,001 - 30,000	- 37.73
30,001 - 40,000	- 36.87
40,001 - 50,000	- 32.43
More than 50,000	- 34.78

However, middle-income Thais are also vulnerable, and millions in the lower-middle income group could slip into poverty. Those earning THB 15,000–30,000 per month have been heavily affected as well, with 61% seeing their pre-COVID monthly income decline by an average of 37%. As their incomes contract, people with incomes in the mid-range are spending less, eating out less, and postponing travel—all of which are contributing to depressing consumer demand. In the higher income categories, the average decline is also quite high (between -32% and -35%), and roughly half of those earning THB 40,000, or more, have been affected.

Figure 31: Comparing Impact by Education Level



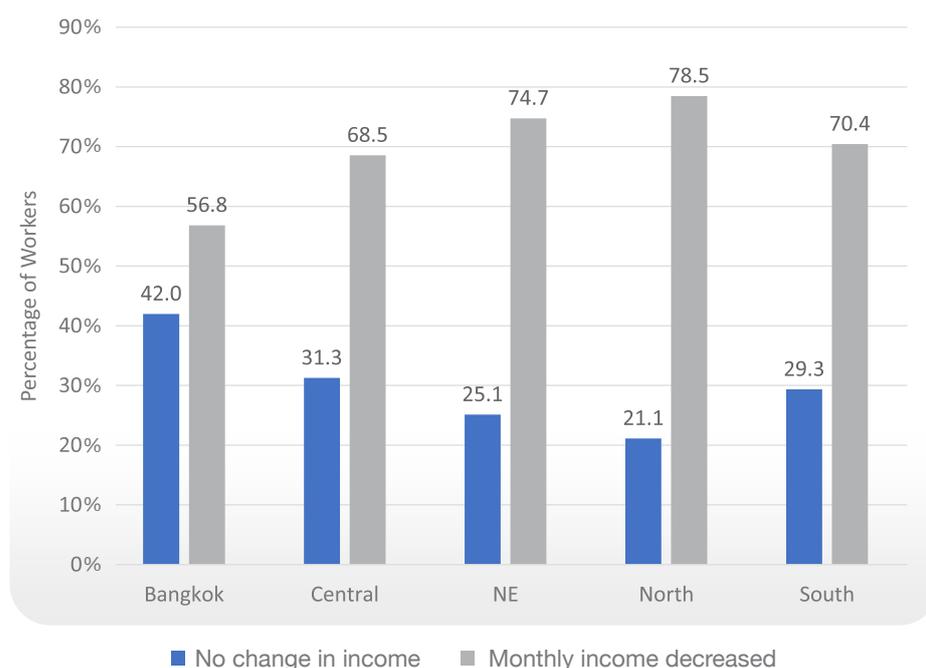
When people are grouped by the level of education they have attained, their average monthly income shows that the least educated people are experiencing the most severe income shocks. As shown in Figure 31 and Table 3, more than 84% of people with only

a primary education have seen their incomes decline by an average of 63%. By comparison, the 36% of people with advanced degrees have lost 21% of their income, on average.

Table 3: Average Decline in Individual Income (by Level of Education)

Educational Attainment	Average change in income (%)
Primary or lower	- 63.21
Secondary or equivalent	- 54.94
Diploma	- 42.92
Bachelor's degree or equivalent	- 30.70
Graduate degree	- 20.61

Figure 32: Regional Comparison of Impact on Individual Incomes



Regional differences in income contraction show that Bangkok is better off than other regions. Figure 32 and Table 4 indicate that the North has had the worst decline in individual incomes, with 78.5% of people experiencing an average income contraction of 56%. The second-largest decline in average monthly income was in the Northeast (74.7%). It is important to note that in every region the majority of people have experienced a significant decline in their monthly income.

Table 4: Average Decline in Individual Income (by Region)

Region	Average change in income (%)
Bangkok	- 45.15
Central	- 49.27
Northeast	- 27.86
North	- 63.30
South	- 47.18

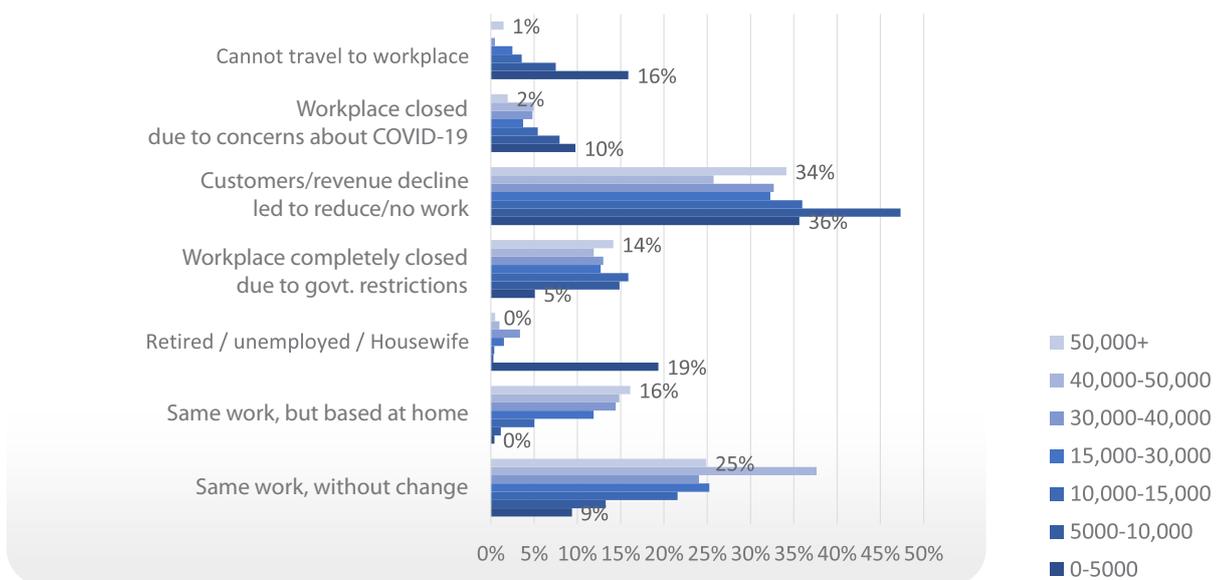
Table 5: Average Decline in Individual Income (by Job Type and Receipt of Assistance)

	Average change in income (%)
Informal workers who received THB 5,000	-69.69
Food and restaurant workers	-68.67
Agriculture, fisheries, and aquaculture workers	-64.4
Farmers who received THB 5,000	-61.28
People involved in trade	-57.64
People who did not benefit from government support	-48.37
Logistics workers	-46.54
Manufacturing workers	-45.85
Tourism and services workers	-45.29
People who received compensation from Social Security Fund	-45.03
Public sector officials	-2.15

Table 5 shows the average decline in income for different groups, based on their type of work, and receipt of government assistance. Food and restaurant workers have been the most heavily affected, with their pre-COVID monthly income contracting an average of nearly 69%. Tourism and services workers (excluding food and restaurant workers) were heavily affected, though not quite as much as other groups. Unsurprisingly, public sector officials were the only group that did not experience a major contraction of their income, with an average decline of only 2%.

Data on the beneficiaries of government programs seem to indicate that the programs have been well targeted. For example, the people who received the government's THB 5,000 monthly payments under the cash transfer program for informal workers, were the worst affected group overall, with their monthly income contracting nearly 70%, on average. The monthly incomes of formal workers (most likely those who lost their jobs), and who were covered under the Social Security Fund, had a reduction of 45% of their pre-COVID income.

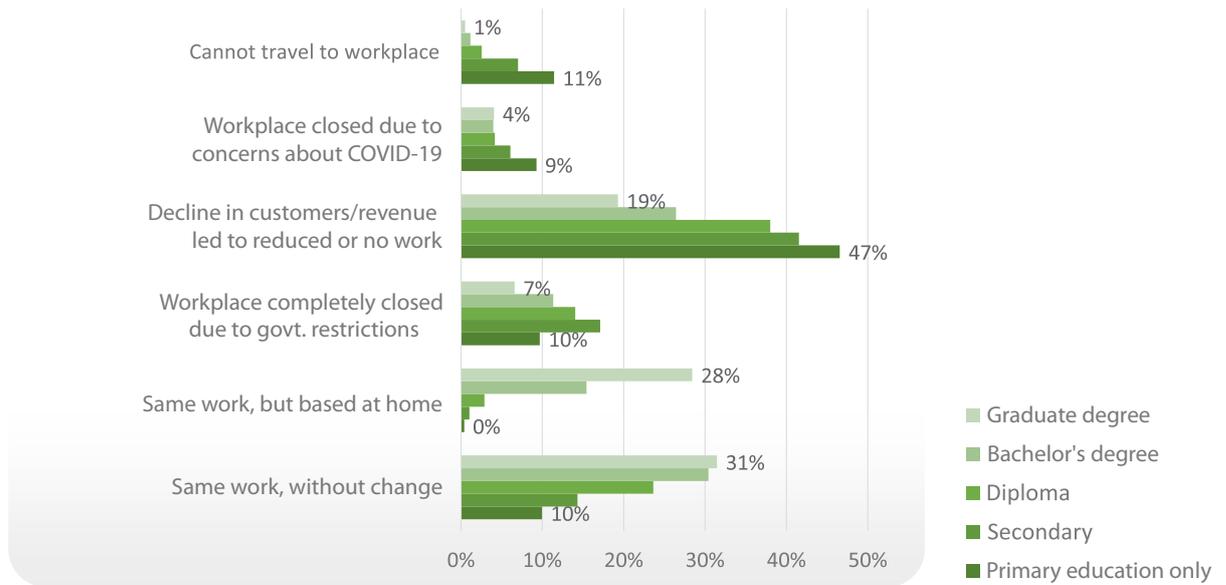
Figure 33: Impact on Workplaces (by Income Group)



The survey also asked individual respondents about their workplace disruption. Figure 33 shows that the most common cause of workplace disruption was the decline in customers, which led to reduced work and revenue. The reduction in customers/revenue affected all income groups, including 36% of those in the lowest income group, and 34% of those in the highest income group. Nearly half (47%) of respondents in the second lowest income group (THB 5,000–10,000 per month) were affected by a decline in customers.

People in the lower income groups were much more likely to be unable to travel to their workplace (16%), or their workplace closed due to COVID-19 concerns (10%). People in higher income groups were much more likely to be able to perform the same job with no change (25%–37%), or they were able to work from home (15–16%).

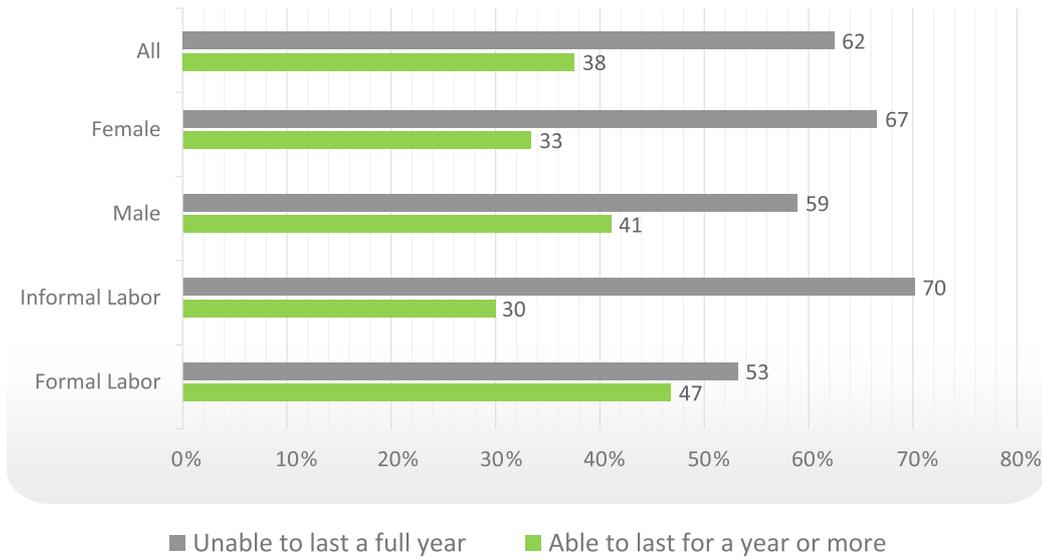
Figure 34: Impact on Workplace (by Level of Education)



Segmenting the population by education levels also shows striking differences in the experiences of people with low levels of education, compared to highly educated people. Figure 34 shows that while the decline in customers affected all education groups, people with primary education only (47%) were much more likely to be affected than people with higher education (19%). People with less education were much more likely to be unable to travel to their workplace (11%), or their workplace closed due to COVID-19 concerns (9%).

Most people with higher education degrees (59%) experienced modest or no impact on their work. People with higher education were much more likely to be able to perform the same job, with no change (31%), or able to work from home (28%). Notably, 0% of the respondents with only primary education, and 1% of people with only secondary education were able to work from home during the lockdown.

Figure 35: How Much Longer Can People Last During COVID-19?

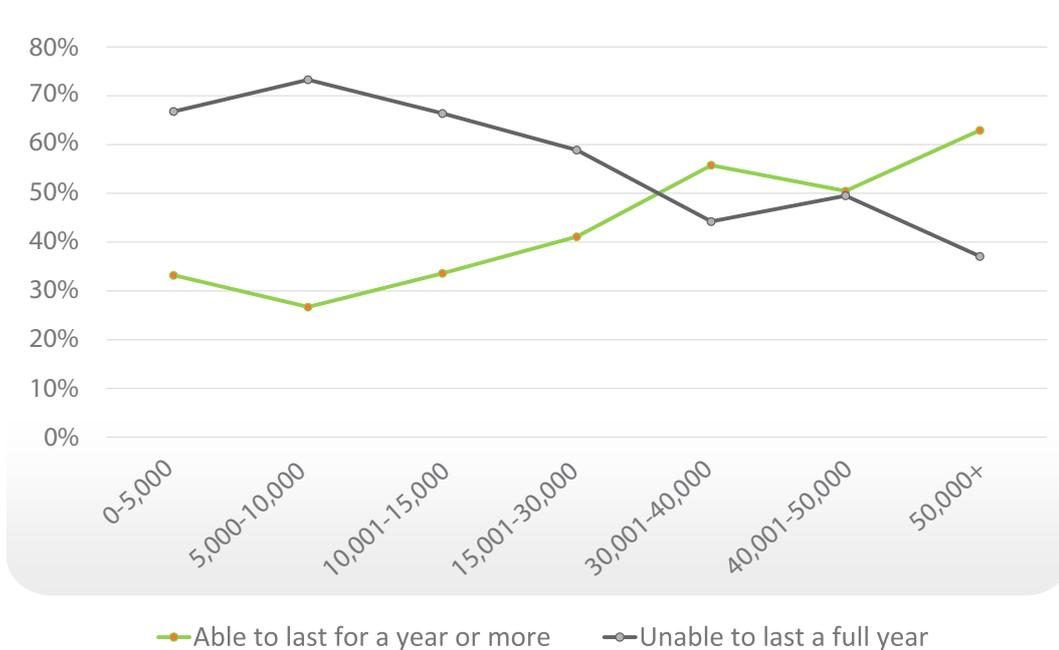


With widespread layoffs and plummeting personal incomes, a significant proportion of survey respondents were worried about running out of money if the pandemic continued. The survey in May 2020 included a series of questions to determine how much longer people would be able to continue under the pandemic's circumstances. The first question (displayed in Figure 35) asked respondents if they would be able to last up to one year. If respondents

replied that they would run out of money and options in less than a year, then they were asked how many months they could last (Figure 38).

Remarkably, the survey results show that just 38% of Thai workers were confident that they could weather the crisis without running out of money or options. In total, 67% of women and 70% of informal workers said that they would not be able last for a full year.

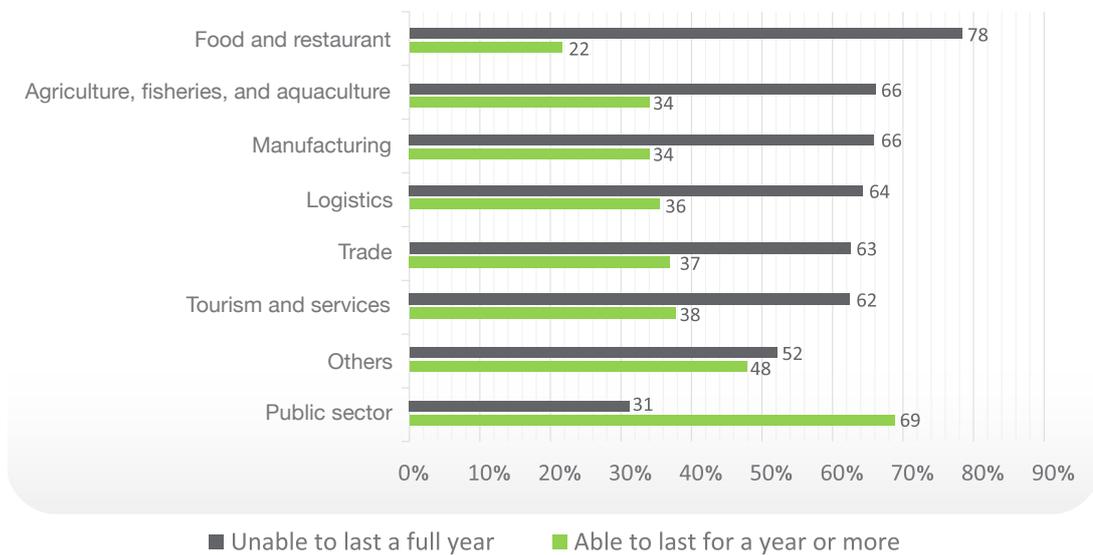
Figure 36: How much Longer can People Last (by Income Group)



As expected, people with lower incomes said they were much less likely to be able to survive for a full year. In total, 72% of people in the second lowest income group (THB 5,000–10,000) indicated that they could not last a full year. Even those in the second

highest income group (THB 40,000–50,000) were anxious, with 50% indicating that they could not last for a full year. Figure 36 illustrates the risk of millions of Thai people slipping into poverty.

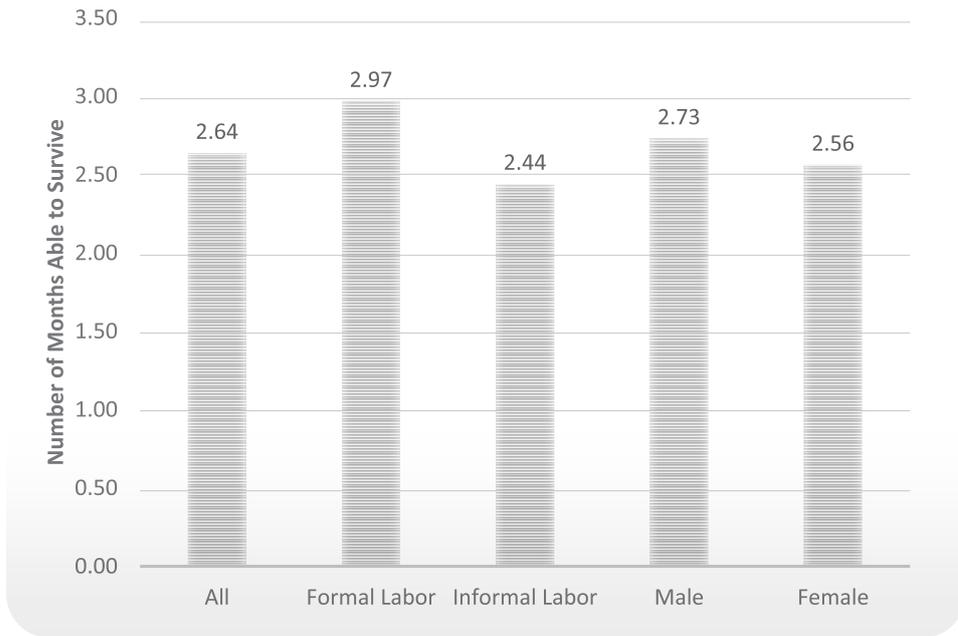
Figure 37: How Much Longer Can People Last? (By Job Sector)



Consistent with Table 5, Figure 37 shows that people working in food and restaurant jobs were the most concerned about their ability to get through the crisis, with 78% saying that they could not last a full year.

Only in the public sector, which has relatively stable positions and income, were the majority of people confident that they could weather the economic crisis.

Figure 38: How Much Longer Can People Last? (Formal vs Informal; Men vs Women)



ONLY PEOPLE WHO RESPONDED LESS THAN A YEAR (62%)

If survey respondents said they could not last a year (62% of the Thai workforce), they were asked “How many more months will you be able to last?” The average was 2.64 months. Women indicated that they could only last 2.56 months, while men said they

could last 2.73 months. In responding, it was likely that many people were thinking about the expiration of the government’s THB 5,000 per month cash transfer program, which was set to expire roughly two months after the survey data were collected in May.



Social distancing in a clinic waiting room, 2020. Nikom Maelao Production/Shutterstock.com

Feedback on Government Programs

Both the MSME and the workforce surveys included questions about government programs intended to provide relief from the COVID-19 induced economic slowdown. For each government program, the surveys sought to determine the level of public awareness, perceived effectiveness, administration, and beneficiaries' overall satisfaction.

The MSME survey covered the following government programs:

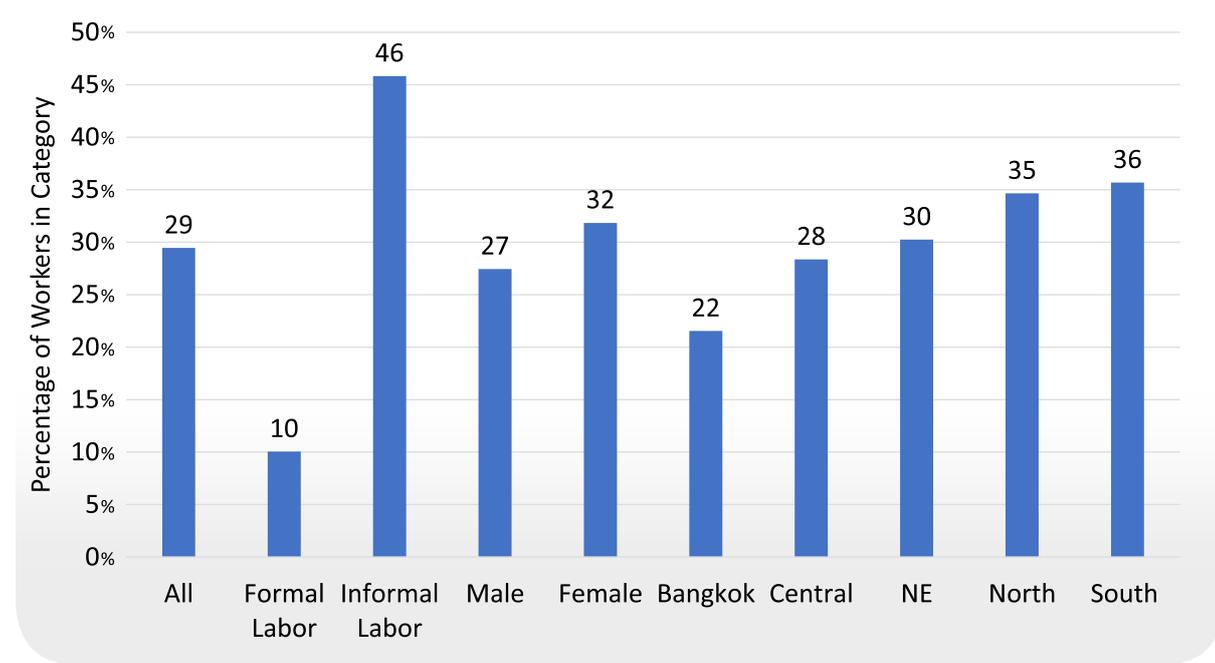
- 1) Soft loans (2% interest, six-month deferral of the first payment)
- 2) Tax deduction for businesses that keep all their formal employees
- 3) Reduced charges for water and electricity bills and payment period extended
- 4) Social security contributions reduced for workers and employers
- 5) Postponement of income taxes for individuals and businesses
- 6) Tax withholding rate for service fees reduced
- 7) Tax deduction for interest on soft loans

- 8) Postponement of re-payment for car/ motorcycle hire-purchases, leases, and loans to businesses and entrepreneurs
- 9) Extension of Bank for Agriculture and Agricultural Cooperatives (BAAC) repayment period for loans, lower interest rate, and no principal due for three years
- 10) Postponement of payment for those renting royal properties
- 11) For entertainment businesses, extension of the period for paying value-added tax (VAT) and excise tax

The work force survey covered the following government programs:

- 1) THB 5,000 per month for three months for informal workers
- 2) Severance pay from the Social Security Fund for formal workers
- 3) THB 5,000 per month for three months for farmers

Figure 39: THB 5,000 per Month Relief Program—Who is Benefitting?



The government introduced a new social protection scheme in March 2020 that provided THB 5,000 per month to eligible citizens for three months (April to June 2020). The scheme was intended to benefit informal workers because, unlike formally employed workers, they receive no unemployment insurance or Social Security Fund payments. Most beneficiaries were required to apply for the support through an online system.

The work force survey found that 29% of Thailand’s working age population received the THB 5,000 per month payment. Figure 39 shows that nearly half (46%) of the informal workers received the

assistance. While these data show that the largest number of recipients were informal workers, the data also indicate that more than half of informal workers (54%) did not receive the assistance. Also, a higher percentage of women (32%) received the funds than men (27%).

There were also significant regional differences, which may be a product of the relative proportion of informal workers in each region. The North and South regions had the highest group of beneficiaries, with 35–36% of the population receiving the benefits. Bangkok had the lowest rate, with 22% of the population receiving the benefits.

Figure 40: THB 5,000 Relief Program –Who is Benefitting? (by Income Group)

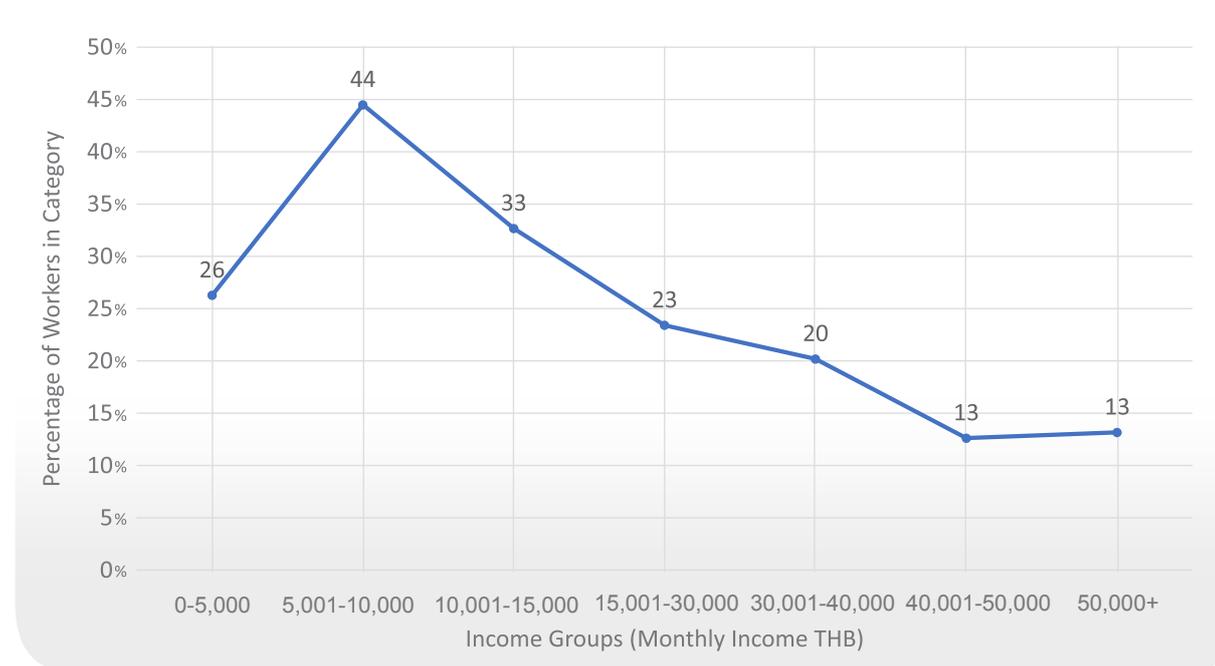
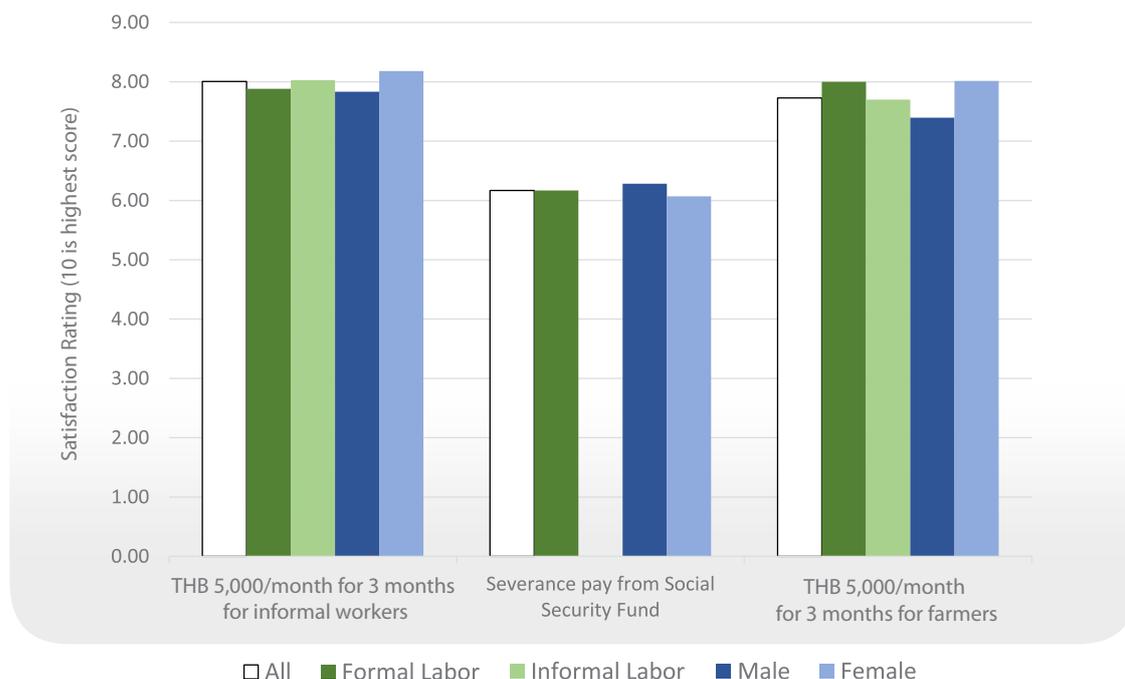


Figure 40 shows clearly that lower income groups were more likely to receive benefits than higher income groups. Low income groups, and especially those earning THB 5,001–10,000 per month, had the highest percentage of beneficiaries (44%). The percentage of people in the lowest income group (only 26%) is an anomaly because receipt of the THB 5,000 monthly payment automatically put most of the lowest-income respondents into the next higher income group (THB 5,001–10,000). Thus, it is not

surprising that the second lowest income group had a substantially higher percentage of people than the lowest.

While the program was intended for low income workers, 13% of people in the highest income groups received the benefits. This seems to indicate some problems with filtering applicants according to their income level.

Figure 41: Workers' Satisfaction Ratings for Government Relief Programs

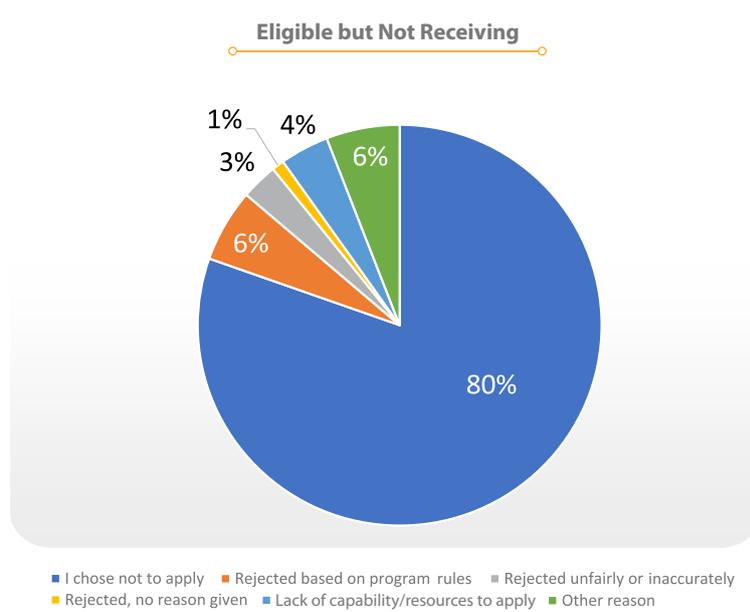


Respondents were asked to rate their satisfaction with government programs from 1 (lowest) to 10 (highest). Figure 41 shows the results for the three programs that targeted individuals.

Survey results showed that beneficiaries had high levels of satisfaction with the THB 5,000 cash transfer program for informal workers and the one for farmers. The average rating was 8 out of 10 for these two programs. The Social Security Fund for formal workers had a lower level of satisfaction (an average rating of just over 6).

Figure 42: Soft Loans for Small Businesses

Public Awareness of the Program		
All MSMEs	Tourism	Manufacturing
77.4%	77%	78%
3 rd most widely known		
Eligible for Program		
All MSMEs	Tourism	Manufacturing
48% Eligible	47% Eligible	51% Eligible
21% Unsure	24% Unsure	17% Unsure
Receiving Assistance		
All MSMEs	Tourism	Manufacturing
40% of eligible	38% of eligible	42% of eligible
9% pending	8% pending	12% pending
14.8% of all	18% of all	21% of all
Satisfaction Level of Program Beneficiaries		
All MSMEs	Tourism	Manufacturing
6.78 (out of 10)	6.69	6.92
Rated 10 th out of 11	Rated 9 th	Rated 11 th



The government’s flagship program to support micro and small businesses has been providing soft loans (2% interest and six months deferred repayment). These loans are underwritten by the government and offered through commercial and government banks. Figure 42 presents a snapshot of key data points on this program.

The soft loan program was widely known by the MSMEs surveyed, with 77% of MSME owners aware of the program. However, there was some confusion about eligibility, with 21% of business owners (and 24% of tourism business owners) unsure if they were eligible. Less than half of the businesses surveyed believed that they were eligible.

Survey data show that a surprisingly small percentage of businesses were benefiting from the soft loans. In June 2020, only 15% of all the businesses interviewed for this study were receiving the soft loans. The survey sought to determine why eligible businesses were not receiving soft loans. In total, 80% of eligible businesses that were not receiving the loans had chosen not to apply. This indicated that a large proportion of MSMEs were foregoing this assistance, though it was unclear why. Only a small percentage (10%) of the businesses that applied were rejected for the soft loans. Only 4% of the businesses that were eligible, but did not receive the loans, indicated some problems or unfairness with the application process, which is a relatively small percentage, given the scale of the program.

Table 6: Who is Receiving the Soft Loans?

	Aware of Program	Receiving		Aware of Program	Receiving
Total	77.4%	14.8%	Sales/revenue has increased	94.4%	22.2%
Micro	72.3%	12.0%	No change in sales/revenue	88.0%	12.0%
Small	84.9%	18.9%	Sales/revenue has decreased	76.8%	14.7%
Less than 10 employees	75.3%	12.7%	Revenue decreased a quarter	80.5%	24.4%
50 or more employees	87.5%	12.5%	Revenue decreased by half	78.9%	20.4%
Bangkok	78.1%	10.0%	Revenue decreased by 3/4	78.1%	16.8%
Central	78.2%	11.2%	Almost no revenue	75.4%	15.9%
North	75.3%	13.4%	Revenue completely stopped	76.0%	10.4%
Northeast	79.5%	21.1%	Low risk of survival	80.8%	21.5%
South	75.9%	18.6%	High risk of survival	76.3%	11.9%
Working as usual	79.4%	16.7%	Survive for 2 months or less	74.8%	8.4%
Completely closed	71.8%	11.1%	Survive indefinitely	78.7%	17.1%

The MSME survey results showed that many of the small businesses that urgently needed infusions of working capital were not able to access the government’s soft loans. However, a number of the businesses that were in better shape did receive the soft loans. Table 6 shows that 22.2% of businesses that had their revenue increase received the loans, while only 10.4% of businesses with no revenue were

able to access the loans. Similarly, MSMEs that were at low risk of closing (21.5%) were much more likely to receive soft loans than those that were on the brink of closing permanently (8.4%). This is likely because the bank officers decided not to loan to businesses that were considered unviable as a result of the economic contraction.

Case Study – Revenues of Herbal Remedy Producer in Buriram Not Recovering Much

The research team interviewed a micro business in Buriram Province that produces herbal remedies and self-care products from local materials. Customers are mostly Thais living in Bangkok, although this 32-member cooperative also sells its products to people in other provinces. The COVID-19 pandemic has been particularly challenging for this business. When the interview was conducted three months after the lockdown began, total sales were only THB 1,600 per month, which was less than 2% of pre-COVID sales. Sales to previous customers did not improve after the lockdown was lifted, and selling through online platforms also met with limited success. The cooperative leader believes that sales declined because customers do not consider the products essential; instead customers at all levels of income are only spending their money on food.

In order to survive, the cooperative has taken advantage of the government’s soft loan program and borrowed THB 50,000, and distributed the money evenly among the 32 members. Members are using this money as operating capital and also for their personal expenses. Several members were unable to access the government’s three-month THB 5,000/month social assistance program due to problems with their household registration and the number of people registered as living in the household. The group hopes that their economic situation will improve so that they do not need to depend on government handouts, and can support themselves, as they did prior to the pandemic.

Case Study – T-shirt Manufacturer in Korat with Too Much Debt

In Nakhorn Ratchasima, the research team interviewed a small-scale manufacturer that produces custom-made T-shirts for local sports teams, sporting events, and company retreats. Because COVID-19 control measures during the height of the lockdown barred gatherings of any kind, this business saw a steep decline in its sales. Also, all the orders that were placed pre-COVID were cancelled, as the related events could not take place due to the lockdown. Making matters even worse, prior to COVID-19, this business was growing at a steady pace, and to meet this growing demand, the owners purchased a new machine to speed up production. Once the lockdown began, this new machine was underutilized, and repaying the loan became a serious drain on the business' resources.

In mid-July, T-shirt sales were still down 80% from the pre-COVID level, and the owners (a young couple) were struggling to keep up with their expenses. The owners attempted to take out a soft loan from the government, but this was turned down due to the business' debt. From March to June, to keep their business running, the couple were forced to spend all of their savings, and cut the hours of their two staff to half time.

In an attempt to boost sales, the business began producing facemasks. Initially, they had some success with this new product, however, at the time of the interview, due to growing competition, the business' sales were still only 20% of pre-COVID levels. The owners said in their interview that their business will not survive a second lockdown. Consequently, they are urging the government and banks to be less stringent in granting credit, and to consider medium-sized businesses rather than focus attention only on the smaller and larger businesses. The business owners hope too that the government can improve Thailand's political situation so that the country's economy revives in this "new normal" until a successful COVID-19 vaccine is available.

Table 7: MSMEs' Awareness about Government Relief Programs

	Total	Tourism	Manufacturing
Reduced charges for water and electricity bills and payment period extended	90	90	89
Postponement of re-payment for car/motorcycle hire-purchases, leases, and loans to businesses and entrepreneurs	85	86	84
Soft loans (2% interest, six-month deferral of the first payment)	77	77	78
Social security contributions reduced for workers and employers	74	72	76
Postponement of income taxes for individuals and businesses	69	67	73
Tax withholding rate for service fees reduced	45	40	54
Extension of Bank for Agriculture and Agricultural Cooperatives (BAAC) repayment period for loans, lower interest rate, and no principal due for three years	44	41	49
For entertainment businesses, extension of the period for paying value-added tax (VAT) and excise tax	42	40	45
Tax deduction for businesses that keep all their formal employees	41	38	44
Tax deduction for interest on soft loans	31	29	35
Postponement of payment for those renting royal properties	10	8	13

Note: Percentage of all MSME respondents who indicated that they are aware of this program.

Table 7 shows the level of MSMEs' awareness about government programs intended to support MSMEs during the economic slowdown. Overall, there was wide variation in MSMEs' awareness about different government relief programs. The reduction of water

and electricity rates was the most widely known (90%), as the discount appears on the invoice. However, tax-related programs were not widely known at the time of the survey, though awareness may increase once tax filings are due.

Table 8: Satisfaction Ratings with MSME Programs

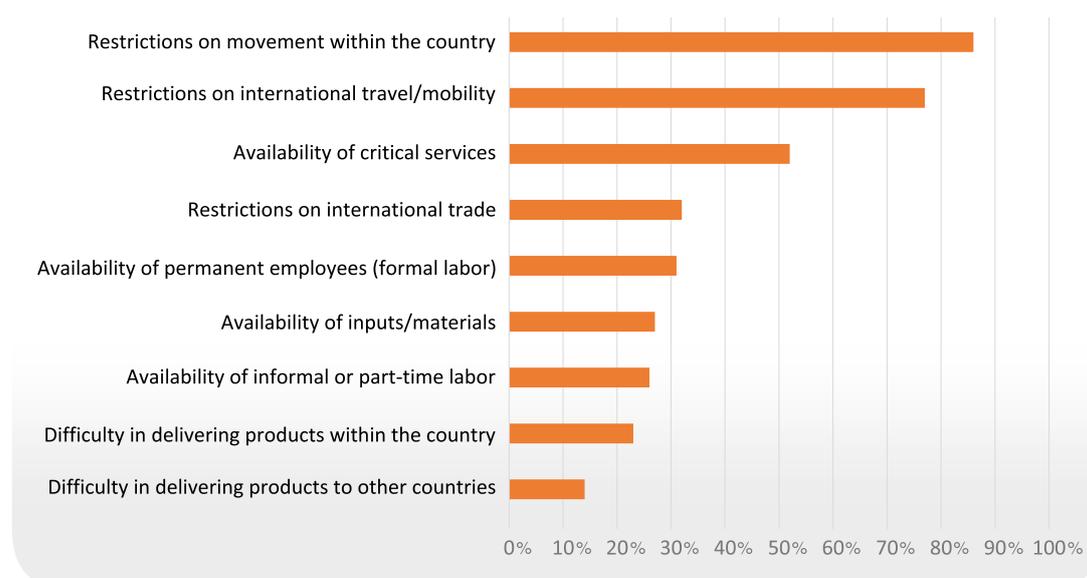
	Total	Tourism	Manufacturing
Extension of Bank for Agriculture and Agricultural Cooperatives (BAAC) repayment period for loans, lower interest rate, and no principal due for three years	7.82	8.03	7.54
Postponement of income taxes for individuals and businesses	7.81	7.79	7.85
For entertainment businesses, extension of the period for paying value-added tax (VAT) and excise tax	7.45	7.32	7.67
Postponement of re-payment for car/motorcycle hire-purchases, leases, and loans to businesses and entrepreneurs	7.44	7.31	7.69
Tax withholding rate for service fees reduced	7.39	7.14	7.73
Tax deduction for businesses that keep all their formal employees	7.36	7.32	7.41
Tax deduction for interest on soft loans	6.9	6.75	7.1
Social security contributions reduced for workers and employers	6.89	6.64	7.22
Soft loans (2% interest, six-month deferral of the first payment)	6.78	6.69	6.92
Postponement of payment for those renting royal properties	6.78	6.55	7
Reduced charges for water and electricity bills and payment period extended	6.45	6.37	6.57

Note: Ratings were the average (mean) for respondents who received assistance under this program; 10 was the highest rating.

Satisfaction ratings for MSME support programs were generally high—ranging from 6.45 to 7.82 (out of 10), with only modest variation between programs. Despite the generally favorable rating of 6.78, the soft loans were tied for the second lowest rating for the 11 programs. The reduction of water and electricity

bills was the lowest-rated program—most likely due to the small amount of the discount (2%-4%). While tax programs were not widely known (Table 7), the postponement of income tax and extension of payments for revenue tax were among the highest-rated programs.

Figure 43: Policy-relevant Challenges—Tourism

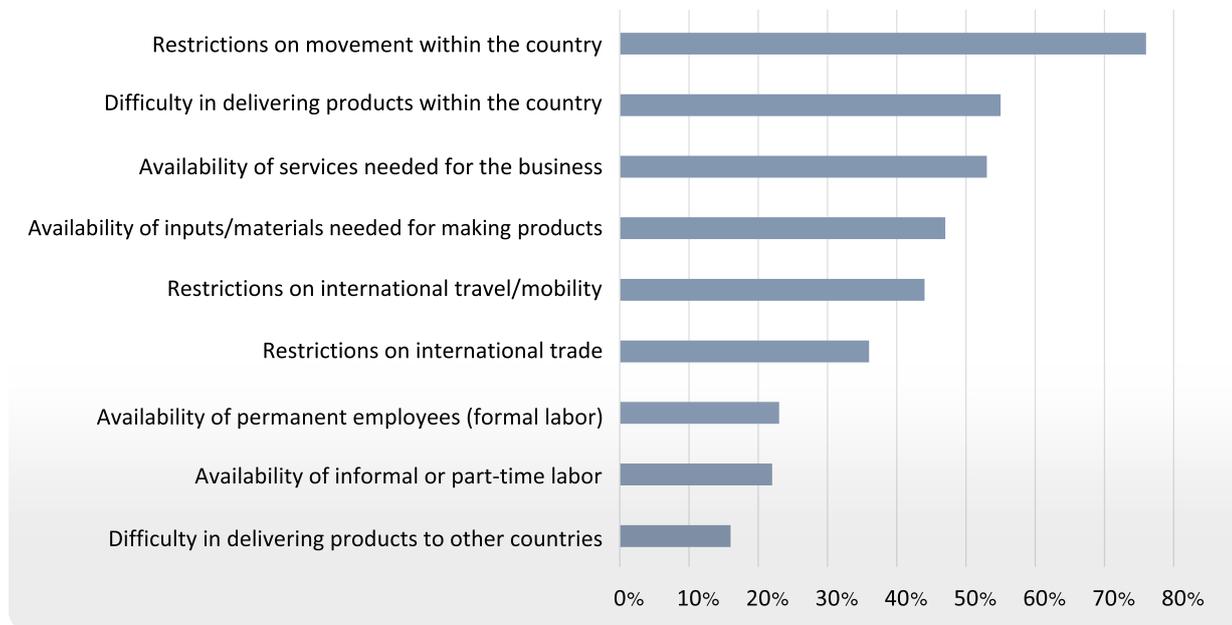


Tourism MSMEs were asked to indicate whether they were affected by the policy-relevant challenges listed in Figure 43. Surprisingly, restrictions on domestic movement (86%) were rated as a higher challenge than restrictions on international travel/mobility (77%). Since late June, all domestic travel restrictions have been removed, which should help to improve

conditions for many businesses. International travel restrictions will almost certainly remain as the highest constraint in the future. Availability of permanent workers was a surprisingly large challenge (31%) given the extent of layoffs by tourism businesses.

Manufacturing businesses were also asked to

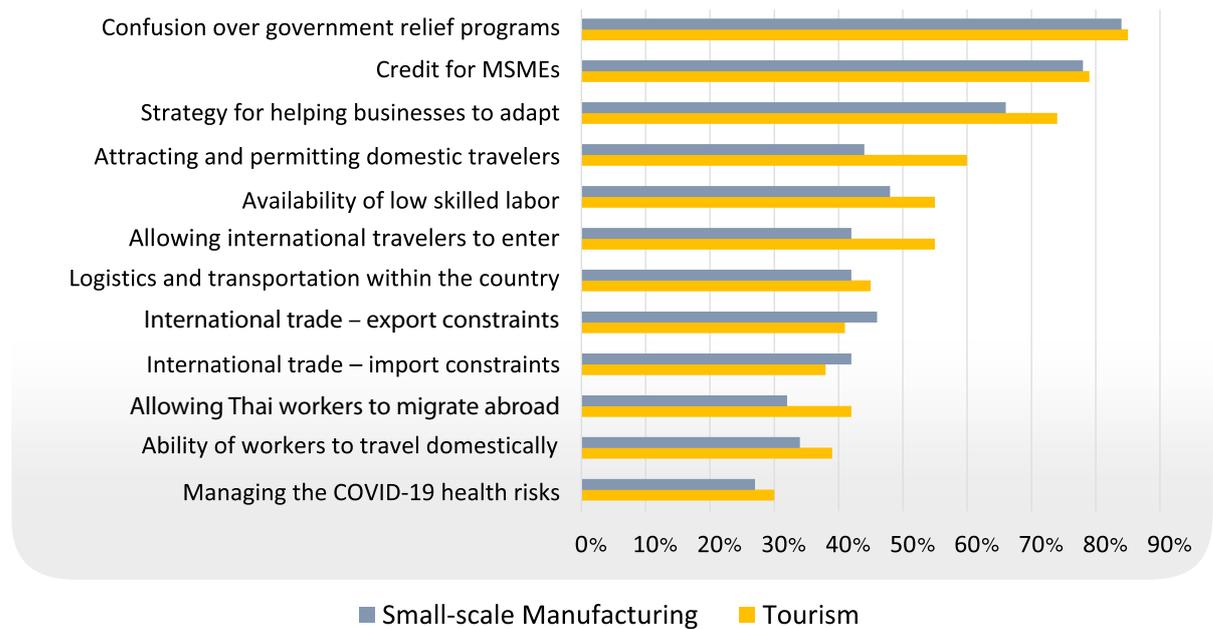
Figure 44: Policy-relevant Challenges—Small-scale manufacturing



indicate which challenges listed in Figure 44 affected them. Similar to the tourism sector, restrictions on domestic movement (76%) was the most common area of concern, followed by the closely-related challenge of delivering products domestically (55%). Hopefully, these two challenges are now less of a concern (August 2020) as domestic travel restrictions

have been entirely lifted since June. Difficulty in obtaining key inputs and materials for manufacturing was a widespread challenge (47%)—most likely due to disruptions with upstream suppliers and some imported inputs.

Figure 45: Gaps or Challenges for Government to Address



Small business owners were asked to identify areas where the government should focus more attention and/or resources in the future. This question was designed to uncover key gaps in the current government response. The biggest issue for small businesses is confusion over the rules and requirements for accessing government relief programs. This affected 85% of tourism businesses and 84% of manufacturing businesses. This finding clearly indicates that the government could improve its communication about the relief programs, and may want to revisit or streamline the application and administrative processes.

Despite low participation in the soft loan program, 79% of MSMEs say government should make more credit available. This may reflect some of the confusion over

eligibility for the current soft loan program. In addition, this finding may indicate that MSMEs are having trouble accessing the loans through commercial banks.

Notably, 70% of MSMEs would welcome government help in developing strategies for adapting their businesses, with 74% of tourism businesses looking to government for this support.

Tourism businesses would also like government to do more to promote domestic tourism, with 60% of businesses indicating that more should be done. Finally, the availability of low-skilled labor is a major concern, with 52% of MSMEs citing this as a key challenge.

Summary of Key Findings

This report summarizes findings from the first round of three surveys conducted in Thailand on the impact of COVID-19 on the Thai workforce, and MSMEs in tourism and manufacturing. Data collection largely happened in the period immediately following the most restrictive lockdown period. As such, the findings in this round of the survey offer a preliminary picture of the economic impact of the pandemic and related restrictions. The 10 key findings listed below will be updated as new data become available.

1. Impact on the economy is much broader than tourism – While tourism is heavily affected, the economic damage from the pandemic is much broader. For example, small manufacturers are struggling, even though most are unconnected to tourism. As of June 2020, 70% of small and micro manufacturing businesses were making half, or even less of their pre-COVID earnings. Only 68% of the businesses interviewed were operating normally, despite the full relaxation of lockdown measures. Businesses interviewed in Buriram and Nakhorn Ratchasima Provinces said that customer demand was not recovering, especially for nonessential products. The dramatic decline in individual incomes that has affected 70% of the Thai workforce, also points to a broad-based contraction in demand that will affect all sectors of the economy.

2. A second extended lockdown would be catastrophic – Small businesses are still struggling to recover from the first lockdown. Many business owners said that they would be not able to survive a second COVID-induced lockdown of similar length. For this reason, businesses were generally supportive of the government's public health response, and the closure of international borders. The recovery of Thailand's economy will be shaped by the extent to which people feel safe in leaving their homes, and are confident to start spending again. Thai business owners are anxiously watching other countries such as Vietnam, which have experienced a second wave of outbreaks, despite their early success in containing the virus.

3. Tourism businesses have extremely low confidence in the future – Businesses dependent on international tourism are struggling to stay in business. Given that 75% of tourism interviewees had no income at all, or less than 25% of their pre-COVID revenues, these businesses were desperately waiting for the return of visitors, and doing all they could to cut their expenses. Most of the small businesses in this critical sector were anxious about their ability to survive the crisis, with 61% at risk of closing permanently. Compounding this problem, domestic tourism had also contracted, and was nowhere near the level needed to fill the gap left by international tourists. Most tourism businesses realized that visitor levels will not return to pre-COVID levels until at least 2021, but more than a third did not think that they could stay in business that long. Given extremely low levels of confidence in their future recovery, tens of thousands of small businesses are likely to decide to cut their losses now, and close permanently.

4. Medium-sized businesses are more vulnerable than micro businesses – Case study interviews indicate that businesses with higher recurring costs are more vulnerable to the crisis. Many businesses were facing a dramatic drop-off in revenue, with no end in sight. The businesses that have higher recurring costs such as rent, leasing of equipment, and/or a large staff, have more urgent need for working capital. By comparison, micro businesses and family-run businesses, and especially those that own their premises, and operate in low-cost regions, are more likely to be able to survive over many months of near zero revenue.

5. MSMEs offering non-essential products and services are not recovering – As incomes contract, and Thai consumers’ confidence plummets, people are restricting their spending to only essentials such as food and household costs. As such, domestic tourism is still far below normal levels in most regions. Businesses that sell items that are considered non-essential, such as custom-made T-shirts and herbal products, have not seen a recovery in their sales since the lockdown measures were lifted. Many of these businesses need to diversify into new products or services, or they will have to close permanently in the coming months.

6. High levels of satisfaction from beneficiaries of government assistance – The government’s response has been quick and comprehensive. Government initiatives have largely addressed the most urgent challenges, and beneficiaries gave them high approval ratings in this study’s survey. During the period of data collection (May–June 2020), millions of Thai workers would not have been able to cover their expenses without the THB 5,000 cash transfers they received. Satisfaction with support programs for MSMEs was slightly lower, but still largely positive.

7. Some government programs are not reaching the small businesses and workers that most urgently need assistance – The survey data reveal a few important gaps where assistance programs are missing some of the most vulnerable groups. The government’s soft loan program for MSMEs, for example, only reached 15% of MSMEs in tourism and manufacturing, and many of the most vulnerable businesses have not accessed these funds. More than half (54%) of informal workers have not received the government cash transfers intended for them.

8. Digitally-illiterate groups are struggling to access government support – Many people with limited Internet access and/or poor digital literacy have been unable to access government assistance that requires applying online. This seems to be a major factor in the low percentage of MSMEs accessing soft loans. Many of the informal and low-income workers who were unable to access the THB 5,000 cash transfers, were likely constrained by their lack of access to the online application process.

9. Many small businesses are not applying for soft loans – Most small and micro businesses need an injection of short-term capital to help them get through this crisis. Yet the vast majority (80%) of interviewees that were eligible for the loans were not applying. Qualitative interviews conducted for this study seemed to indicate that business owners were not applying due to the combination of low confidence in the future of their business, and fear of incurring greater personal debt at a time of economic uncertainty. However, when asked about the key gaps that the government should address, nearly 80% of MSMEs said that they needed more access to credit. More analysis is needed to understand these apparent discrepancies in findings. Yet, there appears to be evidence that the current program of soft loans through commercial banks is not working, as intended.

10. Improved government communication is essential – Like all governments worldwide, Thailand must find a way to restore confidence in the domestic economy and show a credible pathway to recovery. Relief programs are an essential part of recovery, but they can only succeed with clear communication about how they work, and about how they will put Thais back to work in the coming months and years. This study’s findings indicate that the government’s current approach to communication and cumbersome procedures are constraining the positive impact of government programs. Nearly all small businesses surveyed (84%) expressed concern that the rules and application procedures for government assistance were confusing.



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