

COST OF BUSINESS ASSESSMENT: AL-HASAKEH

October 2022 | Northeast Syria

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.¹ 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.²

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.^{3,4} 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.⁵ 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

* Business sizes were defined as follows: micro: 1-3 employees; small: 4-10 employees; medium: 11-50 employees. Number of employees includes business owners (see definitions, page 26).

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.
- Most businesses in the area of Al-Hasakeh city reported that **the number of customers or clients that the business receives per week had decreased compared to the same time last year**, with the most prominent reasons being that prices have risen and that customer incomes have fallen.
- The large majority of businesses in Al-Hasakeh reported purchasing their inputs and inventory from wholesalers or retailers within NES.** One third of the businesses who secure such goods from within NES reported that they face challenges securing goods, with price inflation being the predominant challenge. In general, affordability was the overriding challenge faced by businesses irrespective of where they secured their inputs or inventory from.
- 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.
- Almost all respondents reported an interest in business expansion and approximately half had concrete plans to do so. **The most prominent barrier to expansion was insufficient finances.** Only a small portion of surveyed businesses saw market demand as a barrier to expansion and only a portion of businesses reported not being interested in expansion as the business meets their livelihood needs at its current size. This suggests 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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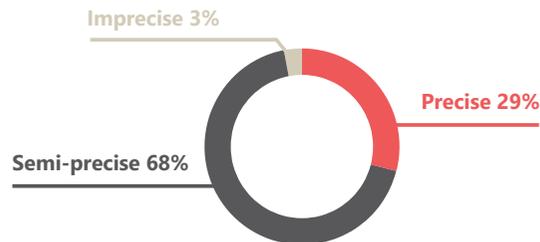
METHODOLOGY OVERVIEW

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.⁶

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

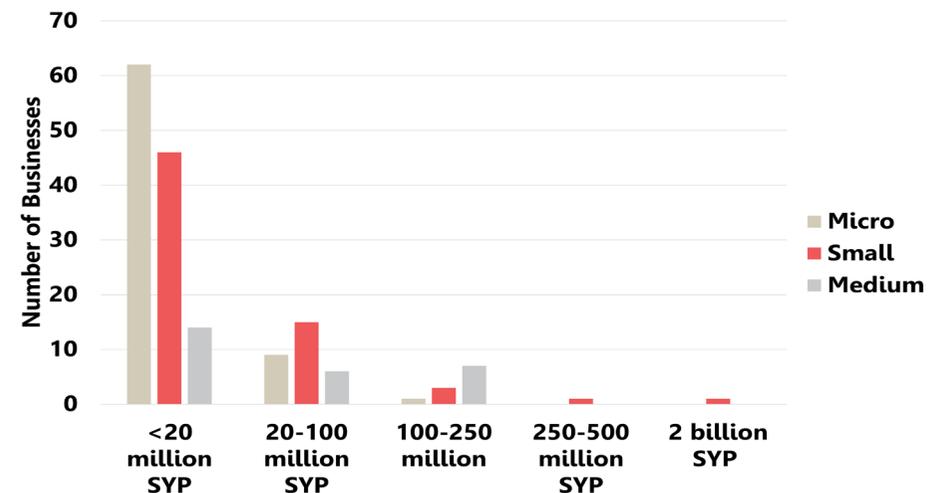
could only provide loose expenditure estimates, did not keep records, or were unsure about details. For the majority of surveys (68%) enumerators perceived the respondents' reports to be semi-precise, around a third reported reports to be precise, and only 3% reported respondents' reports to be imprecise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

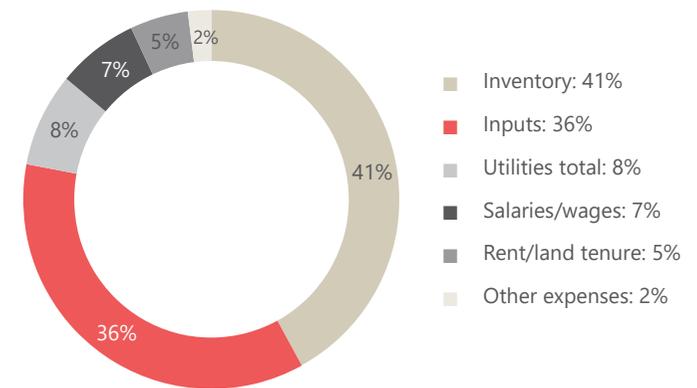
Business size per sector	Median recurring costs (monthly average from past three months)		Median one-off costs (incurred in the past 12 months)		Median total yearly operating costs (median recurring costs x12 + median one-off costs)		Median 'start-up' costs (total cost of productive assets in today's market)	
	SYP	USD	SYP	USD	SYP	USD	SYP	USD
Agricultural processing/food production								
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
Services								
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
Non-food industry/manufacturing								
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
Commercial retail/trade								
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.

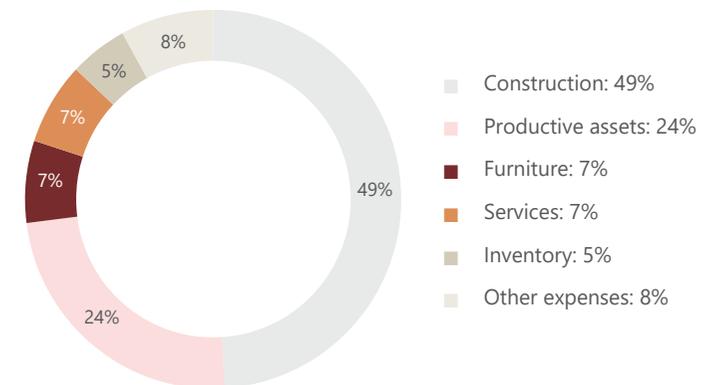
BEP BREAKDOWN: Agricultural processing/food production, Micro enterprises (n=19)

Expenditure category (definitions on pg. 26)	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*



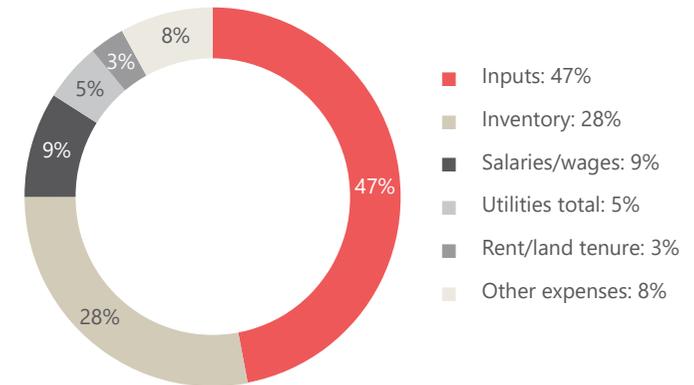
One-off costs as a percentage of total one-off expenditure averages*



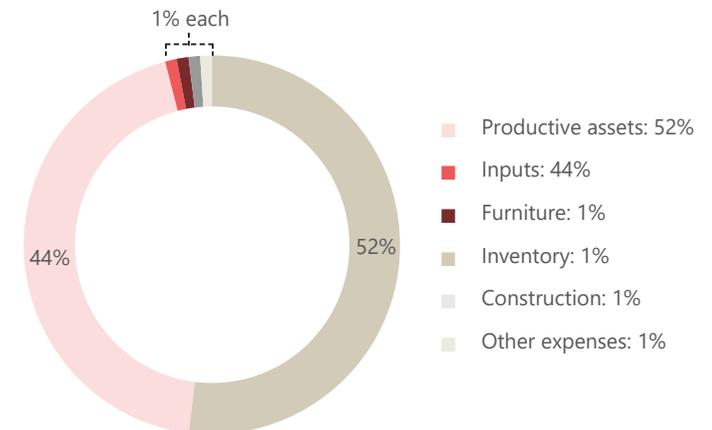
BEP BREAKDOWN: Agricultural processing/food production, Small enterprises (n=19)

Expenditure category (definitions on pg. 26)	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*



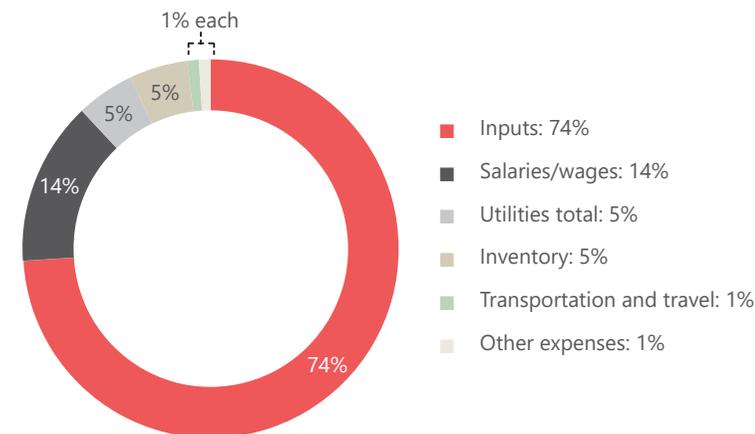
One-off costs as a percentage of total one-off expenditure averages*



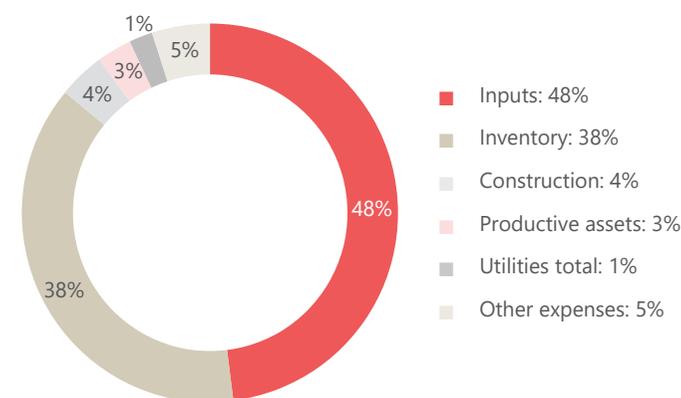
BEP BREAKDOWN: Agricultural processing/food production, Medium enterprises (n=9)

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*

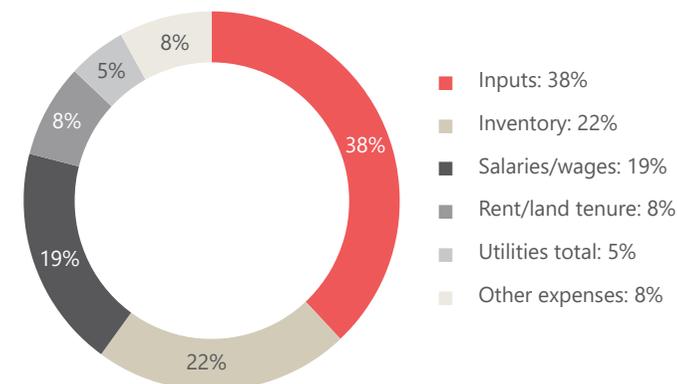


* n = the number of businesses that reported on non-zero expenditures for each category; the medians displayed in the table are calculated from these sub-sets excluding businesses where cost of zero was recorded to represent no expenditures in the relevant category. * The graphs showing proportions of overall expenditure by category were calculated from average categorical expenditures of all surveyed businesses, including those that reported a cost of zero for the category.

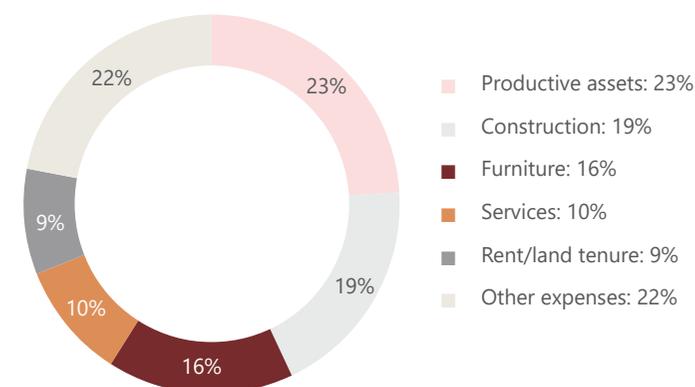
BEP BREAKDOWN: Services, Micro enterprises (n=22)

Expenditure category (definitions on pg. 26)	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	20						
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*

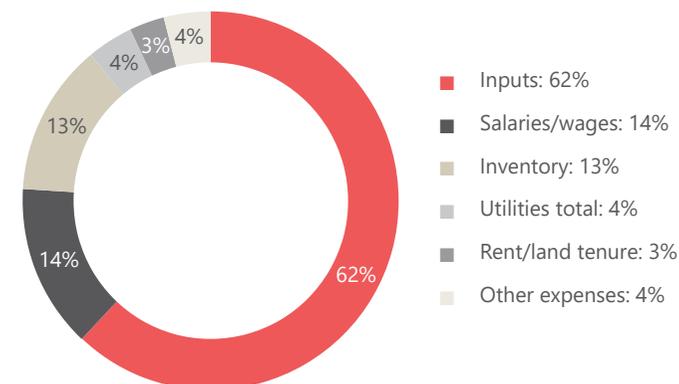


* n = the number of businesses that reported on non-zero expenditures for each category; the medians displayed in the table are calculated from these sub-sets excluding businesses where cost of zero was recorded to represent no expenditures in the relevant category. * The graphs showing proportions of overall expenditure by category were calculated from average categorical expenditures of all surveyed businesses, including those that reported a cost of zero for the category.

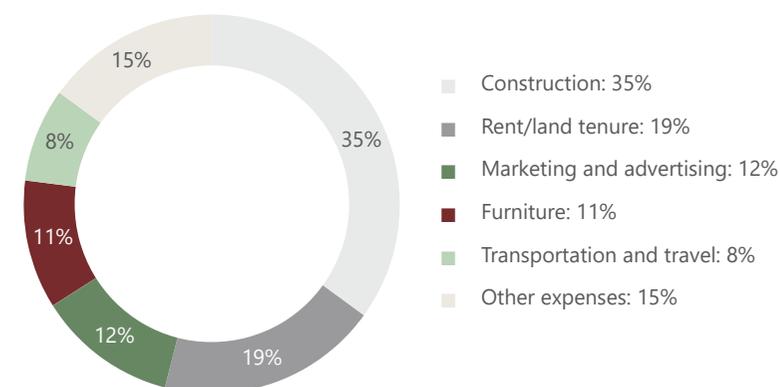
BEP BREAKDOWN: Services, Small enterprises (n=16)

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*

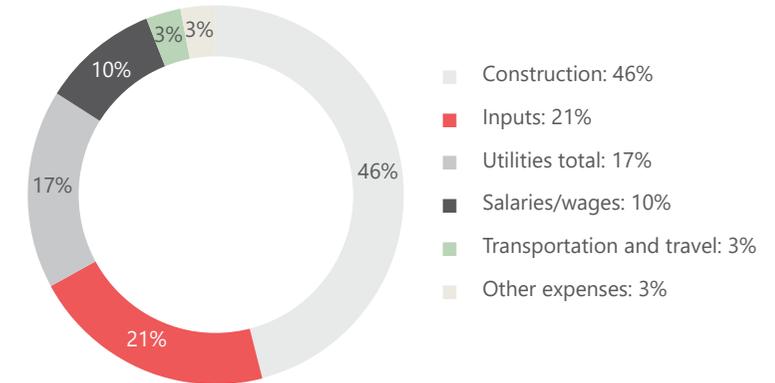


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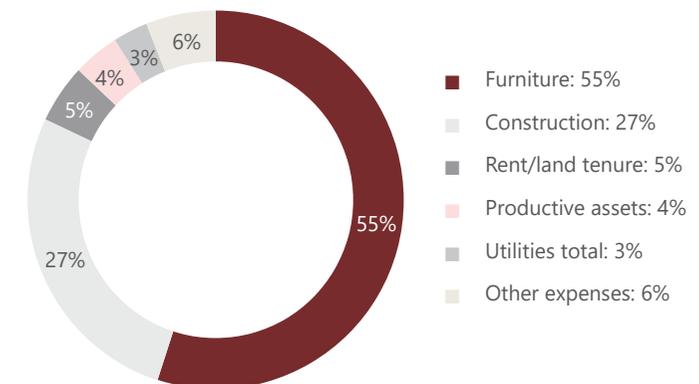
BEP BREAKDOWN: Services, Medium enterprises (n=8)

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*



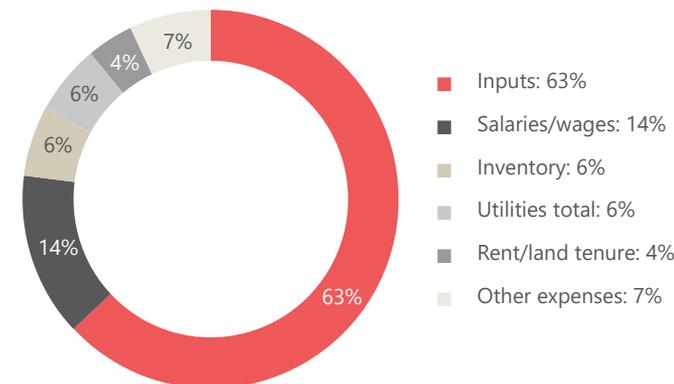
One-off costs as a percentage of total one-off expenditure averages*



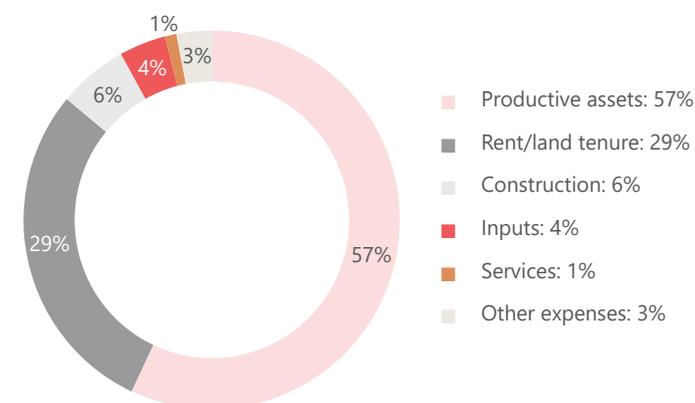
BEP BREAKDOWN: Non-food industry/manufacturing, Micro enterprises (n=19)

Expenditure category (definitions on pg. 26)	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*

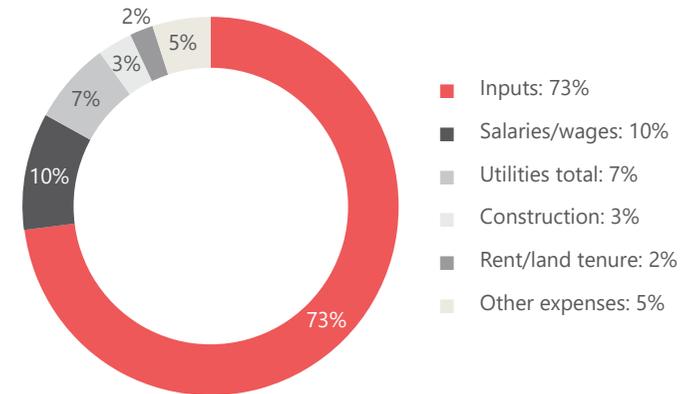


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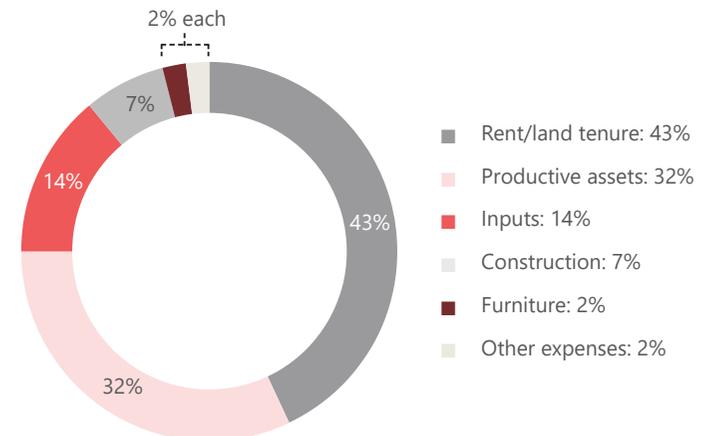
BEP BREAKDOWN: Non-food industry/manufacturing, Small enterprises (n=18)

Expenditure category (definitions on pg. 26)	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*

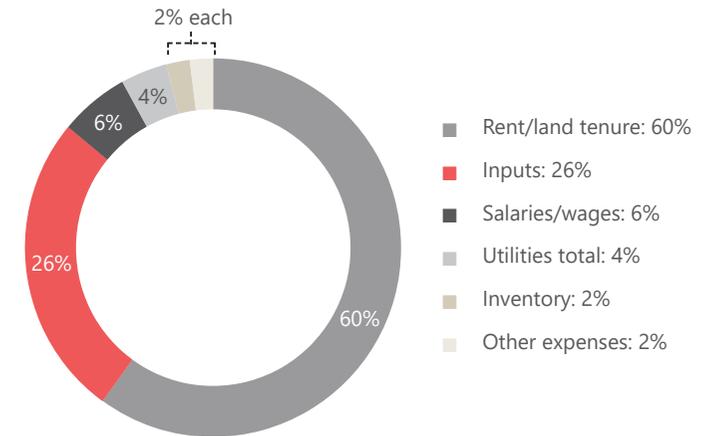


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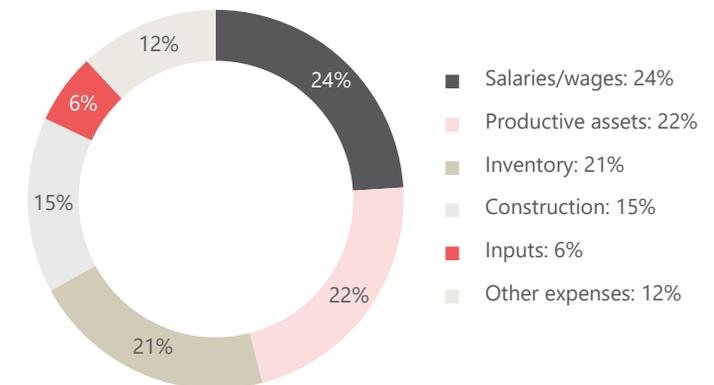
BEP BREAKDOWN: Non-food industry/manufacturing, Medium enterprises (n=8)

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*

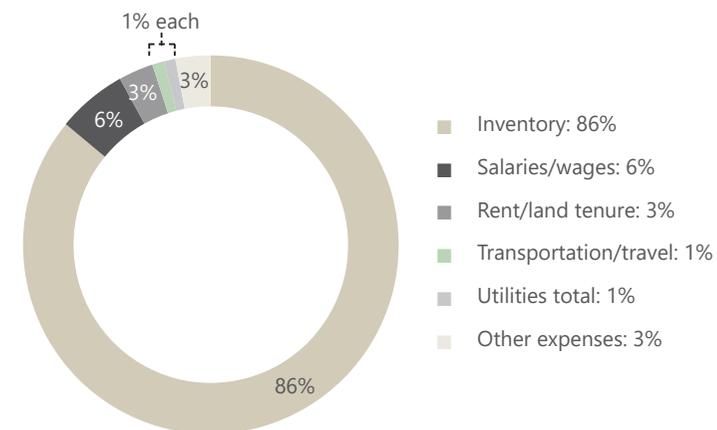


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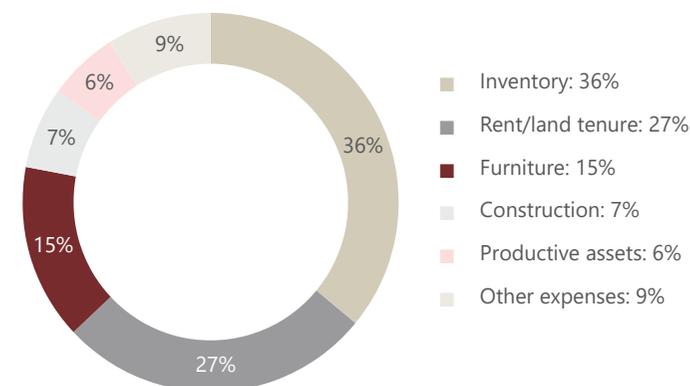
BEP BREAKDOWN: Commercial retail/trade, Micro enterprises (n=31)

Expenditure category (definitions on pg. 26)	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*

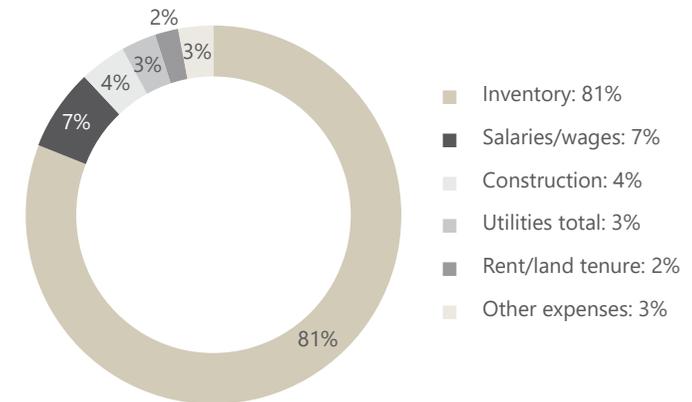


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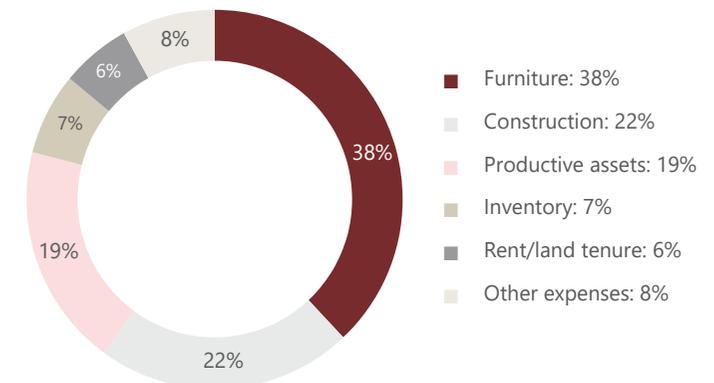
BEP BREAKDOWN: Commercial retail/trade, Small enterprises (n=26)

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	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*



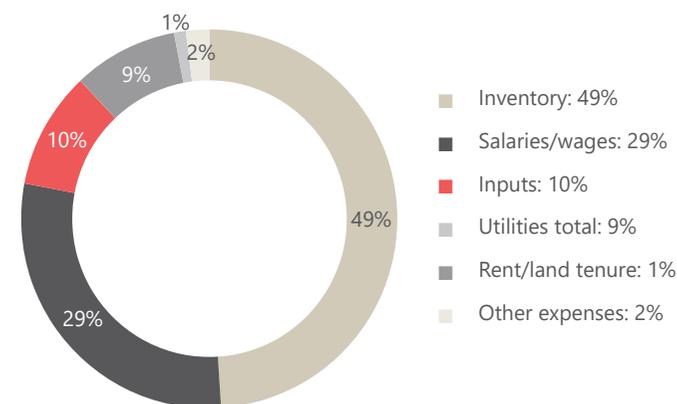
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* In addition, one business (a ceramics store) in this profile reported on expenses for solar power.

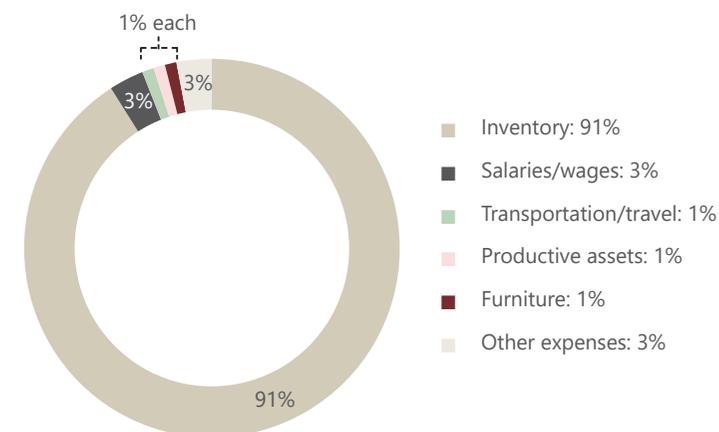
BEP BREAKDOWN: Commercial retail/trade, Medium enterprises (n=9)

Expenditure category (definitions on pg. 26)	Median recurring costs		n*	Median one-off costs		n*			
	TRY	USD		TRY	USD				
Salary / wages	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	1	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*



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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.

AL-HASAKEH ELECTRICITY SOURCE & EXPENDITURE ZOOM-IN

Figure 4: Source of electricity (by percentage of surveyed businesses, Al-Hasakeh)*

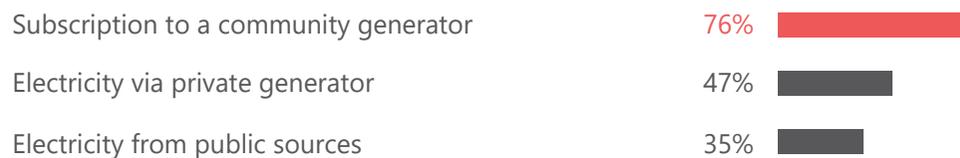


Table 3: Median expenditures on electricity sources (Al-Hasakeh)*

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	49	52 (47%)	4%
Community generator	40,000	8	84 (76%)	1%
Public sources	4,000	1	39 (35%)	0.1%

Given that ERL partners identified that cost of electricity tends to be a key issue for businesses in NES, the assessment sought to breakdown findings according to sources of electricity. Overall the majority of surveyed businesses in Al-Hasakeh (84 businesses, 76%) source their electricity from subscriptions to community generators. Approximately half of surveyed businesses (54 businesses, 49%) reported relying on more than one electricity source. All businesses reporting expenditures on electricity from public sources, also reported expenditures on either public or private generators, indicating that the public grid is not reliable enough to support most businesses' operations. Further, of the 84 businesses that reported on costs for community generators, 27 businesses (34%) also reported costs on private generators, indicating electricity from a subscription to public generators is, for many, not sufficient to cover gaps in the public grid.

Table 3 shows the median expenditures from surveyed businesses in Al-Hasakeh city and surrounding areas. Specifically, it shows that the majority of surveyed businesses pay for a subscription to a community generator, and approximately half pay for a private generator, which is substantially more expensive and accounts for proportionally more of businesses overall expenditures. Only 35% of surveyed businesses reported on costs for electricity from the public grid. In addition to these, one business reported on electricity expenditures from another source in Al-Hasakeh, namely batteries to run machinery. Further, surveyed businesses in Al-Hasakeh also spent on average 206,000 SYP (40 USD) on fuel for heating or cooking, representing 4%* of the total median running costs (this expenditure was reported on by 32 businesses (29%) in Al-Hasakeh).

AL-HASAKEH ELECTRICITY SOURCE & EXPENDITURE ZOOM-IN (CONTINUED)

Overall, 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.⁷ 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, the results do not show the level of access or affordability that businesses have to reliable sources of electricity. Power outages in many areas of Al-Hasakeh are common, impacting business productivity, and the fuel crisis in the region restricts the amount of generator fuel businesses are able to purchase.⁸ Access to electricity in Al-Hasakeh has been heavily impacted by reduced hydroelectric power generation at the Tabqa and Tishreen dams, largely due to restricted water flows through the Euphrates river, as well as degraded electricity infrastructure across the region.⁹

Electricity expenditures were overall consistent with business sizes, whereby larger businesses tended to report higher electricity costs (Table 4). Median costs on private generators were higher across assessed business sectors and sized compared to other sources of electricity.

Figure 5: Cost of electricity source by sector (Al-Hasakeh medians)

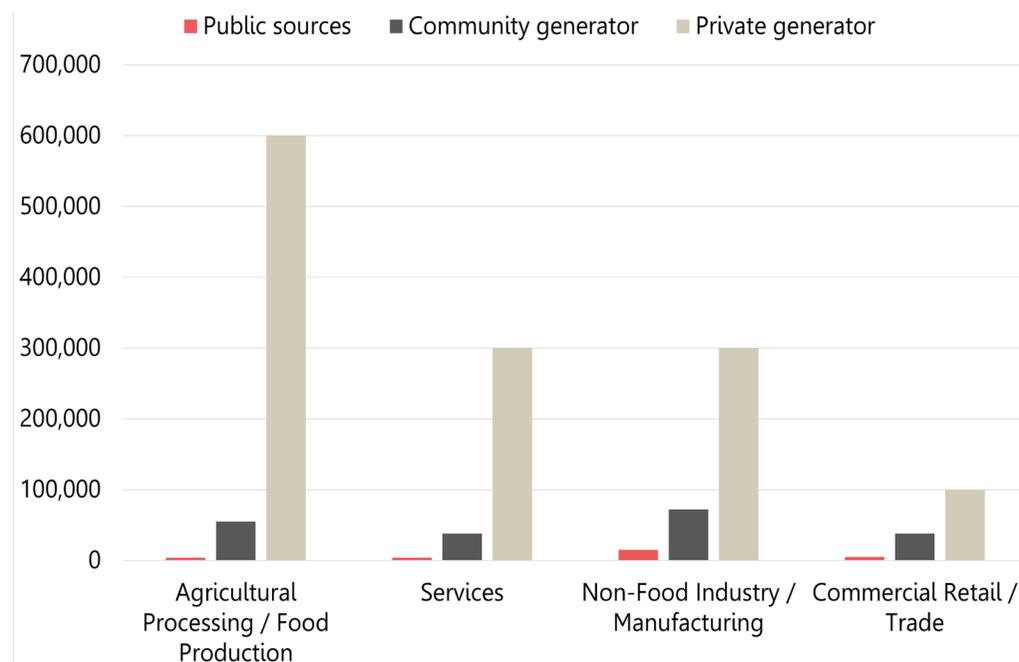


Table 4: Electricity expenditures by source, sector, and business size (Al-Hasakeh medians)

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	3,500	0.68	6	60,000	12	8	760,000	148	2
Small	3,000	0.58	5	32,000	6	8	400,000	78	9
Medium	51,500	10	2	50,000	10	3	900,000	175	5
Services									
Micro	4,000	0.78	6	30,000	6	12	50,000	10	1
Small	2,000	0.39	3	40,000	8	7	200,000	39	4
Medium	4,500	0.88	2	44,000	9	4	800,000	156	4
Non-food industry/manufacturing									
Micro	3,500	0.68	2	40,000	8	6	250,000	49	6
Small	15,000	3	1	111,000	22	4	400,000	78	9
Medium	20,000	4	3	120,000	23	2	775,000	151	4
Commercial retail/trade									
Micro	2,000	0.39	5	36,000	7	12	20,000	4	4
Small	5,000	0.97	4	30,000	6	16	200,000	39	2
Medium	26,500	5	2	120,000	23	4	250,000	49	5

Electricity costs were lowest within the Commercial Retail/Trade sector whereby spending on private generators was substantially lower compared to other sectors. Comparatively, spending on private generators was highest within the Agricultural Processing/Food Production sector which is potentially in line with expected business activities that rely more heavily on machinery and electrical equipment, although this might have also been expected within the Non-Food Industry/Manufacturing sector which showed similar electricity costs to the Services sector.

SECTION 2: BUSINESS OPERATIONS (AL-HASAKEH ONLY)

INTRODUCTION: KEY TRENDS & CHALLENGES FACING BUSINESSES IN AL-HASAKEH

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

The overarching takeaway from the operational findings of the assessment was that surveyed businesses are largely struggling as a result of price inflation and currency depreciation. Other challenges such as supply chain functionality or labour market shortages were minimal compared to the pressures businesses face from increasing costs of production. This was true irrespective of whether businesses sourced their goods from within NES, elsewhere in Syria, or outside of Syria. Additionally, the results showed 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 businesses surveyed (see page 20). Of the smaller number of businesses who had experienced an increase in customers within the last year this was predominantly due to greater availability of products and services in the market, indicating that for some businesses in Al-Hasakeh supply chains may have improved in the last year.

These findings broadly point to the potential positive impact of business grants in financially supporting MSMEs in NES that, overall, do not face significant challenges securing staff and do not see lack of demand for their products or services as key barrier to business expansion. In addition, the majority of businesses reported that they had not received any form of assistance in the past year, indicating that a scale-up of business support from humanitarian actors is needed to reach a broader base of businesses in NES. 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

As Figure 6 shows, the large majority of surveyed business reported they accept cash from their customers in SYP, approximately a quarter reported they accept cash in USD, and 9% reported they accept informal credit, whereby the customer can 'buy now and then pay later'. Very few businesses reported they accept cash in TRY (2 businesses), cheques (1 business), or money or bank transfers (1 business).

In addition, 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 in general readiness from the population to make digital payments.

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

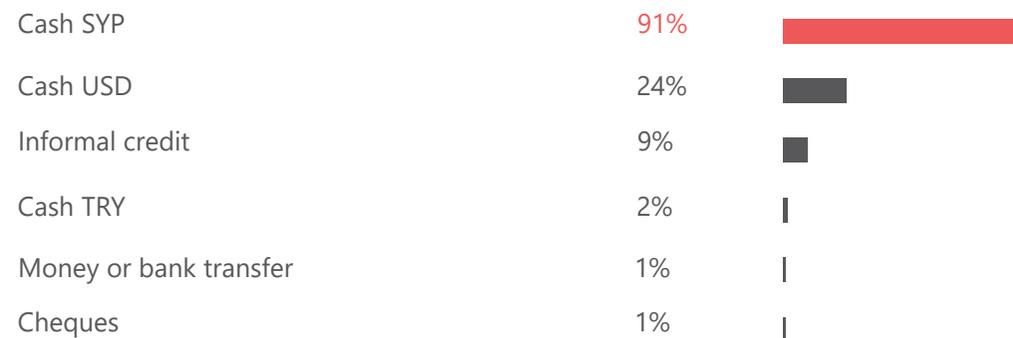
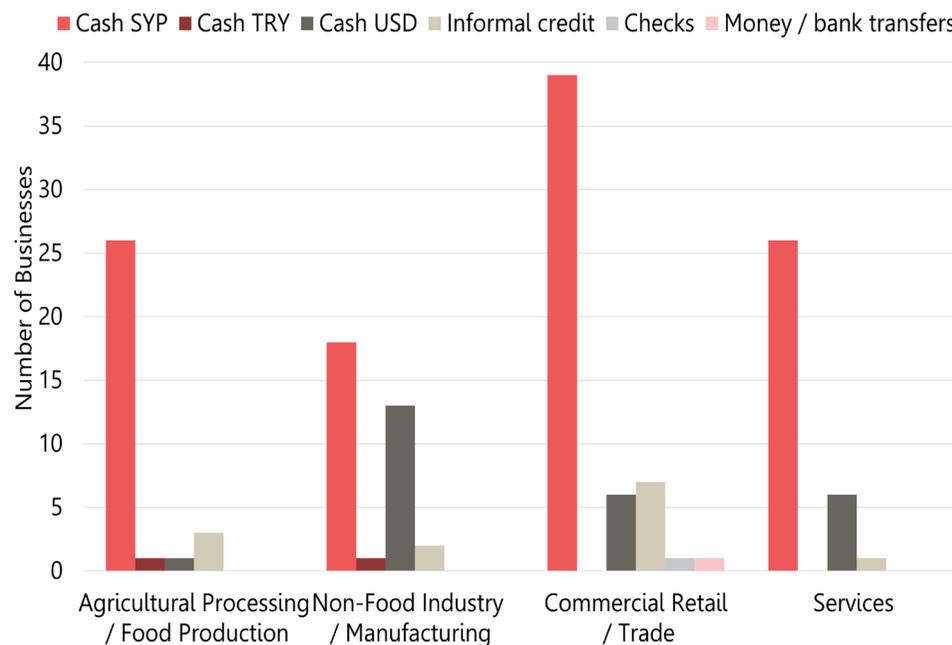


Figure 7: Accepted payment modalities by sector



* 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. Overall, only 24% 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 section on supply routes 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 Commercial Retail/Trade sector accept the greatest diversity of payment modalities, and comparatively more informal credit. Acceptance of informal credit in this sector could be linked to the form of business interaction (directly with customers as opposed to with other businesses in the industry). However, the same was not true for the Services sector, where the same pattern might be similarly reflected. Overall, only 9% of surveyed businesses accept informal credit as a form of payment which may indicate that businesses are not confident in the level of cash flow amongst their customer base to rely on repayments in the future.

CHANGE IN THE NUMBER OF CUSTOMERS

The majority of businesses in the area of Al-Hasakeh city reported that the number of customers received per week had decreased compared to the same time last year, irrespective of the sector they operated in. This was overwhelmingly attributed to less affordable prices, indicating that disruptions in services, supply chain issues, or displacement from the area are not greatly 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 (56 respondents, 65%), 93% reported that this was because prices have risen, and 77% reported that it was because customer incomes have fallen (Figure 9).

On the other hand, for those businesses that reported an increase in the number of weekly customers (19 businesses, 17%), the majority (84%) reported that it was because products or services are more available than before (Figure 10), potentially indicating for some that supply chains have improved in the last year. In addition, 42% of respondents reported that the increase in customers was due to the fact that new customers have arrived in the area.

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



Figure 9: Reason for decrease in customers (by percentage of businesses reporting a decrease, n=56)*

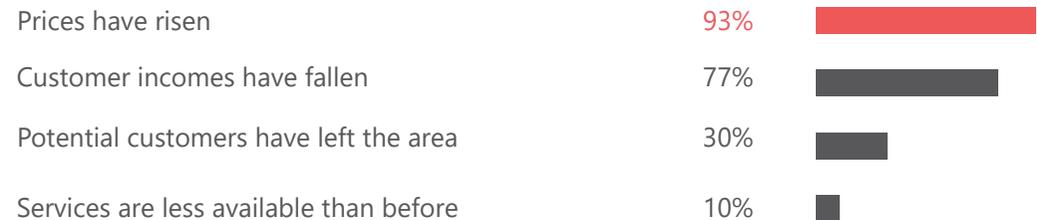
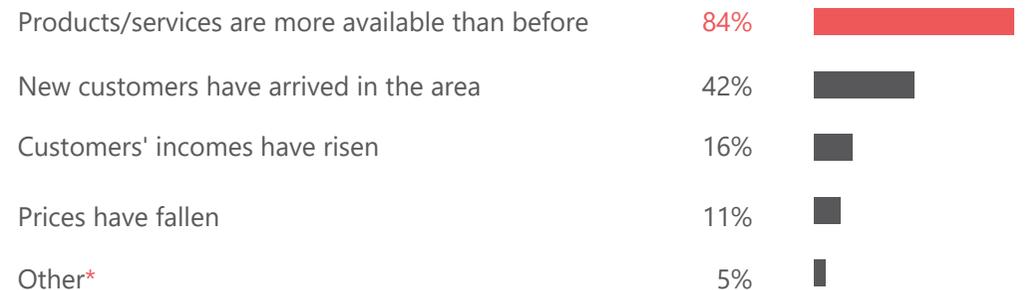


Figure 10: Reason for increase in customers (by percentage of businesses reporting an increase, n=19)*



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

* Reported by only one business. The 'other' response was that customers had increased due to the growing reputation of the business.

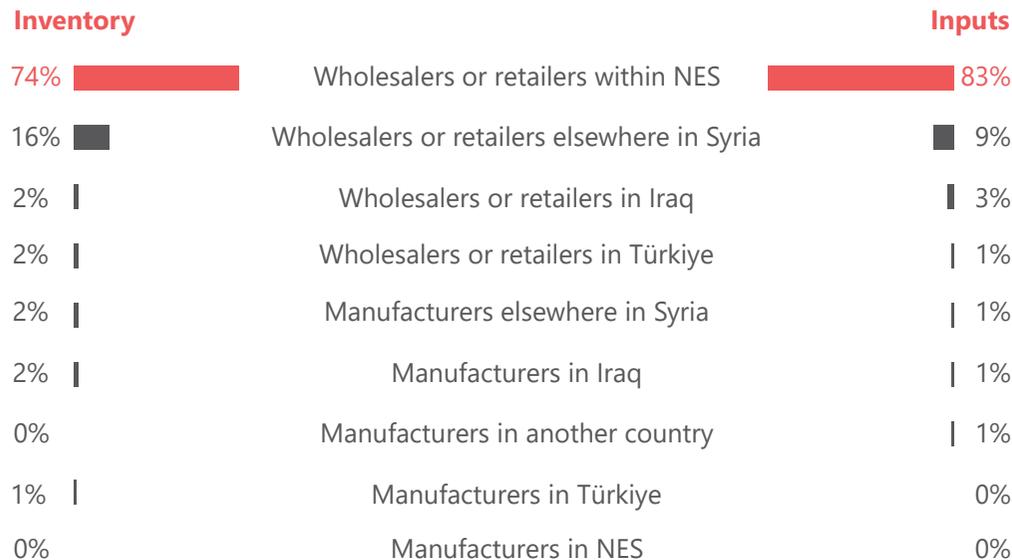
BUSINESS SUPPLY CHAINS

Inventory and input supply routes

When business owners were asked where they purchase their inventory and inputs from, the large majority of businesses reported purchasing inventory (89%) and inputs (91%) from wholesalers or retailers within NES, as shown in Figure 11. To a lesser extent, surveyed businesses reported securing these goods from wholesalers or retailers located elsewhere in Syria, where 9% reported securing inputs in other regions of the country, and 16% reported the same for inventory.

In general, very few of the surveyed businesses purchase directly from manufacturers 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 businesses purchase these goods from retailers or wholesalers outside of 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.

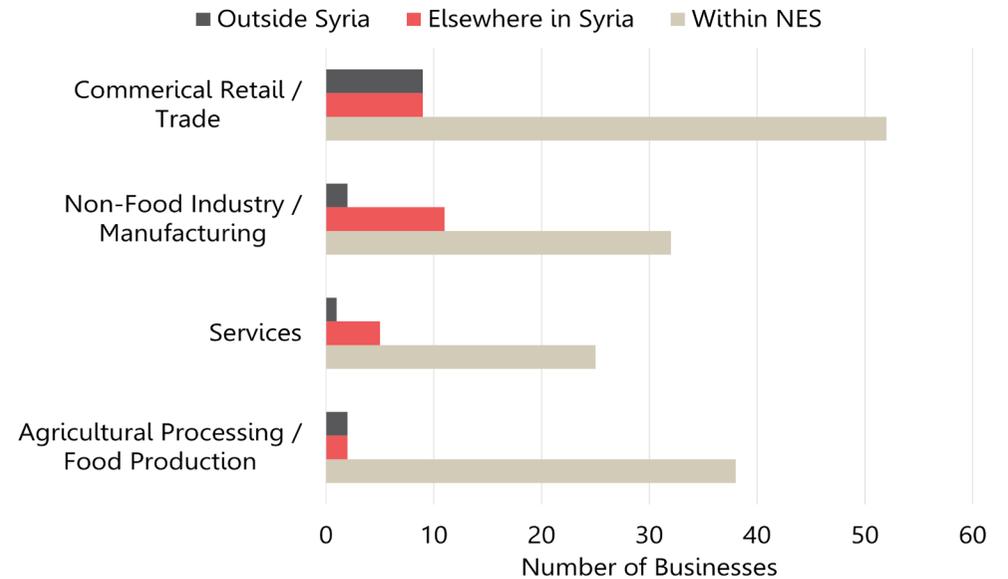
Figure 11: Supply chain routes for inputs and inventory (by percentage of reporting businesses)*



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

Looking at trends across sectors, as shown in Figure 12, surveyed businesses in the Commercial Retail/Trade and Non-Food Industry/Manufacturing sectors reported sourcing goods from elsewhere in Syria comparatively more than other assessed sectors. In addition, surveyed businesses in the Commercial Retail/Trade sector reported sourcing more goods from outside Syria compared to other sectors, noting that the sample for this sector was larger.

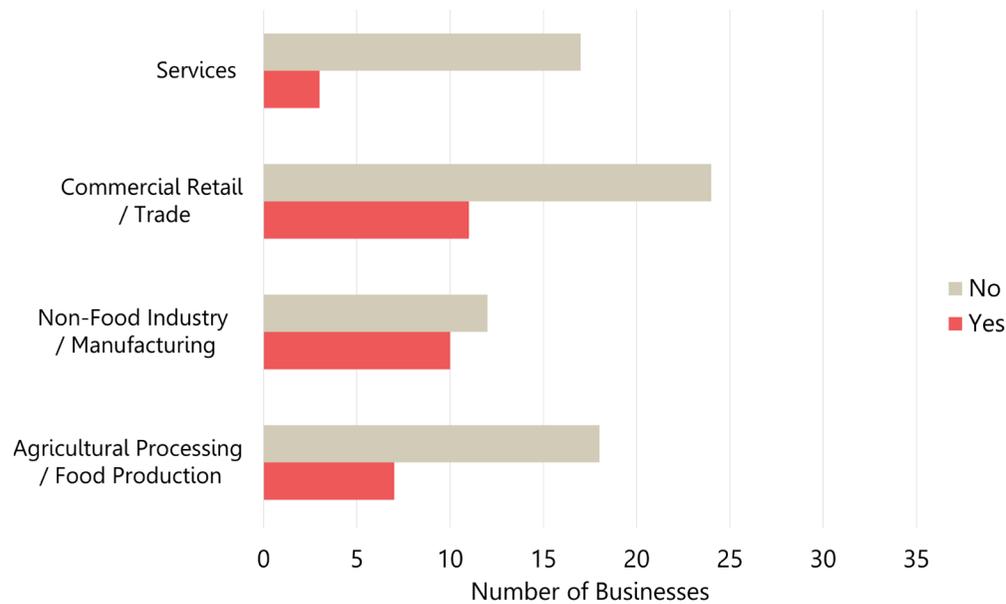
Figure 12: Supply chain routes by sector



Challenges securing goods

Overall, irrespective of where surveyed businesses secure inventory or inputs from, the challenges that businesses reported facing in securing goods were largely cost-based, due to rising inflation and currency depreciation. Looking at those businesses that reported securing either inputs or inventory from within NES, which accounted for the majority of surveyed businesses, approximately one third reported that they faced challenges securing such goods. This trend was relatively consistent across assessed sectors (see Figure 13 on the next page) where over half of surveyed businesses in each sector reported facing no challenges. However, surveyed businesses in the services sector reported facing slightly less challenges compared to other sectors. This is potentially linked to the types of enterprises from the services sector that participated in the assessment (hair/beauty salons, mechanics, tailors) and the goods they require. This trend was similarly reflected in the results on businesses that secure good from elsewhere in Syria (see page 23), suggesting the types of goods sought by businesses in this sector are comparatively more affordable or available in Syria.

Figure 13: Number of businesses reporting challenges securing goods within NES by sector

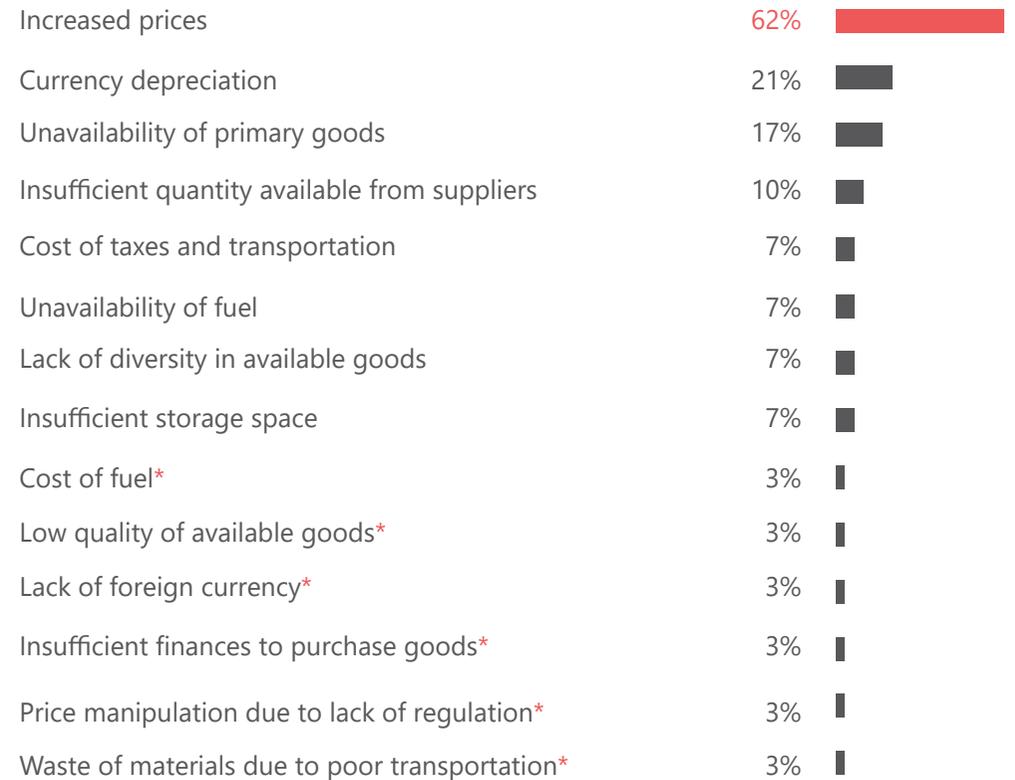


Challenges securing goods (continued)

Broadly categorizing the different types of challenges reported by businesses in securing goods within NES (Figure 14), the majority of challenges reported were related to pressures that impact the affordability of goods, rather than those relating to issues with supply chain functionality and availability. Specifically, 26% of businesses reported facing challenges, whereby nearly two thirds reported price inflation as a challenge and over 20% reported currency depreciation as a challenge (Figure 14). In general, the majority of surveyed businesses did not report facing significant issues with supply shortages in the market, with 17% reporting the core goods they require are unavailable, and 10% reporting suppliers have insufficient supply for their needs.

Again, surveyed businesses in the Services sector reported comparatively less on supply-side challenges, potentially indicating goods specific to this sector are more available within NES. Notably, no businesses in the Services sector reported on price inflation despite the high proportion of businesses overall reporting on this challenge. Further, businesses in the Non-Food Industry/Manufacturing sector reported comparatively more than other sectors on currency depreciation, potentially indicating it is more difficult for businesses in this sector to raise prices and cover costs of the initial purchase in USD with inflation.

Figure 14: Reported challenges securing goods within NES (by percentage of surveyed businesses securing goods in NES, n=29)*



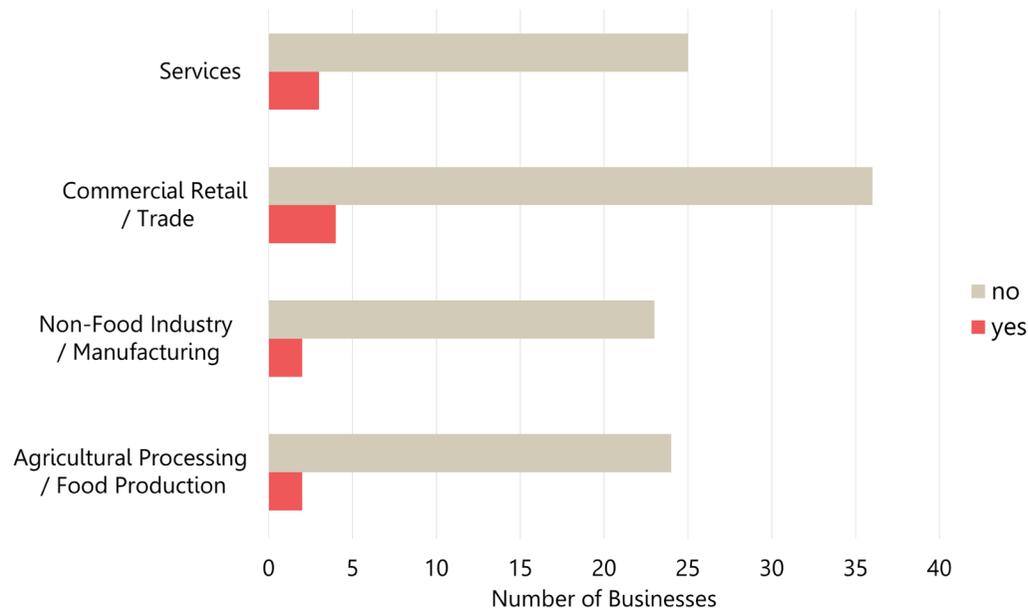
* Respondents could select multiple answers, thus findings might exceed 100%.
 * Reported by only one business.

Challenges securing goods (continued)

Of the 26 businesses that reported that they secure either inputs or inventory from elsewhere in Syria (i.e. outside of NES), only 13% (12 respondents) reported that they face challenges securing such goods. Trends were again relatively consistent across sectors, as shown in Figure 16, with the exception of the Services sector where none of the businesses that secure goods from elsewhere in Syria (25 businesses) reported facing supply challenges. Of the 12 businesses that reported on challenges securing such goods from elsewhere in Syria, the most commonly reported challenge, again, was price inflation, as shown in Figure 16. As with businesses reporting procuring goods within NES, the majority (75%) of the challenges reported were related to cost pressures.

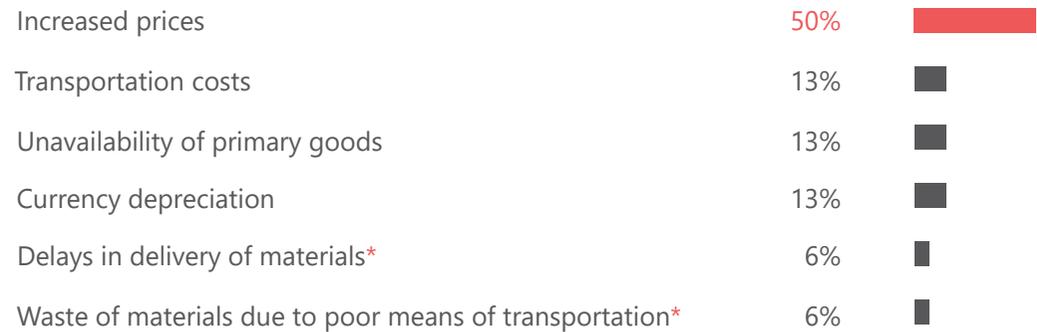
Finally, of those who said they purchase inventory or inputs from outside of Syria, reported by 7 businesses for inventory and 5 businesses for inputs, only 3 respondents reported facing challenges securing such goods. The challenges reported included difficulty obtaining goods from neighbouring countries through existing supply routes, the cost of customs, and delays in the delivery of goods.

Figure 15: Number of businesses reporting challenges securing goods from elsewhere in Syria by sector



* Respondents could select multiple answers, thus findings might exceed 100%.
 * Reported by only one business.

Figure 16: Reported challenges securing goods from elsewhere in Syria (by percentage of businesses securing goods from elsewhere in Syria, n=12)*



CHALLENGES SECURING STAFF

Securing staff was not a challenge faced by the majority of surveyed businesses in Al-Hasakeh city area, with very similar trends across assessed sectors. Of the 10 respondents who reported facing challenges securing staff, the most commonly reported reason was difficulty in finding experienced staff (Figure 17). 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 are requiring work experience which could be better supported through apprenticeship schemes. Beyond issues of experience, whether skills or work experience, the other more commonly-mentioned challenges related to securing staff were linked to financial limitations, for example the cost of taxes/transport and increasing wages.

Figure 17: Reported challenges securing staff (by percentage of businesses reporting challenges securing staff, n=10)*

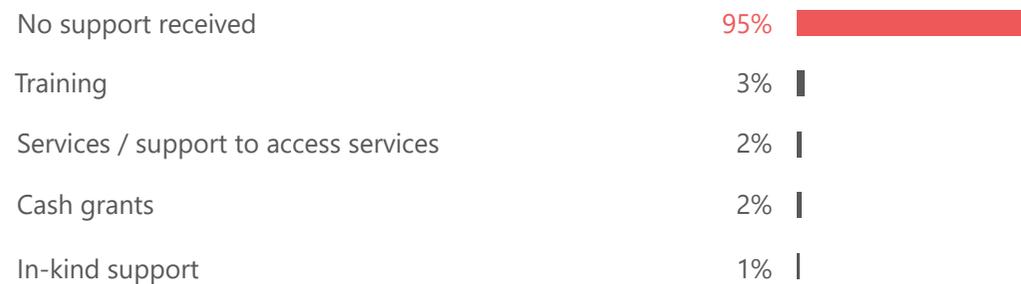


AID TO & DONATIONS FROM BUSINESSES

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 (95%) of businesses surveyed had not received any form of assistance, as shown in Figure 18. While the sample was small, this indicates that business support is still not readily accessible to many businesses in the region, 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.

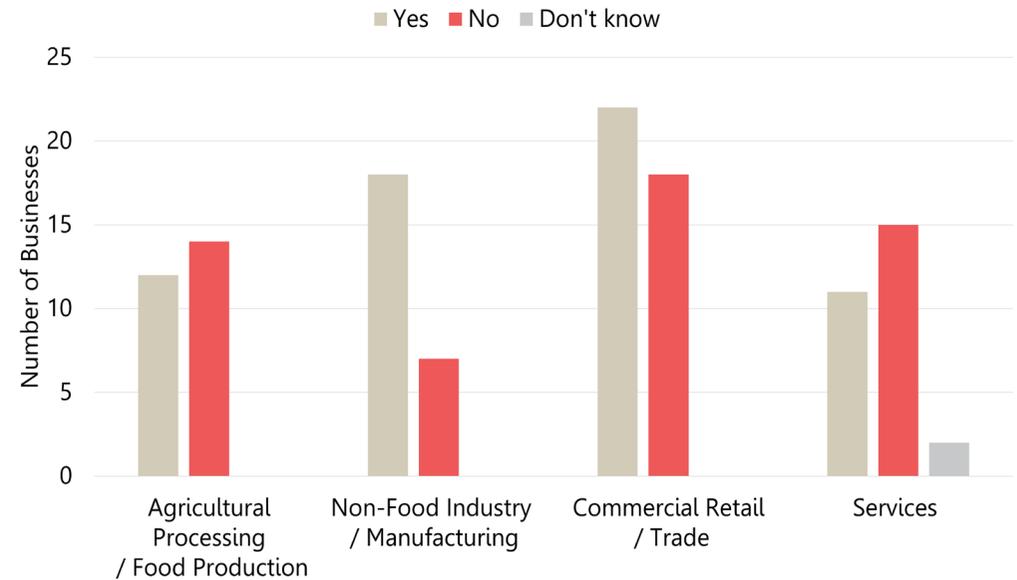
Businesses were also asked if they donate any products, services, or profits to community members in need. Overall, 50% of surveyed businesses in Al-Hasakeh city area said they have donated products or services. This indicates that businesses are playing a role in supporting community members to meet their needs and could potentially upscale this role with additional support. Approximately half of the businesses within each assessed sector reported donating products or services, aside from the Non-Food Industry/Manufacturing sector where notably more businesses reported donating products or services than not (Figure 19).

Figure 18: Recipients of external assistance (by percentage of surveyed businesses)*



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

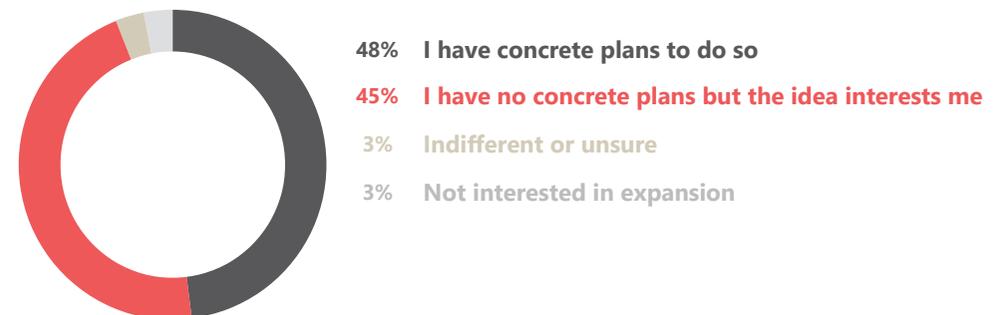
Figure 19: Businesses that donate to community members by sector



BUSINESS EXPANSION

The results showed that there is, overall, a strong interest in business expansion (Figure 20); approximately half of surveyed businesses reported that they are interested and have concrete plans to do so, and approximately half reported that the idea interests them but they have no concrete plans in place. Only 3% of respondents said they were not interested in expansion and another 3% said they were indifferent or unsure.

Figure 20: Interest in expansion (by percentage of surveyed businesses)*



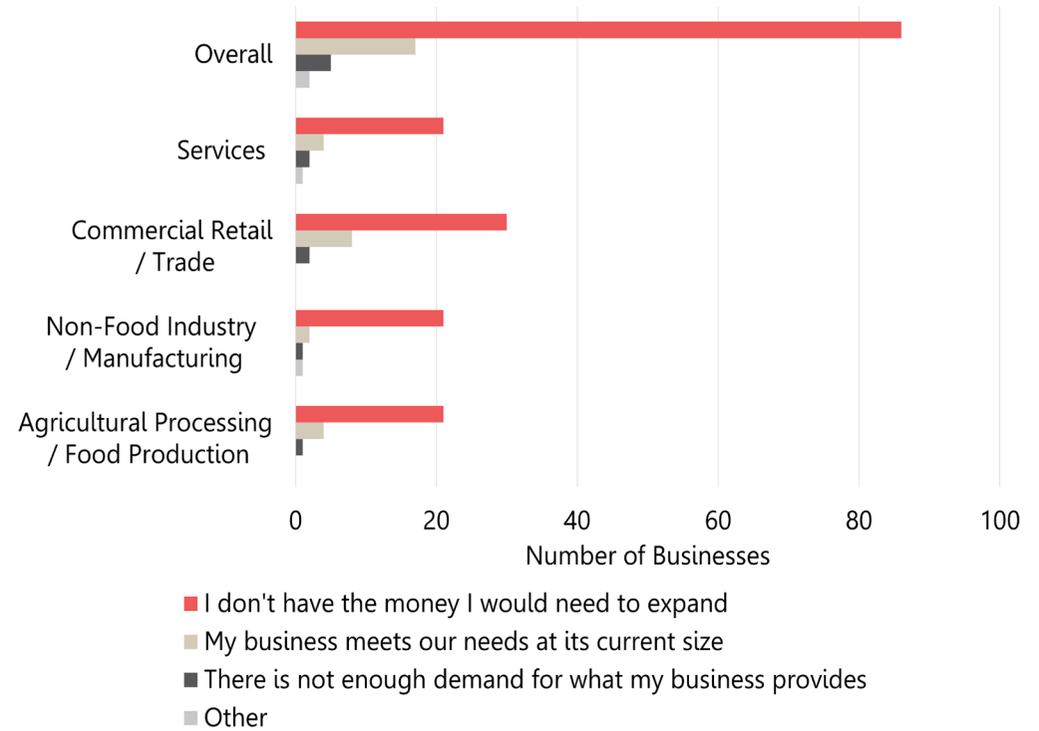
BUSINESS EXPANSION (CONTINUED)

Further, echoing earlier findings that highlight financial challenges as paramount for surveyed businesses, having insufficient financial resources was the most commonly reported barrier to business expansion (Figure 21). Specifically, 78% of respondents reported they do not have the money they would need to expand. In addition, 15% said the business meets their livelihoods needs at its current size and did not wish to expand. Very few businesses overall (5%) said there is not enough demand to justify business expansion.

These trends were relatively consistent across assessed sectors, as shown in Figure 21. 'Other' responses in this instance, which came from the Services sector and Non-Food Industry/Manufacturing sector, included the security situation in the area and economic instability. 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 on barriers to business expansion, two respondents cited constant feelings of insecurity, both conflict related and economic, which prevents them planning for expansion. Two others commented on the economic crisis which inhibits them materially from being able to expand; one of these respondents also added that the economic crisis has impacted the purchasing power of customers and therefore the market scope to expand. Further, one respondent commented on difficulties they face in obtaining administrative approvals given their specific location in a residential area, which inhibits their ability to expand the size of the factory. Finally, one respondent commented on the high cost of electricity and dependence on a private generator which impacts their production and, therefore, capacity to expand and another business commented on the high cost of rent which inhibits their potential to expand operations.

Figure 21: Reasons for not expanding by sector



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

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).
Agricultural processing/food production	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.	Inputs	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.
Commercial retail/trade	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.	Inventory	Expenditures on items that are intended for direct sale to customers.
Non-food industry/manufacturing	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.	Marketing and advertising	Expenditures on signboards, advertisements, fliers, communication campaigns, and other items or services designed to raise awareness of a business's work among potential customers.
Services	Provision of services as opposed to goods or product production, for example transportation, training, consulting, health care, financial services.	Office supplies	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		Productive assets, tools, appliances	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)
Micro, small, medium enterprises (MSMEs)	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.	Rent and land tenure	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.
Start-up costs	The total value of all the productive assets, tools, appliances etc. needed to establish the business and grow it to its current size.	Salaries and wages	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.
Recurring costs	Costs incurred on a recurring basis. For this assessment these were taken as a monthly average from the past three months	Services	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).
One-off costs	One time expenditures. For this assessment these were those incurred in the past 12 months.	Taxes, regulation, documentation	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		Transportation and travel	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).
Construction	Expenditures incurred in the process of constructing new facilities or expanding existing facilities for a business, including the cost of labour and construction materials.	Utilities	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

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