COST OF BUSINESS ASSESSMENT: A'ZAZ, ALEPPO

January 2023 | Northwest 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.[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]

According to the International Labour Organization (ILO), approximately 170,000 Syrian workers have lost their jobs as a result of the earthquakes that struck the region in February 2023.[3] Even prior to the earthquakes, insufficient income and lack of employment opportunities forced households in Northwest Syria (NWS) to rely on negative coping strategies such as borrowing money, buying items on credit, sending children to work, and spending savings.[4]

In this context, members of the NWS Inter-Cluster Task Force for Business Support Programming (BSP TF)* have prioritised implementation of livelihood interventions to 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, largely 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, BSP TF partners identified the need for more information on the actual operating costs incurred by Micro, Small, and Medium enterprises (MSMEs) in NWS across different sectors, as well as the key challenges business owners face in maintaining or growing their businesses. As such, with remote technical support from REACH, NWS partners conducted a pilot Cost of Business Assessment (CBA) in A'zaz urban area to assess the cost of expenditures for MSMEs and inform guidance for financial and other support to MSMEs.

Table 1: Number of assessed business in A'zaz by sector and size**

Sector	Micro	Small	Medium	Total
Agricultural processing/food production	19	18	10	47
Services	21	27	12	60
Non-food industry/manufacturing	16	29	10	55
Commercial retail/trade	19	28	10	57
All	75	102	42	217*

KEY MESSAGES

- Findings on overall business costs across the surveyed sizes and sectors indicate that **current MSME grant values may not be sufficient to adequately support businesses** in getting established or maintaining their operations (see pg. 6).
- **Median yearly operating costs and start-up costs seem to vary significantly across sectors and sizes**, with yearly costs for micro and small businesses being highest in the agricultural processing/food production sector, and in the commercial retail/trade sector for medium businesses. The lowest overall yearly costs were recorded for service sector businesses across all sizes (see pg. 6). This variation underscores the need to account for business sector when determining MSME grant values and other business support schemes.
- Recurring costs make up the bulk of businesses' overall expenditures, where analysis suggests that **high business costs largely result from high monthly costs for inventory, salaries, and inputs**, the most common categories with the highest proportional costs across sectors and sizes. Such expenditures are highly impacted by currency depreciation and fluctuation, where the **increased cost of inputs and inventory was the most commonly reported challenge to businesses maintaining their current sizes** (see pgs. 7-18, 28-29).
- In addition to inventory and inputs, **productive assets accounted for a large portion of businesses' one-off expenditures** across many assessed sizes and sectors (see pgs. 7-18). Further, **businesses commonly cited productive assets as a priority support need and a priority for expansion** (see pg. 21, pg. 28). This demonstrates that MSME grants to support productive asset costs would provide businesses much needed assistance to reduce overall financial burden while also supporting increased productivity businesses' overall priorities.
- **Over 80% of businesses across all sectors and sizes reported interest in expansion, with more than two-thirds reporting they already had concrete plans to do so**. Acquisition of necessary tools, machinery, and productive assets was the most common type of expansion desired across sectors, with the exception of commercial retail/trade businesses, which most commonly prioritised expansion of their businesses' physical space. Only a handful of businesses prioritised expansion through hiring of additional staff, nearly all of which were in the commercial retail/trade sector, potentially suggesting that this sector may be the best target for employment schemes in A'zaz (see pgs. 28-29).

ERLC Early Recovery and Livelihoods Cluster — Smarter Response, Resilient Communities
INTER-AGENCY CWG CASH WORKING GROUP — NorthWest Syria (NWS)
FOOD SECURITY CLUSTER

* The BSP TF is a joint initiative of the Early Recovery & Livelihoods (ERL) Cluster, Food Security & Livelihoods (FSL) Cluster, and Cash Working Group (CWG).** Business sizes were defined as follows: micro: 1-3 employees; small: 4-10 employees; medium: 11-50 employees, number of employees includes owners (see definitions on pg. 30).* Interviews were conducted with a 217 business owners, but there are two businesses that have been counted under two sectors due to the nature of their work. Therefore figures in the table add up to 219.

REACH Informing more effective humanitarian action

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METHODOLOGY OVERVIEW

The CBA is 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. Through structured individual interviews held between 23 and 31 of January 2023, purposively selected owners of **217 businesses across four key sectors** in **A'zaz urban centre** were asked to estimate their businesses' expenditures on items and services across a variety of categories. In addition to information on respective businesses' operational costs, 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 NWS, 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, pg. 30). The types of businesses surveyed in the pilot reflects the joint decision of BSP TF members to target more micro and small-sized businesses as those are the business types more commonly targeted by BSP TF members' programming. It was decided in agreement with the BSP TF not to include farming or harvesting businesses given there is regularly updated information collected on the cost of agricultural inputs.[5]

LIMITATIONS

1. The assessment relied on purposive sampling and therefore, the results must be regarded as indicative and not representative. The sample size also does not well-represent home-based businesses as they are harder to identify and include in assessments. As such, home-based businesses in A'zaz may have different expense and operational profiles than those outlined in this report.

2. Determining the type of sector for some businesses was challenging in some cases because of overlap in their activities. To address this issue, partners were consulted to consolidate the best approach for this disaggregation, and enumerators were given clear set of instructions, definitions, and examples to accurately determine the type of sector during data collection with final checks on appropriate classification completed during data processing. Nevertheless, two surveyed businesses were counted under two sectors due to the dual nature of their work.

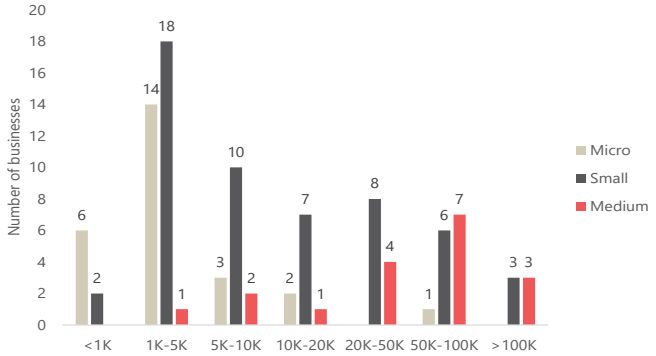
3. The respondents' estimations of recurring and one-off costs for their businesses vary in precision. After each interview, enumerators were asked to record, in their estimation, how precise they perceived the respondents' report of the business expenditures to be. "Precise" meant that respondents were able to refer to business records and get exact figures; "semi-precise" meant that respondents were able to think through expenditures systematically and arrive at informed estimates; and "imprecise" meant that respondents were only able to provide loose estimates, did not keep records, or were unsure about details. For the majority of surveys (63%), enumerators reported that they perceived the respondents' reports to be semi-precise, approximately a quarter reported the respondents' reports to be precise, and 13% reported respondents' reports to be imprecise.

4. In order to gauge the overhead costs required to start a business, respondents estimated how much it would cost in today's market to purchase the productive assets, equipment, and tools etc. that businesses currently have. 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.

5. Business owners may 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. This further underscores the indicativeness of the findings.

6. For this assessment, 'business size' was defined by number of employees, which is only one indication of size where others such as yearly revenue may also be an indicator. Overall, analysis suggests that the number of employees was generally a good indication of business size vis a visa yearly revenues (see Figure 1). However, there were some variation where businesses with a smaller number of employees reported larger annual revenues or businesses with a higher number of employees that reported lower revenues is seen. This may reflect the fact that different industries are more labour intensive than others and as such have different standard ratios of employees to revenues.

Figure 1: Yearly revenues in A'zaz in USD by business size



February Earthquake Disclaimer

The data collection for the CBA took place shortly before the February 2023 earthquakes in Türkiye and Syria and it is possible that business costs may have changed due to impact on markets and prices. Data from NWS CWG's Joint Market Monitoring Initiative (JMMI) March[6] round shows a 7.7% increase in the cost of the SMEB in A'zaz since January. There was no significant change in the USD/TRY exchange rate from January to March. Due to lack of sufficient data for A'zaz for 2022, it is not clear if the price increase is irregular enough to be partially attributed to the earthquakes. However, general JMMI trends for NWS suggest that impacts on market prices, and therefore business cost, were not significant.

OVERVIEW OF SAMPLED BUSINESSES

Surveyed businesses in A'zaz were primarily located around the urban centre of A'zaz community. MSMEs from four key sectors of most interest to BSP TF members were included in the sample: Agricultural Processing and Food Production, services, non-food industry/manufacturing, and commercial retail/trade. These sectors were selected by BSP TF members based on their ability to encompass and provide information on a variety of more specific business types. Within each of these sectors, businesses of various sizes were included, the sample had a greater focus on micro and small businesses as those are the sizes more commonly targeted by BSP TF members.

The large majority of sampled businesses (80%) were more newly-established, existing for 3 years or less (see Figure 2), likely pointing to higher risk in their business continuity and their likely need for greater support to maintain their business and build resilience to economic or other shocks.

A small amount of surveyed businesses (9%) reported being operational for seven years or more. Specifically, 4% (8 businesses) reported having been established more than 12 years prior meaning they have been operating since before the start of the conflict. While this demonstrates the strong resilience of a few businesses to the numerous shocks and stresses faced in previous years, CBA data indicates that the A'zaz market is not generally composed of businesses with long operating histories.

Table 1: Number of assessed business in A'zaz by sector and size*

Sector	Micro	Small	Medium	Total
Agricultural processing/food production	19	18	10	47
Services	21	27	12	60
Non-food industry/manufacturing	16	29	10	55
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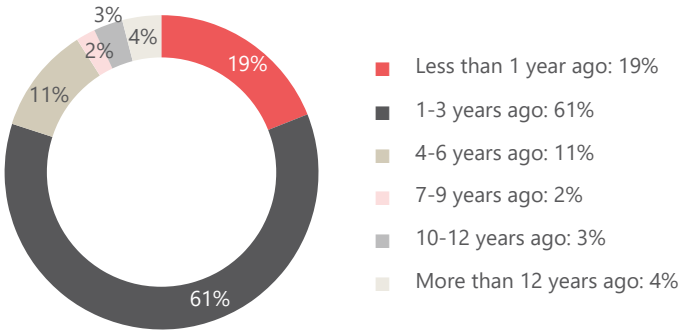
Figure 2: Date of business establishment (by % of assessed businesses, as of January 2023)



Participants were also asked about the gender composition of their business' owners and employees, in order to understand the gender dynamics in business ownership and labour force participation. Among surveyed business in A'zaz, only 8% businesses reported having at least one female employee and only 3 businesses (1%) reported having at least one female owner. This suggests that women may be under-represented in the labour force in A'zaz, with relatively weaker participation than other urban centres in NWS and even slightly lower than the average trend for female employment in NWS as a whole.[7]

Further, the businesses that reported having at least one female staff were also generally those which were owned by women. On one hand it underscores that women-owned businesses tend to hire more women (see further gender analysis on pg. 22), on the other hand it showcases that women may face more difficulties in finding employment in the vast majority of businesses that are owned by men.

1% of the assessed businesses in A'zaz reported having **at least 1 female owner** (n=3)

8% of the assessed businesses in A'zaz reported having **at least 1 female employee** (n=18)

Looking at other operational characteristics, the large majority of businesses (88%) operated out of a dedicated physical office/store front or a central production/service facility. The remaining 12% of businesses operated without such store fronts or facilities, working through service requests on mobile phones, internet sites, or social media. When considering the general profiles of businesses surveyed for this assessment, it should be kept in mind that home-based businesses are likely under-represented in this study and further study may be needed to understand if and how expenses and operations for such businesses differ (see limitations on pg. 3).

12% of the assessed businesses in A'zaz were **operating without a dedicated physical store front** or central production/service facility

Lastly, when business owners were asked about their preferred currency for reporting expenditures, almost all business owners were more comfortable reporting their expenditures in USD (98%), implying that businesses are more frequently operating in/paying for their activities and costs in USD rather than in TRY. This may be relevant for partners' considerations of which currency to provide transfers in, especially in relation to knowing if, for example, businesses would generally need to exchange grants given in USD into TRY in order to pay for their expenses.

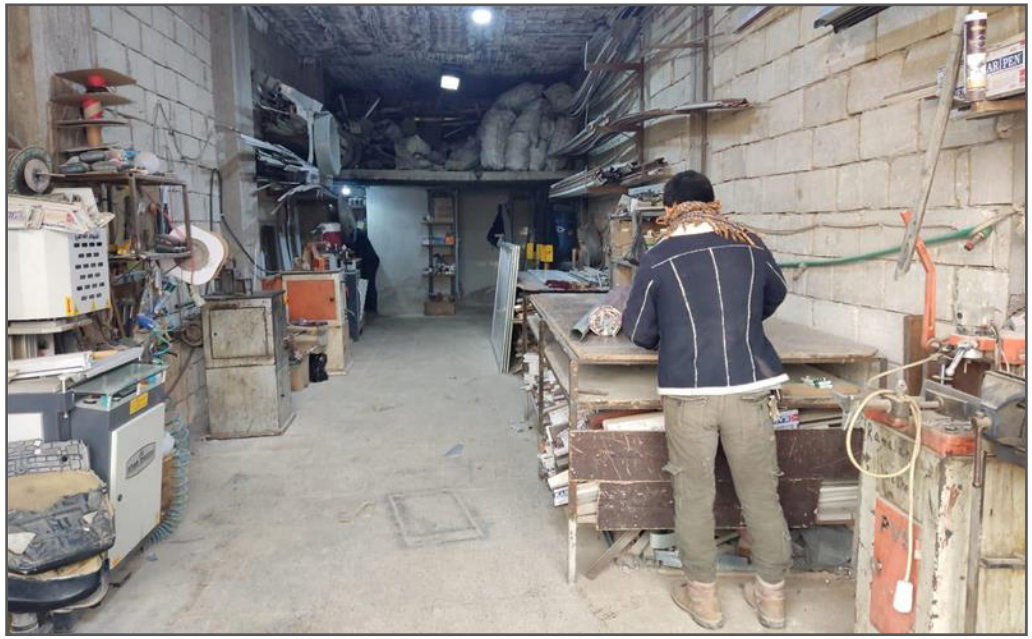
* Business sizes were defined as follows: micro: 1-3 employees; small: 4-10 employees; medium: 11-50 employees, Number of employees includes owners (see definitions on pg. 30).
* Interviews were conducted with a 217 business owners, but there are two businesses that have been counted under two sectors due to the nature of their work. Therefore figures in the table add up to 219.

SECTION 1: BUSINESS EXPENSES

INTRODUCTION: BUSINESS EXPENSE PROFILE (BEP)

Respondents were asked about recurring and one-off costs across 13 expenditure categories* (see definitions, page 30). 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 (65% of respondents answered that they could).

These respondents were asked to estimate the total value of these assets today in Turkish Lira (TRY) or USD. 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 7-18). Total yearly operating costs for each business size in each sector are summarised and presented in Table 2 (see pg. 6) providing an indication of the cost of running a business in A'zaz.



Photograph of an assessed business

KEY FINDINGS: BUSINESS EXPENSES

- **Total business expenditures for recurring, one-off, total yearly, and start-up costs were higher than expected and varied greatly by sector and size.** The lowest median yearly operating cost was 14,654 USD for micro service businesses and the highest was 141,570 USD for medium commercial retail/trade businesses (see pg. 6).

- In relation to larger cost trends, **businesses in the services sector had the lowest total yearly operating costs in comparison to all other sectors, regardless of size.** This is largely as a result of these business having lower monthly recurring expenditures on inventory compared to other sectors. With inventory costs being highly susceptible to price inflation and currency fluctuation, the considerable monthly inventory costs greatly contribute to overall yearly costs (see pgs. 6, 7-9).

- **Business sector trends around one-off costs were not clear-cut, though variation in total one-off costs appears to be largely linked to differences in expenditures on inventory.** For small and medium businesses, one-off costs were highest for commercial retail/trade and non-food industry/manufacturing businesses, while one-off costs for micro businesses were highest in the agricultural processing/food production sector (see pgs. 6, 7-9).

- With access to affordable electricity a key concern for businesses, **the public network served as the primary electricity source for the vast majority of surveyed businesses (94%) with median monthly expenditures ranging from 30-300 USD.** Nearly a quarter of businesses also reported utilising private generators (23%), likely less common due to high costs of fuels needed to run them (see pg. 19).

- **Electricity was generally found to make up the majority of businesses recurring utilities costs (58%),** where fluctuations in price and availability can have a significant impact on operations (see pg. 19). As such, ensuring reliable and affordable electricity access for businesses, whether through financial or public service support is a key programmatic objective for livelihoods response partners.

* The expenditure categories are: Salary/wages, rent/land tenure, construction, utilities, inventory, inputs, productive assets, furniture, office supplies, services, transportation and travel, marketing and advertising, taxes/regulations/and documentation. Utilities include sub-categories which are: Electricity (from different sources),water, fuel for heating or cooking, telecommunication, and any other utilities

Table 2: Summary of business expense profiles, showing median operating costs (recurring, one-off, and total yearly) and median start-up costs*

Business size per sector	Median recurring costs (monthly average from past three months)		Median one-off costs (incurred across 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 current market)	
	TRY	USD	TRY	USD	TRY	USD	TRY	USD
Agricultural processing/food production								
Micro (n=19)	36,142	1,940	11,178	600	489,786	26,290	20,027	1,075
Small (n=18)	66,475	3,568	61,247	3,288	876,143	47,028	46,575	2,500
Medium (n=10)	87,701	4,708	42,803	2,298	1,178,263	63,245	121,096	6,500
Services								
Micro (n=21)	17,848	958	10,247	550	273,006	14,654	74,521	4,000
Small (n=27)	32,603	1,750	37,260	2,000	426,630	22,900	65,205	3,500
Medium (n=12)	72,332	3,883	65,205	3,500	967,090	51,910	95,014	5,100
Non-food industry/manufacturing								
Micro (n=16)	17,932	963	9,315	500	286,159	15,360	37,260	2,000
Small (n=29)	55,332	2,970	65,392	3,510	794,948	42,670	149,041	8,000
Medium (n=10)	167,392	8,985	120,071	6,445	2,142,838	115,020	195,616	10,500
Commercial retail/trade								
Micro (n=19)	20,493	1,100	6,055	325	279,452	15,000	41,918	2,250
Small (n=28)	49,603	2,663	113,644	6,100	689,781	37,025	93,151	5,000
Medium (n=10)	200,460	10,760	122,027	6,550	2,637,468	141,570	260,822	14,000

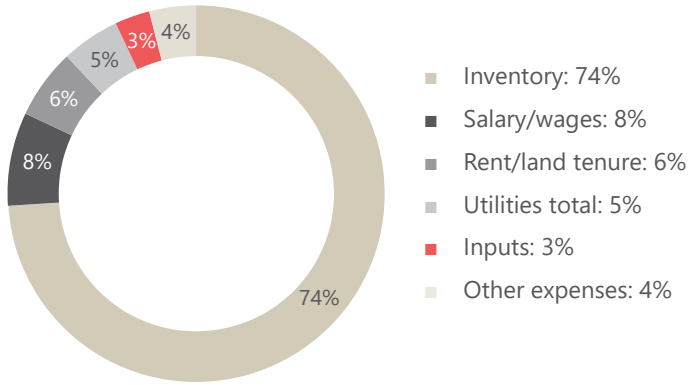
* The costs are presented in US dollars and Turkish lira, which were converted using the JMMI exchange rate for the month of January for the A'zaz community.

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

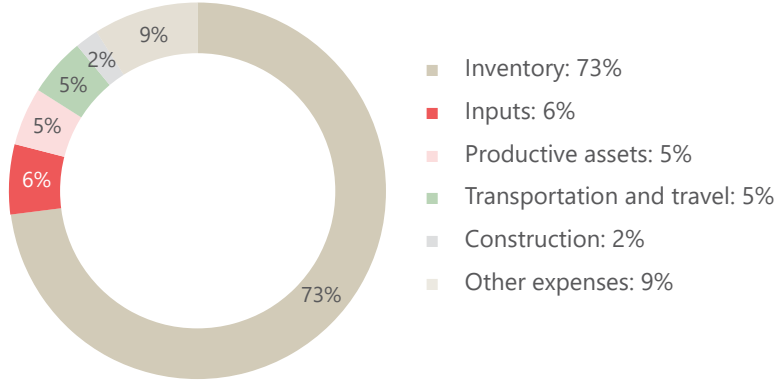
Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	3,726	200	17	1,490	80	4
Rent/land tenure	3,260	175	14	1,490	80	4
Construction	1,863	100	1	5,658	304	2
One-off utilities (i.e. installation)	One-off cost only			2,795	150	3
Electricity from public sources	745	40	19			
Electricity from private generator	200	11	1			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0	Recurring costs only		
Water	279	15	17			
Fuel for heating or cooking	745	40	9			
Telecommunications	186	10	17			
Other utilities	NA	NA	0			
Inventory	21,425	1,150	18	7,918	425	6
Inputs	1,863	100	16	1,863	100	4
Productive assets	1,863	100	5	4,000	215	5
Furniture	NA	NA	0	1,000	54	5
Office supplies	186	10	13	1,682	90	4
Services	1,211	65	4	1,000	54	1
Transportation and travel	932	50	13	4,937	265	4
Marketing and advertising	NA	NA	0	2,329	125	2
Taxes, regulations, and documentation	373	20	6	NA	NA	0
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	489,786		19	26,290		19
Total cost of productive assets in current market	Median 'start-up' costs					
	20,027		14	1,075		14

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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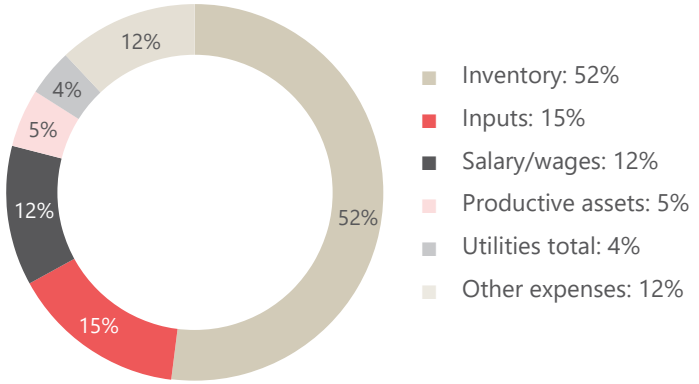
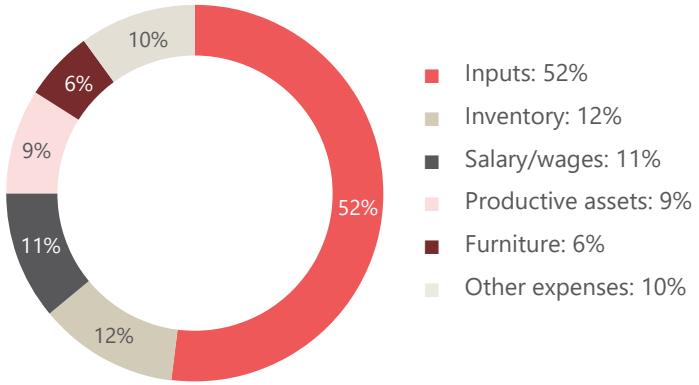
BEP BREAKDOWN: Agricultural processing/food production, Small enterprises (n=18)

Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	10,712	575	18	9,658	518	10
Rent/land tenure	3,260	175	14	18,630	1,000	3
Construction	5,589	300	7	14,904	800	7
One-off utilities (i.e. installation)	One-off cost only			5,589	300	9
Electricity from public sources	1,863	100	17			
Electricity from private generator	932	50	3			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0	Recurring costs only		
Water	745	40	18			
Fuel for heating or cooking	1,304	70	9			
Telecommunications	233	13	18			
Other utilities	NA	NA	0			
Inventory	23,288	1,250	18	37,260	2,000	7
Inputs	3,493	188	16	7,452	400	9
Productive assets	6,241	335	10	14,904	800	11
Furniture	4,658	250	7	7,452	400	11
Office supplies	559	30	14	1,164	63	4
Services	483	26	6	3,000	161	3
Transportation and travel	1,863	100	13	8,726	468	6
Marketing and advertising	932	50	8	932	50	5
Taxes, regulations, and documentation	93	5	3	1,164	63	6
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	876,143		18	47,028		18
Total cost of productive assets in current market	Median 'start-up' costs					
	46,575		13	2,500		13

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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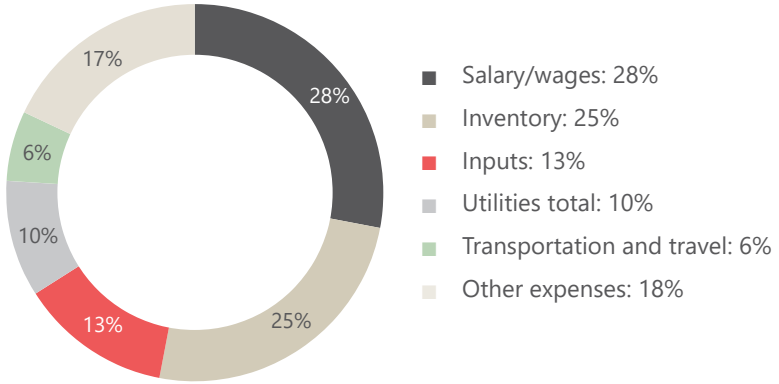
BEP BREAKDOWN: Agricultural processing/food production, Medium enterprises (n=10)

Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	25,151	1,350	10	3,726	200	6
Rent/land tenure	5,589	300	9	9,781	525	4
Construction	2,096	113	4	7,452	400	5
One-off utilities (i.e. installation)	One-off cost only			2,329	125	6
Electricity from public sources	5,589	300	9	Recurring costs only		
Electricity from private generator	1,397	75	6			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0			
Water	1,304	70	9			
Fuel for heating or cooking	1,863	100	7			
Telecommunications	373	20	10			
Other utilities	NA	NA	0			
Inventory	18,630	1,000	6	65,205	3,500	4
Inputs	9,315	500	8	11,178	600	6
Productive assets	2,795	150	6	5,123	275	8
Furniture	3,726	200	6	2,562	138	6
Office supplies	932	50	9	4,471	240	4
Services	1,397	75	5	3,726	200	5
Transportation and travel	5,589	300	7	14,904	800	5
Marketing and advertising	1,630	88	6	1,863	100	5
Taxes, regulations, and documentation	1,397	75	4	1,863	100	5
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

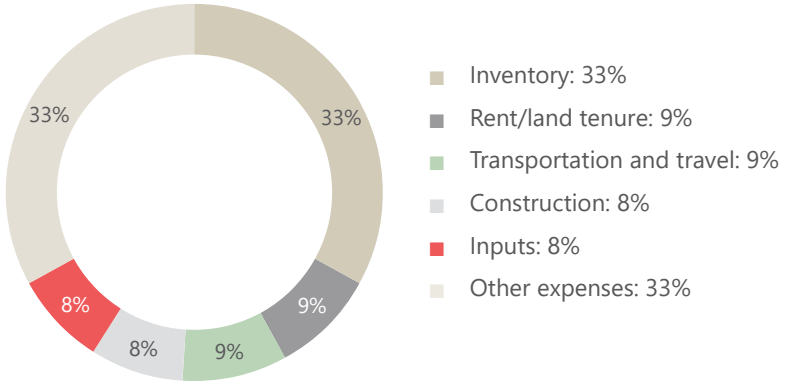
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs				
	TRY		USD		
	1,178,263	10	63,245	10	

Total cost of productive assets in current market	Median 'start-up' costs			
	121,096	7	6,500	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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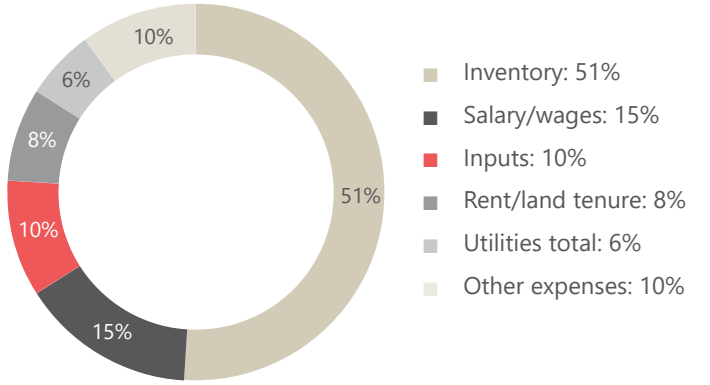
BEP BREAKDOWN: Services, Micro enterprises(n=21)

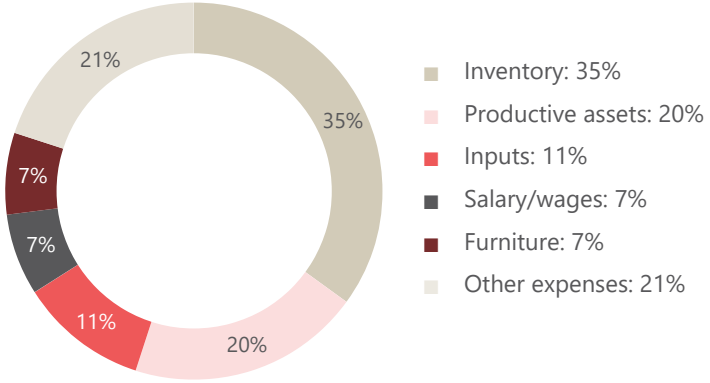
Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	3,726	200	17	16,767	900	3
Rent/land tenure	2,795	150	14	9,315	500	1
Construction	932	50	5	25,151	1,350	2
One-off utilities (i.e. installation)	One-off cost only			6,521	350	4
Electricity from public sources	932	50	15	Recurring costs only		
Electricity from private generator	279	15	1			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0			
Water	326	18	16			
Fuel for heating or cooking	373	20	9			
Telecommunications	130	7	21			
Other utilities	NA	NA	0			
Inventory	7,452	400	17	33,534	1,800	5
Inputs	1,863	100	17	11,178	600	7
Productive assets	932	50	11	3,726	200	9
Furniture	1,863	100	6	2,795	150	6
Office supplies	279	15	13	1,397	75	2
Services	419	23	8	3,260	175	4
Transportation and travel	1,164	63	12	7,452	400	5
Marketing and advertising	373	20	3	3,260	175	2
Taxes, regulations, and documentation	37	2	6	3,726	200	1
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

Median recurring costs x 12 + median one-off costs	Median total yearly operating costs		
	TRY		USD		
	273,006	21	14,654	21
Total cost of productive assets in current market	**Median 'start-up' costs**			
	74,521	14	4,000	14

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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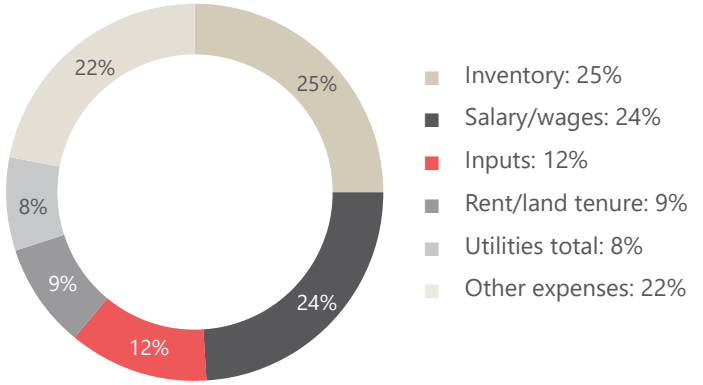
BEP BREAKDOWN: Services, Small enterprises (n=27)

Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	9,315	500	27	13,041	700	11
Rent/land tenure	3,726	200	25	12,110	650	10
Construction	2,795	150	8	5,123	275	14
One-off utilities (i.e. installation)	One-off cost only			5,589	300	15
Electricity from public sources	1,071	58	26			
Electricity from private generator	745	40	9			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0	Recurring costs only		
Water	373	20	25			
Fuel for heating or cooking	932	50	17			
Telecommunications	186	10	26			
Other utilities	NA	NA	0			
Inventory	9,315	500	21	13,041	700	15
Inputs	1,863	100	23	7,452	400	11
Productive assets	2,795	150	20	5,589	300	17
Furniture	1,863	100	12	4,658	250	23
Office supplies	373	20	23	1,863	100	11
Services	1,863	100	13	2,795	150	15
Transportation and travel	932	50	21	14,904	800	8
Marketing and advertising	373	20	13	932	50	19
Taxes, regulations, and documentation	373	20	5	1,397	75	6
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

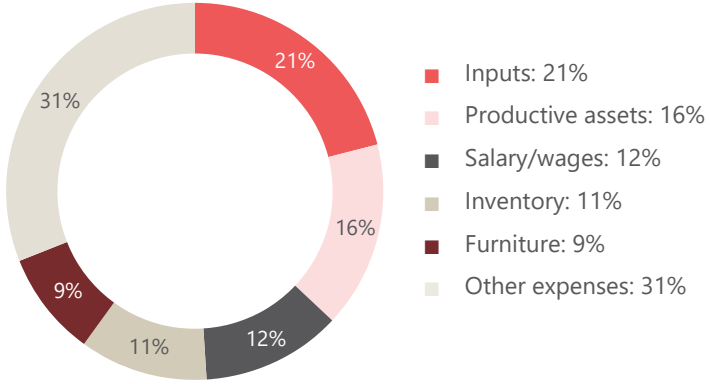
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs				
	TRY		USD		
	426,630	27	22,900	27	

Total cost of productive assets in current market	Median 'start-up' costs			
	65,205	18	3,500	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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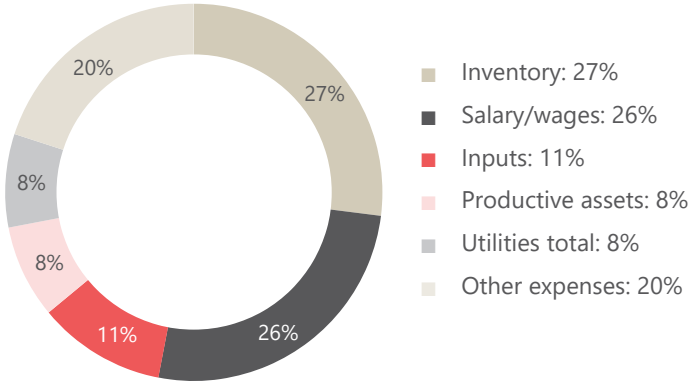
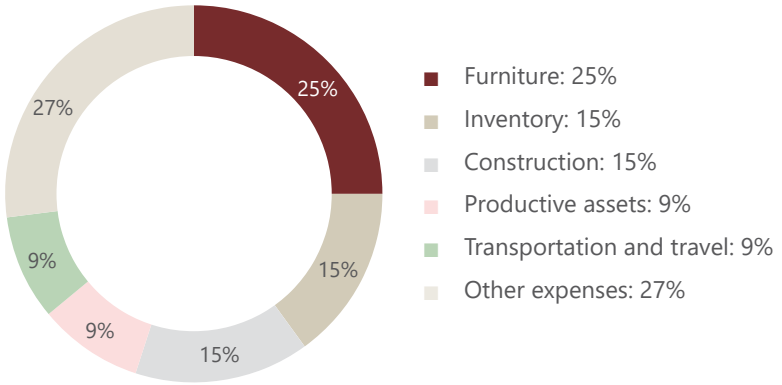
BEP BREAKDOWN: Services, Medium enterprises (n=12)

Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	23,288	1,250	12	9,315	500	8
Rent/land tenure	5,123	275	9	7,452	400	4
Construction	8,849	475	6	23,288	1,250	6
One-off utilities (i.e. installation)	One-off cost only			4,192	225	4
Electricity from public sources	3,726	200	12	Recurring costs only		
Electricity from private generator	1,397	75	6			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0			
Water	932	50	11			
Fuel for heating or cooking	1,863	100	9			
Telecommunications	559	30	10			
Other utilities	NA	NA	0			
Inventory	11,178	600	8	9,315	500	7
Inputs	6,521	350	9	5,589	300	7
Productive assets	4,658	250	10	9,315	500	10
Furniture	5,589	300	9	9,315	500	9
Office supplies	932	50	12	932	50	7
Services	932	50	6	1,863	100	4
Transportation and travel	3,726	200	8	13,041	700	6
Marketing and advertising	745	40	9	1,863	100	7
Taxes, regulations, and documentation	932	50	6	1,863	100	4
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs					
	TRY			USD		
	967,090		12	51,910		12
Total cost of productive assets in current market	Median 'start-up' costs					
	95,014		8	5,100		8

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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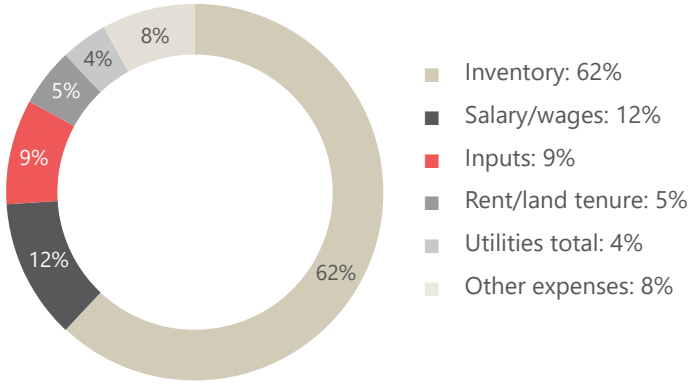
BEP BREAKDOWN: Non-food industry/manufacturing, Micro enterprises (n=16)

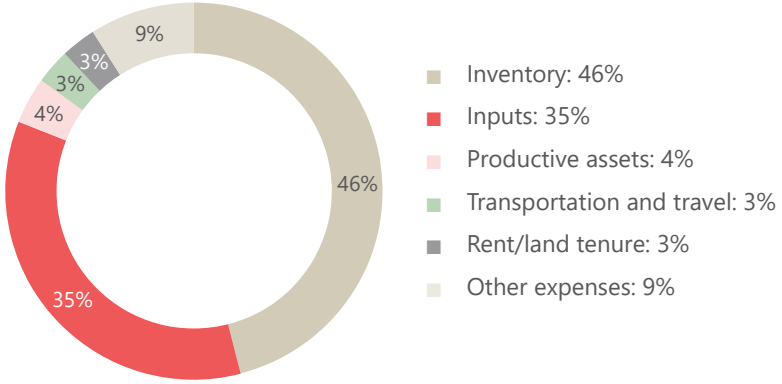
Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	3,726	200	16	5,589	300	1
Rent/land tenure	2,096	113	10	26,082	1,400	1
Construction	1,863	100	1	932	50	3
One-off utilities (i.e. installation)	One-off cost only			4,658	250	1
Electricity from public sources	745	40	16	Recurring costs only		
Electricity from private generator	373	20	1			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0			
Water	186	10	15			
Fuel for heating or cooking	466	25	8			
Telecommunications	93	5	13			
Other utilities	466	25	1			
Inventory	9,315	500	16	102,466	5,500	5
Inputs	932	50	11	2,795	150	3
Productive assets	932	50	7	4,658	250	4
Furniture	1,863	100	2	932	50	3
Office supplies	279	15	11	932	50	5
Services	559	30	1	5,589	300	2
Transportation and travel	1,397	75	9	27,945	1,500	1
Marketing and advertising	373	20	6	1,397	75	5
Taxes, regulations, and documentation	93	5	1	186	10	1
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

Median recurring costs x 12 + median one-off costs	Median total yearly operating costs				
	TRY		USD		
	286,159	16	15,360	16	
Total cost of productive assets in current market	Median 'start-up' costs				
	37,260	13	2,000	13	

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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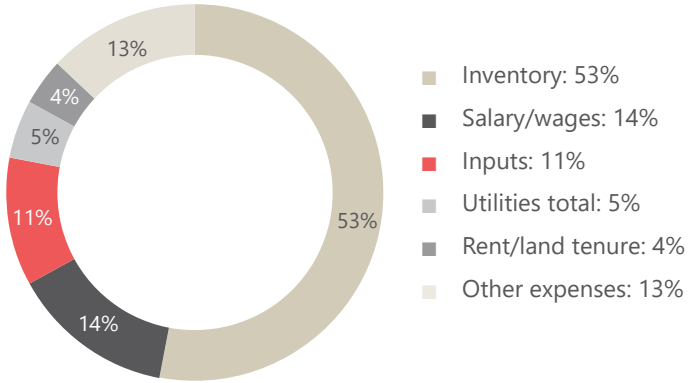
BEP BREAKDOWN: Non-food industry/manufacturing, Small enterprises (n=29)

Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	9,315	500	29	11,644	625	10
Rent/land tenure	2,795	150	26	9,315	500	5
Construction	1,863	100	6	7,918	425	8
One-off utilities (i.e. installation)	One-off cost only			5,589	300	14
Electricity from public sources	1,863	100	27			
Electricity from private generator	932	50	4			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0	Recurring costs only		
Water	373	20	28			
Fuel for heating or cooking	745	40	16			
Telecommunications	186	10	28			
Other utilities	NA	NA	0			
Inventory	27,945	1,500	27	93,151	5,000	16
Inputs	3,726	200	29	18,630	1,000	15
Productive assets	3,726	200	18	18,630	1,000	23
Furniture	1,863	100	12	5,589	300	15
Office supplies	466	25	23	1,118	60	6
Services	2,608	140	12	5,123	275	10
Transportation and travel	1,397	75	27	10,247	550	10
Marketing and advertising	932	50	6	652	35	12
Taxes, regulations, and documentation	186	10	11	1,397	75	4
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

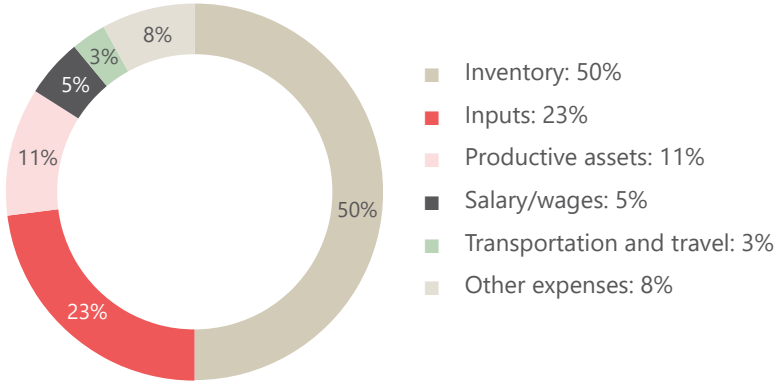
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs				
	TRY		USD		
	794,948	29	42,670	29	

Total cost of productive assets in current market	Median 'start-up' costs			
	149,041	22	8,000	22

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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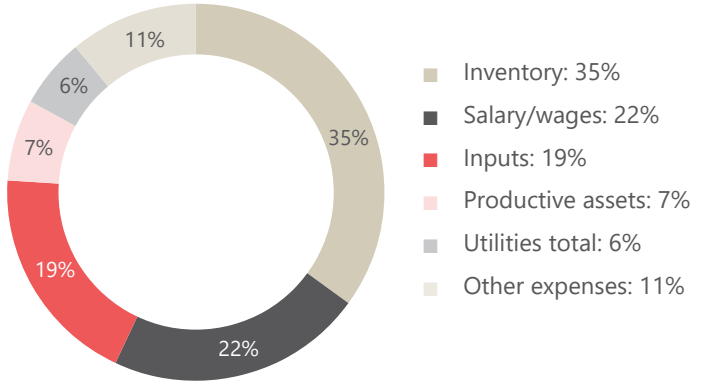
BEP BREAKDOWN: Non-food industry/manufacturing, Medium enterprises (n=10)

Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	32,603	1,750	10	13,041	700	6
Rent/land tenure	5,589	300	9	16,767	900	3
Construction	1,397	75	3	7,452	400	3
One-off utilities (i.e. installation)	One-off cost only			5,589	300	4
Electricity from public sources	5,589	300	9	Recurring costs only		
Electricity from private generator	1,863	100	6			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0			
Water	932	50	10			
Fuel for heating or cooking	1,397	75	7			
Telecommunications	373	20	10			
Other utilities	NA	NA	0			
Inventory	93,151	5,000	5	65,205	3,500	6
Inputs	18,630	1,000	9	9,315	500	7
Productive assets	18,630	1,000	7	13,507	725	6
Furniture	2,795	150	10	6,055	325	8
Office supplies	745	40	10	1,863	100	6
Services	932	50	3	5,589	300	4
Transportation and travel	4,658	250	9	17,233	925	8
Marketing and advertising	932	50	3	932	50	4
Taxes, regulations, and documentation	932	50	6	932	50	3
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

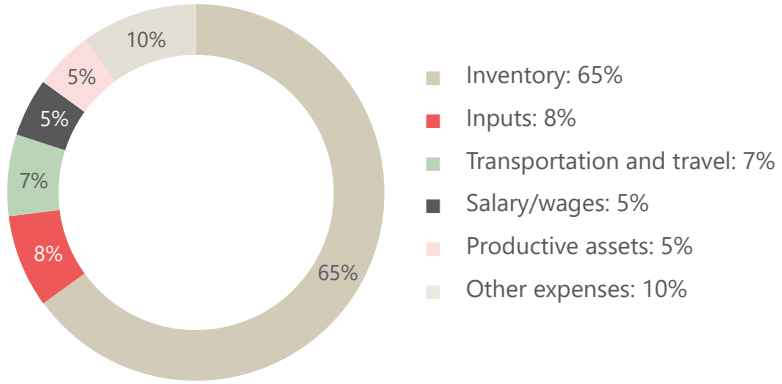
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs				
	TRY		USD		
	2,142,838	10	115,020	10	

Total cost of productive assets in current market	Median 'start-up' costs			
	195,616	8	10,500	8

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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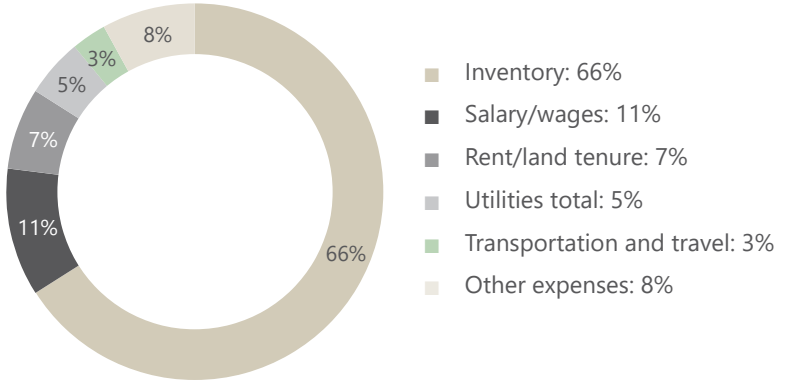
BEP BREAKDOWN: Commercial retail/trade, Micro enterprises (n=19)

Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	2,803	150	18	5,589	300	4
Rent/land tenure	1,863	100	14	12,110	650	2
Construction	1,584	85	2	NA	NA	0
One-off utilities (i.e. installation)	One-off cost only			7,452	400	4
Electricity from public sources	559	30	19			
Electricity from private generator	373	20	3			
Electricity via a community generator	1,118	60	1			
Other electricity (i.e. bulbs and cables)	NA	NA	0	Recurring costs only		
Water	186	10	18			
Fuel for heating or cooking	326	18	10			
Telecommunications	186	10	17			
Other utilities	NA	NA	0			
Inventory	12,575	675	16	37,260	2,000	2
Inputs	559	30	13	4,844	260	2
Productive assets	1,118	60	5	932	50	5
Furniture	1,863	100	3	2,795	150	7
Office supplies	186	10	15	466	25	1
Services	1,397	75	4	6,055	325	2
Transportation and travel	579	31	16	5,589	300	4
Marketing and advertising	1,863	100	3	243	13	4
Taxes, regulations, and documentation	373	20	2	NA	NA	0
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

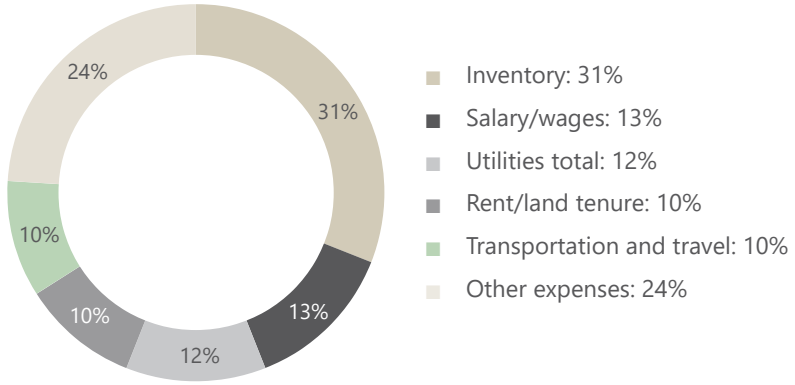
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs				
	TRY		USD		
	279,452	19	15,000	19	

Total cost of productive assets in current market	Median 'start-up' costs			
	41,918	8	2,250	8

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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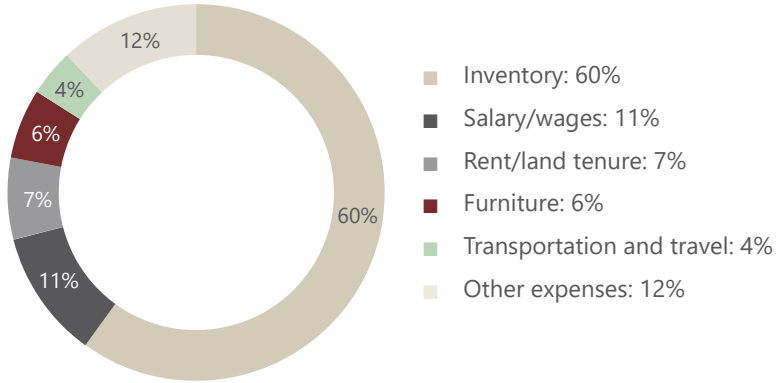
BEP BREAKDOWN: Commercial retail/trade, Small enterprises (n=28)

Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	7,452	400	27	18,164	975	12
Rent/land tenure	3,726	200	25	14,904	800	7
Construction	2,562	138	4	15,836	850	6
One-off utilities (i.e. installation)	One-off cost only			5,589	300	16
Electricity from public sources	932	50	28			
Electricity from private generator	559	30	3			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0	Recurring costs only		
Water	373	20	25			
Fuel for heating or cooking	419	23	12			
Telecommunications	186	10	27			
Other utilities	NA	NA	0			
Inventory	27,945	1,500	27	93,151	5,000	18
Inputs	1,630	88	20	7,452	400	11
Productive assets	3,726	200	12	10,247	550	14
Furniture	1,863	100	11	9,315	500	15
Office supplies	373	20	23	2,329	125	8
Services	605	33	8	2,562	138	12
Transportation and travel	1,351	73	22	5,589	300	9
Marketing and advertising	1,397	75	8	932	50	11
Taxes, regulations, and documentation	233	13	8	745	40	8
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

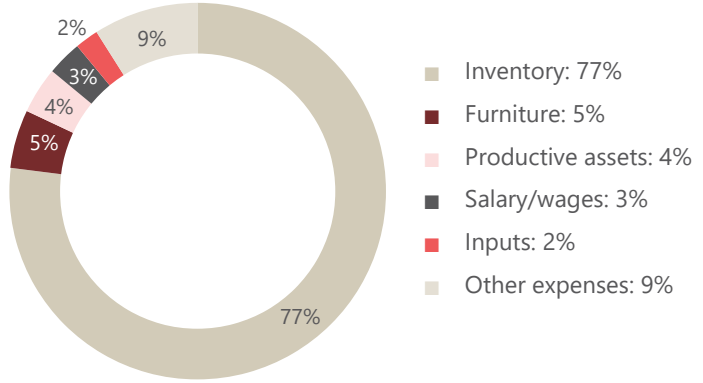
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs		
	TRY	USD	
	689,781	37,025	28

Total cost of productive assets in current market	Median 'start-up' costs		
	93,151	5,000	13

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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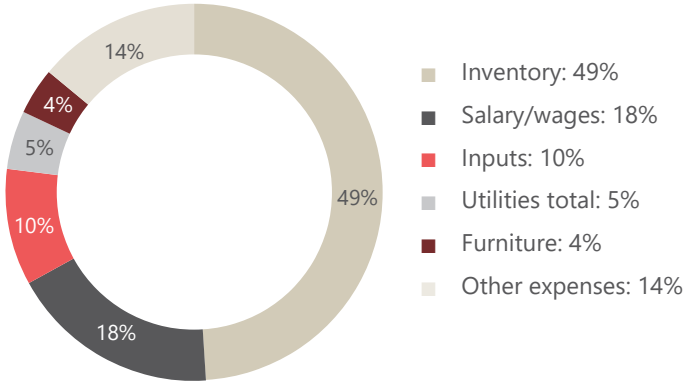
BEP BREAKDOWN: Commercial retail/trade, Medium enterprises (n=10)

Expenditure category (definitions on pg. 30)	Median recurring costs		n*	Median one-off costs		n*
	TRY	USD		TRY	USD	
Salary/wages	29,808	1,600	10	11,178	600	5
Rent/land tenure	9,315	500	7	1,863	100	3
Construction	7,918	425	2	27,945	1,500	5
One-off utilities (i.e. installation)	One-off cost only			9,315	500	5
Electricity from public sources	3,726	200	9	Recurring costs only		
Electricity from private generator	1,863	100	6			
Electricity via a community generator	NA	NA	0			
Other electricity (i.e. bulbs and cables)	NA	NA	0			
Water	792	43	8			
Fuel for heating or cooking	1,677	90	8			
Telecommunications	373	20	10			
Other utilities	NA	NA	0			
Inventory	111,781	6,000	7	65,205	3,500	5
Inputs	3,726	200	7	18,630	1,000	3
Productive assets	12,110	650	6	37,260	2,000	6
Furniture	8,384	450	6	4,658	250	8
Office supplies	932	50	8	2,795	150	2
Services	1,863	100	5	5,589	300	6
Transportation and travel	7,452	400	9	5,589	300	3
Marketing and advertising	2,795	150	7	1,863	100	7
Taxes, regulations, and documentation	1,863	100	3	2,795	150	5
Other expenses (i.e. staff food and drink)	NA	NA	0	NA	NA	0

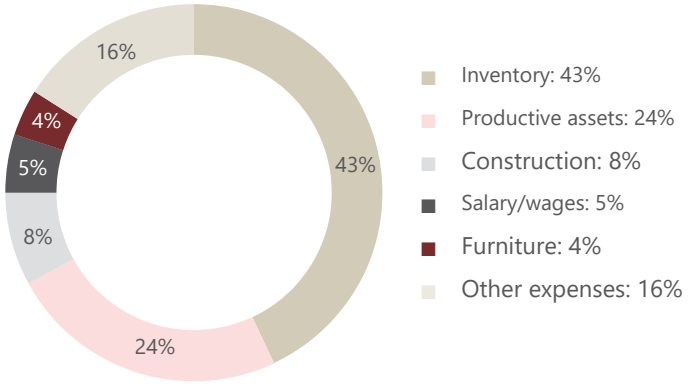
Median recurring costs x 12 + median one-off costs	Median total yearly operating costs				
	TRY		USD		
	2,637,468	10	141,570	10	

Total cost of productive assets in current market	Median 'start-up' costs			
	260,822	4	14,000	4

Recurring costs as a percentage of total recurring expenditure averages*



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



The costs are presented in US dollars and Turkish lira, which were converted using the JMMI exchange rate for the month of January for the A'zaz community, * 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 percentages in these figures were calculated by calculating the average of the costs of each of the 13 cost categories, and then dividing each average by the sum of the averages.

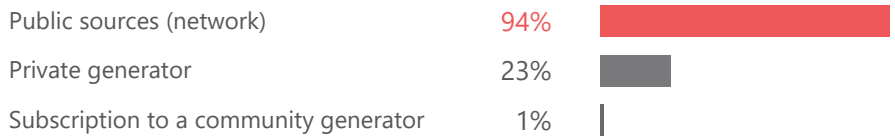
ELECTRICITY SOURCE & EXPENDITURE ZOOM-IN

Electricity sources used by A'zaz businesses

The vast majority of assessed businesses in A'zaz reported relying on the public network for their businesses' electricity needs (94%). Almost a quarter of businesses also reported relying on private generators for their activities (23%). Only one business reported subscription to a community generator. These trends were similar across all business types (see Figure 4).

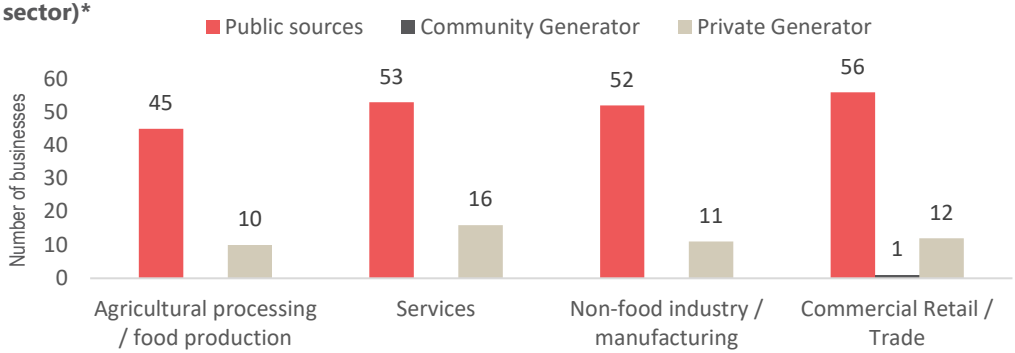
According to the 2022 Humanitarian Needs Overview (HNO), on average, electricity is available in Aleppo for only seven to eight hours per day.[8] This suggests that the amount of electricity available from public sources is probably not sufficient for business operations, especially in higher usage settings such as that where product processing is highly reliant on operations of heavy machinery. As such businesses have to rely on secondary sources such as private generators to be able to continue their activities during hours when electricity is not available from the public network.

Figure 3: Reported sources of electricity used (by % of surveyed businesses)*



The HNO further suggests that the cost of electricity from public sources is too high for most consumers in Aleppo, limiting financial access to sufficient electricity within the community. Further, since secondary electricity sources such as generators are private, businesses, on top of paying for expensive electricity from the public network, also have to pay for fuel and their generators' upkeep and maintenance out of their own pocket. This could create significant cost burden for businesses. As such, alternative sources of electricity which are not only cheaper but also more sustainable than diesel-fuelled generators could be a viable option for businesses to conduct their activities in the future.

Figure 4: Reported sources of electricity used (by number of surveyed businesses per sector)*



Electricity expenditure analysis

Electricity expenditures were overall correlated with business sizes, whereby larger businesses tended to report higher electricity costs (see table 3). Notably, businesses in the non-food industry/manufacturing and agricultural processing/food production sectors had the highest median expenditure for electricity, in line with expected trends as these sectors rely more heavily on machinery and electrical equipment for processing/manufacturing of goods on a comparatively larger scale. While electricity costs make up only a small percent of overall recurring costs (3%), electricity makes up the majority of businesses total utilities* costs (58%). As such, ensuring that reliable and low cost electricity is available for businesses to conduct their activities is a critical business support need and a key consideration for Early Recovery actors hoping to support economic recovery through improved access to basic services like electricity.

58% of the total median utilities expenditures are from electricity

Table 3: Median electricity expenditures by source, sector, and business size

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*
	TRY	USD		TRY	USD		TRY	USD	
Agricultural processing/food production									
Micro	745	40	19	NA	NA	0	200	11	1
Small	1,863	100	17	NA	NA	0	932	50	3
Medium	5,589	300	9	NA	NA	0	1,397	75	6
Services									
Micro	932	50	15	NA	NA	0	279	15	1
Small	1,071	58	26	NA	NA	0	745	40	9
Medium	3,726	200	12	NA	NA	0	1,397	75	6
Non-food industry/manufacturing									
Micro	745	40	16	NA	NA	0	373	20	1
Small	1,863	100	27	NA	NA	0	932	50	4
Medium	5,589	300	9	NA	NA	0	1,863	100	6
Commercial retail/trade									
Micro	559	30	19	1,118	60	1	373	20	3
Small	932	50	28	NA	NA	0	559	30	3
Medium	3,726	200	9	NA	NA	0	1,863	100	6
Overall									
	1,118	60	204	1,118	60	1	932	50	49

* Respondents could report on more than one source and therefore findings exceed 100% or exceed the total number of businesses assessed per sector.
* Utilities include sub-categories which are: Electricity (from different sources),water, fuel for heating or cooking, telecommunication, and any other utilities.

SECTION 2: BUSINESS OPERATIONS

INTRODUCTION: OPERATIONS, CHALLENGES, AND NEEDS

The following section outlines key operational trends for businesses across assessed sectors in A'zaz community, identifying some of the challenges they face in maintaining their businesses and the barriers that prevent them from expansion.

While numerous types of businesses are operating in A'zaz, and some opportunities already exist for those looking to start a new business or expand their current activities, many challenges to running and expanding businesses are still present. Some of these challenges exist as a result of decades of conflict, wider geopolitical issues, absence of stable economic conditions, unavailability of raw materials and inputs, limited import/export activities, irregular supply chain routes, climate-related impacts, and more.[9] However, financial, infrastructural, and staffing obstacles have also affected operations and expansion capacities of businesses across NWS. Understanding the overall challenges, key needs, and top priorities of businesses to mitigate and address such challenges could enable response actors to provide more effective and tailored livelihoods programming.

Photograph of an assessed business

KEY FINDINGS: BUSINESS OPERATIONS

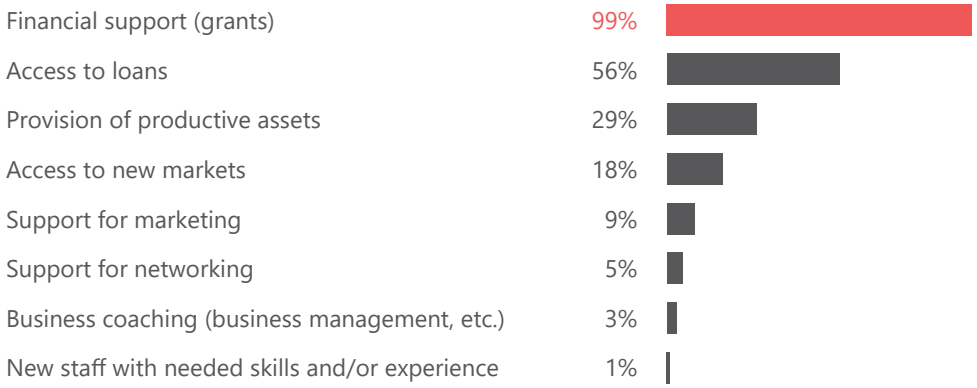
- **Businesses overwhelmingly prioritised financial support in the form of business grants when asked about their priority needs (99%)**. This echoes findings that businesses' primary operational challenges and expansion barriers are related to lack of financial resources and highlights that a scale up of MSME programming would align with the reported needs and priorities of local businesses (see pg. 21).
- **A significant proportion of businesses also prioritised provision of productive assets when asked about their top support needs (29%)**, particularly non-food industry/manufacturing businesses, which reported this more commonly than businesses in other sectors. This evidences the appropriateness of grants intended to support larger one-off costs for improved productivity and kick-starting economic activity (see pg. 21).
- **Most businesses source inputs and inventory from wholesalers or retailers within NWS (nearly 80%),** with smaller percentages sourcing from wholesalers or manufacturers in Türkiye, primarily in the commercial retail/trade and non-food industry sectors. Regardless of supply sources, businesses did not commonly report supply issues other than cost-related pressures, indicating general functionality of supply chains (see pgs. 26-27).
- **Only 12% of businesses most commonly in the non-food industry/ manufacturing sector, reported selling their goods outside of A'zaz community** and no businesses in the services sector reported doing so. However, with consistency across different sectors, nearly 20% of businesses cited access to new markets as among their top priority needs. As such, partner support to further strengthen existing linkages to markets in nearby cities such as Afrin and Al Bab could provide the expanded customer base needed for profitability and growth (see pgs. 27 and 21).
- **Nearly 20% of businesses, primarily micro and small-sized, anticipated that they would have difficulty maintaining their current staff due to difficulties paying wages.** While creation of new employment opportunities is a key priority for livelihoods actors in NWS, support to businesses to ensure the are able to retain staff (and prevent further increases in unemployment) is equally critical (see pg. 28).
- **Most businesses expressed interest in expansion (81%) with a lack of financial resources as the main barrier reported,** suggesting lack of demand or other issues are not significant factors. Businesses commonly desired expansion in terms of acquiring new tools, machinery, and other productive assets, or in terms of physical space. Among businesses that already had concrete plans expansion, median estimated expansion costs ranged from 3,000 to 5,000 USD, depending on sector (see pgs. 28-29).

PRIORITY NEEDS & CURRENT BUSINESS SUPPORT

When asked what types of support they were most in need of, nearly all businesses prioritised access to financial resources in the form of business grants (99%), and to a lesser degree in the form of business loans (56%). Desire for financial support is not surprising, especially in light of severe economic decline, chronic price inflation, and lack of access to formal financial services. Financial need is further highlighted by the fact that high price of inputs and inventory and lack of access to financial resources to afford expansion were reported by businesses as key challenges to continued operations and growth (see pgs. 28-29). These findings highlight the importance of MSME grant support and underscore the necessity of a scale-up of financial support programs in order to meet the priority needs as expressed by local businesses themselves.

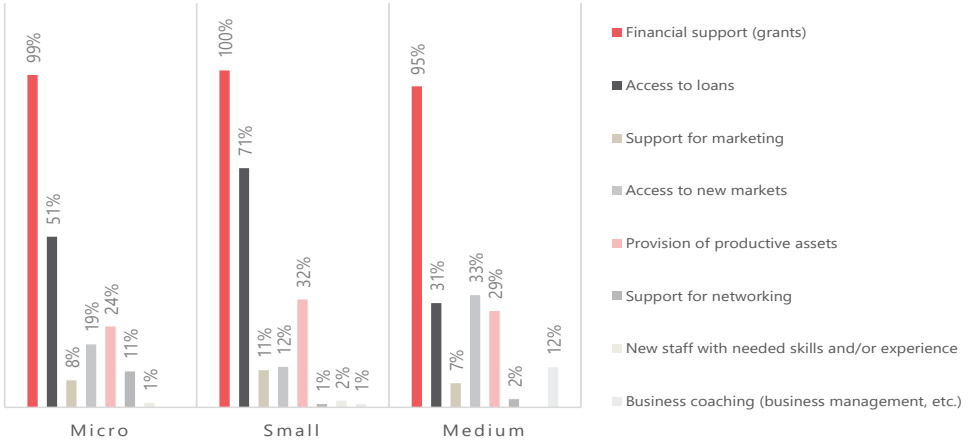
Businesses also noted that support for acquiring productive assets would be one of their top priorities (29%). While reported at comparable levels across business sizes (see Figure 6), access to such assets was particularly important to assessed non-food industry/manufacturing businesses, 40% of which cited it as a top priority compared to the 23%-27% of businesses in other sectors. The general commonality of this need is further highlighted by the fact that the vast majority of businesses who expressed interest in expansion reported they would need additional assets to do so (90%) (see pg. 28).

Figure 5: Most commonly reported priority needs (by % of surveyed businesses reporting option as a top 3 needs)*



Further, as shown in Figure 5, a significant percentage of businesses also prioritise support to access new markets, with a smaller percent desiring support for marketing, and support for networking, highlighting that businesses perceive themselves as being unable to tap into a wide customer base in the region which would support increased profitability and growth. Medium-sized businesses most commonly reported desire to expand to new markets, likely due to the fact that their larger operations require a larger client base to maintain or expand profit levels.

Figure 6: Most commonly reported priority needs by business size (by % of surveyed businesses reporting option as being among their top 3 needs)



Variation across sectors was also seen in relation to desire for business coaching support and need for new staff with needed skills/experience. Specifically, only businesses in the commercial retail/trade and service sectors prioritised business coaching support and only service sector businesses prioritised support hiring new staff. These findings may provide some direction for livelihoods response partners in targeting the most appropriate sectors for both coaching and employment schemes.

Despite the clear desire for various forms of support, only 1% of assessed businesses reported having received any form of business support assistance in the 12 months prior to data collection (see Figure 7). While receipt of assistance is likely significantly under-reported,* this indicates that business support is not currently accessible to a large number of businesses in the area. While it is unlikely that humanitarian actors would be able to reach the majority of A'zaz's businesses with MSME grant support, the results indicate that a scale-up of the current business support interventions, even to a moderate degree, could bolster improved livelihoods conditions and market systems more broadly.

Figure 7: Business support assistance reportedly received in 12 months prior to data collection (by % of surveyed businesses)

* Respondents were asked to select up to 3 options that they would prioritise in terms of support or access to resources. Therefore, findings exceed 100%.
* While enumerators informed respondents that participation is not connected to aid delivery, it is possible that businesses under-reported receipt of assistance due to perception that doing so will result in provision of assistance. As such the proportion of businesses who have received support may be higher than 1%.

BUSINESS STAFFING: EMPLOYEE TYPES AND GENDER, HIRING CHALLENGES

While livelihoods in Syria, and agricultural livelihoods in particular, are generally understood to be highly dependent on daily waged labour, CBA findings show that businesses across surveyed sectors employed mostly full-time staff (see Table 4). This was most notable for businesses in the non-food industry/manufacturing sector (72%) where it may be assumed daily-wage labourers would traditionally find employment in factory/industrial settings.

While finding do not account for the formality of contract (verbal versus written), they do underscore that most businesses are able to employ and retain full-time staff. This ability is mirrored in the fact that 97% of business owners in A'zaz reported that they had not faced significant challenges in securing the needed staff in the previous year. Nonetheless, almost all businesses still relied on part-time employees or daily workers to some degree. This staffing type breakdown was relatively consistent across sectors with the exception of the non-food industry/manufacturing sector which, as noted above, employed very few part-time of day labourers overall (see Table 4).

Table 4: Staff employment type breakdown (by % of total number of overall staff reported under each employment category per sector)

	Owners	Full-time employees	Part-time employees	Day labourers
Agricultural processing/ food production	22%	60%	13%	4%
Services	20%	61%	12%	7%
Non-food industry/ manufacturing	18%	72%	5%	4%
Commercial retail/trade	24%	57%	13%	7%

Interpretation example: *Out of the total number of staff reported by the 47 assessed businesses in the agricultural processing/food production sector, 22% of the total staff were owners, 60% were full-time employees, 13% were part-time employees, and 7% were daily labourers.*

In relation to gender dynamics in A'zaz's labour market, female participation, whether as owners or staff, was lower than regional trends.[10] Severely limited female participation is seen across all surveyed sectors, though lowest among businesses in the non-food industry/manufacturing sector. While only marginally higher, female participation, particularly in terms of business ownership was observed to be the highest in the services sector. Comparatively higher participation of women in this sector is in line with global trends where women more commonly participate in service-oriented businesses.

Table 5: Staff gender breakdown (by % of total number of staff of all types and total number of owners reported per sector)

	Overall (staff of all types)		Business owners	
	Male	Female	Male	Female
Agricultural processing/ food production	95%	5%	100%	0%
Services	95%	5%	97%	3%
Non-food industry/ manufacturing	99%	1%	100%	0%
Commercial retail/trade	95%	5%	99%	1%

Interpretation example: *Out of the total number of staff of all types reported by the 60 assessed businesses in the service sector, 95% of the total staff were male and 5% were female. Out of the total number of business owners reported by the 60 assessed service businesses, 97% of owners were male and 3% of owners were female.*

This gender analysis and breakdown of staff and business owners gives a good indication of cultural dimensions and gendered preferences in businesses in A'zaz, which could be a useful element in programs that aim to strengthen female employment in the labour market, support entrepreneurial initiatives among women, and further female business ownership.

Figure 8: Businesses that reported facing challenges securing staff in the 12 months prior to data collection (by % of assessed businesses)

While few businesses overall (3%) reported having faced challenges in securing staff in the past year, financial difficulty in maintaining current staff due to an inability to bear the cost of wages was reported by business owners as a key challenge to continued operations and profitability (see pg. 28). While trends were similar across sectors (between 2% and 5% reporting challenges), commercial retail trade businesses most commonly reported challenges hiring staff. This aligns with businesses in this sector being most common among the few that reported wanting to hire additional staff to support expansion (see pg. 29), indicating that the sector may be a marginally better target for employment schemes.

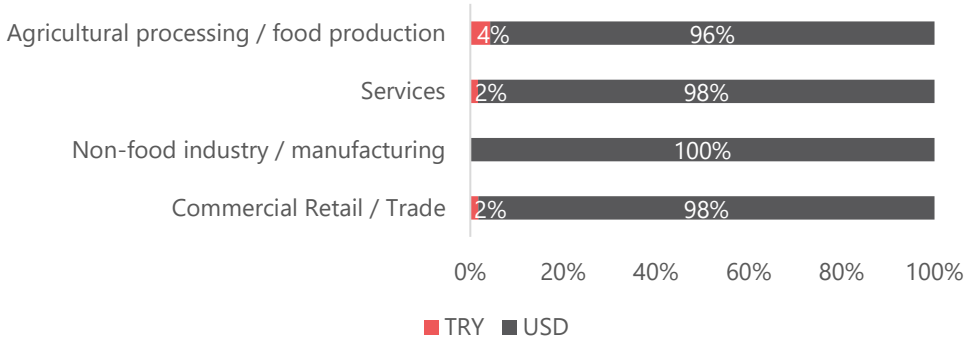
CURRENCIES: EXPENDITURES & ACCEPTED PAYMENTS

Currencies used for business expenditures

Due to inflation and exchange rate fluctuations,[11] populations in NWS largely use currencies other than the Syrian pound (SYP), such as the Turkish lira (TRY) or US dollar (USD), whether for buying or selling goods. Findings from A'zaz businesses mirror this trend, where almost all assessed businesses preferred reporting their business costs in USD as it is the currency they most commonly use for their expenditures. Uniquely, all surveyed non-food industry/manufacturing businesses preferred reporting their expenditures in USD, suggesting lower use of TRY than other sectors. This may be due to the fact that businesses from this sector also more commonly reported sourcing inputs and inventory from outside Syria, notably Türkiye, as international transactions are more commonly done in USD as a global currency (see pg. 26).

While the number of businesses that preferred reporting their expenditures in TRY was very low, in comparison to other sectors, more businesses in the agricultural processing/food production sector preferred reporting in TRY (4%). Additionally, only micro and small businesses preferred reporting in TRY. This may be related to the fact that smaller businesses primarily source good needed for their businesses from actors within NWS (see pg. 26) who would more commonly use TRY than would international suppliers.

Figure 9: Businesses' preferred currency for reporting expenditures by sector (by % of assessed businesses in each sector)



The somewhat mixed use of currencies in most sectors, even by smallest proportions, indicates that, operationally, programming actors need to take into consideration factors such as accessibility to exchange services, availability of currency denominations etc. in a community for businesses to be able to fully utilise the grant provided to them since they might need to exchange the grant value to their preferred currency of business. As such, exchange service providers may be important stakeholders in MSME grant programming and more detailed evaluation of these services in A'zaz should be undertaken for partners to be able to account for these factors.

Businesses' accepted payment modalities

In relation to payment modalities accepted by assessed businesses in A'zaz, cash was most commonly accepted, specifically in the form of TRY and USD as shown in Figure 10. This aligns with more general market data, which indicates that market vendors across Northern Aleppo commonly sell items in both currencies, but seldom in SYP.[12]

While no striking trends were observed between different sectors in terms of accepting payment in cash (TRY) from customers, a higher number of businesses in the non-food industry/manufacturing sector reported accepting cash in USD from customers than TRY (see Figure 11), in line with all the businesses in this sector preferring to report their expenditures in USD (see Figure 9).

Figure 10: Payment modalities accepted from customers (by % of surveyed businesses)*

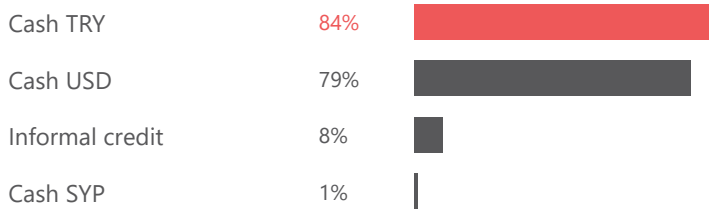
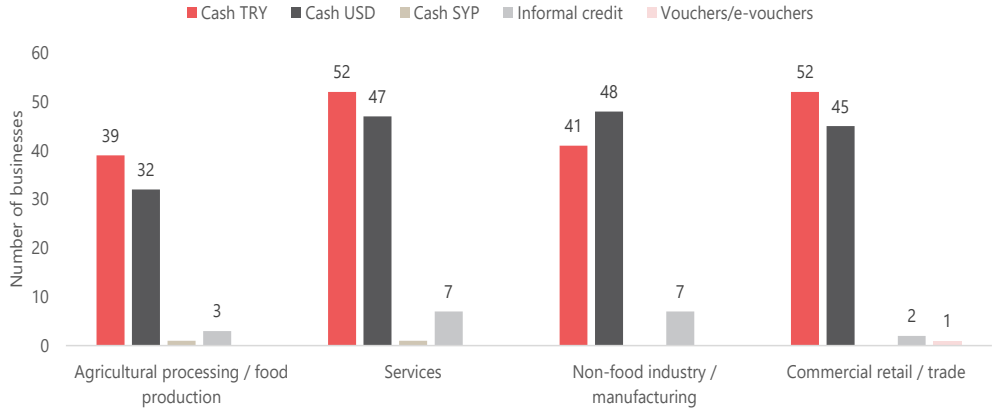


Figure 11: Payment modalities accepted from customers by sector (by number of assessed businesses)*



* Respondents could select more than one option and therefore findings exceed 100% or exceed the total number of businesses assessed per sector.

BUSINESS DONATIONS FOR COMMUNITY SUPPORT

Despite the difficulties that businesses face overall in generating profits in spite of high business costs, more than half of the assessed businesses in A'zaz (56%) reported donating products, services, or profits to community members in need (see Figure 12). This can be interpreted as reflecting socio-cultural practices, religious obligations of Zakat, and personal attitudes of social responsibility of business owners towards their fellow community members.

While businesses across sectors and sizes generally reported making donations in similar proportions, agricultural processing/food production businesses and commercial retail/trade businesses most commonly did so. In part, this may be sure to the type of products these businesses produce (i.e. food items) and sell (i.e. clothes, home goods, etc.), which may be either easier to donate or in higher demand due to the continuously increasing cost of such essential items' in NWS markets.[13]

Figure 12: Businesses that reported donating products, services, or profits to support community members in need (by % of surveyed businesses)

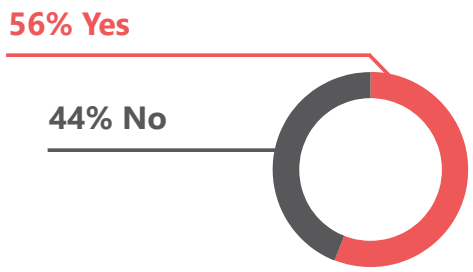
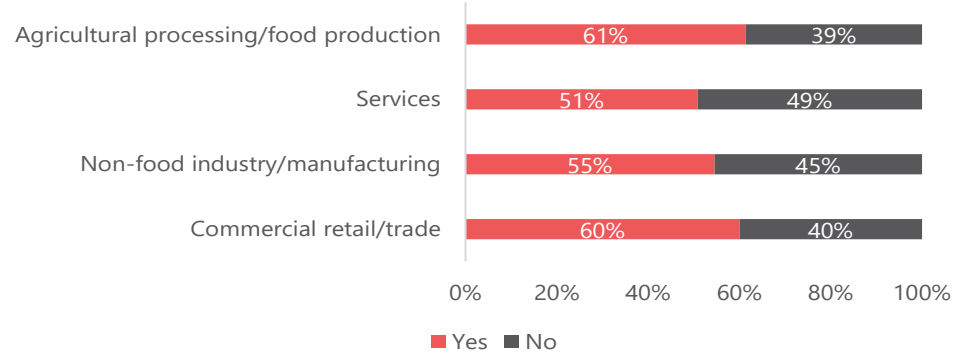
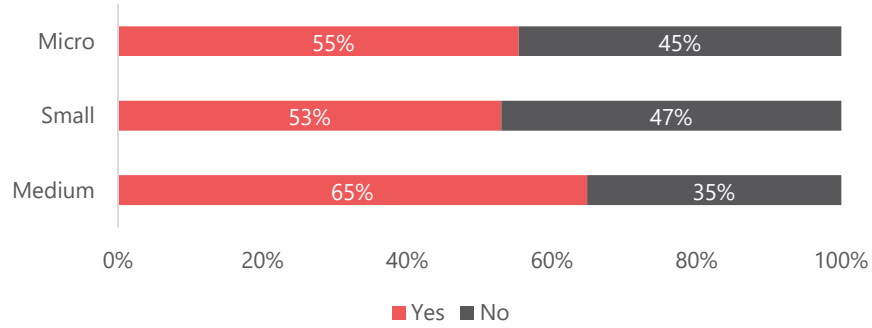


Figure 13: Businesses that reported donating products, services, or profits to support community members in need (by % of surveyed businesses per sector)



Further, businesses of all sizes reported contributing to donations to community members in need. However, in comparison to other business sizes, micro enterprises reported donations in slightly lower proportions, likely owing to their own small-scale production and revenue.

Figure 14: Businesses that reported donating products, services, or profits to support community members in need (by % of surveyed businesses per size)



While CBA findings demonstrate that businesses across all sectors in A'zaz are under significant financial pressure to stay operational, these high donation rates highlight that while expenses, revenues, and other operational factors likely play a part in making donation decisions, cultural and social norms are strong in encouraging businesses to support those in need in their community.

Overall, support provided to local businesses, whether through externally supported initiatives, partnerships, or MSME grants can not only directly help owners and employees with increased income and job availability but also support broader access to local goods, produce, and services and potentially reduce needs. Availability of such communal support mechanisms are a key resilience capacity for local communities in the face of complex crisis. Overall, support from response actors can act as be a multiplying factor for local actors to work towards reduce the needs in their communities through charitable action.

BUSINESS DEMAND: CUSTOMER FLUCTUATION

Responses of assessed businesses in terms of change in customers in comparison to the previous year were mixed, with a roughly equal percentage of businesses reporting decreased, similar, or increase number of weekly customers compared to the same time the previous year. Compared to trends seen for the other sectors, a higher proportion of service-oriented businesses more reported that their weekly customer base had either stayed roughly the same or had increased than those reporting a decrease.

Where a decrease in customers was reported, it was overwhelmingly attributed to reduced purchasing power both in terms of increased prices of goods/services offered (90%) and lower customer incomes in relation to those prices (84%). On the other hand, the businesses that reported an increase in weekly customers attributed this increase to their products and services being more readily available consumers than before (63%) as well as due to an influx of new customers in the area (55%). The former response indicates that, for some businesses, the supply chains or productivity have improved in the last year.

However, where an increase in customers was reported, the majority of businesses noted only a minimal increase (see Figure 19). Nonetheless, the 21%-40% or higher increase noted by the remaining businesses is a positive sign and suggests that room for business growth may be present.

Figure 15: Change in number of customers received per week compared to the same time the previous year (by % of surveyed businesses)

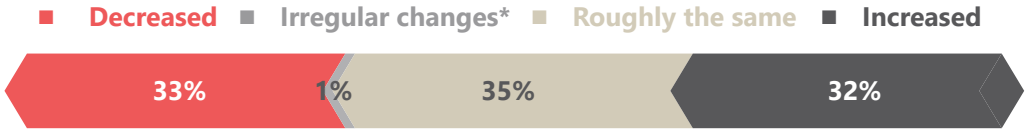


Figure 16: Change in number of customers received per week compared to the same time the previous year by sector (by number of surveyed businesses)

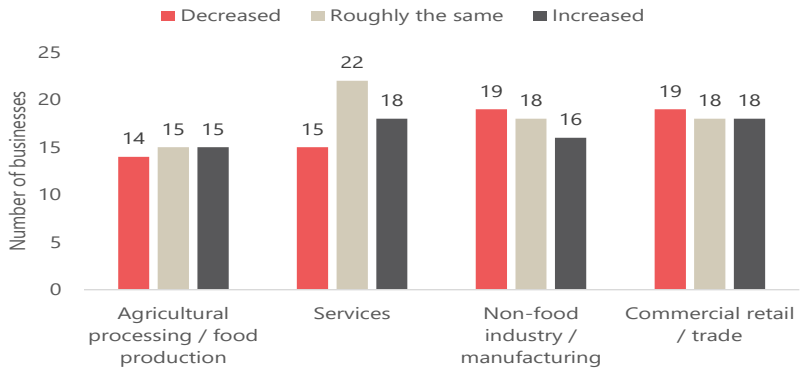


Figure 17: Reported degree of decrease in customers received per week (by % of 67 surveyed businesses reporting customer decrease)

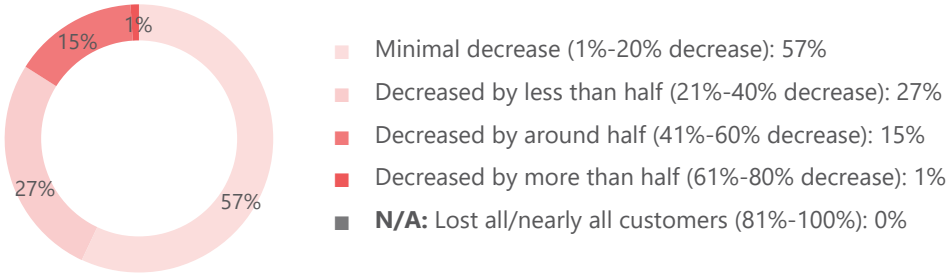


Figure 18: Reported reasons for decrease in customers received per week (by % of 67 surveyed businesses reporting customer decrease)*

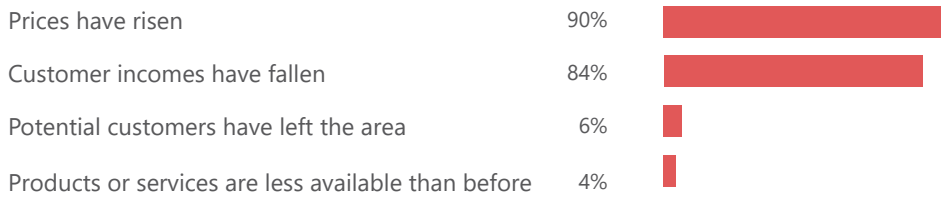


Figure 19: Reported degree of increase in customers received per week (by % of 79 surveyed businesses reporting customer increase)

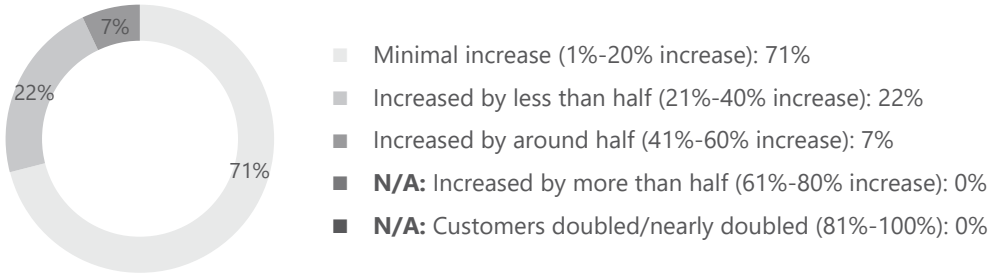
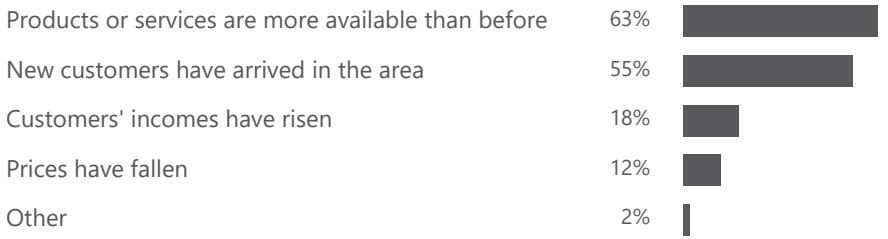


Figure 20: Reported reasons for increase in customers received per week (by % of 79 surveyed businesses reporting customer increase)*



* Businesses reported that the number of customers per week compared to the same time the previous year was unpredictable between increases, decreases, and steady levels.
* Respondents could select more than one option and therefore findings exceed 100%.

SUPPLY CHAIN: SUPPLY ROUTES, CHALLENGES, AND AREAS OF SALE

Supply routes for inputs and inventory

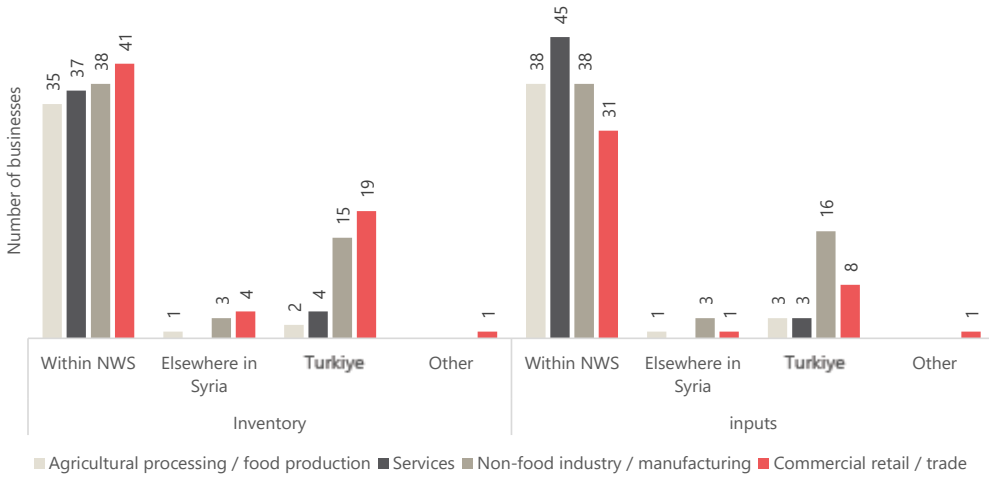
When business owners were asked where they purchased their inventory and inputs from, the majority of businesses reported purchasing inventory (76%) and inputs (83%) from wholesalers or retailers within NWS (see Figure 21). To a lesser but still significant extent, surveyed businesses reported securing these goods from wholesalers or retailers, and to a degree from manufacturers, located in Türkiye.

Comparing across sectors, non-food industry/manufacturing and commercial retail/trade businesses more commonly reporting sourcing good from Türkiye, whether from wholesalers/retailers or directly from Turkish manufacturers. In addition, among the small number of businesses that reported sourcing goods directly from manufacturers in NWS, commercial retail/trade and agricultural processing/food production were most common.

While few businesses reported purchasing directly from manufacturers in general, making broader generalisations about the origins of goods in their supply chains difficult, these few cases shed some light on what could be sectoral trends. Nevertheless, the common reliance on securing supplies from within NWS underlines the importance of the region's market systems in supplying businesses with key items for their operations, regardless of the items' origins.

Figure 21: Supply chain routes for purchase of inputs and inventory (by % of assessed businesses that have reported expenditures for purchasing inputs n=180 or inventory n=193)*

Figure 22: Supply chain routes for purchase of inputs and inventory by sector (by number of businesses per sector and supply route)*

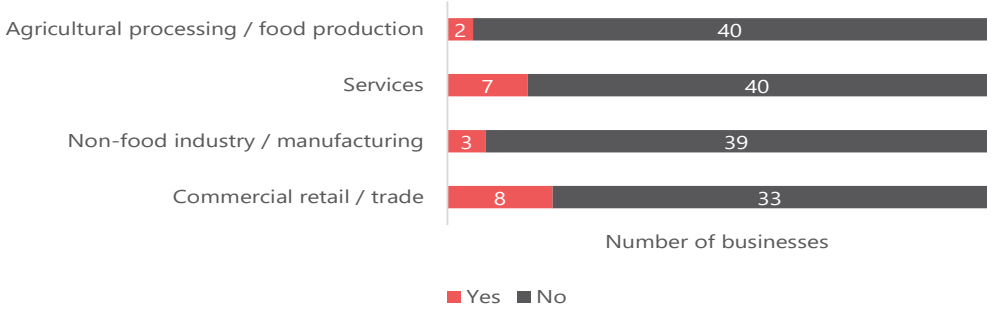


Supply challenges: securing goods within NWS

The majority of businesses that reported securing inputs or inventory from within NWS reported that they did not face challenges in securing goods (82%). These responses were relatively consistent across all assessed sectors, where a large majority of surveyed businesses in each sector reported facing no challenges. However, among the few businesses that did report facing challenges, a higher proportion were from the services and commercial retail/trade sectors (see Figure 23).

Among the small number of businesses that did report facing challenges, most were related to issues with the affordability of goods, rather than issues with related to broader supply chain functionality and availability.

Figure 23: Number of businesses reporting challenges securing goods within NWS by sector (by number of 174 businesses reporting securing goods within NWS)*

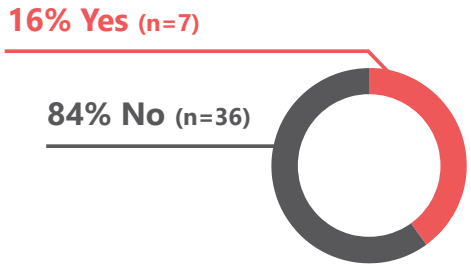


* Respondents could select more than one option and therefore findings exceed 100%.
* Some businesses fall under more than one sector, therefore findings exceed the total number of businesses reporting securing goods within NWS.

Supply challenges: securing goods from Türkiye

A relatively small percentage of the businesses that reported acquiring goods from Türkiye reported difficulties in doing so (16%). As with challenges securing goods within NWS, these businesses reported that the challenges were mostly related to the increased prices of such goods, with a few businesses also citing other issues such as high taxes, increased transportation costs, or decreased quality of items,

Figure 24: Businesses that reported challenges securing goods from Türkiye (by % of the 43 surveyed businesses reporting sourcing inputs or inventory from Türkiye)

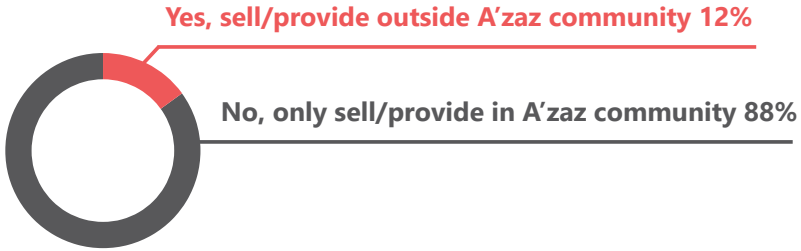


Primary areas of sale for businesses' goods and products/service provision

Businesses were also asked about the locations in which they sell their products or provide their services in order to understand how businesses in A'zaz fit into larger supply chains and interact with other markets in the region.

Overall, only 12% of assessed businesses reported selling/providing goods outside of A'zaz community, and only 1% of businesses reported that A'zaz was not their primary area of sale or provision. While A'zaz itself is a market hub to which people from surrounding communities commonly travel to secure basic needs, A'zaz businesses do not appear to be generally linked to market supply in other areas. However, further research is needed to understand the role of wholesalers and larger retailers who may buy from these businesses and resell their goods in other locations.

Figure 25: Businesses that reported selling their goods/providing their services outside of A'zaz community (by % of assessed businesses)



1% Only 1% of all assessed businesses reported locations outside of A'zaz community as their *primary* area of sale/service provision.

Of those businesses that reported selling/providing outside of A'zaz, there were no clear trends in terms of business sizes. However, 58% of the businesses that did conduct their activities outside of A'zaz were from the non-food industry/ manufacturing sector, highlighting that this sector has stronger links to other markets, most commonly to Afrin city.

Where businesses did operate outside of A'zaz community, the majority still did so in other communities within Aleppo governorate, most commonly the two nearest larger urban centres of NWS, Afrin and Al Bab. Support for improved linkages to these markets may be a feasible option for expanding businesses' access to new markets, as prioritised by nearly 20% of businesses (see pg. 21)

Figure 26: Most common sub-districts of locations outside of A'zaz community where businesses reportedly sell their goods/provide services (by % and number of 26 assessed businesses also selling goods/providing services in other locations)*

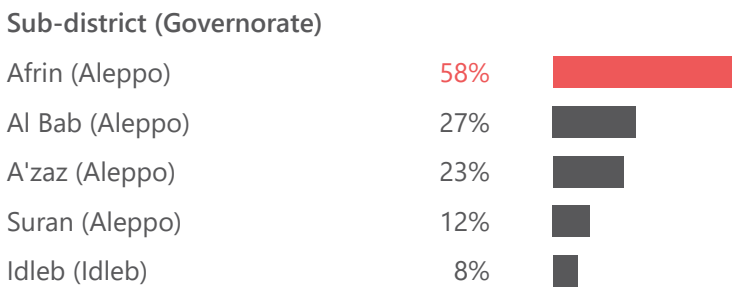
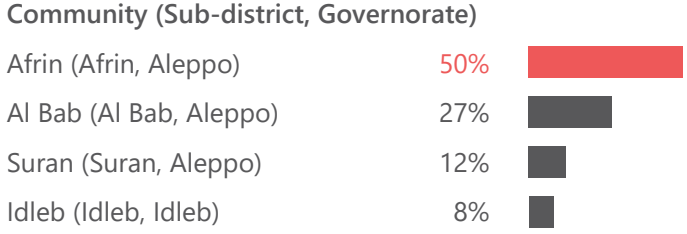


Figure 27: Most common locations outside of A'zaz community where businesses reportedly sell their goods/provide services (by % and number of 26 assessed businesses also selling goods/providing services in other locations)*



* Respondents could select more than one option and therefore findings exceed 100%.

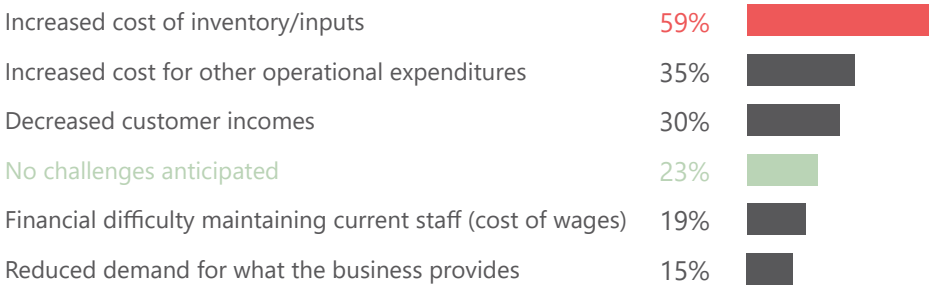
BUSINESS CONTINUITY AND EXPANSION

Business continuity challenges

To understand how businesses perceived what conditions for conducting their activities in A'zaz in the future would be like, business owners were asked what challenges they anticipated in maintaining their businesses at the current size or profitability in the coming six months. As shown in Figure 28, while nearly a quarter of businesses reported that they did not anticipate any challenges (23%), most businesses anticipated some challenges, whether related to price inflation and reduced customer purchasing power, issues maintaining the wages of current staff, or reduced demand for their goods and services (price related or otherwise).

Although businesses previously stated that they did not face significant challenges in procuring inputs and inventory, regardless of the supply chain routes, (see pg. 26 and 27), businesses anticipated that increases in inventory and input costs, both already assessed to be major cost categories for businesses (see pg. 7 to 18), could pose challenges to maintaining their operations over the next six months. A significant percentage of businesses also anticipated they would face challenges with increasing costs for other expenditures (30%), potentially for other prices that are more vulnerable to TRY depreciation.

Figure 28: Anticipated challenges to maintaining business at current size and/or profitability in the 6 months following data collection (by % of assessed businesses)*



Crucially, nearly 20% of businesses anticipated that they would have difficulty maintaining their current staff due to difficulties paying wages. While all sectors besides agricultural processing/food production reported this challenge, there was a stronger trend in terms of business size; 31% of micro businesses and 17% of small businesses reported this challenged, compared to only 2% of medium-sized businesses. While creation of new employment opportunities is a key priority for livelihoods actors in NWS, support to businesses to ensure the are able to retain staff (and prevent further increases in unemployment) is equally critical.

Business expansion: interest, cost, and challenges

As shown in figure 29, there is overall a very strong interest in business expansion among A'zaz businesses; two-thirds of surveyed businesses reported that they are interested in expanding and already had concrete plans to do so. Comparing business sizes, this was most commonly noted by micro businesses, 72% of which reported having an expansion plan. An additional 14% of businesses reported that they were interested in expanding but did not yet have concrete plans.

When asked in which terms they would be most interested to expand (see Figure 30), the vast majority of the interested businesses prioritised acquisition of new tools, machines and other productive assets (90%) and expansion of physical space for their business (81%). These response echo earlier findings 30% of assessed businesses reported acquisition of tools and productive assets as a priority need.

A small number of businesses additionally indicated that they were interested in expanding their workforce and would hire more employees as part of business expansion, thereby creating more job opportunities in the community.

Figure 29: Interest in business expansion (by % of assessed businesses)

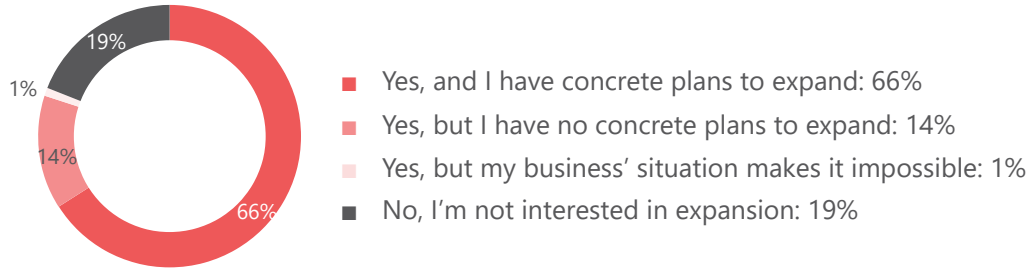
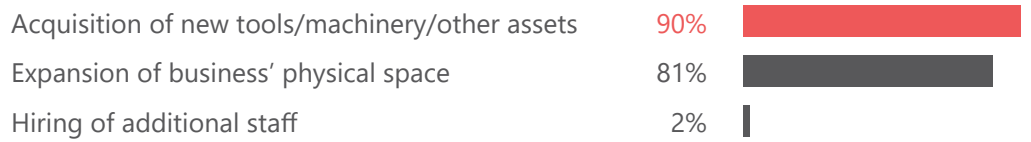


Figure 30: Type of expansion most desired (by % of 173 assessed businesses who expressed interest in expansion)*



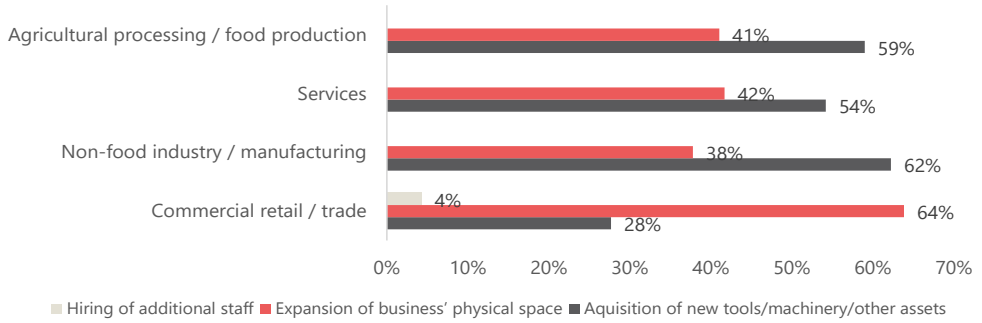
* Respondents could select more than one option and therefore findings exceed 100%.

Business expansion: interest, cost, and challenges (continued)

In terms of interest in the type of business expansion, trends were relatively consistent across all sectors, with the exception of businesses in the commercial retail/trade sector. While businesses in the agricultural processing/food production, services, and non-food industry/manufacturing sectors all most commonly reported interest in expanding their business by acquiring new tools, machinery, and other productive assets, commercial retail/trade businesses were more commonly interested in expansion of physical space (see Figure 31). This is possibly owing to the need for more storage space for expanded inventory and larger store front(s) to conduct retail activities.

Additionally, small-sized commercial retail/trade businesses were the only businesses that who reported interest in expanding in relation to hiring additional staff, indicating this sub-group may be the best target for employment schemes.

Figure 31: Type of expansion most desired by sector (by % of 173 assessed businesses who expressed interest in expansion)*



As reported previously, out of those businesses that expressed an interest in business expansion, 66% businesses reportedly had concrete plans for expansion (see Figure 29). These businesses were asked to provide an estimate of the cost of planned expansion, irrespective of type and scope, in order to understand the typical costs associated with business expansion in each sector, while keeping in mind that these costs may vary depending on the size of the company and the type and scope of planned expansion.

As displayed in Table 6, median expansion costs across sectors range from 3,000 USD to 5,000 USD, with service sector businesses and agricultural processing/food production sector businesses representing the low end (3,000 USD) and commercial retail/trade sector at the high end.

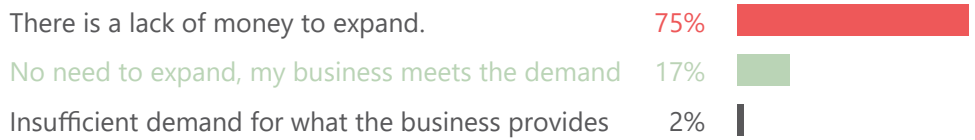
Table 6: Median estimated cost of planned expansion by sector (of 144 assessed businesses who reported having a concrete plan for expansion)

Sector	TRY	USD
Agricultural processing/food production	55,890	3,000
Services	55,890	3,000
Non-food industry/manufacturing	74,521	4,000
Commercial retail/trade	93,151	5,000

These expansion cost estimations provide critical information and insights into what businesses require for future continuity and expansion, and could potentially inform decisions around MSME grant support values specifically for business growth in A'zaz. However, a more detailed breakdown of cost in relation to the specific desired expansion activities would provide response actors a better indication for setting guidance around such values.

Among the challenges that businesses felt could potentially deter or prevent expansion, a large majority highlighted a lack of financial resources as the main barrier. This is in line with the reported businesses priority needs where surveyed businesses reported that financial support was the top priority support need for their activities (see pg. 21). In the absence of formal financial institutions and channels for businesses to access loans, MSME grant support can not only help businesses to maintain their operations but also support businesses to expand. Such expansions could contribute to improving the overall economic conditions in the area but additionally, also create more jobs for populations, therefore improving employment and livelihoods opportunities for all.

Figure 32: Reported challenges that can limit or prevent businesses from expanding (by % of assessed businesses)*



* Respondents could select more than one option and therefore findings exceed 100%.

KEY DEFINITIONS

Sectors	
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.
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.
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.
Services	Provision of services as opposed to goods or product production, for example transportation, training, consulting, health care, financial services.
Assessment terminology	
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.
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.
Recurring costs	Costs incurred on a recurring basis. For this assessment these were taken as a monthly average from the past three months
One-off costs	One time expenditures. For this assessment these were those incurred in the past 12 months.
Expenditure categories	
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.
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).
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.
Inventory	Expenditures on items that are intended for direct sale to customers.
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.
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).
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)
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.
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.
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).
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.
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.
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

1 REACH (2023). Humanitarian Situation Overview of Syria (HSOS).

2 REACH (2021). Labour Market Assessment in Northern Syria.

3 International Labour Organization (2023). Over 725,000 people affected by loss of livelihoods after Syria earthquakes.

4 REACH (2023). Humanitarian Situation Overview of Syria (HSOS).

5 FAO (2022). Agriculture Input and Commodity Price Bulletin

6 CWG and REACH (2023). JMMI dashboard and JMMI Situation Overviews.

7 HNAP (2022). North-West Syria Livelihoods Situation Analysis.

8 HNO (2022). Humanitarian Needs Overview: Syrian Arab Republic.

9 Ibid.

10 Ibid.

11 Ibid.

12 CWG and REACH (2023). JMMI dashboard and JMMI Situation Overviews.

13 HNAP (2022). North-West Syria Livelihoods Situation Analysis.

ABOUT NWS BSP TF

The Inter-Cluster Task Force for Business Support Programming (BSP TF) is a joint initiative of the NWS Early Recovery & Livelihoods Cluster, the NWS Food Security & Livelihoods Cluster, and NWS Cash Working Group. Formed in December 2022, the TF aims to harness and document technical capacities to implement context-sensitive, risk-informed, and accountable/people-centred business support programming.

For more information please contact us directly at: info.erlcluster@undp.org

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