

# COST OF BUSINESS ASSESSMENT: AR-RAQQA

October 2022 | Northeast Syria

SITUATION OVERVIEW

## CONTEXT & RATIONALE

Economic activity in Syria has halved since the beginning of the conflict in 2011 as a result of large losses of human capital, destroyed infrastructure, degraded basic services, and disrupted trade.<sup>1</sup> Compounding this, the Syrian economy has suffered from COVID-19, prolonged drought, rapid currency depreciation, high inflation, and the knock-on effects from the crises in Lebanon, Türkiye, and Ukraine. Such factors have contributed to pushing commodity and fuel prices up and greatly eroding the purchasing power of the population, one of the key drivers of humanitarian need.<sup>2</sup>

Insufficient income and lack of employment opportunities force households in Northeast Syria (NES) to rely on negative coping strategies, including borrowing money to buy basic necessities and sending children to work.<sup>3,4</sup> Recent Labour Market Assessments in NES revealed that over two thirds of respondents in both Al-Hasakeh city and Ar-Raqqa city reported that a lack of job opportunities prevented them from finding employment, while an additional one-third of respondents in both cities cited high competition for jobs as a key barrier to finding employment.<sup>5</sup> In addition, 38% of respondents in Ar-Raqqa and 22% of respondents in Al-Hasakeh reported wanting to start their own business but lacking resources to do so. In this context, the NES Early Recovery and Livelihoods (ERL) Working Group has prioritised implementation of livelihood interventions to both help households meet immediate needs and to support local businesses to be drivers of local economic activity and employment growth. This has involved, among other activities, the provision of cash grants to businesses, primarily focusing on micro and small enterprises to date.

With the aim of expanding and better targeting such support to include a greater variety of business sizes and sectors, ERL actors identified the need for more information on the actual operating costs faced by Micro, Small, and Medium Enterprises (MSMEs) in NES, as well as the key challenges business owners face in maintaining or growing their businesses. As such, REACH in partnership with the NES ERL Working Group conducted a pilot Cost of Business Assessment (CBA) in selected markets to assess the cost of expenditures for MSMEs and inform guidance for financial support to MSMEs.

Table1: Assessed sectors and business sizes\*

Sector	Micro	Small	Medium	Total
Agricultural processing/ food production	19	19	9	47
Commercial retail/trade	31	26	9	66
Non-food industry/ manufacturing	19	18	8	45
Services	22	16	8	46

## KEY MESSAGES

- When comparing proportional spending on expenditure categories across business sectors and sizes, overall, **businesses tended to spend a higher percentage of monthly expenditures on inputs, salaries, and inventory.** Surveyed businesses in the Commercial Retail/Trade sector reported spending comparatively more on inventory due to the nature of the businesses' activities. Utilities was also among the more common top recurring expenditure categories across business profiles.
- Productive assets and construction costs accounted for a large portion of businesses' one-time expenditures** across assessed sizes and sectors. This broadly supports the approach of many ERL actors to prioritise support for these types of large overhead costs, while also covering some months of operating expenses to support the owner in the initial period of business establishment or expansion.
- The majority of surveyed businesses in the area of Ar-Raqqa city reported that **the number of weekly customers received had decreased compared to the same time last year**, with the most commonly reported reasons being that prices have risen and customer incomes have fallen.
- The large majority of businesses in Ar-Raqqa reported purchasing their inputs and inventory from wholesalers or retailers within NES.** One third of these businesses reported facing challenges securing such goods within NES, most commonly as a result of exchange rate fluctuations. In general, the findings indicated that price inflation and financial challenges are impacting a broad base of businesses and, for some, this was impacting their ability to secure supplies and staff.
- The majority of surveyed businesses had not received any form of assistance in the past 12 months**, indicating that while this is a growing area of the response, business support is not yet widely accessible.
- There was strong interest overall in business expansion with approximately three quarters of surveyed businesses reporting they had concrete plans in place to do so. **The most prominent barrier to expansion reported was insufficient finances.** Only a small portion of surveyed businesses saw market demand as a barrier, suggesting that business owners perceive that, with additional funding, there would be a market for expanded delivery of their products or services.

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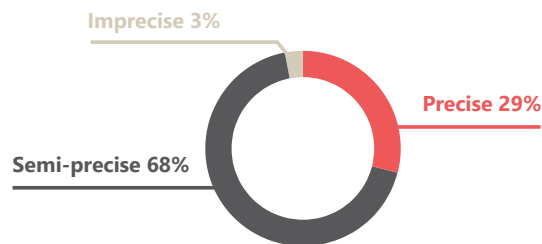
## METHODOLOGY OVERVIEW

The CBA was a pilot assessment that aimed to quantify the operational costs faced by MSMEs and the barriers they face in trying to maintain or expand their businesses. Via structured individual interviews held between 26 September and 6 October 2022, purposively selected owners of **four key sectors in Al-Hasakeh and Ar-Raqqa cities and surrounding areas\*** were asked to estimate their businesses' expenditures on items and services across a variety of categories. Respondents were also asked about challenges to their business operations and any barriers that exist to business expansion. For the purposes of this assessment, and based on the context in NES, business sizes were defined as follows: **micro: 1-3 employees; small: 4-10 employees; medium: 11-50 employees.** The sectors included in the assessment were: **Agricultural Processing/Food Production; Services; Non-Food Industry/Manufacturing; and Commercial Retail/Trade** (see definitions, page 26). Note that it was decided not to include farming or harvesting businesses themselves given there is regularly updated information collected on the cost of agricultural inputs.<sup>6</sup>

## ! LIMITATIONS

The results of this assessment should be viewed with the following limitations in mind. Firstly, the assessment relied on purposive sampling and therefore the results must be regarded as indicative and not representative. The sample sizes for medium enterprises within each sector were particularly small. Further, the data collected is only indicative of the time frame in which it was collected. Businesses also tended to be located within close distances of each other, largely in urban areas and particularly so for commercial and service-based businesses. Expenditures may vary depending on whether the business is located in the central urban area or more rural surrounding areas.

**Figure 2: Precision of responses by percentage of total surveys**



In addition, the precision of respondents' estimations of recurring and one-off costs varies. Enumerators were asked after each interview to record how precise they perceived the respondent's report of business expenditures to be, with precise meaning they were able to refer to business records and get exact figures, semi-precise being they were able to think through expenditures systematically and arrive at informed estimates, and imprecise being they

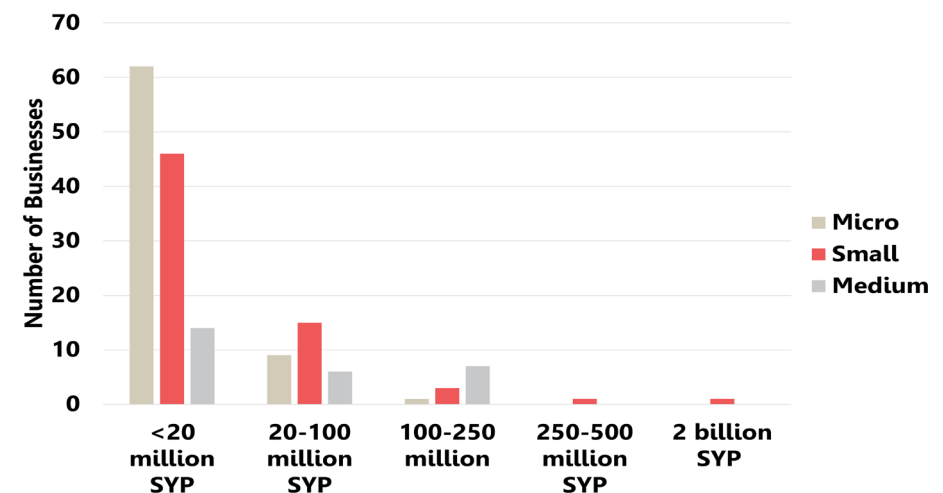
could only provide loose expenditure estimates, did not keep records, or were unsure about details. For the majority of surveys (68%) enumerators perceived the respondents' reports to be semi-precise, around a third reported reports to be precise, and only 3% reported respondents' reports to be imprecise (Figure 2).

In addition, in order to gauge the overhead costs required to start a business, respondents were asked to think back over time and estimate how much it would cost in today's market to purchase the productive assets, equipment, and tools etc. needed to establish their business and grow it to its current size. In doing so the assessment attempted to provide a rough estimate of the value of such assets today, considering the market rate at which they were purchased would have changed dramatically over time. Respondents were asked to make this calculation themselves on the spot and therefore 'start-up' cost figures are less reliable indications of actual costs incurred.

Business owners may also be more or less inclined to share their actual experiences, fearing that the information shared might be used by competitors, while others might adjust their responses based on the expected effect they anticipate it would have on humanitarian programming. Furthermore, even though all enumerators received the same training, some might have had more previous experience and might therefore have been better able to produce higher quality data.

Finally, business size was defined by number of employees which is not the only indication of business size. To gauge the accuracy of this definition respondents were asked if they were willing to share a rough estimate of their yearly revenues. Of those who reported they were willing to share this estimate (151 respondents, 80%), 75% of businesses estimated their yearly revenues to be less than 20 million SYP. Looking at the distribution of revenues according to business size (Figure 3), the number of employees was generally a good indication of business size when compared against yearly revenues. However, there were some small enterprises with larger annual revenues. This could reflect the fact that different industries are more labour intensive than others and as such have different standard ratios of employees to revenues. Note that medium enterprises are less represented in Figure 3 due to the small sample size.

**Figure 3: Yearly revenues by business size, Ar-Raqqa and Al-Hasakeh**



## SECTION 1: BUSINESS EXPENSES (AI-HASAKEH & AR-RAQQA COMBINED)

### BUSINESS EXPENSE PROFILE (BEP) INTRODUCTION

Respondents were asked about recurring and one-off costs across 13 expenditure categories ([see definitions, page 26](#)). **Recurring costs were calculated as a monthly average over the last three months and one-off costs were taken from the past 12 months.** Respondents were also asked whether they were able to estimate the **total value of all the productive assets, tools, appliances etc. needed to establish the business and grow it to its current size to estimate business start-up costs** (80% of respondents answered that they could). These respondents were asked to estimate the total value of these assets today in SYP. These figures for the business 'start-up' costs are therefore only rough estimates for initial overhead costs for establishing a business. The results have been assembled into 'business expense profiles' across assessed sectors and business sizes ([pages 5-16](#)). Medians of total yearly operating costs for each business size within each sector are summarised in Table 2 below providing an indication of the cost of running a business in NES.

### PRESENTATION OF FINDINGS IN THIS OVERVIEW

This situation overview presents the findings of the assessment in two parts.

**SECTION 1)** Combining data from businesses surveyed in **both Al-Hasakeh and Ar-Raqqa** cities, this section presents the expenditure results from all surveyed businesses, organised as '**business expense profiles**' for businesses of different sizes across assessed sectors. These results are summarised in Table 2 below, providing an indication of the **cost of running a business in NES** (see yearly operating costs). Medians were combined for both sub-districts to create the business expense profiles due to the limitation of small sample sizes in each location for the pilot assessment. A brief electricity source and cost analysis for Ar-Raqqa only is also presented. This section covers pages 5-18.

**SECTION 2)** This section presents findings on **operational trends and challenges** faced by businesses in **Ar-Raqqa city area only**. This section covers pages 1-24.

Table 2: Summary of business expense profiles showing operating costs (recurring monthly, one-off incurred in one year, and total yearly) and start-up costs

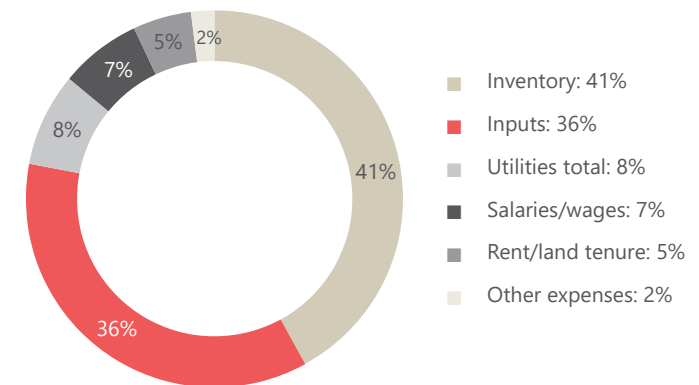
Business size per sector	Median recurring costs (monthly average from past three months)		Median one-off costs (incurred in the past 12 months)		Median total yearly operating costs (median recurring costs x12 + median one-off costs)		Median 'start-up' costs (total cost of productive assets in today's market)	
	SYP	USD	SYP	USD	SYP	USD	SYP	USD
<b>Agricultural processing/food production</b>								
Micro (n=19)	5,294,000	1,080	2,037,500	397	75,170,000	15,341	7,000,000	1,365
Small (n=19)	12,250,000	2,388	3,517,500	702	178,271,000	35,575	10,800,000	2,204
Medium (n=9)	27,723,000	5,404	19,700,000	3,840	413,310,000	80,567	70,000,000	13,645
<b>Services</b>								
Micro (n=22)	1,332,000	272	1,550,000	316	18,198,000	3,714	1,500,000	299
Small (n=16)	2,647,000	516	1,552,500	311	34,404,500	7,021	4,800,000	936
Medium (n=8)	7,363,000	1,435	7,365,000	1,452	107,131,000	20,883	14,500,000	2,827
<b>Non-food industry/manufacturing</b>								
Micro (n=19)	3,055,000	608	5,050,000	1,031	49,455,000	9,640	10,000,000	2,041
Small (n=18)	11,278,000	2,250	5,462,500	1,065	137,933,500	27,520	25,000,000	4,873
Medium (n=8)	30,757,500	5,996	35,150,000	7,174	449,835,000	87,687	178,250,000	36,028
<b>Commercial retail/trade</b>								
Micro (n=31)	5,933,000	1,157	1,307,500	262	72,396,000	14,112	7,000,000	1,365
Small (n=26)	14,161,750	2,822	6,230,000	1,240	172,351,500	34,411	10,000,000	1,949
Medium (n=9)	26,830,000	5,230	19,700,000	3,840	352,376,000	68,689	15,000,000	2,924

\* Costs are shown as medians taken from both Al-Hasakeh and Ar-Raqqa businesses. USD figures were calculated on each price according to the sub-district level USD exchange rate recorded in the October 2022 round of the Joint Market Monitoring Initiative then medians were calculated using these prices.

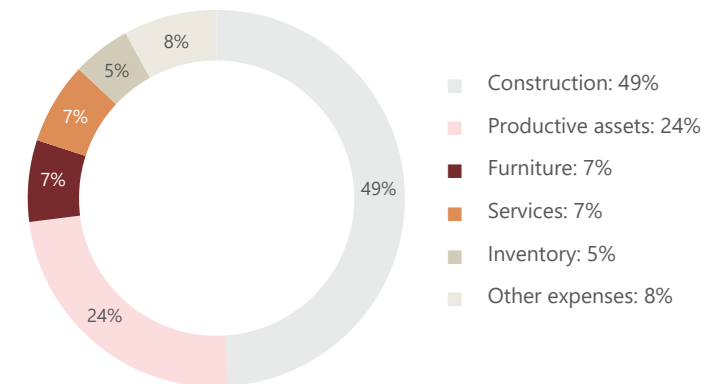
**BEP BREAKDOWN: Agricultural processing/food production, Micro enterprises (n=19)**

Expenditure category (definitions on <a href="#">pg. 26</a> )	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	670,000	137	14	100,000	20	7
Rent / land tenure	315,000	63	14	N/A	N/A	0
Construction	67,500	13	2	1,615,000	326	6
One-off utilities (i.e. installation)	One-off cost only			450,000	88	7
Electricity from public sources	4,000	1	7	Recurring costs only		
Electricity from private generator	66,000	13	7			
Electricity via a community generator	60,000	12	17			
Other electricity (i.e. bulbs and cables)	27,500	6	6			
Water	15,000	3	16			
Fuel for heating or cooking	150,000	29	11			
Telecommunications	20,000	4	17			
Other utilities	194,000	40	1			
Inventory	3,000,000	612	11	N/A	N/A	0
Inputs	875,000	174	16	735,000	150	4
Productive assets	50,000	10	3	887,500	177	12
Furniture	70,000	14	1	250,000	51	9
Office supplies	25,000	5	13	50,000	10	3
Services	50,000	10	5	125,000	26	12
Transportation and travel	100,000	19	16	25,000	5	1
Marketing and advertising	30,000	6	1	215,000	44	3
Taxes, regulations, and documentation	15,000	3	5	75,000	15	5
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	75,170,000		19	15,341		19
Total cost of productive assets in current market	Median 'start-up' costs					
	7,000,000		15	1,365		15

Recurring costs as a percentage of total recurring expenditure averages\*



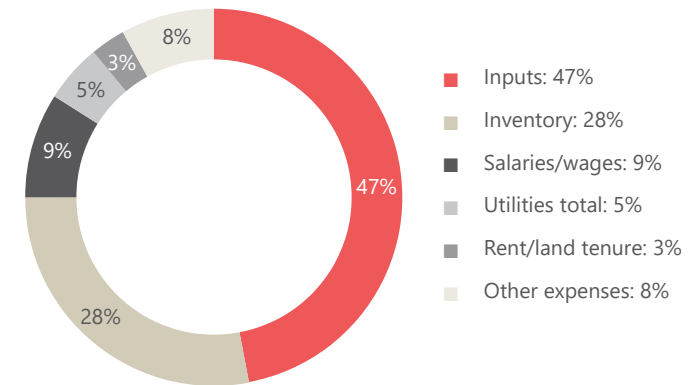
One-off costs as a percentage of total one-off expenditure averages\*



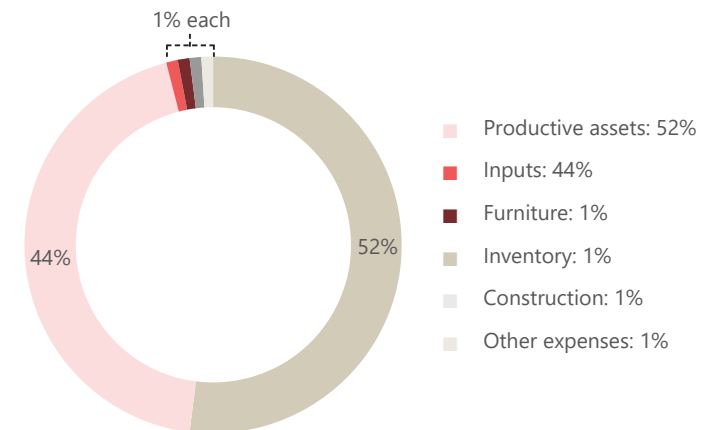
**BEP BREAKDOWN: Agricultural processing/food production, Small enterprises (n=19)**

Expenditure category (definitions on <a href="#">pg. 26</a> )	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	1,200,000	245	19	150,000	31	6
Rent / land tenure	585,000	117	14	730,000	149	1
Construction	150,000	30	4	1,100,000	214	6
One-off utilities (i.e. installation)	One-off cost only			250,000	51	4
Electricity from public sources	3,000	1	7	Recurring costs only		
Electricity from private generator	212,500	42	12			
Electricity via a community generator	100,000	19	17			
Other electricity (i.e. bulbs and cables)	70,000	14	2			
Water	30,000	6	19			
Fuel for heating or cooking	300,000	60	14			
Telecommunications	20,000	4	16			
Other utilities	1,260,000	257	1			
Inventory	4,000,000	780	7	9,000,000	1,837	1
Inputs	5,500,000	1,072	17	1,250,000	253	4
Productive assets	125,000	25	4	2,000,000	390	13
Furniture	150,000	31	3	437,000	89	13
Office supplies	45,000	9	18	730,000	149	1
Services	50,000	10	7	90,000	18	8
Transportation and travel	150,000	29	15	350,000	71	2
Marketing and advertising	N/A	N/A	0	100,000	20	7
Taxes, regulations, and documentation	5,000	1	7	100,000	19	9
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	178,271,000		19	35,575		19
Total cost of productive assets in current market	Median 'start-up' costs					
	10,800,000		15	2,204		15

Recurring costs as a percentage of total recurring expenditure averages\*



One-off costs as a percentage of total one-off expenditure averages\*

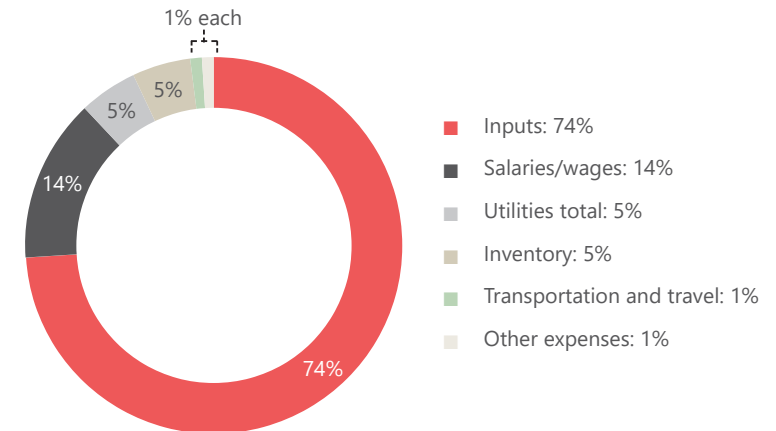




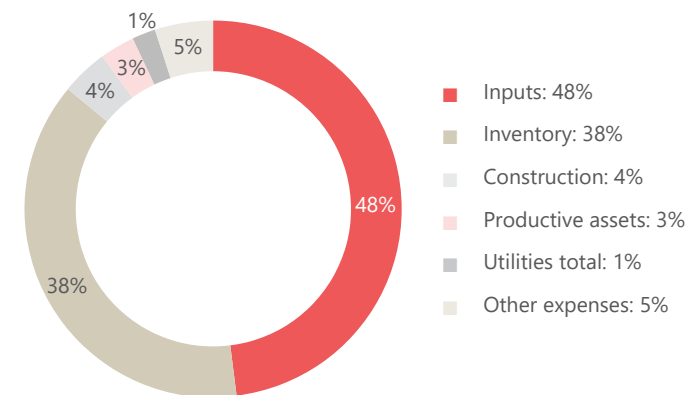
**BEP BREAKDOWN: Agricultural processing/food production, Medium enterprises (n=9)**

Expenditure category (definitions on pg. 26)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	8,000,000	1,559	9	1,000,000	195	3
Rent / land tenure	750,000	153	3	N/A	N/A	0
Construction	100,000	19	1	7,500,000	1,462	4
One-off utilities (i.e. installation)	One-off cost only			3,000,000	585	3
Electricity from public sources	28,000	5	3	Recurring costs only		
Electricity from private generator	1,450,000	283	6			
Electricity via a community generator	75,000	15	6			
Other electricity (i.e. bulbs and cables)	92,500	19	2			
Water	80,000	16	9			
Fuel for heating or cooking	1,000,000	195	5			
Telecommunications	67,500	13	8			
Other utilities	N/A	N/A	0			
Inventory	6,850,000	1,335	4	148,800,000	29,006	2
Inputs	24,250,000	4,949	7	658,000	129	4
Productive assets	36,000	7	1	1,500,000	292	7
Furniture	N/A	N/A	0	515,000	103	6
Office supplies	50,000	10	7	100,000	19	3
Services	100,000	20	5	400,000	78	6
Transportation and travel	525,000	107	8	8,000,000	1,559	1
Marketing and advertising	162,000	33	3	1,800,000	351	2
Taxes, regulations, and documentation	200,000	39	1	1,000,000	195	5
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	413,310,000		9	80,567		9
Total cost of productive assets in current market	Median 'start-up' costs					
	70,000,000		7	13,645		7

Recurring costs as a percentage of total recurring expenditure averages\*



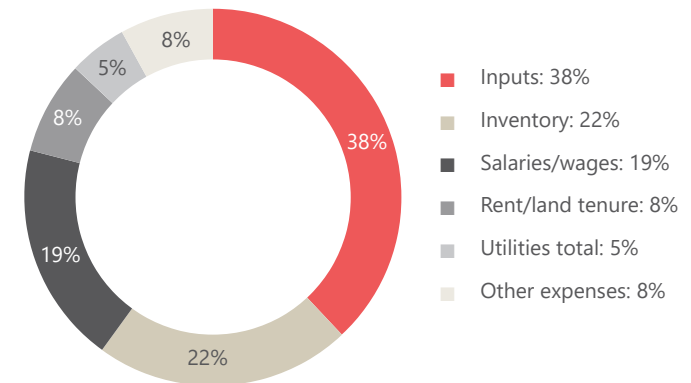
One-off costs as a percentage of total one-off expenditure averages\*



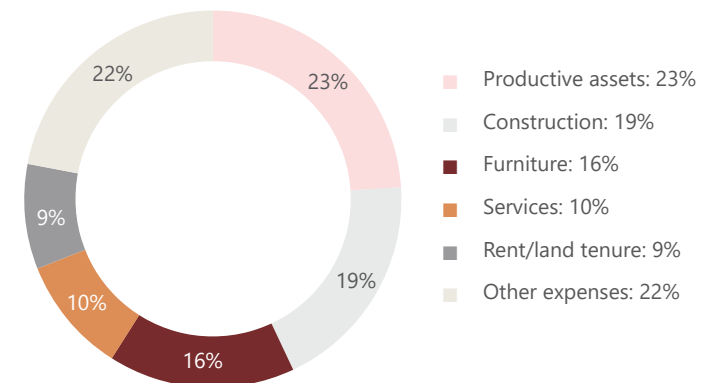
**BEP BREAKDOWN: Services, Micro enterprises (n=22)**

Expenditure category (definitions on <a href="#">pg. 26</a> )	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	500,000	97	19	75,000	15	4
Rent / land tenure	150,000	30	18	1,800,000	351	3
Construction	115,000	22	2	800,000	163	11
One-off utilities (i.e. installation)	One-off cost only			200,000	41	1
Electricity from public sources	5,000	1	14	Recurring costs only		
Electricity from private generator	50,000	10	3			
Electricity via a community generator	30,000	6	22			
Other electricity (i.e. bulbs and cables)	20,000	4	1			
Water	8,000	2	17			
Fuel for heating or cooking	40,000	8	10			
Telecommunications	17,500	4	19			
Other utilities	NA	NA	0			
Inventory	500,000	97	3	N/A	N/A	
Inputs	367,500	75	15	825,000	161	4
Productive assets	75,000	15	3	600,000	117	18
Furniture	42,500	8	2	585,000	119	14
Office supplies	40,000	8	16	250,000	51	2
Services	22,500	4	6	250,000	49	5
Transportation and travel	50,000	10	6	430,000	84	1
Marketing and advertising	75,000	15	2	250,000	51	11
Taxes, regulations, and documentation	62,500	13	8	100,000	20	16
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	18,198,000		22	3,714		22
Total cost of productive assets in current market	Median 'start-up' costs					
	1,500,000		17	299		17

Recurring costs as a percentage of total recurring expenditure averages\*



One-off costs as a percentage of total one-off expenditure averages\*

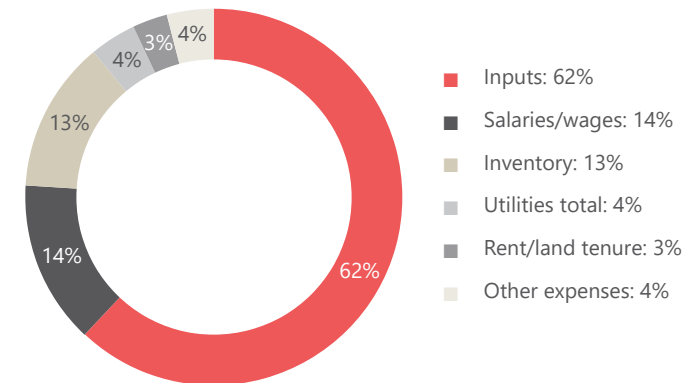




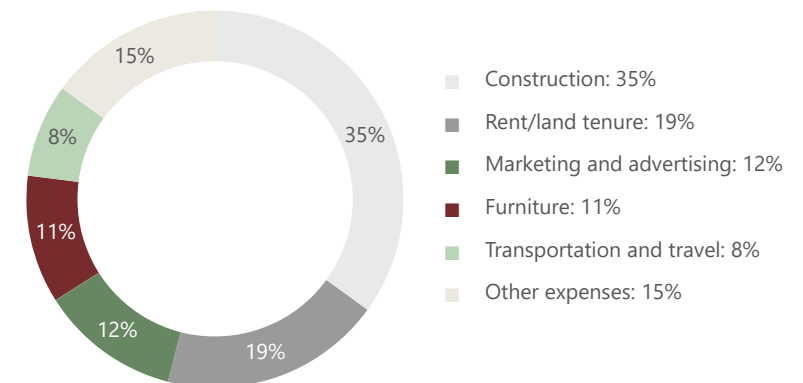
**BEP BREAKDOWN: Services, Small enterprises (n=16)**

Expenditure category (definitions on pg. 26)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	1,000,000	195	15	350,000	71	6
Rent / land tenure	215,000	43	12	23,000,000	4,483	1
Construction	50,000	10	3	2,000,000	408	9
One-off utilities (i.e. installation)	One-off cost only			300,000	61	3
Electricity from public sources	4,500	1	9	Recurring costs only		
Electricity from private generator	175,000	35	6			
Electricity via a community generator	33,500	7	14			
Other electricity (i.e. bulbs and cables)	N/A	N/A	0			
Water	10,000	2	15			
Fuel for heating or cooking	30,000	6	6			
Telecommunications	27,000	5	13			
Other utilities	NA	NA	0			
Inventory	500,000	97	5	500,000	97	1
Inputs	650,000	130	14	400,000	78	5
Productive assets	125,000	24	3	300,000	58	13
Furniture	75,000	15	2	700,000	136	11
Office supplies	30,000	6	11	75,000	15	2
Services	50,000	10	7	200,000	39	3
Transportation and travel	100,000	19	7	10,000,000	2,041	1
Marketing and advertising	50,000	10	3	450,000	92	9
Taxes, regulations, and documentation	75,000	15	7	100,000	20	10
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	34,404,500		16	7,021		16
Total cost of productive assets in current market	Median 'start-up' costs					
	48,000,000		9	936		9

Recurring costs as a percentage of total recurring expenditure averages\*



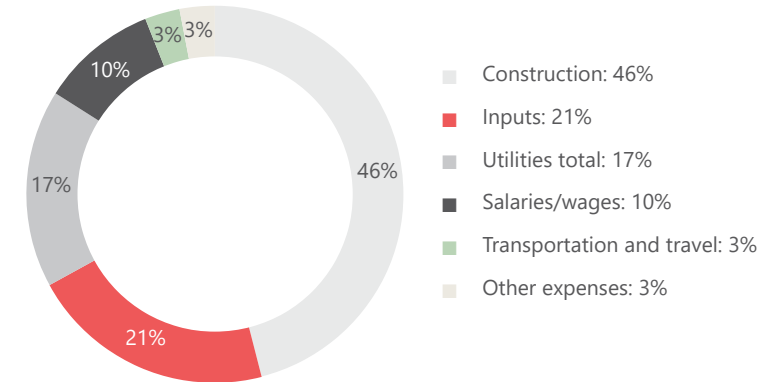
One-off costs as a percentage of total one-off expenditure averages\*



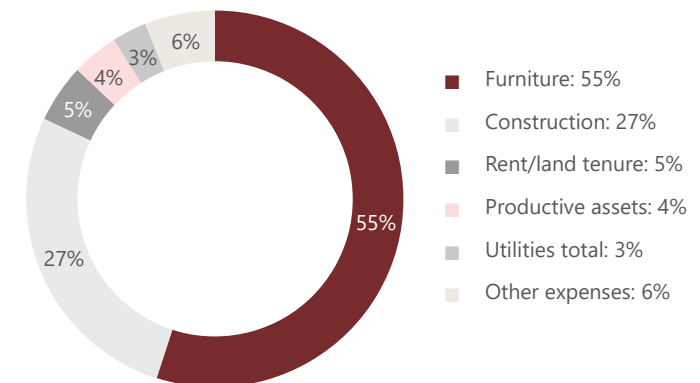
## BEP BREAKDOWN: Services, Medium enterprises (n=8)

Expenditure category (definitions on pg. 26)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	2,500,000	499	8	200,000	39	2
Rent / land tenure	1,000,000	204	3	11,000,000	2,144	1
Construction	50,050,000	9,756	2	4,500,000	877	5
One-off utilities (i.e. installation)	One-off cost only			6,000,000	1,170	1
Electricity from public sources	3,000	1	4	Recurring costs only		
Electricity from private generator	800,000	156	5			
Electricity via a community generator	44,000	9	6			
Other electricity (i.e. bulbs and cables)*	940,000	183	1			
Water	80,000	16	7			
Fuel for heating or cooking	140,000	27	4			
Telecommunications	30,000	6	7			
Other utilities	NA	NA	0			
Inventory	N/A	N/A	0	N/A	N/A	0
Inputs	6,625,000	1,291	4	N/A	N/A	0
Productive assets	200,000	39	1	500,000	97	5
Furniture	300,000	58	1	1,080,000	220	6
Office supplies	90,000	18	6	100,000	20	3
Services	300,000	61	3	2,550,000	497	2
Transportation and travel	2,000,000	390	5	6,000,000	1,170	1
Marketing and advertising	150,000	29	3	300,000	61	3
Taxes, regulations, and documentation	60,000	12	6	100,000	19	7
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	107,131,000		8	20,883		8
Total cost of productive assets in current market	Median 'start-up' costs					
	14,500,000		6	2,827		6

Recurring costs as a percentage of total recurring expenditure averages\*



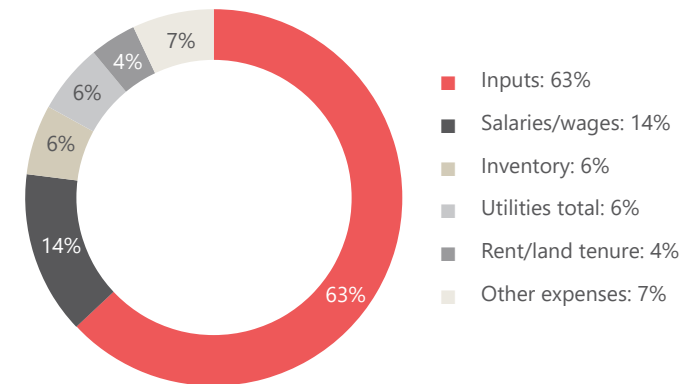
One-off costs as a percentage of total one-off expenditure averages\*



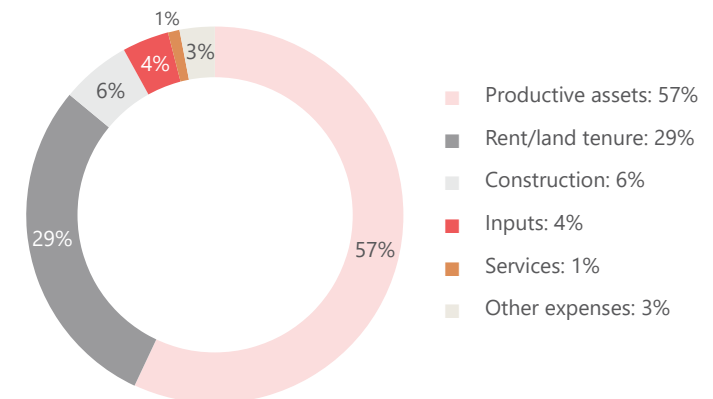
## BEP BREAKDOWN: Non-food industry/manufacturing, Micro enterprises (n=19)

Expenditure category (definitions on <a href="#">pg. 26</a> )	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	700,000	143	17	625,000	128	2
Rent / land tenure	150,000	31	16	2,400,000	468	3
Construction	200,000	41	1	10,000,000	2,041	1
One-off utilities (i.e. installation)	One-off cost only			275,000	54	4
Electricity from public sources	3,500	1	2	Recurring costs only		
Electricity from private generator	250,000	51	13			
Electricity via a community generator	36,000	7	13			
Other electricity (i.e. bulbs and cables)	250,000	51	1			
Water	7,000	1	10			
Fuel for heating or cooking	20,000	4	6			
Telecommunications	16,500	3	12			
Other utilities	NA	NA	0			
Inventory	500,000	97	5	N/A	N/A	0
Inputs	1,350,000	263	19	150,000	31	3
Productive assets	225,000	46	4	5,000,000	1,020	14
Furniture	25,000	5	1	800,000	163	2
Office supplies	40,000	8	2	50,000	10	3
Services	100,000	19	5	600,000	117	4
Transportation and travel	70,000	14	11	150,000	31	1
Marketing and advertising	N/A	N/A	0	375,000	74	2
Taxes, regulations, and documentation	30,000	6	4	106,000	21	7
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	49,455,000		19	9,640		19
Total cost of productive assets in current market	Median 'start-up' costs					
	10,000,000		18	2,041		18

Recurring costs as a percentage of total recurring expenditure averages\*



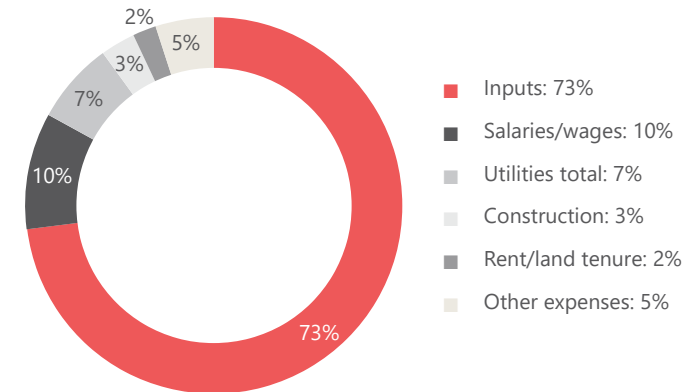
One-off costs as a percentage of total one-off expenditure averages\*



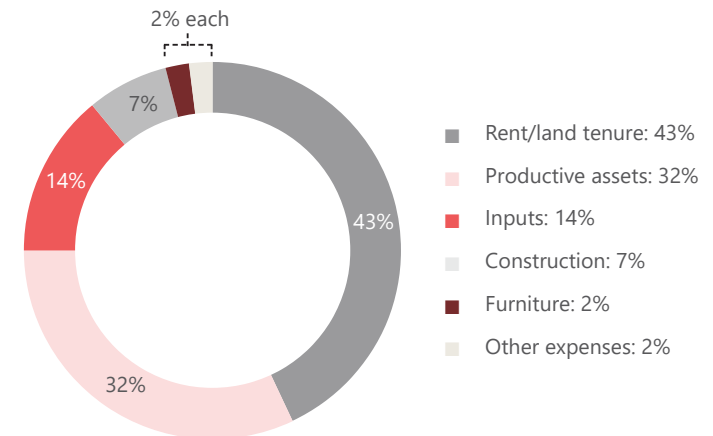
## BEP BREAKDOWN: Non-food industry/manufacturing, Small enterprises (n=18)

Expenditure category (definitions on <a href="#">pg. 26</a> )	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	1,475,000	294	18	650,000	127	1
Rent / land tenure	312,500	62	10	57,750,000	11,761	2
Construction	500,000	97	3	4,000,000	780	5
One-off utilities (i.e. installation)	One-off cost only			350,000	71	2
Electricity from public sources	4,000	1	5	Recurring costs only		
Electricity from private generator	432,500	88	14			
Electricity via a community generator	40,000	8	9			
Other electricity (i.e. bulbs and cables)	NA	NA	0			
Water	10,000	2	13			
Fuel for heating or cooking	25,000	5	5			
Telecommunications	25,000	5	13			
Other utilities	NA	NA	0			
Inventory	250,000	49	5	N/A	N/A	0
Inputs	9,000,000	1,754	17	4,000,000	780	5
Productive assets	700,000	143	4	1,500,000	292	13
Furniture	N/A	N/A	0	475,000	93	4
Office supplies	22,500	5	10	25,000	5	3
Services	75,000	15	6	90,000	18	8
Transportation and travel	225,000	44	16	510,000	104	2
Marketing and advertising	N/A	N/A	0	600,000	117	1
Taxes, regulations, and documentation	5,000	1	6	100,000	19	11
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	137,933,500		18	27,519		18
Total cost of productive assets in current market	Median 'start-up' costs					
	25,000,000		15	4,873		15

Recurring costs as a percentage of total recurring expenditure averages\*



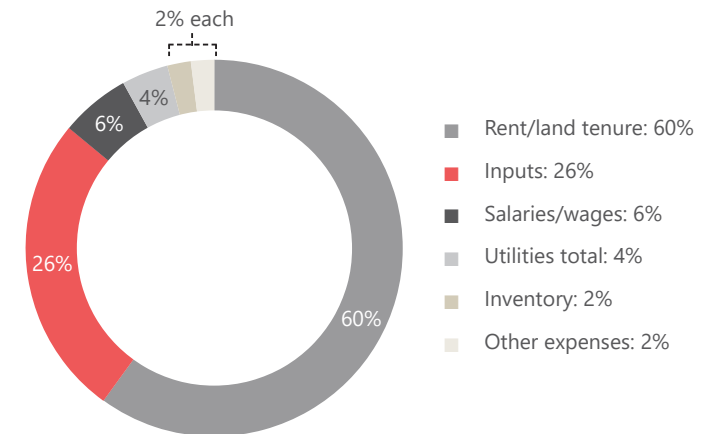
One-off costs as a percentage of total one-off expenditure averages\*



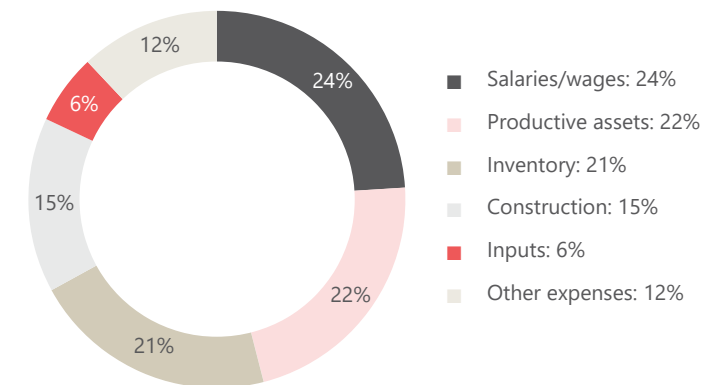
**BEP BREAKDOWN: Non-food industry/manufacturing, Medium enterprises (n=8)**

Expenditure category (definitions on pg. 26)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	3,500,000	682	8	29,500,000	5,750	4
Rent / land tenure	400,000,000	81,633	1	5,500,000	1,072	3
Construction	300,000	58	3	13,000,000	2,534	5
One-off utilities (i.e. installation)	One-off cost only			165,000	32	2
Electricity from public sources	20,000	4	4	Recurring costs only		
Electricity from private generator	775,000	151	8			
Electricity via a community generator	120,000	23	2			
Other electricity (i.e. bulbs and cables)	NA	NA	0			
Water	52,500	10	8			
Fuel for heating or cooking	35,000	7	4			
Telecommunications	50,000	10	7			
Other utilities	NA	NA	0			
Inventory	5,000,000	975	3	6,500,000	1,267	3
Inputs	20,000,000	3,899	7	13,900,000	2,710	2
Productive assets	N/A	N/A	0	11,500,000	2,287	6
Furniture	N/A	N/A	0	460,000	90	3
Office supplies	50,000	10	5	360,000	70	3
Services	205,000	40	2	800,000	156	3
Transportation and travel	666,500	130	6	10,000,000	1,949	3
Marketing and advertising	91,500	18	2	500,000	97	5
Taxes, regulations, and documentation	400,000	82	3	300,000	61	7
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	449,835,000		8	87,687		8
Total cost of productive assets in current market	Median 'start-up' costs					
	178,250,000		6	36,028		6

Recurring costs as a percentage of total recurring expenditure averages\*



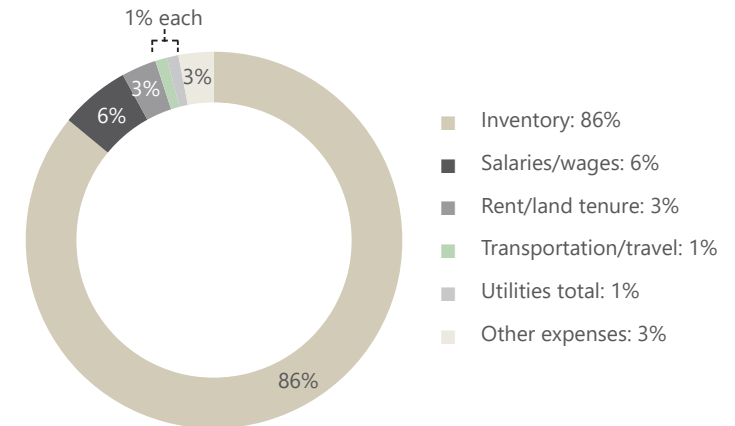
One-off costs as a percentage of total one-off expenditure averages\*



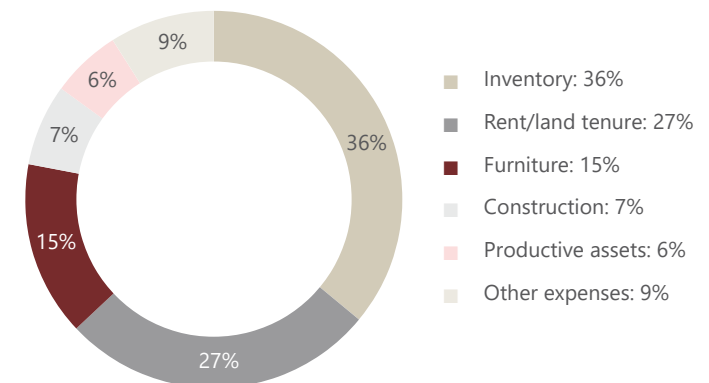
## BEP BREAKDOWN: Commercial retail/trade, Micro enterprises (n=31)

Expenditure category (definitions on <a href="#">pg. 26</a> )	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	650,000	133	28	200,000	39	2
Rent / land tenure	200,000	41	23	11,000,000	2,144	6
Construction	35,000	7	6	325,000	63	8
One-off utilities (i.e. installation)	One-off cost only			200,000	41	11
Electricity from public sources	2,000	0.41	16	Recurring costs only		
Electricity from private generator	30,000	6	7			
Electricity via a community generator	30,000	6	23			
Other electricity (i.e. bulbs and cables)	25,000	5	2			
Water	3,500	1	24			
Fuel for heating or cooking	17,000	3	13			
Telecommunications	15,000	3	24			
Other utilities	NA	NA	0			
Inventory	3,400,000	694	30	2,500,000	510	10
Inputs	50,000	10	23	300,000	58	3
Productive assets	100,000	20	6	600,000	122	13
Furniture	100,000	19	2	350,000	70	20
Office supplies	15,000	3	21	75,000	15	4
Services	20,000	4	11	100,000	19	15
Transportation and travel	75,000	15	27	25,000	5	6
Marketing and advertising	30,000	6	1	250,000	50	6
Taxes, regulations, and documentation	6,000	1	7	60,000	12	19
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	72,396,000		31	14,112		31
Total cost of productive assets in current market	Median 'start-up' costs					
	7,000,000		25	1,365		25

Recurring costs as a percentage of total recurring expenditure averages\*



One-off costs as a percentage of total one-off expenditure averages\*

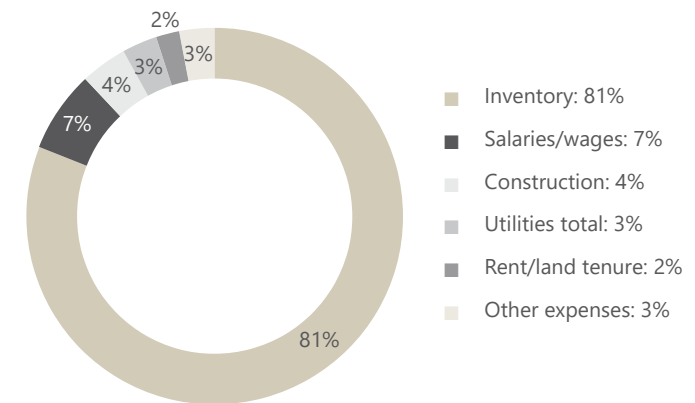




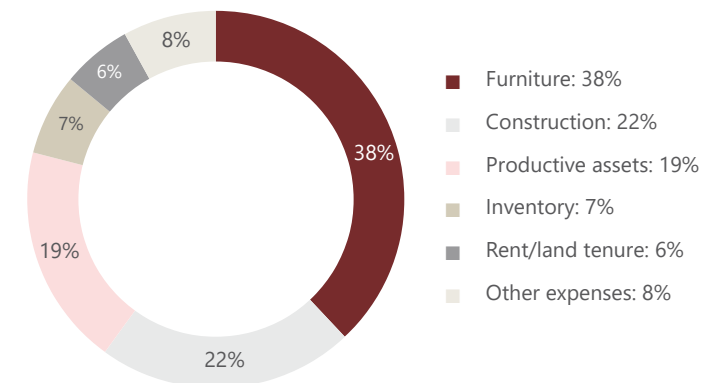
## BEP BREAKDOWN: Commercial retail/trade, Small enterprises (n=26)

Expenditure category (definitions on <a href="#">pg. 26</a> )	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	1,000,000	195	26	175,000	36	6
Rent / land tenure	550,000	107	20	19,000,000	3,704	1
Construction	4,125,000	805	4	875,000	171	12
One-off utilities (i.e. installation)	One-off cost only			625,000	123	8
Electricity from public sources	2,000	0.41	11	Recurring costs only		
Electricity from private generator	175,000	35	6			
Electricity via a community generator	40,000	8	25			
Other electricity (i.e. bulbs and cables)*	100,000	20	3			
Water	15,500	3	22			
Fuel for heating or cooking	155,000	30	14			
Telecommunications	24,000	5	22			
Other utilities	NA	NA	0			
Inventory	10,200,000	2,082	22	5,000,000	975	6
Inputs	100,000	20	14	125,000	25	4
Productive assets	100,000	20	3	1,500,000	306	22
Furniture	150,000	31	3	400,000	78	23
Office supplies	27,500	5	18	62,500	12	8
Services	50,000	10	12	100,000	20	9
Transportation and travel	400,000	78	23	400,000	79	6
Marketing and advertising	150,000	29	3	327,500	67	10
Taxes, regulations, and documentation	32,500	7	6	100,000	19	16
Other expenses (i.e. staff food and drink)	N/A	N/A	0	N/A	N/A	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	172,351,500		26	34,411		26
Total cost of productive assets in current market	Median 'start-up' costs					
	10,000,000		18	1,949		18

Recurring costs as a percentage of total recurring expenditure averages\*



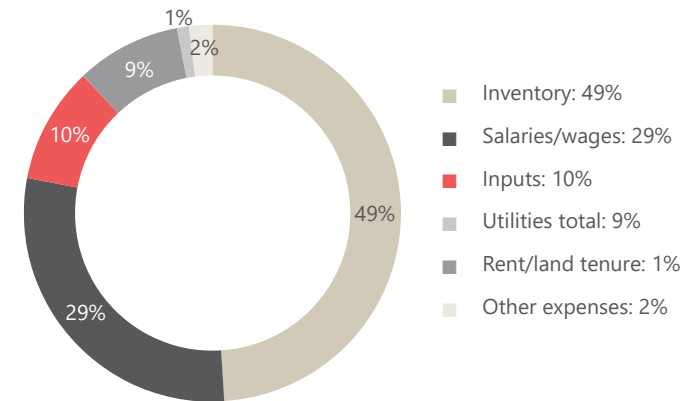
One-off costs as a percentage of total one-off expenditure averages\*



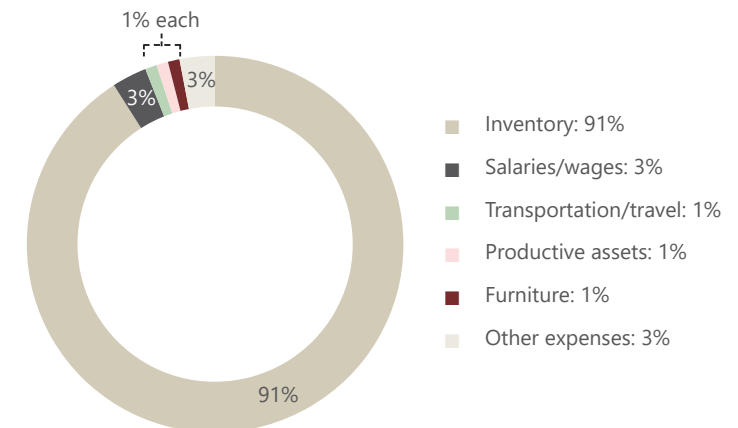
**BEP BREAKDOWN: Commercial retail/trade, Medium enterprises (n=9)**

Expenditure category (definitions on <a href="#">pg. 26</a> )	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary / wages	4,000,000	780	9	1,000,000	204	3
Rent / land tenure	900,000	175	3	10,000,000	1,949	1
Construction	N/A	N/A	0	4,500,000	891	2
One-off utilities (i.e. installation)	One-off cost only			3,000,000	585	1
Electricity from public sources	26,500	5	2	Recurring costs only		
Electricity from private generator	250,000	49	5			
Electricity via a community generator	120,000	23	6			
Other electricity (i.e. bulbs and cables)	N/A	N/A	0			
Water	75,000	15	9			
Fuel for heating or cooking	300,000	58	5			
Telecommunications	50,000	10	5			
Other utilities	NA	NA	0			
Inventory	25,000,000	4,919	4	90,000,000	17,544	3
Inputs	1,500,000	306	5	1,200,000	234	1
Productive assets	300,000	58	1	1,100,000	219	6
Furniture	N/A	N/A	0	1,000,000	204	5
Office supplies	85,000	17	6	125,000	24	4
Services	100,000	19	3	1,100,000	214	2
Transportation and travel	25,000	45	6	8,300,000	1,618	2
Marketing and advertising	100,000	19	1	850,000	168	6
Taxes, regulations, and documentation	50,000	10	3	425,000	83	8
Other expenses (i.e. staff food and drink)	25,000	49	0	NA	NA	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	352,376,000		9	68,689		9
Total cost of productive assets in current market	Median 'start-up' costs					
	15,000,000		7	2,924		7

Recurring costs as a percentage of total recurring expenditure averages\*



One-off costs as a percentage of total one-off expenditure averages\*



## BUSINESS EXPENSE PROFILE KEY FINDINGS

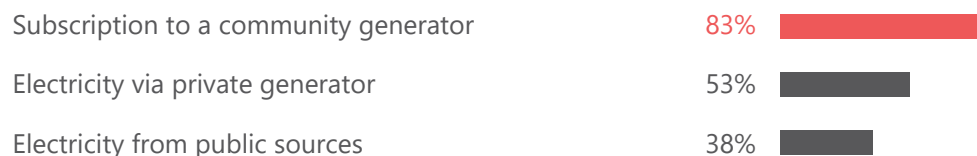
The summary of Business Expenditure Profiles shown on [page 4](#) indicates that **current MSME grant values may not be sufficient to adequately support businesses across the surveyed sizes and sectors in getting established or maintaining their operations**. As the operational results in the following pages indicate, this is in large part due to ongoing price inflation and currency depreciation that has heavily impacted businesses in NES. However, given the small sample sizes included in the pilot assessment, particularly for medium enterprises, the figures are indicative and should not be used directly as recommendations for grant sizes.

When comparing proportional spending on various expenditure categories across enterprise sectors and sizes, overall, **businesses tended to have higher recurring monthly expenditures on inputs, salaries, and inventory, with surveyed businesses in the Commercial Retail/Trade sector spending comparatively more on inventory** due to nature of the businesses' primary activities. As a proportion of overall expenditures, monthly utilities spending was also among the most common top expenditure categories. Proportional utilities spending was relatively consistent across business sizes and sectors, ranging from 1% to 8% of enterprises' total recurring expenditures. This is with the exception of medium service enterprises where utilities comprised 17% of total recurring expenditures.

Comparatively, **categories such as productive assets, construction, furniture and rent/land tenure made up a higher portion of surveyed businesses' one-off expenditures** (incurred in the past 12 months). In particular, across the different business sizes and sectors, costs for productive assets and construction were most commonly the categories with the highest costs proportional to total one-off expenditures. Where many ERL actors currently prioritise support to businesses to purchase productive assets, these findings indicate that should provision of such grants to MSMEs be expanded in NES it would likely provide significant relief to businesses for these higher one-off costs, which critically support business profitability.

## AR-RAQQA ELECTRICITY SOURCE & EXPENDITURE ZOOM-IN

**Figure 4: Source of electricity (by percentage of surveyed businesses, Ar-Raqqa)\***



**Table 3: Median expenditures on electricity sources (Al-Hasakeh)\***

Electricity source	Median expenditure SYP	Median expenditure USD	Number and percentage of businesses reporting on expenditure (of 110 total)	Proportion of total business expenditures (as % of total median recurring costs)
Private generator	250,000	51	30 (38%)	2%
Community generator	40,000	8	65 (83%)	0.3%
Public sources	3,000	1	41 (53%)	0.03%

Where ERL actors are conscious of pressures on businesses for access to affordable energy, the assessment sought to breakdown the cost of electricity according to source. Overall, the majority of surveyed businesses (65 businesses, 83%) source their electricity from subscriptions to community generators. Almost two thirds of businesses in Ar-Raqqa (49 businesses) reported relying on more than one electricity source. The large majority of businesses (88%) that reported on costs for electricity from public sources also reported on costs for either community or private generators, indicating that for most electricity from the public grid is insufficient for businesses' operations. The five businesses that reported costs on electricity from public sources alone were all part of the Commercial Retail/Trade sector, potentially indicating that certain types of businesses in this sector have lower electricity needs. Further, of the 65 businesses that reported on costs for a subscription to a community generator, 22 businesses (34%) also reported on costs for private generators indicating community generators alone are for many insufficient to cover gaps in the public grid.

Table 3 shows the median expenditures from surveyed businesses in Al-Raqqa city and surrounding areas. This shows that public sources of electricity (grid or generator) account for a small portion of businesses total expenditures. Comparatively, over a third of businesses pay for private generators to meet their electricity needs at substantially higher costs. Only one business in Ar-Raqqa reported on electricity expenditures from another source, namely solar power, in addition to costs on public sources of electricity. The high cost of solar power is reportedly a key barrier preventing its usage as an alternative to generators with associated fuel costs.<sup>7</sup> In addition to these expenditures surveyed businesses in Ar-Raqqa also spent on average 37,500 SYP (8 USD) on fuel for heating or cooking, representing 10% of the total median running costs (this expenditure was reported on by 52 businesses (67%) in Ar-Raqqa).

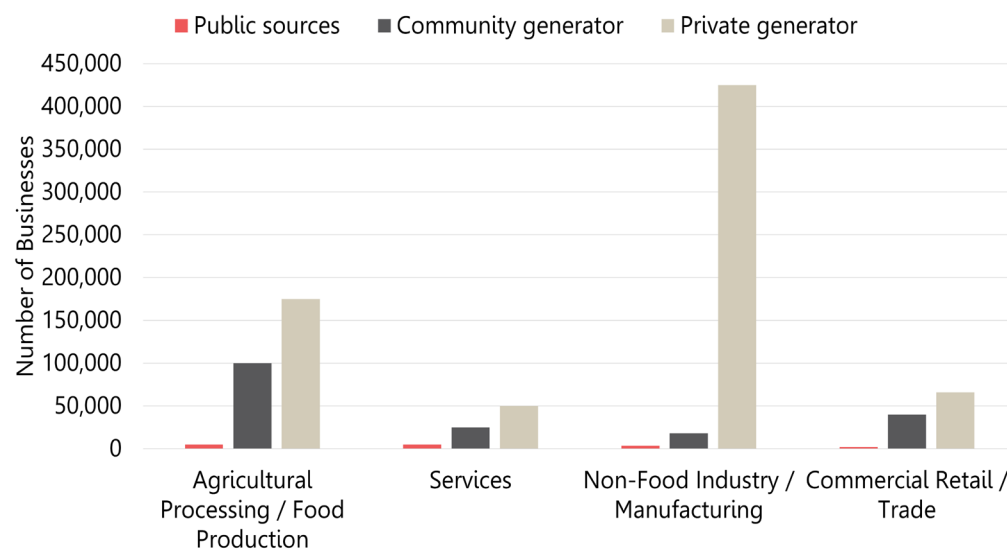
## AR-RAQQA ELECTRICITY SOURCE & EXPENDITURE ZOOM-IN (CONTINUED)

Overall, the findings indicate that spending on electricity or fuel accounts for a relatively small portion of overall business expenditures. This is somewhat surprising given that electricity and fuel costs are frequently cited as key pressures on business productivity.<sup>8</sup> However, it should be noted that these results do not show efforts that businesses might be making to reduce their electricity usage, and therefore cost. In addition, it does not show the level of access or affordability that businesses have to reliable sources of electricity.

A recent REACH Household Assessment in Ar-Raqqa showed that access to electricity in Ar-Raqqa has decreased as a result of rationing by local authorities, increasing reliance on community and private generators at additional costs.<sup>9</sup> Reduced water levels in the Euphrates river have likely caused such rationing; this can be seasonal as well as long-term in the context of the drought.

The unaffordability of alternatives to electricity in times of rationing is a key barrier to access to sufficient energy. REACH Household Assessments conducted in August and October 2022 show that the number of households reporting that solar panels were too expensive increased by 39% between these months, the number of households reporting that private generators were too expensive increased by 49%, and the number of households reporting that fuel for generators was too expensive increased by 13%.<sup>10</sup>

**Figure 5: Cost of electricity source by sector (Ar-Raqqa medians)**



**Table 4: Electricity expenditures by source, sector, and business size (Ar-Raqqa medians)**

Business Profile	Median expenditure on electricity from public sources		n*	Median expenditure on electricity from subscription to community generator		n*	Median expenditure on electricity from private generator		n*
	SYP	USD		SYP	USD		SYP	USD	
Agricultural processing/food production									
Micro	16,000	3	1	90,000	18	9	66,000	13	5
Small	5,000	1.02	2	16,000	24	4	187,500	38	8
Medium	15,000	0.31	1	100,000	20	1	8,580,000	1,751	3
Services									
Micro	5,000	1.02	8	28,500	6	10	50,000	10	2
Small	5,000	1.02	7	25,000	5	7	150,000	31	2
Medium	2,000	0.41	2	33,000	7	2	150,000	31	1
Non-food industry/manufacturing									
Micro	NA	NA	0	32,000	7	7	350,000	71	7
Small	3,500	0.71	4	14,000	3	5	465,000	95	5
Medium	NA	NA	0	NA	NA	0	1,025,000	209	2
Commercial retail/trade									
Micro	2,000	0.41	10	25,000	5	10	48,000	10	2
Small	2,000	0.41	6	52,500	11	8	150,000	31	3
Medium	NA	NA	0	250,000	51	2	NA	NA	0

Electricity expenditures tended to be in most cases consistent with enterprise sizes, whereby larger businesses tended to report higher electricity costs (Table 4). Median costs on private generators were higher across assessed business sectors, most notably in the Non-Food Industry/Manufacturing sector (Figure 5), where there were less businesses overall reporting on costs of electricity from other sources, and the costs themselves were higher compared to other sectors (Table 4). Surveyed businesses in the Non-Food Industry/Manufacturing and Agricultural Processing/Food Production sectors reported higher electricity costs compared to other sectors which is likely attributed to business activities that rely more heavily on machinery and electrical equipment.

## SECTION 2: BUSINESS OPERATIONS ( AR-RAQQA ONLY )

### INTRODUCTION: KEY TRENDS & CHALLENGES FACING BUSINESSES IN AR-RAQQA

The following section outlines key operational trends for businesses across assessed sectors in Ar-Raqqa city and surroundings, identifying some of the challenges they face in maintaining their businesses and the barriers that prevent them from expansion.

Overall, the results showed that the economic crisis fuelled by currency depreciation is the key pressure on MSMEs while other market stressors such as availability of goods or labour shortages are not affecting a broad base of enterprises in Ar-Raqqa. This was true irrespective of whether businesses sourced their goods from within NES, elsewhere in Syria, or outside of Syria. Additionally, the results indicated that the combination of inflated prices and reduced purchasing power of the population has resulted in a decreased customer base for the large majority of surveyed businesses ([see page 20](#)). Less than 10% of businesses reported an increase in customers within the last year which was predominantly attributed to greater availability of products and services in the market, indicating that supply chain improvements, where they exist, have only been felt by a small proportion of businesses.

These findings broadly point to the potential positive impact of business grants in financially supporting businesses in NES that, overall, did not report facing significant challenges finding staff and did not perceive that there is lack of demand in the market for their products or services ([see page 23](#) and [page 25](#)). In addition, the majority of surveyed businesses did not report having had received assistance in the last year indicating that a scale-up of business support from humanitarian actors is needed to reach a broader base of businesses in Ar-Raqqa. While the small sample sizes of this pilot assessment, particularly for medium enterprises, make it difficult to draw solid recommendations, such findings indicate that, should ERL actors increasingly focus their support on enterprises with the desire to expand, but limited by financial barriers, there could be important subsequent benefits to the community at large in terms of employment generation.

### ACCEPTED PAYMENT MODALITIES

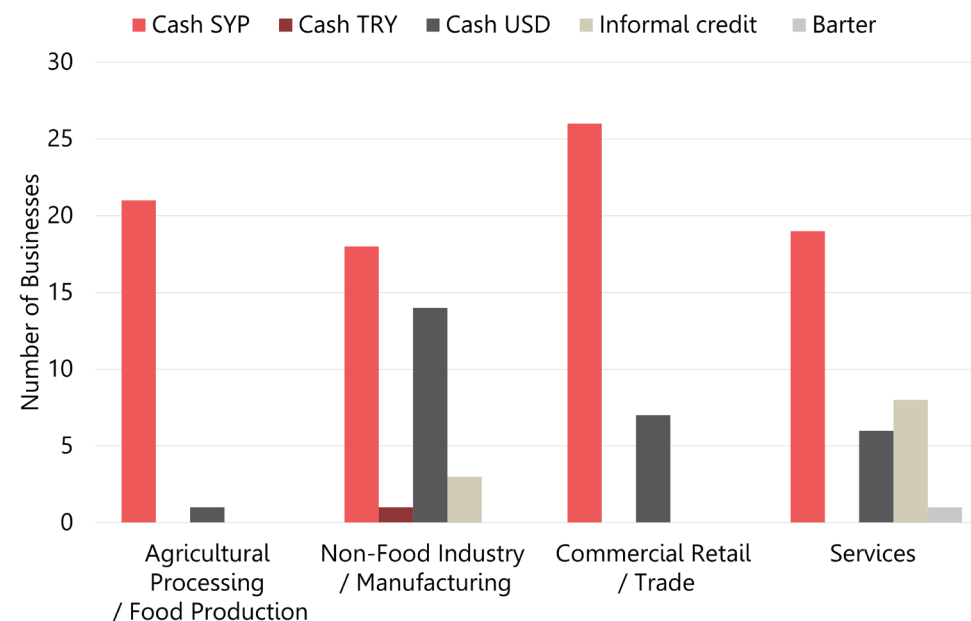
Businesses reported on the forms of payment they accept from their customers (Figure 6), with the large majority reporting they accept cash in SYP, 36% reporting they accept cash in USD, and 14% reporting they accept informal credit, whereby the customer can 'buy now and then pay later'. Only one business in the Non-Food Industry/ Manufacturing sector reported that they accept cash in TRY, and one business in the

Services sector reported they accept bartering whereby customers can pay for goods with other goods. No businesses reported accepting credit/debit, mobile money or e-vouchers, potentially indicating opportunities for organisations to support businesses to take digital payments should there be readiness from the population in general to make such payments.

**Figure 6: Payment modalities accepted (by percentage of surveyed businesses)\***



**Figure 7: Accepted payment modalities by sector**



\* Respondents could select multiple answers, thus findings might exceed 100%.



## PAYMENT MODALITIES (CONTINUED)

Looking at trends across assessed sectors, as shown in [Figure 7](#) on the previous page, surveyed businesses in the Non-Food Industry/Manufacturing sector accept USD comparatively more than surveyed businesses in other sectors, potentially indicating higher availability of USD denominations among businesses that trade in this sector. Overall, only 34% of surveyed businesses reported accepting cash in USD. It is unclear whether this is due to the fact that the majority of businesses are sourcing their inputs and inventory from within NES in SYP (see supply routes findings on [page 21](#)), or whether liquidity of USD in the market is impacting the extent to which businesses can trade in USD and in turn be somewhat insulated from the currency crisis.

In general traders in NES are highly dependent on USD to purchase imported items, which are then sold in SYP, making prices highly sensitive to exchange rate fluctuations. These results therefore do not show the extent to which businesses incur losses from purchasing items in USD and selling in SYP if they are unable to raise their prices enough to cover the cost of the USD for the initial purchase with inflation.

In addition, surveyed businesses in the Services sector accept the greater diversity of payment modalities and comparatively more informal credit than other sectors. Acceptance of informal credit in this sector could be linked to the types of form of business interaction (directly with customers as opposed to with other businesses in the industry). However, the same was not true for the Commercial/Retail Trade sector, where the same pattern might be similarly reflected. However, overall only 9% of surveyed businesses accept informal credit as a form of payment potentially indicating that businesses are not confident in the level of cash flow amongst their customer base to rely on repayments in the future. A greater diversity of payment options for customers might have been expected in the Commercial Retail/Trade sector, particularly for those businesses receiving customers with access to assistance in USD or vouchers.

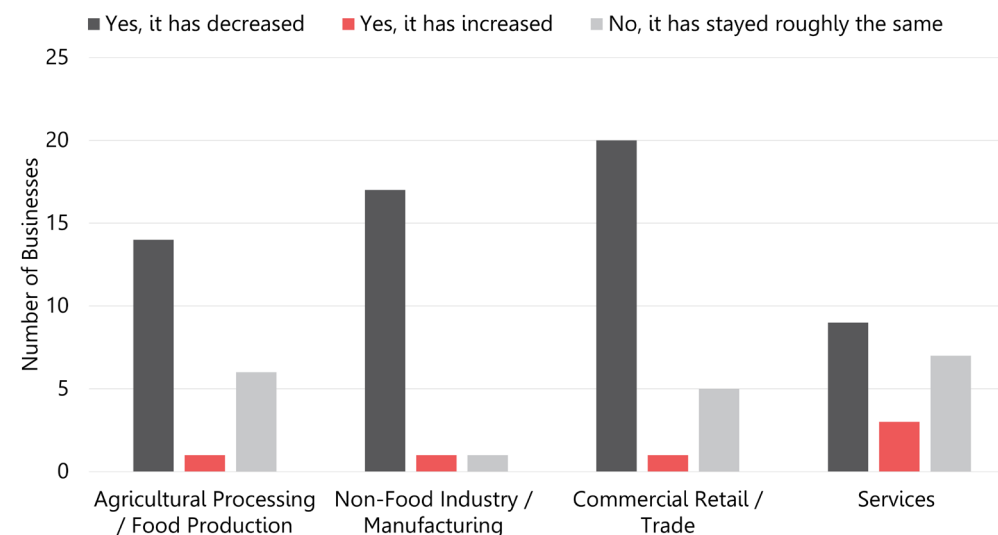
## CHANGE IN THE NUMBER OF CUSTOMERS

The majority of businesses in Al-Raqqa city area reported that the number of customers received per week had decreased compared to the same time last year (Figure 8). This was overwhelmingly attributed to less affordable prices, indicating that disruptions in services or supply chains, or displacement from the area are not significantly impacting the flow of customers. Specifically, of those businesses that reported that the number of weekly customers had decreased compared to the same time last year (54 respondents, 69%), almost all (96%) reported that this was because prices have risen, and 85% reported that it was because customer incomes have fallen (see [Figure 10](#) on the following page).

**Figure 8: Change in number of customers received compared to the same time last year (by percentage of surveyed businesses)**



**Figure 9: Change in number of customers received by sector**



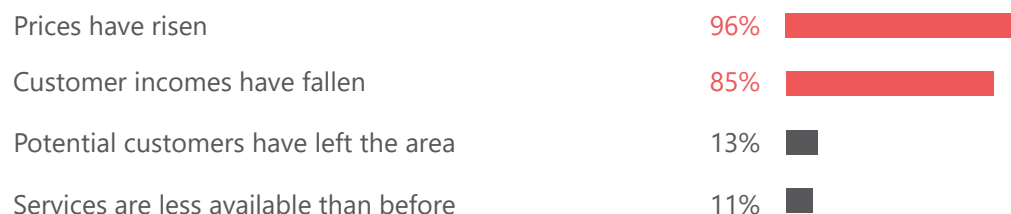
Trends across sectors were relatively consistent (Figure 9), with slightly more varied responses in the Services sector, and comparatively more businesses reporting that received customers had decreased as opposed to no change in the Non-Food Industry/Manufacturing sector.

Of the small number of businesses that reported an increase in the number of weekly customers (6 respondents, 8%), half reported that it was because products or services are more available than before (see [Figure 11](#) on the following page). Slightly more businesses from the Services sector reported an increase in customers compared to other sectors, with one health service in particular noting that the increase in clients was due to increased prevalence of diseases and health related issues. In addition, 2 respondents reported that the increase in customers was due to the fact that new customers had arrived in the area.

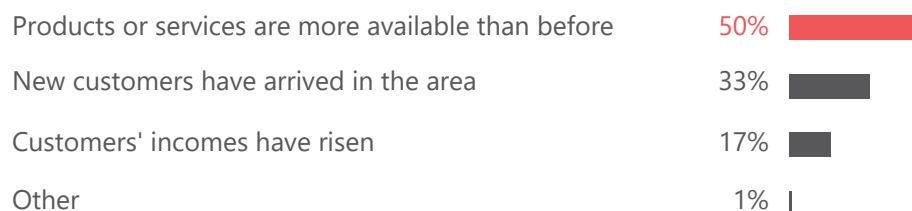


## CHANGE IN THE NUMBER OF CUSTOMERS (CONTINUED)

**Figure 10: Reason for decrease in customers (by percentage of businesses reporting a decrease, n=54)\***



**Figure 11: Reason for increase in customers (by percentage of business reporting an increase, n=6)\***



## BUSINESS SUPPLY CHAINS

### Inventory and input supply routes

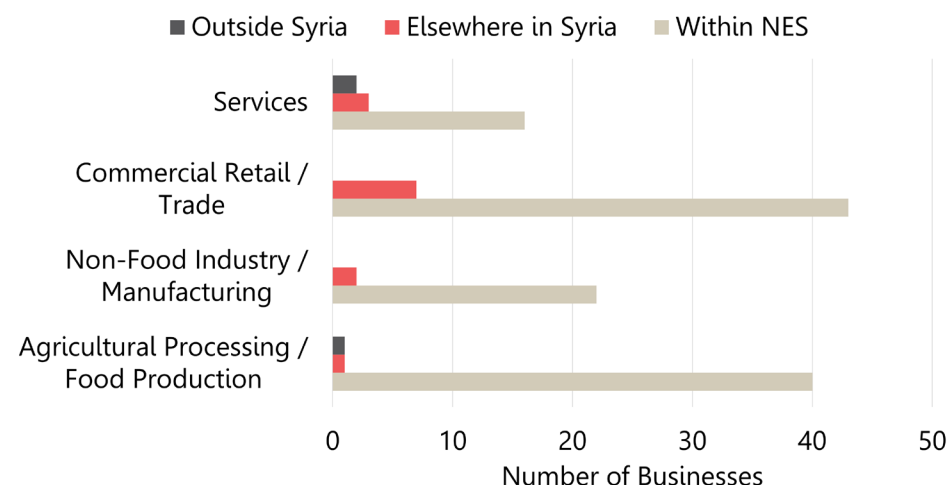
When business owners were asked where they purchase their inventory and inputs from, the large majority reported purchasing inventory (95%) and inputs (93%) from wholesalers or retailers within NES, as shown in Figure 12. To a lesser extent, surveyed businesses reported securing these goods from wholesalers or retailers located elsewhere in Syria, where 5% reported securing inputs in other regions of the country, and 12% reported the same for inventory.

Very few surveyed businesses reported purchasing directly from manufacturers, whether in NES or otherwise, meaning the results of the assessment do not shed light on the origin of such goods and further investigation at the point of wholesalers would be required to understand businesses' supply routes in NES in more detail. In addition, very few surveyed businesses reported sourcing such goods outside Syria. Taken together, these findings highlight the interdependence of local businesses and markets in NES, highlighting the importance of the region's market systems in supplying business with key items for their operations, regardless of the items' origins.

**Figure 12: Supply chain routes for inputs and inventory (by percentage of reporting businesses)\***



**Figure 13: Supply chain routes by sector**

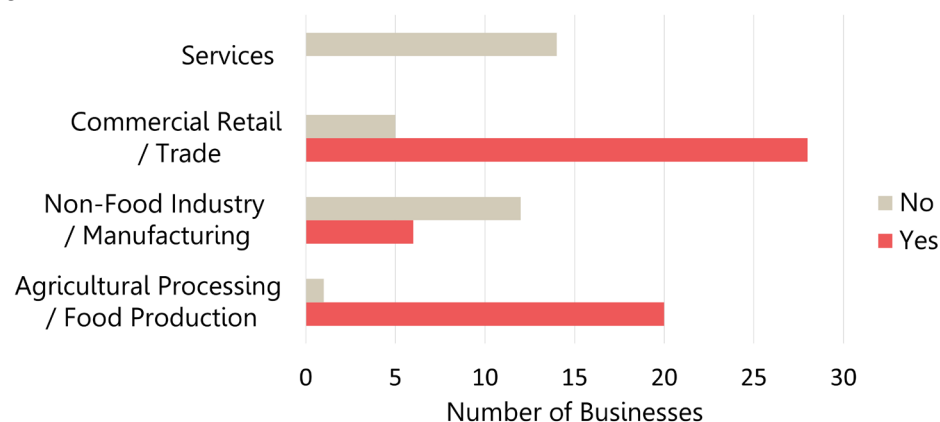


\* Respondents could select multiple answers, thus findings might exceed 100%.

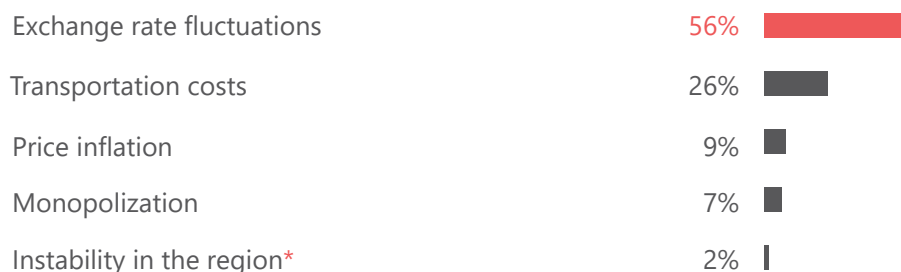
Looking at trends across sectors as shown in [Figure 13](#) on the previous page, only businesses in the Services sector and the Agricultural Processing/Food Production sector reported securing goods from outside of Syria. In addition, there were comparatively more businesses in the Commercial Retail/Trade sector that reported securing goods from elsewhere in Syria. The results indicate that supply chains for businesses in Ar-Raqqa are functioning to the extent that businesses in general are able to secure their supplies locally.

## Challenges securing goods within NES and from elsewhere in Syria

**Figure 14: Number of businesses reporting challenges securing goods within NES by sector (by percentage of surveyed businesses securing goods in NES, n=39)**



**Figure 15: Reported challenges securing goods within NES (by percentage of surveyed businesses securing goods in NES, n=39)\***

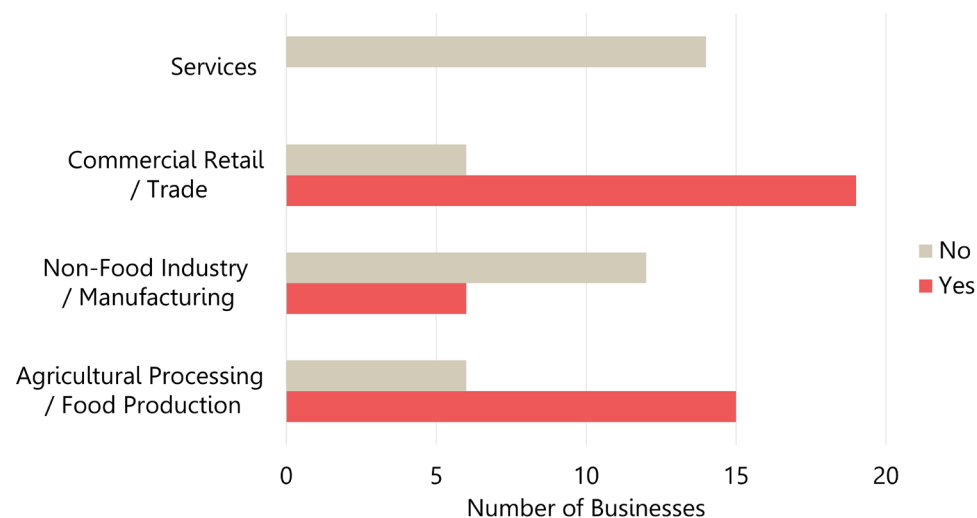


Looking at the types of supply challenges that these businesses face in NES, no businesses reported on unavailability of items in the market instead overwhelmingly highlighting challenges associated with unstable and rising prices. This again indicates that supply chains are generally functional and do not generally face non-cost related barriers to supply.

Specifically, of the 39 businesses (55%) that reported facing challenges, approximately half (56%) reported exchange rate fluctuations as a key challenge, and approximately one third (26%) reported transportation costs as a key challenge (Figure 15). These same challenges were highlighted irrespective of whether goods were secured within NES, elsewhere in Syria, or outside Syria (see [page 23](#)).

While no surveyed businesses in the Services sector reported facing any challenges securing goods within NES (Figure 15), those in the Commercial Retail/Trade and Agricultural Processing/Food Production sector overwhelmingly reported facing challenges, most predominantly related to cost-based pressures. These sectoral trends were similarly reflected by those reporting on challenges securing goods from elsewhere in Syria (i.e. outside NES), as shown in Figure 16. These findings potentially suggest that the types of goods required by businesses in the Services sector are comparatively more affordable or available in Syria.

**Figure 16: Number of businesses reporting challenges securing goods from elsewhere in Syria by sector (by percentage of businesses securing goods from elsewhere in Syria, n=34)**

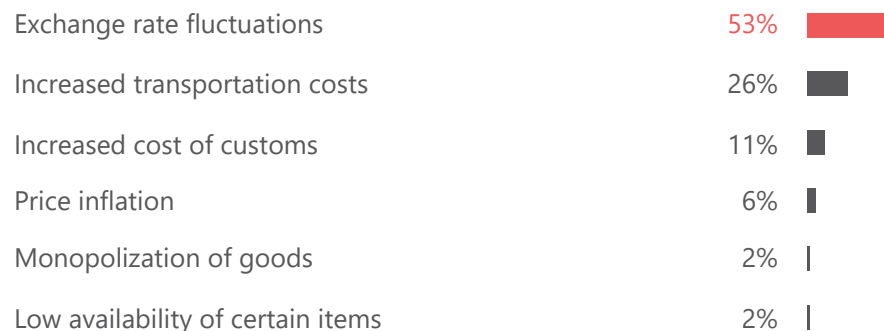


\* Respondents could select multiple answers, thus findings might exceed 100%.

\* Reported by only one business.

## Challenges securing goods within NES and from elsewhere in Syria (Continued)

**Figure 17: Reported challenges securing goods from elsewhere in Syria (by percentage of businesses securing goods from elsewhere in Syria, n=34)\***



Further, of those businesses that reported that they secure either inputs or inventory from elsewhere in Syria, approximately half (34 respondents) reported facing challenges securing such goods. Of these businesses that reported on supply challenges, as with businesses reporting procuring goods within NES, cost-based pressures made up the largest proportion of reported challenges. In particular, businesses most frequently reported on exchange rate fluctuations, increased transportation costs, and increased cost of customs (Figure 17).

Of those who said they purchase inventory or inputs from outside of Syria, only two respondents reported facing challenges securing such goods. The challenges reported included delays in delivery of goods, the cost of customs, fluctuations in the exchange rate, and increased cost of transportation.

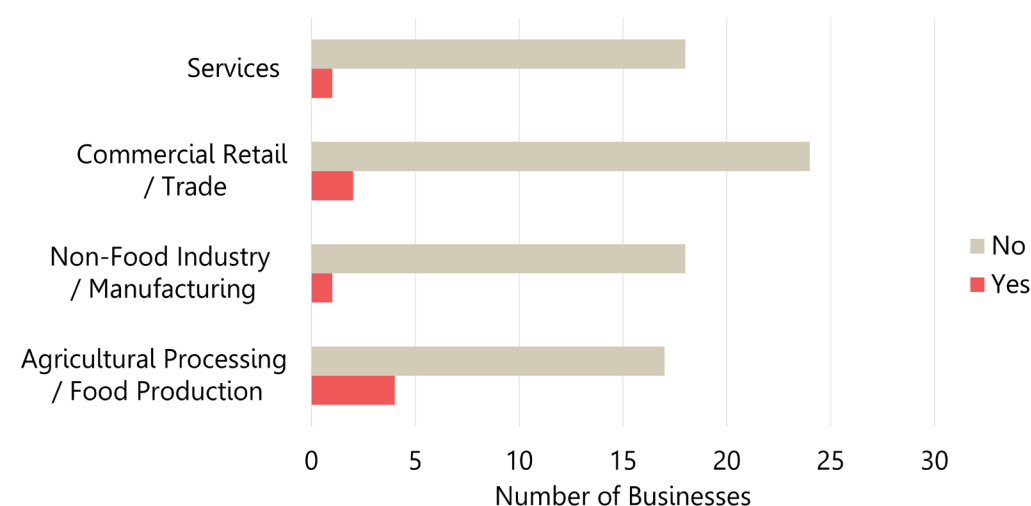
Thus the results indicate that businesses in general, irrespective of where they secure their inventory or inputs, have not been facing issues with supply chain functionality or availability of goods. This potentially suggests that with additional support, supply chains would be able to cope with expanded demands from businesses in Ar-Raqqa.

## CHALLENGES SECURING STAFF

The majority of businesses (92%) in Ar-Raqqa city and surrounding areas reported that they do not face challenges securing staff, with very similar trends across assessed sectors (Figure 18); slightly more businesses in the Agricultural Processing/Food Production sector reported facing challenges compared to other assessed sectors.

Of the 6 respondents who reported facing challenges the most commonly reported reason was difficulty in finding experienced staff (five respondents). This was an open ended question and no additional information was provided in relation to whether this related to skills as well as sufficient work experience. While the assessment points to issues finding experienced staff, further exploration is needed to understand if this gap would be best addressed through skills training or if employers require work experience which could be better supported through apprenticeship schemes. In addition, three respondents reported that salaries are too low to provide adequate income for employees, indicating financial pressures are also impacting hiring capacity for some.

**Figure 18: Number of businesses reporting challenges securing staff by sector**



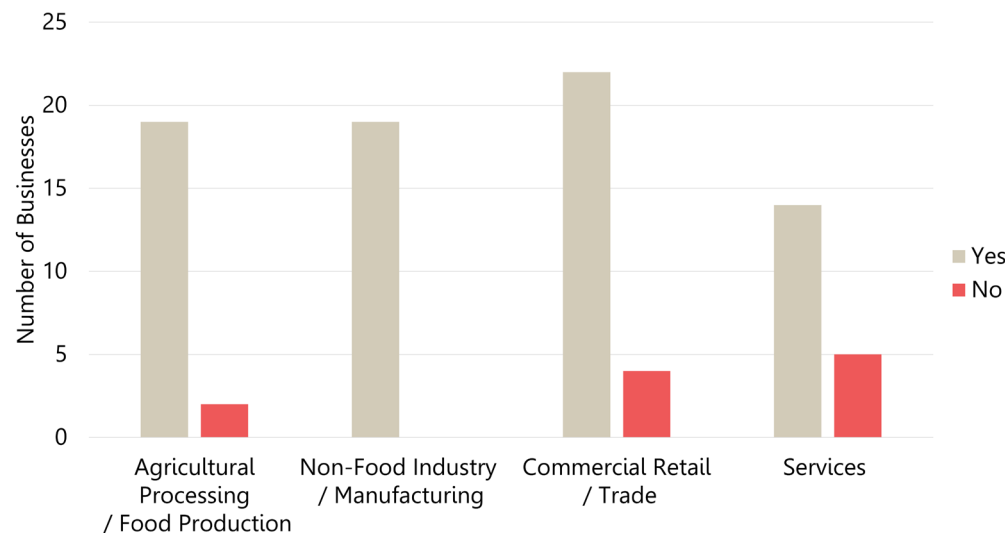
## AID TO & DONATIONS FROM BUSINESSES

Businesses were asked whether they had received any form of assistance from the United Nations, International Non-Government Organisations, or any other aid actors over the last 12 months. The majority (96%) of businesses surveyed in Ar-Raqqa city area had not received any form of assistance, as shown in Figure 19. While the sample was small for this assessment, this indicates that business support is not accessible to many businesses in Ar-Raqqa, even as there is growing recognition amongst response actors that business support programming is key to improving livelihoods and market systems. While the ERL sector is unlikely to aim to, or be able to, reach the majority of businesses in NES, the results indicate that even a moderate expansion of their reach could support improved livelihood conditions.

**Figure 19: Recipients of external assistance (by percentage of surveyed businesses)**



**Figure 20: Businesses that donate to community members**



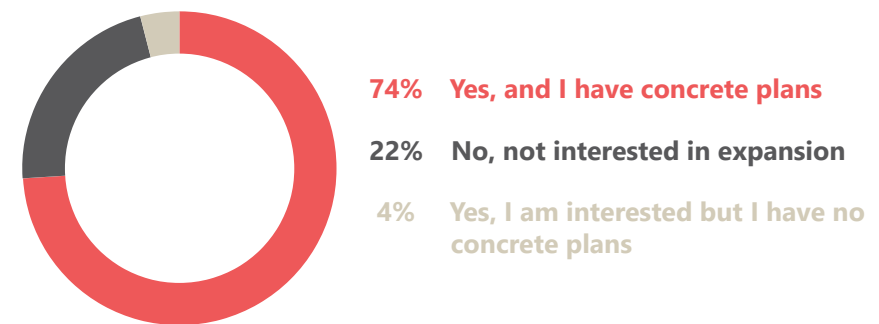
Businesses were also asked if they donate any products, services, or profits to community members in need with the majority of surveyed businesses in Ar-Raqqa city area (87%) reporting that they have done so. This was generally true across sectors and, notably, all surveyed businesses in the Non-Food Industry/Manufacturing sector reported that they donate products to community members in need (Figure 20).

This broadly indicates that businesses are playing a role in responding to community needs, which potentially means that support to businesses can contribute more broadly to community welfare even beyond supporting household livelihoods and employment generation. While such private sector driven aid is positive for communities in Ar-Raqqa, it is limited in its function and should not come at the expense of direct livelihoods support.

## BUSINESS EXPANSION

The results showed that there is, overall, a strong interest in business expansion (Figure 21); approximately three quarters of surveyed businesses reported that they were interested in expansion and have concrete plans to do so with an additional 4% reporting they were interested but had no concrete plans for expansion.

**Figure 21: Interest in expansion (by percent of surveyed businesses)**



Echoing earlier findings highlighting the financial pressure on businesses, 95% of businesses in Ar-Raqqa reported they had insufficient finances to facilitate expansion. Only 4% of businesses reported that a lack of demand for their products or services might prevent successful expansion. Additionally, only 3% reported that the business was meeting its needs at its current size and therefore they did not wish to expand it. This indicates that few business owners are covering their costs and turning a desirable level of profit, in turn potentially impacting the extent to which their livelihoods needs are being met.

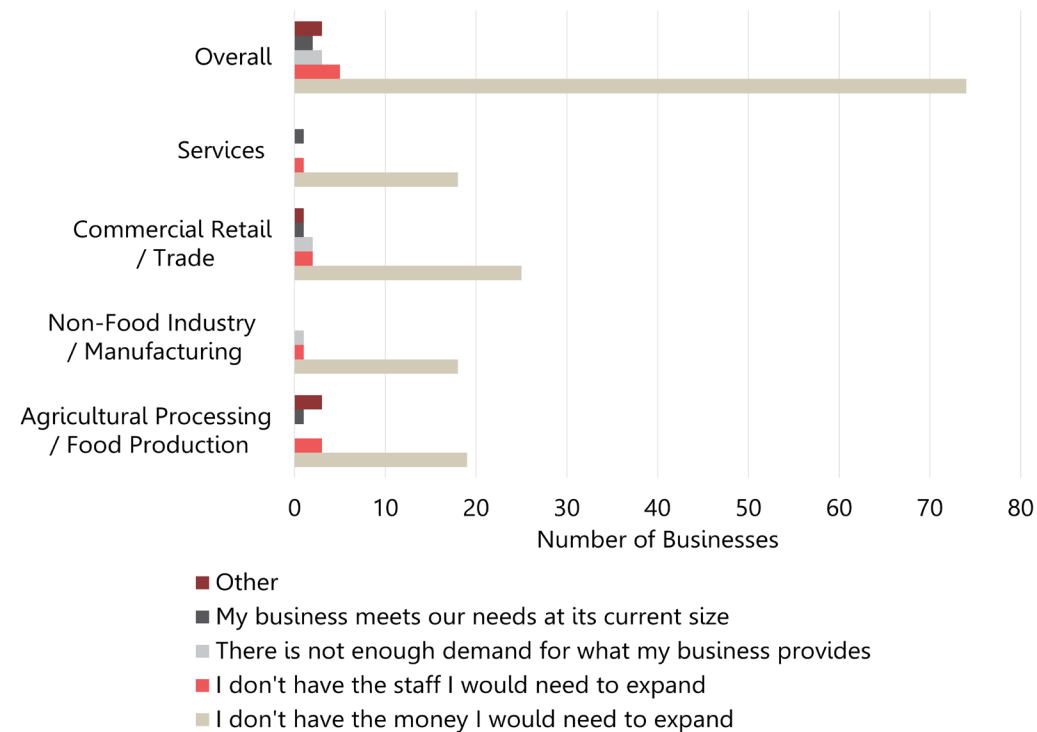
\* Respondents could select multiple answers, thus findings might exceed 100%.

## BUSINESS EXPANSION (CONTINUED)

Trends related to reasons for not expanding were relatively consistent across assessed sectors, as shown in Figure 22. The 'other' responses reported from businesses in the Services and Non-Food Industry/Manufacturing sectors included difficulty finding an appropriate place to expand, increase in wages, and difficulty finding experienced staff. The results indicate that surveyed business owners tend to feel that with financial backing there would be a market for their products or services should they expand their operations.

When asked if there was any further information that respondents would like to add to their response to this question, one additional comment was made reflecting the difficult living conditions in the context of exchange rate fluctuations which has reportedly created a strong desire from many in the community to emigrate.

**Figure 22: Reasons for not expanding by sector**



## KEY DEFINITIONS

Sectors		Furniture	Expenditures on items such as tables, chairs, desks, shelving, mirrors, display stands, that are used to make a space suitable for a business's operations. This does not include productive assets that a business requires in order to perform work and generate profit (see productive assets, tools appliances).
<b>Agricultural processing/food production</b>	Agricultural processing businesses take raw agricultural outputs like wheat or livestock and change them into consumer products. Food production businesses are similar but are focused on the production of ready-made food products through adding additional inputs. This sector did not include farming or harvesting due to existing information available on the cost of inputs for such businesses in North Syria.	<b>Inputs</b>	Expenditures on items, ingredients, raw materials, packaging, etc. that are intended for use in a business's production or provision of services, but not for direct sale to customers.
<b>Commercial retail/trade</b>	Retail businesses are those that sell products directly to consumers. This category also includes wholesalers, distributors, and importers who sell products to businesses and are involved in the process of getting products to their end destination.	<b>Inventory</b>	Expenditures on items that are intended for direct sale to customers.
<b>Non-food industry/manufacturing</b>	Businesses that aid other businesses in manufacturing, shipping or producing their products. Products and services of this sector go to other businesses, not directly to consumers.	<b>Marketing and advertising</b>	Expenditures on signboards, advertisements, fliers, communication campaigns, and other items or services designed to raise awareness of a business's work among potential customers.
<b>Services</b>	Provision of services as opposed to goods or product production, for example transportation, training, consulting, health care, financial services.	<b>Office supplies</b>	Expenditures on items that are intended to support the smooth functioning of a business, but are themselves not directly related to its work (pens, paper, cleaning supplies).
Assessment terminology		<b>Productive assets, tools, appliances</b>	Expenditures on items directly connected with a business's main line of work and its efforts to generate profit (farming equipment, machinery, stoves, refrigerators, computers)
<b>Micro, small, medium enterprises (MSMEs)</b>	Local definitions of MSMEs vary from country to country. Based on the context in north Syria and for the purposes of this assessment they were defined as follows based on the number of employees they report (including owners) – micro: 1-3 employees; small 4-10 employees; medium: 11-50 employees.	<b>Rent and land tenure</b>	Payments made to a land-owner, building owner, or similar actor in order to secure a business's right to occupy its land and/or facilities. This does not include the cost of constructing new buildings or of maintaining existing ones.
<b>Start-up costs</b>	The total value of all the productive assets, tools, appliances etc. needed to establish the business and grow it to its current size.	<b>Salaries and wages</b>	Payments made to a business's employees to compensate them for their labour, no matter how often these payments are made (daily, weekly, monthly, seasonally, on commission). This includes the owner's salary.
<b>Recurring costs</b>	Costs incurred on a recurring basis. For this assessment these were taken as a monthly average from the past three months	<b>Services</b>	Payments made to external providers for services required to enable a business to function (software licenses, insurance, legal services) or to keep a business facility running smoothly (cleaning, maintenance, repairs).
<b>One-off costs</b>	One time expenditures. For this assessment these were those incurred in the past 12 months.	<b>Taxes, regulation, documentation</b>	Payments made to governments, local authorities, trade unions, etc. to ensure that a business is legally compliant and has all the permits and other documentation necessary for it to operate.
Expenditure categories		<b>Transportation and travel</b>	Expenditures incurred in the process of moving products, inventory, assets, or employees from one place to another as part of a business's operations (for example, bringing goods to a marketplace, arranging shipments of inventory or inputs, delivering products to customers).
<b>Construction</b>	Expenditures incurred in the process of constructing new facilities or expanding existing facilities for a business, including the cost of labour and construction materials.	<b>Utilities</b>	Payments made to external providers to secure a business's access to electricity, water, fuel, phone services, internet services, trash collection, and other basic services that help a business to function and to keep its facilities comfortable for employees.



## ENDNOTES

### PAGE 1

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10. REACH, Urban Household Assessment, Ar-Raqqa City, August and October 2022, <https://www.reachresourcecentre.info/country/syria/cycle/46249/#cycle-46249>

## ABOUT REACH

REACH Initiative facilitates the development of information tools and products that enhance the capacity of aid actors to make evidence-based decisions in emergency, recovery and development contexts. The methodologies used by REACH include primary data collection and in-depth analysis, and all activities are conducted through inter-agency aid coordination mechanisms. REACH is a joint initiative of IMPACT Initiatives, ACTED and the United Nations Institute for Training and Research - Operational Satellite Applications Programme (UNITAR-UNOSAT).

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