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The Role of MSMEs in Syria in Poverty Reduction and Peacebuilding: Challenges and Opportunities

Authors: Zaki Mehchy, Rim Turkmani and Mazen Gharibah

PeaceRep: The Peace and Conflict Resolution Evidence Platform
School of Law, Old College, The University of Edinburgh
South Bridge, Edinburgh EH8 9YL

Tel. +44 (0)131 651 4566

Fax. +44 (0)131 650 2005

E-mail: peacerep@ed.ac.uk

PeaceRep.org

Twitter: @Peace_Rep_

Facebook: <https://www.facebook.com/PeaceRepResearch>

LinkedIn: <https://www.linkedin.com/company/peacerep/>

Instagram: https://www.instagram.com/peace_rep_/

About the authors:

Zaki Mehchy is a policy fellow at LSE's Conflict and Civiness Research Group (CCRG), associate fellow at Chatham House, a researcher at the Peace and Conflict Resolution Evidence Platform (PeaceRep) and a co-founder of the Syrian Center for Policy Research. Mehchy's work focuses on development policies. He has conducted research on socio-economic impact of the crisis in Syria, poverty and multidimensional deprivation, labour force, local governance, and community empowerment. Contact: Z.Mehchy@lse.ac.uk

Dr. Rim Turkmani is a senior policy fellow with the Conflict and Civiness Research Group (CCRG) at the London School of Economics and Political Science. She is the research director of the Syria team at CCRG, the principal investigator of the research project Legitimacy and Citizenship in the Arab World and a researcher at the Peace and Conflict Resolution Evidence Platform (PeaceRep). Her research focuses on local peace agreements and the political economy and legitimacy of governance in Syria and the Middle East. Some of her publications are on War Economy, Governance and Security in Syria's Opposition-Controlled Areas, EU Syria Engagement from a Human Security Perspective and How local are local agreements? Shaping local agreements as a new form of third-party intervention in protracted conflicts. Contact: R.Turkmani@lse.ac.uk

Mazen Gharibah is a research officer at LSE's Conflict and Civiness Research Group (CCRG) and the Peace and Conflict Resolution Evidence Platform (PeaceRep). Gharibah's work focuses on the role of civil society and governance during and post conflicts, political and social legitimacy, livelihood resilience and decentralisation. He combines academic research with policy work and strong grassroots experience. Contact: M.Gharibah@lse.ac.uk

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Contents

Introduction	09
<hr/>	
1. Conceptual Framework	12
<hr/>	
2. Overview of MSMEs in Syria	17
<hr/>	
3. Institutional Challenges	20
A. Obstacles to formality	20
B. Unfair tax burden	23
C. Rule of law?	25
D. Inefficient pricing mechanisms	27
E. Limited impact of subsidies	30
<hr/>	
4. Business Infrastructure	33
A. Disruption in inputs supply	33
B. Sanctioned and underdeveloped financial sector	36
C. Constraints in market accessibility	40
<hr/>	
5. Emerging Socioeconomic Dynamics	44
A. Disempowering socioeconomic dynamics	44
B. Labour market distortions	48
C. The dynamics of the civil society and MSMEs relations	50
<hr/>	
6. Limited Diversity and Unproductive Interrelations	55
A. Growing role of new business models	55
B. Competition over complementarity	57
<hr/>	
7. The Current Role of MSMEs in Poverty Reduction and Local Peacebuilding	60
A. Traditional and new mechanisms in poverty alleviation	60
B. Indirect but growing role in strengthening social cohesion and peacebuilding	63
<hr/>	
Conclusion and Recommendations	65
<hr/>	

Executive Summary

This report delves into the current and potential contribution of Micro, Small, and Medium Enterprises (MSMEs) in Syria to poverty reduction and peacebuilding at the local level. It adopts a set of interlinked assumptions, including that MSMEs can play a crucial role in local peacebuilding by reducing poverty and enhancing social cohesion, but they require a supportive business environment that also deals with the impact of the prolonged conflict in Syria on MSMEs, such as restricted access to finance, corruption, infrastructure destruction, and displacement of people.

Conceptual framework

The report analyses various dimensions of the Syrian business environment, including institutional challenges, socioeconomic status, business infrastructure, and the types of and interrelations between MSMEs. Furthermore, it highlights the current role of MSMEs in poverty reduction and social cohesion. The aim is to provide practical recommendations and evidence-based policies to address challenges and improve the potential of MSMEs in promoting peacebuilding by reducing poverty and enhancing social cohesion.

The report combines desk review and fieldwork activities. The desk review involves secondary information and open-source analysis, while the fieldwork adopts a participatory research approach through 32 Key Informants Interviews, eight in each of Damascus, Aleppo, Al-Qamishli and Idlib, encompassing diverse backgrounds and areas of control within Syria.

Institutional challenges

Registration: In government-controlled areas, the length and complexity of the registration process vary depending on the types and sectors of businesses. Challenges include high costs, bribery, and exploitation of gaps in regulations by government officials. In Al-Qamishli, the registration process lacks support for MSMEs, with time-consuming procedures and the need for security approvals. Connections with influential persons and entities can help navigate these challenges. In Idlib, the registration process varies based on business type and scale, with a role of cronyism in expediting the process for well-connected entrepreneurs.

Taxes and fees: In government-controlled areas including Damascus and Aleppo, recent efforts have been made to enforce stricter regulations and rely on automated systems for tax collection. However, concerns remain about the electronic invoicing system and its inefficiency. There has been a significant increase in taxes and fees in recent years, but the tax estimation process remains subjective, and opportunities for manipulation and bribery persist. In Al-Qamishli, tax burden is perceived as high, and there is a lack of clarity regarding income categories and exemptions. Transparency in tax collection is low, and taxes imposed on projects are influenced by connections and influence. In Idleb, some economic activities operate without paying taxes, but fees based on income levels are imposed.

Rule of law: In government-controlled areas, official mechanisms for resolving commercial disputes are perceived as inefficient and time-consuming, resulting in financial losses for businesses. There is a lack of trust in the overall judicial system, which is seen as ineffective and lacking transparency. In Al-Qamishli, informal mechanisms and tribal connections play a significant role in resolving disputes, with formal mechanisms being a last resort. In Idleb, the official mechanisms are inefficient in cases involving external entities, and they are biased toward cronies and influential businesspersons.

Property rights have sharply dropped since the outbreak of the Syrian conflict in 2011 as compared to the relatively stable trend of around 30 from 2000 to 2011, which might be associated with significant deterioration of the country's governance and property rights' protection. The poor property rights can pose serious challenges and uncertainties for businesses.

Pricing policy: In government-controlled areas, the pricing policies fail to consider additional costs such as exchange rate fluctuations, sanctions, and high insurance expenses. Many MSMEs have ceased operations due to unprofitability caused by price controls, resulting in a scarcity of goods. The government's pricing policy based on the official exchange rate is criticized for not reflecting actual production costs. In Al-Qamishli, the local authority attempts to control prices, but private sector activities often resist due to the lack of accuracy in reflecting actual costs. In Idleb, the local authority regulates the prices of essential commodities and monitors the market to prevent monopolies.

Support and subsidies: In government-controlled areas, MSMEs receive limited or no subsidies, as most support focus on large enterprises. The local authority lacks the financial and institutional capacity to provide substantial subsidies or support to MSMEs. In Al-Qamishli, limited support is provided due to financial constraints and political instability. Different sectors receive varying degrees of support, with retail and services lacking subsidies and entrepreneurs relying on their efforts to overcome challenges. In Idleb, there is no direct support for MSMEs, and facilities mainly target large projects.

Business infrastructure

Infrastructure and production inputs: The findings indicate that most MSMEs suffer from inconsistent and unpredictable electricity supply and unreliable transportation. The coping mechanisms typically involve resorting to unstable, and costly alternatives such as amperes subscriptions and private generators. Consequently, MSMEs are compelled to adapt their business operations in response to the scarcity and high costs of electricity and transportation, resulting in reduced production levels, compromised product quality, and the need to reallocate their businesses. These adjustments further disrupt supply chains and impede the overall performance of MSMEs.

Financial services: Most MSMEs face a lack of essential financial services, such as funding and loans, and the financial infrastructure to assess creditworthiness is inadequate. Sanctions have severely affected the government's financial resources and its ability to engage with external markets, hindering the banking sector's international transactions and limiting private sector credit. The indirect effects of sanctions have also discouraged foreign investors and banks from engaging with Syria. While some regions benefit from exemptions and trade with neighbouring countries, it has led to overreliance on imports and limited crossline commercial exchanges, undermining local production cycles.

Access to internal and external markets: Within the internal market, businesses face hurdles such as high transportation costs between regions, security issues in certain areas, low purchasing power of consumers, disproportional inflation, unstable prices, and high production costs that impede competitiveness. Moreover, our KIs strongly indicate that non-profit organizations and international agencies play a crucial role in stimulating local markets by injecting hard currency and sourcing from the local market. Accessing external markets is hindered by sanctions, poor product quality, a complex export process, high insurance costs, expensive transportation in addition to the damage caused by the growing illegal trade.

Socioeconomic status

Newly emerged socioeconomic dynamics: The division of Syria into different areas of control has affected MSMEs. Trading activities have been hindered, disrupting industries reliant on inputs and raw materials sourced from other areas. Informal trafficking controlled by warlords and profiteers persists, facilitating the movement of goods across internal borders. The trading of narcotics has a detrimental impact on businesses, damaging the reputation of the Syrian products and businesses in the region, and incurring increased costs. Drought affects the agriculture sector, decreasing productivity, while pollution's impact receives less attention.

Human capital deterioration: The conflict and economic conditions have led to a significant exodus of skilled individuals, creating a shortage of labour and hindering business operations. The distribution of working-age men has been distorted, with government-controlled areas facing a shortage and the northwest region having an abundance. Low salaries are a common challenge, leading to the diversion of human capital to illegal activities. The role of women in the labour market has expanded due to the scarcity of men, although concerns remain regarding their additional burden and unequal pay. The integration of persons with disabilities is limited due to resource constraints and operational limitations.

Dynamics between civil society and MSMEs: Civil society organizations in Syria have attracted skilled humanitarian resources and become channels for aid. This status has created increased market demand, which some sectors of the private sector have benefited from, while others have struggled. For some private businesses, civil society is seen as a valuable client. However, entrepreneurs feel a lack of support and desire for reciprocity from the humanitarian sector. They also criticize the training and support provided, emphasizing the need to focus on small and medium enterprises for long-term sustainability.

MSMEs diversity and interrelations

Types of activities: The online-based businesses and projects in Syria is increasing, as entrepreneurs seek ways to overcome challenges faced by MSMEs. However, most MSMEs in Syria still follow the traditional business model, which has some drawbacks beyond conflict-related challenges. MSMEs primarily meet basic local market needs but often rely on imports for production inputs. Social enterprises have emerged; however, they face challenges in financial sustainability and political bias.

Interrelations between MSMEs: The level of cooperation among MSMEs varies across sectors and relies on individual relations. Formal cooperation through official entities is hindered by bureaucracy, while informal cooperation based on personal interests is more efficient. Despite the conflict leading to a decrease in MSMEs, there has been a surge in competition due to the shrinking market and difficulties accessing external markets. Unfair competition and monopolies by crony capitalists further distort the market.

The current role of MSMEs in poverty reduction and local peacebuilding

Poverty reduction mechanisms: Besides their role in generating job opportunities, MSMEs privately support families in need and prefer traditional charities like orphanages. In-kind support and discreet giving practices are common. Despite financial challenges, giving remains strong, though some MSMEs view larger businesses' support as mere PR. New trends include student grants programmes and civic actors transitioning to businesses for the public good. Local businesspersons act as intermediaries with international donors. MSMEs provide jobs, stable incomes, and affordable goods in government-controlled areas.

Social cohesion and peacebuilding: Private businesses in Syria are hesitant to engage in peacebuilding and social cohesion initiatives due to political sensitivities. Instead, MSMEs focus on non-political initiatives like promoting COVID-19 prevention and supporting anti-drug campaigns. They indirectly contribute to social cohesion by employing individuals from diverse backgrounds and providing support to local families in need. Business relationships spanning different areas of control positively impact peacebuilding by breaking down barriers and fostering trust. MSMEs prioritize trading and economic collaboration, aiming for better regulations and economic unity to contribute to peace and stability in Syria.

Conclusion and recommendations

MSMEs in Syria have faced numerous challenges; however, they have the potential to contribute significantly to poverty reduction, social cohesion, and sustainable peace at the local level. They embody valued traditions of discreet charity and provide real jobs, free from corruption. Empowering MSMEs can lead to a bottom-up economic recovery, support civic values, and promote women's role in the sector. The approach to empower MSMEs should be comprehensive but also contextual and able to accommodate the differences between the different areas.

Recommendations for supporting MSMEs include addressing various obstacles and involving all stakeholders in a participatory approach. Implementing supporting programmes should also promote good governance and the rule of law. Based on the findings, recommendations to empower MSMEs and enhance their roles in poverty reduction and social cohesion are:

1. Rebuilding trust between relevant authorities and MSMEs and adopting a participatory approach with MSMEs in developing a flexible legal framework, promoting collaboration among MSMEs, enhancing transparency in public spending, reducing fees and costs, providing clear guidelines for registration and tax payments, offering tax incentives, establishing streamlined processes, providing support services, allocating funds for infrastructure, implementing monitoring systems, including MSMEs and not only large businesspersons in policy making and implementation processes, organizing training programmes, and offering tax relief for donations.
2. Minimizing the negative impact of the challenges facing MSMEs in Syria in terms of limited electricity, restricted access to finance, a constrained market, and difficulties in accessing external markets by promoting solar energy adoption, advocating for relaxed energy sector sanctions, facilitating financial services, developing e-commerce methods, encouraging innovative business approaches, supporting the replication of successful business models, reducing over-compliance with sanctions, improving market accessibility, and providing tailored capacity-building programmes. Implementing these measures will enhance business infrastructure and support the growth of MSMEs in Syria.
3. Providing targeted support for MSMEs based on market needs, facilitating/regulating online business activities, empowering women-led businesses, supporting the formation and collaboration of social enterprises, promoting clustering and communication channels, monitoring transparency, and enforcing anti-monopoly regulations.
4. Working towards national market-unity by encouraging MSMEs from all regions to maintain and improve their business relations against all odds and despite the increased risks and costs. Working towards trade-unity of the country could provide an important foundation for future united country while also benefiting MSMEs and contributing to economic recovery.

5. Enhancing the role of MSMEs in poverty reduction and social cohesion, by assisting them in extending their assistance beyond individual cases while maintaining the discreet nature of their contributions, advocating for tax relief on donations made by MSMEs, encouraging efforts advocate for women's rights and equal pay within MSMEs, supporting women to establish their own businesses, integrating persons with disabilities by providing training and accommodations, preventing child labour in certain areas, promoting decent working environment, and educating business owners on environmentally sustainable practices, particularly in agriculture.
6. Encouraging certain business models such as cooperatives to promote local production and protect small businesses, investing in businesses based on remote work to offer opportunities for skilled labour and stable incomes, and establishing a trust fund, with contributions from the Syrian diaspora, to support MSMEs and foster transformative change by prioritizing human rights and good governance.

The analysis reveals that despite the challenging circumstances prevalent in all regions of Syria, numerous private businesses continue to actively support their local communities in efforts to alleviate poverty. These businesses also contribute, directly or indirectly, to enhancing social cohesion within their respective areas. Consequently, empowering MSMEs is expected to yield a significant impact on poverty alleviation and social cohesion, thereby fostering sustainable peace at the local level.

Introduction

Over the past few decades, MSMEs have emerged as influential catalysts for change in the global economy due to their pivotal role in fostering economic growth, development, and contributing to sustainable peace at both national and sub-national levels. However, the literature regarding their various roles and interactions during violent conflicts and the contextual challenges that hinder their impact on poverty alleviation, economic diversification, household economic participation, and violence reduction remains largely limited.

This report examines the current and potential contributions of MSMEs in Syria to the reduction of poverty and peacebuilding at the local level. The analysis delves into the dynamics of the conflict in Syria across multiple areas to identify the pressing institutional obstacles faced by these MSMEs. It investigates the impact of various regulations, including registration procedures, taxation systems, and economic policies on MSMEs. Moreover, it explores the consequences of Syria's financial services and business infrastructure on the production inputs, productivity, competitiveness, and accessibility of domestic and international markets for MSMEs. Additionally, the report investigates the effects of conflict-driven socioeconomic dynamics on MSMEs in Syria and highlights their coping mechanisms in response to these dynamics and other external factors.

To ensure a comprehensive analysis, this report relies on a combination of primary data and secondary information from multidisciplinary open-source analysis. The fieldwork activities adopt a participatory research approach, incorporating semi-structured interviews with local businesspersons from diverse backgrounds and regions. The interviews are conducted in four areas of Syria: Damascus and Aleppo in government-controlled areas, and Idlib and Al-Qamishli in non-government-controlled areas.

Our findings show that MSMEs encounter many obstacles in the registration process, including high costs, bribery, and gaps in regulations. Subjective tax estimation processes, high taxes, and limited transparency of the different taxation systems are a primary concern of the majority of entrepreneurs across all the studies areas. Furthermore, logistical and financial support and subsidies for MSMEs are limited across Syria and most mechanisms for resolving commercial disputes, whether adopted by state or non-state actors, are perceived as inefficient and time-consuming, eroding trust in the relevant authorities and their regulations.

Infrastructure and production inputs present significant hurdles for MSMEs in Syria. Issues such as inconsistent electricity supply and unreliable transportation disrupt business operations. In most cases, MSMEs are forced to resort to expensive alternatives like private generators, leading to decreased production levels and disruptions in supply chains. The deterioration of the country's financial services poses a limited access to funding and loans making it difficult for MSMEs to demonstrate their creditworthiness and hampering their ability to acquire necessary financial resources. Moreover, the direct and indirect impacts of economic sanctions have further restricted the government's financial resources and impeded international banking transactions, exacerbating the financial constraints faced by MSMEs.

The increasingly high transportation costs, security concerns, low consumer purchasing power have significantly elevated production costs, impeded competitiveness, and pushed MSMEs to reduce the quality of their products. Meanwhile, accessing external markets is restricted by sanctions, complex export procedures and high insurance expenses. These barriers severely limit the opportunities for MSMEs to expand their market reach and participate in crossline or cross-border trade.

The conflict and adverse economic conditions have resulted in a significant emigration of skilled individuals, leading to a labor shortage and impeding business operations. The distribution of working-age men has become uneven, with government-controlled areas experiencing a scarcity of labor while the northwest region has an excess. The prevalence of low wages presents a common challenge, compelling some individuals to resort to illegal activities as an alternative source of income. With men being scarce, women have taken on expanded roles in the labor market, although concerns persist regarding the additional burdens they bear and the issue of unequal pay. Additionally, the integration of persons with disabilities is limited due to resource constraints and operational limitations.

The relationship between civil society organizations and MSMEs in Syria has evolved. Civil society organizations have attracted skilled humanitarian personnel and have become instrumental in the distribution of aid. This has generated increased market demand, benefiting certain sectors of the private industry while posing challenges for others. Some private businesses view civil society organizations as valuable clients. However, entrepreneurs' express dissatisfaction with the level of support received and seek greater reciprocity from the humanitarian sector. They critique the training and support provided, highlighting the necessity of focusing on the long-term sustainability of small and medium enterprises.

The next section describes the conceptual framework, theoretical assumptions and methodology of this report, while critically examining a diverse set of multidisciplinary literature on the roles of MSMEs in poverty reduction and fostering sustainable peace. Section 2 provides a general overview of the most key transformations of Syria's MSMEs in terms of impact and economic role values prior and throughout the current conflict.

Section 3 explores the institutional challenges faced by MSMEs in the studied regions. These interactions are classified into five main areas of interest: registration processes, taxation and fees, adherence to legal frameworks, pricing policies, and the provision of support and subsidies. This is followed by analyzing the implications of Syria's vital infrastructure, including the energy and transportation sectors, and how they intersect with the production inputs and financial services of MSMEs. It also investigates how these factors influence the ability of these enterprises to access domestic and international markets.

In Section 5, we examine the influence of recently emerged conflict-driven socioeconomic dynamics on MSMEs. Those include the de facto division of the country, the prevalence of informal trafficking, the widespread instability and uncertainty, the narcotics trade, and the challenges arising from drought and pollution. It also sheds light on the strategies employed by MSMEs to navigate these dynamics and cope with other external factors. Followed by a categorization of MSMEs in Syria according to their unique business models, while also assessing the influence and efficacy of social entrepreneurs within the business sector (Section 6). Section 7 provides an insight into the present-day involvement of the private sector in addressing poverty in Syria. Furthermore, the section also examines the indirect contributions of the business sector to fostering social cohesion at the local level.

The report concludes with a list of intertwined and contextually tailored recommendations focusing on enhancing the financial and regulatory frameworks, the country's vital infrastructure including the energy and transportation sectors, the accessibility of Syria's MSMEs to domestic and regional markets, the complementarity of entrepreneurs, civil actors and international agencies, and the best practices to improve MSME's impact on social cohesion and promoting civic values.

I. Conceptual Framework

There are various approaches in the literature that address the relationship between business, including MSME activities, and peace. One approach, rooted in neoliberal principles, posits that poverty is a significant driver of conflict (Goodhand, 2001; Collier et al., 2002). Accordingly, it highlights the critical role of business activities, including MSMEs, in poverty alleviation, and thus, in preventing violence (Katsos and AlKafaji, 2017). However, a more comprehensive perspective asserts that while the potential role of MSMEs in reducing poverty is necessary, it alone is insufficient for achieving sustainable peace (Miller et al., 2019). To foster lasting peace, local enterprises must adopt business models that include social values, social cohesion, and emancipatory entrepreneurship (Chandra, 2017). This broader approach recognizes the need for MSMEs to contribute not only to economic development but also to social well-being and community integration.

In this report we adopt the comprehensive approach that assumes that for MSMEs to contribute lasting peace they need to offer more than just poverty reduction and offering jobs. We also developed a conceptual framework to suite the Syrian context based on the following interlinked assumptions:

MSMEs can play a crucial role in poverty alleviation: The International Finance Corporation (IFC) notes that MSMEs account for up to 60% of jobs in developed low-income countries (IFC, 2020), contributing significantly to economic growth, generating job opportunities, and thus alleviating poverty levels at the individual and household levels (Schneider et al., 2010; Vranken, 2017). MSMEs support the diversification of economy by stimulating innovation, particularly in the sectors of technology and services, in addition to creating a favorable environment for foreign investors (Kayanula & Quartey, 2000). Furthermore, when private enterprises are empowered, they often provide financial support to deprived households in their society directly or through charities and philanthropic entities (Mickiewicz et al, 2010).

MSMEs can contribute to enhancing social cohesion: MSMEs have the potential to improve economic conditions at household level, which can contribute to what Galtung referred to as negative peace by reducing violence (Galtung, 1967). Thus, the role of MSMEs in reducing money metric poverty is important but insufficient for sustainable peace. Accordingly, we also assume that MSMEs could have a role in enhancing social cohesion which is an important component for building sustainable peace at the local level.

Productive and effective MSMEs reduce inequalities in income and access to resources, they can also create opportunities for women, youth, and other marginalized groups, which promote social inclusion and increase the resilience of local communities (Beck et al., 2005). MSMEs tend to support stabilisation efforts by state and non-state actors, enhance local communities' livelihood resilience capacities, thus leading to a reduction in violence and an increase in social cohesion (Ganson, 2018). Additionally, they facilitate intergroup dialogue and collaboration, leading to the identification of common interests and goals that could reduce political tensions and social grievances (O'Reilly, 2010).

MSMEs require a supportive business environment: MSMEs potential role in alleviating poverty and enhancing social cohesion is an output of a business environment that empowers MSMEs and encourages productive and profitable private enterprises. Several studies have found that the impact of MSMEs on poverty reduction and economic growth is contingent on the regulatory environment, access to finance, and the overall business climate. MSMEs may face various barriers, including inadequate access to finance and technology, and limited capacity, leading to low levels of productivity and impact on development (Sánchez & Ricotta, 2018). They could also perpetuate gender stereotypes, leading to a reduction in women's agency and empowerment (Perez-Aleman & Sandilands, 2008), and consolidate corruption and patronage (Chen & Pissarides, 2008). Therefore, our analysis encompasses different dimensions that could reflect this environment within the Syrian context. These dimensions include:

1. Institutional challenges: To focus on both formal and informal connections between MSMEs and relevant institutions. The formal connections reveal the impact of laws and regulations on the performance of MSMEs (Kitching et al., 2015; Klapper et al., 2009). Meanwhile, the informal connections are inversely correlated with the rule of law and are often influenced by corruption which hinders competitiveness and efficiency among MSMEs (Ezebilo et al., 2019). Relations with relevant institutions partially influence entrepreneurs' choices between formality and informality (Djankov et al., 2002).
2. Socioeconomic status within the business environment: This is essential in assessing the performance of MSMEs at the local level and creating a context-specific understanding of entrepreneurship (Welter, 2011). The report addresses this dimension by analysing the impact of three interconnected phenomena in Syria on the private sector, including the decline in human capital, the widespread conflict-related activities, and the expanding role of international organizations and civil actors in local economies.

3. Business infrastructure: It plays a crucial role in supplying a broad range of services for MSMEs. These services include electricity, water, transportation, and telecommunications. Generally, the availability and accessibility of such services have a positive impact on entrepreneurs; however, this impact varies across services and economic sectors (Audretsch et al., 2015). The availability of financial services and access to markets are among the main factors for improved performance of MSMEs (Beck et al., 2009). Therefore, this report analyses infrastructure, financial services, and access to markets to comprehend the status of MSMEs in the studied regions.
4. The types of and interrelations between MSMEs: This reveals their contribution to social and entrepreneurial empowerment. Furthermore, the analysis of the interactions between MSMEs illustrates their impact on social cohesion, as growing business connections between individuals from diverse regional and political backgrounds can promote peace at a local level (Wright et al., 2017). In the context of the inability of the public sector in Syria to provide certain essential services, this study examines whether MSMEs have assumed a greater role in supplying these services and what effect this has on social cohesion.

Understanding the business environment in Syria should consider the impact of conflict on MSMEs. Conflict profiteers often exploit conflict dynamics for illicit activities, leading to corruption and perpetuating violence (Ballentine & Sherman, 2003). MSMEs operating in the informal sector can also contribute to labour rights violations and gender inequality (Schneider et al., 2010; Bhaduri, 2006). During conflicts, MSMEs are vulnerable to theft, looting, and extortion and may rely on private security providers, potentially exacerbating violence (Sanneh, 2019; Cilliers, 2018). Access to finance also becomes restricted due to the reluctance of financial institutions to lend in unstable environments, pushing MSMEs towards high-risk alternatives and increasing vulnerability (Akpan et al., 2021; Lopez, 2020).

Furthermore, infrastructure destruction during conflicts hampers MSMEs' operations, hindering transportation, communication, and market access (Sanneh, 2019). Corruption is prevalent in conflict-affected areas, diverting resources, creating obstacles for MSMEs in obtaining licenses and accessing markets and finance, and benefiting certain entrepreneurs (Akpan et al., 2021; Amin, 2018). Moreover, mass displacement of people during conflicts, including MSME owners, suppliers, and employees, leads to disruptions in supply chains, loss of skilled workers and assets, and relocation of businesses to less productive areas (Ayadi et al., 2019; Aldashev & Verdier, 2016). Finally, the catastrophic earthquake that struck parts of Syria on February 6, 2023, has had a devastating impact on vulnerable families and the private sector. A review of the literature shows that natural disasters mostly affect poor people and highlights the vicious circle between poverty and these disasters (Hallegatte et al., 2020).

Based on these three interlinked assumptions, the report incorporates a comprehensive analysis of the four identifying dimensions of the business environment in Syria, considering the catastrophic impact of the conflict. Additionally, it examines the current role of MSMEs in reducing poverty and fostering peacebuilding. This analysis serves as a foundation for providing practical recommendations and evidence-based policies to address pertinent challenges. Implementing these recommendations enhances the potential of MSMEs in alleviating poverty and promoting peacebuilding via more enhanced social cohesion.

Methodology

The report comprises desk review and fieldwork activities. The desk review relies on secondary information and open-source analysis from different organizations, focusing on literature related to MSMEs and an assessment of the business environment status and dynamics in Syria. It also utilizes available data from the Mapping Syria project at LSE and UNDP databases. By reviewing secondary data and information, we aim to gain an overview of the business sector in the selected areas and develop questions for the Key Informant Interviews (KIIs).

The fieldwork activities adopt a participatory research approach by involving local businesspersons from diverse backgrounds and areas of control through semi-structured methods. These activities cover four areas in Syria, Damascus and Aleppo in government-controlled areas, and Idlib and Al-Qamishli in non-government-controlled areas.

The project entails conducting semi-structured interviews to comprehensively understand the business sector. A total of 32 KIs are conducted, with eight interviews conducted in each area. These interviews cover various topics, such as the interaction between MSMEs and relevant public entities, power relations within the private business sector, the impact of sanctions and unilateral economic measures on the business environment and power relations, the influence of the current socioeconomic status on MSMEs, the impact of business infrastructure, the role of MSMEs in poverty reduction and local peacebuilding, and recommended measures to improve socioeconomic and institutional conditions for MSMEs. The questions also address gender-related issues and explore the potential role of the diaspora in the Syrian business sector.

The core research team at LSE has organized four online training sessions with field researchers in different areas. Additionally, the team maintains regular communication with the local researchers to provide guidance and support throughout the interviewing process. The LSE team also utilizes its internal resources and collaborates with experts as necessary. The team conducted interviews with businesspersons, civil activists, and public employees from each area to gather insights. Our objective was to include at least 40% female Key Informants (KIs), but unfortunately, we only achieved a percentage of 25%. To address this limitation, we organized informal online meetings with businesswomen from different regions. Additionally, the LSE team organized local expert meetings and informal interviews with experts from all regions in Syria to further explore and analyse the various topics discussed during the KI interviews.

2. Overview of MSMEs in Syria

The definition of MSMEs exhibits significant variation across countries, reflecting the influence of a range of factors, including economic size, productivity, and legal frameworks. In the case of Syria, MSMEs are defined by the government according to the economic sector and measured using indicators such as worker numbers, total sales, or assets value. However, the conflict has resulted in considerable challenges in collecting data on MSMEs, particularly in terms of sales and asset values. These challenges are due to a lack of trust between entrepreneurs and relevant public institutions, sharp fluctuations in sales, depreciation in the Syrian Pound, large-scale displacement, and the difficulty in efficiently collecting data from all areas of Syria.

Therefore, this report operationalizes MSMEs according to worker count, with micro-enterprises defined as having 1-5 workers, small enterprises having 6-14 workers, and medium enterprises having 15-50 workers. This definition is likely to encompass the majority of private enterprises in Syria, given that, in 2011, 97.5% of such enterprises had ten or fewer workers, while 98% had 50 or fewer workers (Salman, 2013), and approximately 96% had fewer than five workers (Goheer and Siefan, 2009). During the conflict, it is reasonable to assume that MSMEs remained the dominant actors in private entrepreneurship due to the sharp decline in FDI and the closure of many large enterprises. Indeed, MSMEs are generally more flexible and better equipped to adapt to challenging working environment compared to large companies (Naudé, 2007).

Private entrepreneurship plays a vital role in Syria's national economy. Data from Labour Force Surveys of the Central Bureau of Statistics indicate that in 2010, approximately 73% of the labour force was employed in the private sector. However, due to the conflict, this percentage experienced a significant decline, dropping to around 55% in 2015. Subsequently, there has been a gradual recovery, with the private sector employing approximately 60% of the labour force in 2020. In 2010, nearly half of the private sector workers in Syria were either employers or self-employed, indicating a relatively high level of entrepreneurship in the country. Nevertheless, this figure decreased to 43% in 2015, showcasing the impact of the conflict. But there has been a slight increase since then, reaching 47% in 2020 (CBS, 2010-20).

Numerous reports have indicated that the private sector in Syria has faced significant challenges unrelated to the conflict, which require attention. Nevertheless, the ongoing conflict has had a significant and detrimental impact on private businesses in the country. According to the 2011 Doing Business report, Syria ranked in doing business at 144 out of 183 countries, and it was among the lowest percentile regarding "getting credit" and "enforcing contracts" (World Bank, 2010). In the 2020 Doing Business report, Syria's ranking further deteriorated, placing the country at 176 out of 190 countries (World Bank, 2020). It is important to note that while the Doing Business reports have faced criticism regarding their methodology and implementation (MacCormack, 2018), they offer valuable insights into the changes occurring in the global business sector. In the Syrian context, these reports underscore the adverse effects of the conflict on MSMEs and emphasize the significance of addressing non-conflict-related obstacles that hinder business growth and development.

Moreover, the conflict in Syria has significantly impacted the contribution of SMEs to the country's Gross Domestic Product (GDP). In 2010, SMEs accounted for approximately 65% of the GDP, but by 2019, this contribution had decreased to 41%.¹ It is important to note that Syria's GDP experienced a substantial drop during this period, estimated at around 55% (ESCWA, 2020). As a result, we can conclude that the economic size of these enterprises has contracted by more than 65% between 2010 and 2019. The significant contraction in the economic size of private enterprises in Syria reflects the devastating impact of the conflict. This impact encompasses various factors, including destruction of vital infrastructure and capital stock, widespread looting and theft, dominance of conflict-related economy, and distortions in the value chain.

As a result, businesses have faced immense challenges in maintaining operations and growth. One such challenge is access to finance, which was identified as a major constraint for private businesses in Syria (World Bank, 2010). The conflict and sanctions have aggravated this challenge today. The traditional business model predominates, and approximately 90% of MSMEs in Syria still rely on self-finance, such as personal savings, support from family and friends, or borrowing from informal individual lenders. Consequently, these enterprises have a meagre share of only 4% of the total loans provided by financial institutions and banks in Syria as of 2020.² This limited access to formal and modern financial services, worsened during the conflict, further hampers the growth and development of private enterprises in Syria.

In addition to the long-standing conflict, MSMEs in Syria have faced additional external challenges, such as the impact of COVID-19 and the earthquake that struck Turkey and Syria in February 2023. Additionally, the Ukraine crisis has affected Syria's supply chain for goods like wheat, on which it depends on the external market. Due to this crisis, Syria has also become less of a priority for international actors. The COVID-19 pandemic and the subsequent shutdown measures had significant repercussions on global supply chains, further exacerbating the already damaged private sector. As a result, the production costs increased, leading to a decrease in demand due to the prevailing low-income levels in the country. This market deterioration forced many private enterprises to close, worsening the economic situation. The earthquake that struck Syria, particularly affecting areas like Aleppo, Idlib, and Latakia, had a devastating impact on MSMEs. According to a private contractor in Aleppo, "numerous workshops and small factories were destroyed, resulting in job losses for many workers." Overcoming the catastrophic impact of the earthquake on MSMEs requires plenty of human and financial resources that Syria does not have currently.

The complexity of the MSMEs context in Syria necessitates a comprehensive analytical framework. We believe that the proposed conceptual framework in this report enables us to examine the status and dynamics of MSMEs from multiple dimensions. It goes beyond considering only the direct factors that impact MSMEs to analyse the power dynamics around and within the business sector and how they influence the entrepreneurial environment.

3. Institutional challenges

This section of the report focuses on examining the different challenges facing the interactions between MSMEs and relevant institutions in the studied areas. It categorizes these interactions into five key topics: registration, tax and fees, rule of law, pricing policy, and support and subsidies.

A. Obstacles to formality

A significant number of registered private enterprises indicates the presence of solid laws and efficient economic regulations (Kaufmann et al., 2009). However, in many countries, MSMEs face challenges such as expensive and bureaucratic registration processes and widespread corruption. These issues compel entrepreneurs to establish their projects within the informal economy (de Soto, 2003). Typically, the increasing informality in the business sector is associated with lower productivity (La Porta and Shleifer, 2014) due to various factors such as limited access to skilled labour, lack of investment in modern technology, poor production standards, and minimal economies of scale. Informality is also correlated with decreasing public revenue, less taxes and fees, that could have been allocated to development-related projects. Therefore, enhancing the institutional context surrounding the registration process would likely have a positive impact on productivity and public efficiency.

Prior to the conflict, the informal sector dominated in Syria. Official data from 2010 reveals that 62.5% of employed individuals worked in the informal private sector (Central Bureau of Statistics, 2010). Various factors contributed to the low registration rates, including the financial burden, emerged from fees and taxes, and lengthy bureaucratic procedures. Throughout the conflict, the proportion of unregistered MSMEs likely increased due to the deterioration of the rule of law and weakened economic enforcement measures. Additionally, illegal activities related to the conflict, such as smuggling and drug trafficking, experienced a surge. Understanding the challenges associated with formalizing MSMEs and gradually addressing them would enhance private business productivity and improve the overall economic conditions on a macro level.

In government-controlled areas, the findings reveal that the length and complexity of the registration process vary depending on the types and sectors of businesses. A businessperson in Damascus indicates that the registration process is relatively easy for small enterprises; however, it becomes more time-consuming for larger businesses.

A patisserie owner in Damascus mentions the existence of a complicated bureaucratic process that, *"without bribing or having connections with government officials, can take an indefinite amount of time"*. In Aleppo, a bank branch manager emphasizes that, despite the clarity of most registration regulations, *"the relatively high cost poses a challenge for micro and small start-ups aiming to establish their projects"*. Furthermore, a director of a contracting company in Aleppo states that while registration laws and regulations are generally clear, they contain gaps that *"government officials exploit during implementation to extract money from entrepreneurs to expedite the registration process and navigate these gaps easily"*.

The KIs in Damascus and Aleppo have mentioned two types of facilities and exemptions associated with the business registration process. The first type is legal and provided by the government for specific businesses, such as renewable energy projects. However, most MSMEs do not benefit from these exemptions and facilities. A businessperson in Damascus indicates that there have been various attempts to facilitate the registration process for MSMEs through business incubators, but none have succeeded in achieving the desired objective. The second type of facilities and exemptions mentioned are illegal and rooted in corruption and favouritism, as stated by a manager of a private training centre who emphasizes that *"exemptions and facilities during the registration process require personal relations and connections"*. Within this context, registration process becomes a bureaucratic and financial burden on MSMEs, thus, most of them prefer to stay informal.

In Al-Qamishli, KIs in the city highlight that the relevant authorities do not offer any support for MSMEs to streamline their registration process. A director of a trading company states that the process is time-consuming and requires numerous documents *"in addition to the need for security approvals that can take several months."* However, entrepreneurs can navigate these challenges *"if they have connections with officers in security entities"*, as stated by a cars' trader. A farmer mentions that the registration of agri-food projects is unclear and necessitates approval from various entities, yet *"it is possible to expedite the process by paying certain individuals to bypass the complexity"*. Some KIs suggest that entrepreneurs can simplify the process by hiring a lawyer, but this would increase the costs, which most start-up businesses cannot afford. An owner of a confectionery factory in Al-Qamishli notes that the authority encourages women-led projects and businesses owned by relatives of martyrs by facilitating the registration process and reducing its costs.

In Idlib, KIs emphasize that the registration process varies based on the type and scale of the business. For example, obtaining a license from the Ministry of Industry is necessary for industrial workshops and factories, "which typically takes about a week and costs 200 US dollars", as stated by the owner of a bottled water factory. However, the manager of a currency exchange office highlights that registering a project like his business may require over a month and approval from multiple entities. While the registration regulations are generally clear, most informants in the city indicate the role of cronyism in expediting the process. They mention that "the authority can bypass many of these regulations for entrepreneurs with influential connections", as noted by a trader in car accessories.

The findings show that MSMEs encounter different challenges in all areas when registering their businesses due to the costs, widespread corruption and cronyism, and time involved in the process. Most start-up businesses are already struggling with low financial capacity, and registration fees can impose a significant financial burden. Additionally, for micro projects that have limited financial resources, the registration cost may be prohibitive, potentially deterring entrepreneurs from pursuing business opportunities. The registration process can be prolonged due to bureaucratic procedures, leading to further delays and higher start-up costs. As a result, MSMEs may miss out on potential business opportunities and face additional financial hardships.

The challenges related to business registration have contributed to an increase in the informal sector. While informality may offer short-term benefits for MSMEs, it can negatively impact the ability of "efficient" public authorities to support these enterprises in enhancing their competitiveness in both domestic and international markets in the long term. Additionally, in the current context of widespread corruption, these challenges exacerbate discrimination against micro and small enterprises that are unable to pay bribes to reduce registration costs and minimize waiting times. Consequently, larger enterprises are likely to have more business opportunities.

From a power dynamics perspective, a lengthy and complex registration process benefits some public authorities' employees by generating more illicit income. As a result, these employees resist any reforms aimed at streamlining the business registration process. It is important to note that business registration is an obstacle that exists before the conflict. However, the conflict has exacerbated this issue by promoting widespread and institutionalized corruption.

B. Unfair tax burden

Several factors can significantly impact the state's capacity to collect taxes and fees during conflicts. These factors include the widespread destruction of economic activities, forced displacement of populations, erosion of trust between state entities and taxpayers, and the emergence of alternative de facto authorities that divert financial resources for their own interests (Ch et al., 2018). In the case of Syria's conflict, all these factors have been at play, resulting in a further deterioration of tax collection, which was already low prior to the conflict. In 2010, taxes and fees accounted for less than 9.9% of the GDP, and the share of income tax in the total taxes and fees declined from 76% in 2000 to 53% in 2008 (Al-Ammar and Rajab, 2014). Nevertheless, in recent years, there have been efforts to enforce stricter regulations and increase reliance on automated systems for tax collection in areas under government control. These measures reflect the urgent need for public revenue within difficult economic conditions.

In government-controlled areas, the implementation of an electronic invoicing system linking commercial activities with the Ministry of Finance was mentioned by KIs. This system has made tax evasion more difficult, particularly for formal and large enterprises. However, some entrepreneurs express their concerns about the electronic system. A trader of car accessories considers this system ambiguous *"regarding additional fees, tax estimations, and procedures for handling returned goods."* Furthermore, some expenditures are illegal to account for in the formal financial record, *"such as fuel obtained from the black market and royalties paid to checkpoints,"* according to an owner of a tourism agency.

The findings indicate a significant increase in taxes and fees over the past two years. Despite the introduction of the electronic system, the tax estimation process remains subjective in many cases, and opportunities to manipulate the system and pay bribes to reduce taxes and fees persist. A contractor in Aleppo acknowledges that tax aversion is prevalent among entrepreneurs stating that *"all entrepreneurs avoid paying taxes in one way or another, including myself."* The tax and fee framework in government-controlled areas lacks a clear development strategy and *"appears to focus primarily on maximizing revenue to address the public budget growing deficit,"* as highlighted by a businessperson in Damascus.

The Syrian government has implemented tax exemptions for specific projects, including those in the renewable energy and agriculture sectors, besides exemptions outlined in Investment Law No. 18 of 2021. However, these exemptions primarily benefit large Syrian and foreign investors, while micro and small projects often do not qualify for such benefits.

In Al-Qamishli, KIs generally perceive taxes as relatively high, especially considering the rising production costs and logistical difficulties in securing raw materials. While the Self Administration categorizes taxes based on income levels, with lower-income projects paying smaller amounts, *"there is a lack of clarity regarding the criteria for identifying these income categories and which projects are exempt from taxes,"* as expressed by an owner of a confectionery factory. Entrepreneurs in Al-Qamishli consider transparency in tax collection as relatively low, and the taxes imposed on projects are *"influenced by the connections and influence of entrepreneurs,"* according to a car trader. However, formal enterprises exhibit low levels of tax aversion, as businesspersons understand that tax aversion may result in the revocation of project licenses and registration and create challenges in accessing subsidized fuel prices.

In Idleb, many economic activities could legally operate without paying taxes, according to owners of a library and a small tailoring workshop. However, they pay fees, such as *"road cleaning and lighting fees, which are calculated based on the total income of their enterprises."* Relatively larger enterprises are subject to additional fees, including *"product ownership rights and exportation fees, which are regular and costly,"* as highlighted by a factory owner. Currency exchange offices face high fees in exchange for the protection provided by the authority against illegal and violent activities. The authority in Idleb incentivizes local production by offering lower fees for transporting raw materials from outside the region. Tax aversion is challenging; however, an owner of an agri-food factory mentioned that *"some entrepreneurs utilize their connections to evade certain fees."*

During the conflict in Syria, public authorities across all regions have experienced a significant depletion of financial resources. The findings from the four studied areas show that these authorities have resorted to increasing the number and amounts of taxes and fees levied on private businesses. Additionally, these authorities have taken steps to become more stringent in collecting these fees. Custom fees, cross border and cross line, have also increased sharply, leading to a significant rise in the prices of final goods and services.

Most MSMEs believe taxation systems lack transparency and efficiency across all Syrian regions. Sometimes, MSMEs perceive these systems as a tool to penalize businesspeople who do not show loyalty, reflecting the lack of trust in relevant authorities. As a result, tax evasion is prevalent, with various mechanisms being employed, such as working in the shadow economy, bribing tax collectors, and maintaining inaccurate financial records. Nonetheless, certain taxes and fees are arduous to evade, where only a few empowered and crony capitalists may find ways to circumvent them. Due to the lack of a transparent, fair, and strategic taxation system, the operational costs for most MSMEs have risen, competitiveness in local and foreign markets has decreased, and many enterprises have had to shut down.

Public authorities have attempted to alleviate the financial burden of taxes and fees on MSMEs with specific activities such as agriculture and renewable energy. However, these exemptions are scattered and not based on a clear taxation strategy that would contribute to long-term sustainable development. Before the conflict, the tax collection process was inefficient, corrupt, and pro-cronyism. Thus, most MSMEs have widely adopted the culture of tax aversion. This culture continues to persist during the conflict with the aggravation of corruption, institutional inefficiency, and cronyism.

C. Rule of law?

The rule of law is crucial in creating an enabling environment for MSMEs. In the business context, the rule of law encompasses the protection of property rights, contract enforcement, and effective mechanisms for resolving commercial disputes. Numerous studies have highlighted the strong correlation between a robust legal and regulatory framework and a favourable entrepreneurial ecosystem (Nystrom, 2008). However, policymakers should recognize that MSMEs tend to benefit less from a better rule of law compared to larger projects, as the latter often have more influence in the policy-making process (Aidis et al., 2009). Therefore, there is a need for regulations to be tailored specifically to address the challenges faced by MSMEs. In the case of Syria, the rule of law indicators have ranked among the lowest in the world according to reports such as *Doing Business*. During the conflict, it is anticipated that the rule of law has further deteriorated due to widespread violence and corruption, significantly impacting the working environment for MSMEs.

The report examines the application of the rule of law in the studied areas by utilizing the official mechanisms for resolving commercial disputes as a proxy indicator. The findings indicate that in government-controlled areas, most KIs perceive these mechanisms as inefficient due to the prolonged time they take to resolve disputes. This delay has resulted in financial losses for businesspersons, particularly as *"the local currency depreciates over time"* as highlighted by an owner of a textile factory in Aleppo. Additionally, several KIs express a lack of trust in the overall judicial system in Syria. A business consultant in Damascus characterizes the system *"as corrupt and lacking transparency"*. As a result, many MSMEs have resorted to informal means of resolving disputes, such as seeking resolution through respected business figures within their sectors. Some KIs also mention the limited efficacy of chambers of commerce in addressing these challenges, indicating that further improvements are needed in this regard.

In Al-Qamishli, entrepreneurs predominantly rely on informal mechanisms and tribal connections to resolve disputes. According to a cars' trader in the city, businesspersons primarily resort to official mechanisms *"only when the informal channels have failed to provide a resolution."* KIs emphasize that traditional customs and norms hold more sway than formal courts and official regulations, which applies to business-related issues. Moreover, the official mechanisms themselves are deemed inefficient. Employees within these mechanisms often lack the necessary skills and qualifications, contributing to their limited effectiveness. Additionally, the fairness of these mechanisms is questionable when influential individuals are involved in commercial disputes. The prevalence of *"widespread corruption and cronyism"* further exacerbates the challenges faced by entrepreneurs in dealing with official mechanisms, as highlighted by a director of a private company.

In Idleb, the KIs mention that there are many official entities to solve commercial disputes. For instance, a small factory owner indicates that *"the Ministry of Industry is capable to solve problems in the sector with only very few cases that needed courts to solve."* Most informants express that businesspersons depend on official mechanisms due to the lack of other efficient alternatives. However, these mechanisms are inefficient in any disputes in which an external entity is involved. Furthermore, the official entities are not objective, and *"they are always biased to cronies and influential businesspersons,"* as highlighted by an owner of an agri-food workshop.

Rule of law is the core element in the relationship between MSMEs and relevant institutions, organizing all official processes and procedures of the private sector. It also provides the legal framework for business contracts and facilitates the resolution of commercial disputes. Most entrepreneurs agree that the rule of law, represented by the mechanisms of solving commercial disputes, in Syria was better before the conflict, despite many setbacks at that time, including corruption and cronyism. The conflict has caused a sharp deterioration in the rule of law in all areas, increasing uncertainty in trade and investment and making MSMEs much more vulnerable to corruption.

Due to the poor rule of law, entrepreneurs in all areas believe that relevant authorities cannot enforce *de jure* laws and regulations on all businesspersons. Instead, these authorities tend to be biased toward empowered entrepreneurs and crony capitalists. Widespread corruption has made it easier for a select few cronies to manipulate commercial regulations to suit their interests, resulting in a monopoly over the market and the deterioration of competitiveness among most MSMEs. While formal institutions in many areas have made efforts to improve the rule of law and enforce regulations, the power dynamics favouring cronies, as well as corruption and institutional inefficiency, have minimized the impact of these attempts.

D. Inefficient pricing mechanisms

Many governments, including Syria, have implemented pricing policies that regulate the prices of essential goods and services like food and fuel in the private sector. While this policy serves as a social and political strategy to maintain short-term social stability, it can have adverse effects in the long run. Price controls may result in significant fiscal burdens, hinder the growth of MSMEs, and increase poverty levels (Guenette, 2020). The Syrian government have adopted price controls as part of its social policies aimed at protecting vulnerable people and ensuring that prices, especially of basic goods, remained affordable. Before the conflict, the government imposed a pricing policy on private enterprises through the Ministry of Internal Trade and Consumer Protection, particularly for specific goods and services such as medicines. The pricing mechanism of this policy allowed for a limited marginal profit for private enterprises. Certainly, during that period, the Consumer Protection department did not uniformly enforce the limited marginal profits on all enterprises with equal rigor, largely due to issues of corruption and cronyism.

However, the conflict changed the situation; many private businesses now believe that this policy does not consider the surge in the cost of imported materials and the sharp deterioration of the Syrian Pound, making it a burden. Consequently, their profits have sharply declined and become negative in some cases, forcing many enterprises to shut down their operations.

In government-controlled areas, most KIs mention the catastrophic price controls on private business activities during the conflict. They believe this policy is unfair to businesspersons since it does not consider additional costs due to several factors, including exchange rate fluctuation, sanctions, and the high insurance cost. The pricing policy adopted by the government has led to the scarcity of many goods *"since a large number of MSMEs have left their businesses which became unprofitable due to such policy,"* as highlighted by an owner of a tourism agency in Aleppo.

One of the main issues raised by the KIs is that the Syrian government applies price controls based on the official exchange rate, which does not reflect the actual production costs since most enterprises pay for their inputs based on the market exchange rate. Moreover, this unfair policy has forced many MSMEs to reduce the quality of their products and services or bribe officials, mainly to the Consumer Protection department, to sell their goods at higher prices. Thus, the current pricing policy is damaging the business environment, and *"it is illogical to apply price controls in unstable socioeconomic conditions in Syria,"* as stated by a business consultant in Damascus.

It is important to highlight that the Syrian government has also tried to manage prices through favorable exchange rates for essential goods imports. However, this approach has not succeeded in its goal of subsidizing and stabilizing prices due to various factors, including currency shortages, bureaucratic hurdles, and pervasive corruption and cronyism.

In Al-Qamishli, the KIs indicate that the authority has attempted to control the prices of basic goods and services. However, most private sector activities have refused to implement these prices as they do not accurately reflect the actual costs. At the same time, the authority *"does not have the institutional capacity to impose these prices on enterprises,"* according to a small factory owner.

Many KIs believe price controls are crucial in protecting final consumers, particularly the poor. However, they suggest that the imposed prices should be more flexible, estimated by experts, and *“consider different factors, mainly an acceptable profit margin for the businesspersons and the sharp depreciation of the national currency,”* as highlighted by a private company director.

In Idleb, the local authority plays a significant role in regulating the prices of essential commodities such as bread and fuel. Additionally, it closely monitors the market, specifically grocery stores, and pharmacies, to prevent monopolies and ensure that prices remain within acceptable limits. The authority also has the power to determine the profit margins for some industries. For example, a small canned-food factory owner mentioned that *“the authority sets a maximum profit margin of 20%.”* However, there are no specific pricing policies imposed on MSMEs in Idleb. Instead, the authority intervenes in the market *“to prevent sudden price surges, particularly during scarcity for certain goods,”* as highlighted by a trader specializing in car accessories.

The KIs in government-controlled areas and Al-Qamishli, and to a less extent in Idleb indicate that enforcing pricing policies has caused more corruption. Private businesses bribe officials monitoring prices to allow them to price their goods and services much higher than the official prices. The pricing policy has also led to the expansion of the black market, which has become a source of many goods for households. In general, while enforcing pricing policies on MSMEs in all regions of Syria has had a minor positive impact on stabilizing the market and reducing prices, it has also contributed to the spread of corruption, the growth of the black market and informal businesses, and a decrease in the competitiveness and profitability of many MSMEs.

E. Limited impact of subsidies

Public subsidies and support provided to private enterprises aim to enhance their productivity and competitiveness by addressing market challenges such as limited access to finance and high production costs. However, for these subsidies to be effective, it is crucial to have an institutional capacity that enables private enterprises to leverage subsidies as opportunities to enhance social welfare (Berlinger et al., 2017). Amidst the conflict in Syria, the availability of financial resources for public authorities has significantly deteriorated, resulting in a deterioration of all forms of subsidies previously provided. These subsidies, which previously encompassed production inputs and energy supply, have now become severely limited. Moreover, financial assistance in loans and grants for farmers and MSMEs has declined during the conflict.

In government-controlled areas, the findings show that MSMEs do not receive any subsidies, and the authority prioritizes *“supporting large enterprises in the industrial cities,”* as stated by a business consultant in Damascus. However, even large enterprises pay much higher costs to receive government support, such as having additional hours of electricity. Most KIs mention that the authority does not have the financial and institutional capacity to provide subsidies or support to MSMEs. Even subsidized fuel prices for some economic activities are not beneficial since *“it is only on paper and most MSMEs always have to buy fuel at market prices,”* according to a small factory in Aleppo. Some KIs express their understanding of the lack of the government's financial capacity, yet they mention that *“the authority can provide indirect support via rules and regulations such as, for instance, easing import regulations,”* as highlighted by a trader in Aleppo.

In Al-Qamishli, most KIs indicate that the authority provides limited support to the private sector due to the lack of financial capacity besides the political and security instability. The support differs across economic sectors. In retail and services activities, there are no subsidies or facilities, and entrepreneurs depend on their efforts *“to confront different working challenges including poor infrastructure and high operational costs,”* as mentioned by a car trader. Although the agriculture sector is essential in the area, the authority does not provide farmers with fuel, seeds, and pesticides in sufficient quantities and at the right time.

Consequently, *"farmers have to depend on the black market,"* according to an agriculture landowner. In the industrial sector, a small factory owner indicates that *"the authority occasionally provides them with fuel and raw materials and at high prices."* Some KIs mention the role of corruption and cronyism in directing public subsidies to large and already empowered projects at the expense of most MSMEs.

In Idlib, all KIs mention that the authority does not provide direct subsidies or support to MSMEs. An owner of a tailoring workshop indicates that *"there is even no plan or suggestions to provide support for small projects."* The authority does offer some facilities, such as subsidized electricity prices, for investments in the newly established industrial city of Bab Al-hawa. However, a bottled water factory owner highlights that *"these facilities mainly target large projects and aim to attract external investors."* Many KIs do not expect direct support from the authority. However, they emphasize that the local authority should focus on rehabilitating roads and infrastructure and ensuring equal opportunities for all entrepreneurs to benefit from the facilities in the industrial city.

Authorities in all Syrian regions appear to be ineffective in supporting MSMEs during times of crisis and catastrophe. Indeed, after the earthquake in February, these authorities provided limited assistance to the affected MSMEs, especially in Idlib and Aleppo regions. A trader in Aleppo highlights that the authorities have become more stringent in tax collection and fees. Additionally, *"the bribe amount traders have to pay at checkpoints to transport their goods between Syrian regions has increased."* On the other hand, a business consultant in Damascus indicates that the Syrian government has considered tax exemptions for businesses impacted by the earthquake, but nothing has been implemented yet. In Idlib, although the authorities did not directly intervene to support the affected MSMEs, they ensured an adequate fuel supply for all bakeries and factories. However, most KIs state that supporting the damaged MSMEs after the earthquake was not among the priorities of local authorities in all areas due to their financial and institutional incapability.

The findings show that public authorities in all areas have facilitated the launch of several projects in cooperation with international and civil society organizations to support micro and small enterprises. However, these projects have had limited and unsustainable positive impacts due to inadequate capacity compared to the significant needs, challenging business environment, and the lack of a comprehensive strategy for developing MSMEs.

Furthermore, the decline in subsidies and support has further increased discrimination among private enterprises. As many KIs from all areas mention, certain businesses have obtained a significant share of support from local authorities through bribery, disadvantaging smaller and less influential enterprises. Political loyalty has also played a role in the allocation of subsidies. Public authorities, especially in Al-Qamishli, also tend to provide the already limited subsidies only to the formal sector, increasing discrimination against informal private enterprises.

4. Business Infrastructure

This section examines the ramifications of Syria's crucial infrastructure, specifically the energy and transportation sectors, and the economic dynamics induced by the conflict, as they intertwine with the production inputs and financial services of MSMEs. We also explore how these factors shape the accessibility of domestic and international markets for these enterprises. Furthermore, our analysis identifies some of the prevailing contextual challenges and obstacles that significantly impact the productivity, profitability, and connectivity of MSMEs across multiple regions. Additionally, we will examine the coping mechanisms employed by these enterprises and their resilience capacities in the face of these challenges.

A. Disruption in inputs supply

The protracted violent conflict that has ravaged Syria for more than a decade has had devastating consequences on the country's critical infrastructure across all sectors. Indiscriminate hostilities, widespread looting, destruction in electricity infrastructure, challenges in acquiring spare parts, and a shortage of fuel have severely undermined Syria's electricity production, transmission, and distribution capacities. Consequently, the country's electricity generation capacity has plummeted from approximately 5,800 MW in 2010 to less than 2,000 MW in 2021 (OCHA, 2022), leaving a staggering 70% of the population without consistent access to electricity (Omar et al., 2020). The persistently poor quality of the electricity supply has had a profound impact on the profitability and sustainability of MSMEs throughout Syria, compelling them to rely on unreliable, unstable, and costly alternatives such as private power generators and solar power. Consequently, production costs have escalated, while the competitiveness of their products and services, particularly in the domestic market, where purchasing power has sharply declined, has diminished. Additionally, some enterprises have resorted to reallocating their businesses to adapt to the unreliable electricity production, further disrupting supply chains and adding substantial costs associated with reallocation and transportation to their products.

At present, Syria relies on four main sources of electricity, which exhibit significant regional disparities in terms of durability, availability, accessibility, costs, and regulatory frameworks. Firstly, the state-provided electricity grid, primarily serving government-controlled areas, is predominantly powered by thermal power plants or the Euphrates Dam in the case of the al-Hasakah province. According to most respondents in our study, state-provided electricity is available for an average of up to five hours per day.

Damascus enjoys slightly more consistent electricity hours, followed by Al-Qamishli, and finally Aleppo. Most private sector enterprises have adjusted their business operations to align with periods of electricity availability, resulting in increased production uncertainty, reduced overall sales, and negative effects on product quality and performance, leading to a decline in demand for this product. Generally, only micro-businesses that require minimal electricity, such as desk jobs, tailors, and home-based crafting workshops, remain heavily reliant on state-provided electricity.

The second primary source of electricity is derived from makeshift mini-grids connected to powerful generators, where households and some small-scale businesses pay weekly fees in the form of amperes subscriptions. These generator-based mini-grids serve as the primary energy source in Idleb and have been widely adopted in Aleppo since 2015. However, they were only introduced in Damascus and Al-Qamishli starting from winter 2022 due to increasing power shortages and unplanned electricity cuts in these areas. Although these mini-grids can provide electricity for up to 10 hours in most cases, the high cost of amperes subscriptions has limited their usage to specific residential areas and small businesses in close proximity, such as beauty salons, certain restaurants, and small grocery stores that do not require industrial-scale cooling systems. Another significant challenge is the lack of regulations or the ability to enforcement them. For example, the Executive Office of Aleppo Governorate Council set a fixed price of 125 SYP (~ 0.014 USD)³ for one ampere per hour.⁴ However, according to our Aleppo respondents, the actual price for one ampere during daily operating hours of 6-7 hours could reach 45,000 SYP per week (~ 5.3 USD), equivalent to around 1070 SYP per one ampere per hour (~ 0.125 USD). This price disparity is also observed in Damascus, where only a few ampere subscription providers have acquired official licenses and could charge between 45,000 and 60,000 SYP per week, at a rate of 1430 SYP per one ampere per hour (~ 0.17 USD).

In Idleb, the de facto authority has strictly imposed a fixed weekly price of 30,000 SYP (~ 3.5 USD) per one ampere for 6 hours of daily usage. However, a small business owner in Idleb noted that *"ampere subscriptions in Idleb are primarily for household use, while commercial use requires a special license [issued by the de facto authority], which could cost a few thousand dollars."*

Given the unreliability, limited accessibility, and price volatility of mini-grid ampere subscriptions in all study areas, the majority of medium-sized businesses rely on privately owned diesel-fuelled generators. These generators enable such businesses to secure the consistent electricity supply required for operating heavy machinery and other industrial equipment with high electricity consumption. However, this source of electricity poses several challenges, including the unavailability of diesel fuel, which compels businesses to acquire it from the black market at inflated prices and compromised quality, leading to major malfunctions in these expensive generators. According to the owner of a medium-sized factory in Al-Qamishli, *"most industrial businesses have multiple backup generators to mitigate the high risks of the main one malfunctioning."* Furthermore, respondents from various areas have raised concerns about the environmental impact resulting from the proliferation of diesel-fuelled generators in the absence of policies regulating their use, locations, and distribution.

The fourth source of electricity in Syria is solar power. Since 2016, there has been a noticeable proliferation of solar panels for household use in northern Syria, particularly in Idleb and Aleppo, to compensate for the absence of state-provided electricity. Gradually, solar energy has made its way into urban centres of Homs, Damascus, and Al-Qamishli, especially among households with access to stable sources of income and/or external remittances. Over the past couple of years, solar energy has begun to enter the private sector. However, the high cost, limited capacity, and low quality of batteries, which require regular replacement, have relegated solar energy to a supplementary source of electricity. Only a small number of businesses rely on it as their primary source of electricity. According to the owner of a water bottling factory in Idleb, *"solar energy is available, but its industrial use is limited to home-based activities. Small and medium-sized production facilities, such as water bottling plants, still depend on special diesel generators at high costs."* Similarly, a marketing manager based in Damascus stated, *"it's not an either-or situation. Some businesses employ a combination of sources, including state electricity, solar panels, private generators, and [rechargeable] lithium batteries."*

Another significant consequence resulting from the destruction of infrastructure is the mounting challenges faced in the movement of goods and transportation of raw materials. These logistical difficulties arise from the poor conditions of public roads, the isolation of many local markets due to the control of several warring military factions, inadequate security, and the prevalence of thefts and kidnappings, particularly in rural areas where medium and large factories are often situated. The additional transportation costs exert a significant strain on the operational budgets of most MSMEs. According to several responders in Aleppo and Idlib, these additional costs are mainly due to the scarcity and escalating prices of fuel, the limited availability of transportation companies and trucks, and the bribes paid at checkpoints, especially when traversing between different areas of control in Syria. Moreover, ambiguous import regulations, security instability, and market monopolies have rendered the availability of imported raw materials unsustainable and unpredictable. Even areas in close proximity to borders, which have access to neighbouring markets (such as Iraq for Al-Qamishli and Turkey for Idlib), grapple with several challenges. According to a small business owner in Al-Qamishli, some of these challenges are attributed to *“the high cost of importing goods through official border crossings, the complexity and uncertainty surrounding import laws”*. Another respondent in Idlib identified *“the illegal payoffs to [non-state] armed actors, and difficulties in accessing other local markets due to conflict-induced crossline barriers”* as main obstacles hindering their connectivity to domestic markets. These factors collectively contribute to heightened business uncertainty and investment risks for start-ups and MSMEs. Consequently, the private business market tends to favour financially empowered individuals and those who maintain strong connections with crony capitalists or influential armed actors. This market dynamic further drives up the prices of goods and services, exacerbating the financial burdens on households already grappling with a sharp decline in purchasing power.

B. Sanctioned and underdeveloped financial sector

This section examines the direct and indirect impacts of the post-2011 sanctions on MSMEs operating within Syria. Additionally, it explores the strategies and adaptive measures employed by these enterprises to circumvent or mitigate the adverse effects of the sanctions. It investigates the potential influence of these coping mechanisms on Syria's mid and long-term economic growth and developmental trajectories. The section also conducts an examination of the various procedures and mechanisms that the Syrian government has implemented in response to the deteriorating economic conditions, and it elucidates their implications at the micro-level.

Prior to the onset of the conflict, Syria had implemented several incremental measures aimed at loosening policy restrictions on the private sector. These measures included streamlining the process of issuing import licenses, facilitating access to bank loans for investors, and providing subsidized services to industrial zones. However, despite these advancements, the private sector in Syria continued to face significant challenges in accessing credit in foreign currency (World Bank, 2010). The financial services available to MSMEs have further deteriorated as a result of the conflict, which has led to the fragmentation of local markets, depletion of financial resources, and the direct and indirect impacts of sanctions. Across all regions of Syria, the financial services provided to MSMEs and the outreach of these services remain underdeveloped. There is a lack of essential services for private enterprises and start-ups, such as seed funding, venture capital, business loans, and crowdfunding, as well as a poor financial infrastructure to assess the creditworthiness of MSMEs.

The imposition of sanctions by the United States and the European Union on the Syrian government and related individuals and entities has had a significant impact on the government's financial resources and its ability to engage with external markets. The banking sector in Syria has been severely hindered in conducting international money transactions and transfers, providing loans in foreign currency, opening credit lines for the private sector, and other business related banking services such as documentary credit and documentary remittance. The enormous challenges confronting the banking sector in Syria have been compounded by the banking sector crisis in Lebanon, which was previously a primary banking alternative for Syrian businesspersons. This situation has heightened the level of uncertainty for MSMEs and depleted their liquidity, leading many to scale back their activities, lay off employees, sell assets, and accumulate capital outside of Syria (Mehchy and Turkmani, 2021). Furthermore, the indirect "chilling effect" of sanctions has also affected sectors that are exempted from the sanctions. This is primarily evident in the complex de-risking and overcompliance policies adopted by foreign investors, trading companies, and banks, which avoid engaging with the private and public sectors in Syria.

The perceptions concerning the potential impacts of sanctions exhibit significant variations across the studied regions. These divergent perspectives are observed not only across different regions but also within distinct economic sectors. Our KIIs in AL-Qamishli, where sanctions are not imposed as in other parts of north-eastern Syria, perceive the indirect effects as significant obstacles to the accessibility of sustainable financial and banking services and investment opportunities in the region. Additionally, a local farmer in AL-Qamishli pointed out that *“the agricultural sector suffered greatly due to sanctions since many essential materials, such as seeds and fertilizer, were previously imported by the government, and after the imposition of sanctions, importing them became difficult without resorting to illegal methods like smuggling, which further increases the end costs.”*

In Idleb, however, respondents believe that trade with the Turkish market, facilitated through official and unofficial border crossings, mitigates the economic and logistical burdens imposed by sanctions. They also perceive these exemptions as conferring an economic advantage on north-western Syria, enabling easier access to banking services, foreign transfers, and imports of essential materials such as foodstuffs, building materials, and some medium-sized industrial equipment compared to other regions. Such perception has also led to the emergence of short-sighted economic and trade policies that overlook the decline of local production cycles in Idleb, resulting in its transformation into a consumer market heavily reliant on imports from Turkey, with limited cross-line commercial exchanges with adjacent Syrian markets.

MSMEs in Aleppo and Damascus, and to a lesser extent in AL-Qamishli, employ similar coping mechanisms to navigate the challenges posed by sanctions, albeit some slight variations. Typically, these mechanisms tend to be short-sighted, emphasizing short-term solutions. They encompass practices such as sourcing imports from countries outside the scope of US, UK, and EU sanctions or establishing dependencies on trading entities located in neighboring nations like Lebanon, Jordan, and Iraq. For instance, a business owner in Damascus explained that *“most businessmen circumvent sanctions by establishing partnerships or agreements with companies in neighbouring countries, particularly Lebanon and Jordan”*. Another entrepreneur added, *“These mechanisms are not sustainable as they incur additional costs on imports and expose business owners to significant disputes with the government.”* In Aleppo, a respondent noted that *“the government’s disregard for sanctions and the absence of easy, practical, and transparent mechanisms for transferring the value of imported goods in hard currency increase legal risks and economic burdens”*.

It is worth noting that our interviews also revealed that the exemption of foreign transfers to Syria's Central Bank, aimed at facilitating local responses to the February 2023 earthquake,⁵ did not bring tangible changes to the private sector. *"Some goods and money were directed for humanitarian aid, but it did not benefit business owners. Perhaps the only beneficiaries of this measure are international relief organizations"* as expressed by bank branch manager in Damascus. In Al-Qamishli, several respondents confirmed that although the region was not directly impacted by sanctions, it was greatly affected by the indirect consequences, inflation, and the continuous depreciation of the Syrian pound.

Another critical factor that has contributed to the deterioration of financial services for the private sector in Syria, particularly in government-controlled areas, is the implementation of inconsistent fiscal and monetary policies by the Central Bank of Syria. These policies have had a detrimental impact on the accessibility and functionality of financial services for MSMEs, exacerbating the challenges they face in the current economic climate. One of the key policy measures imposed by the Central Bank is the limitation on daily money withdrawals to reduce inflation pressure by minimizing currency circulation in the market. However, this restriction hampers the ability of MSMEs to access the necessary funds for their daily operations and hinders their financial flexibility. Thus, weakening their ability to meet their financial obligations and sustain their businesses.

The Central Bank has enforced official exchange rates that are incompatible with the prevailing inflation rates in the country. This discrepancy between the official exchange rates and the actual market rates further exacerbates the financial burden on MSMEs, which are forced to engage in informal and unregulated currency exchange mechanisms to compensate some of their losses. This increases their costs, reduces their competitiveness, and exposes them to additional financial risks. Furthermore, the Central Bank has implemented centralized control over import transactions, limiting them to non-transparent mechanisms. A main example is the Central Bank supervised "Import Financing Platform" that aims to provide liquidity for importers. However, according to several of our KIIs in government areas, this centralized approach to imports not only restricts competition but also results in the monopolization of the import of essential goods by a small group of business elites and cronies. Such monopolistic practices distort the market, restrict access to imported materials for MSMEs, and hinder their ability to compete on an equal footing with larger enterprises. It also undermines trust in the financial system and hampers the development of a vibrant and inclusive business environment.

C. Constraints in market accessibility

The accessibility of both internal and external markets presents a multitude of challenges for many MSMEs operating in Syria. In terms of the internal market, businesses encounter obstacles such as high transportation costs when moving goods between different regions within the country. This is exacerbated by security issues prevalent in certain areas, making it difficult and risky to conduct commercial activities. Moreover, the low purchasing power of consumers within Syria further limits the potential market demand for products and services. Additionally, MSMEs face high production costs, including expenses related to labour, raw materials, and energy, which ultimately hinder their competitiveness in the market. On the other hand, accessing external markets is impeded by several factors. The sanctions imposed on Syria by the United States and the European Union pose a significant barrier, as they restrict trade and financial transactions with the country, as demonstrated in the previous section. This limits the ability of Syria's private sector to reach foreign markets and establish trade relationships with international partners. Furthermore, poor product quality and low competitiveness of some Syrian goods and services make it challenging for MSMEs to compete effectively in the global market.

As we illustrated earlier, the export process itself is complex and cumbersome, involving various bureaucratic procedures, inconsistent regulations and highly centralized importing channels and platforms. These barriers create additional costs and delays for businesses seeking to engage in international trade. The high costs associated with the transportation of goods to foreign markets is often expensive, as it involves long distances, multiple transit points, and the use of different modes of transportation, which increases logistical complexities and running expenses.

It is important to note that the challenges related to market accessibility vary depending on the area, the political and governance dynamics of de facto authorities, and type of business activity. Within government-controlled areas, for instance, the transportation of goods is generally more secure compared to commercial transportation between regions in northern and north-western Syria, where ongoing conflicts and security concerns make trade movements riskier. On the other hand, online service providers, which have gained popularity among the youth, may find relatively easier access to foreign markets.

However, these services encounter their own set of challenges, including slow and unreliable internet connectivity, which hampers their ability to operate efficiently. Additionally, the lack of proper legal frameworks to regulate these emerging online activities leaves service providers vulnerable to exploitation and creates an environment of uncertainty and informality.

In the regions under the control of the Syrian government, the sale of services and goods in the domestic market, as evaluated by most respondents, is perceived as deficient in terms of quantity, quality, and sustainability. This can be attributed primarily to the high prices that surpass the purchasing power of the population, limited demand, and the focus on basic household commodities like food and fuel. Furthermore, the majority of other products are typically reliant on the importation of raw materials through unstable and costly mechanisms due to the methods employed to bypass external sanctions and the political and financial complexities imposed by the Syrian government and the Central Bank. A sweets shop owner in Damascus stated, *"The domestic market is steadily deteriorating. Each day, both the quantity and demand decrease as people's purchasing power relies on external remittances, which have started to decline due to global inflation."*

Regarding the commercial relationship with local markets in areas beyond the government's control, some respondents expressed that the relative ease of importing raw materials in those regions through neighbouring countries such as Iraq and Turkey, coupled with a reasonable flow of foreign currency, has resulted in lower prices for various imported goods and consumables. These items are subsequently smuggled into government-controlled areas through unofficial crossings without customs controls, thereby diminishing the competitiveness of the government-controlled market. In this context, an auto parts trader in Aleppo commented, *"The market situation in Aleppo was comparatively better in previous years, but it has begun to decline due to the loss of access to the market in north-eastern and north-western Syria, where the prices of most goods, such as cars and their parts, are lower than ours, making it challenging for us to compete."*

Access to domestic and foreign markets in AL-Qamishli exhibits certain similarities to the situation in areas controlled by the Syrian government. The unstable security situation in north-eastern Syria, and military and political tensions with Turkey, and the Syrian government have resulted in a significant decline in investment in the region. According to a shop owner in AL-Qamishli, *"Our economy is consumptive, lacking the capacity to meet the growing demand for essential goods."* Although the availability of fuel and foreign currency is relatively higher than in government-controlled areas, the propensity of most entrepreneurs to transfer their savings abroad and the absence of formal and legitimate trade exchange mechanisms with other local markets in Syria have diminished the competitiveness of many MSMEs. In terms of access to foreign markets, despite the perception that it is comparatively easier compared to Aleppo, for instance, the absence of policies and regulations to control import operations has concentrated them in the hands of a few major traders closely connected to the de facto authorities and their affiliated military factions in the area. Export operations are limited to livestock and certain consumer products such as olive oil and sweets, with a lack of credible quality control authorities to certify these products.

The interviews conducted in Idleb provide a more positive perspective on the local market in that region. An industrialist in Idleb expressed that the manufacturing and distribution of certain materials is conducted in a *"reasonable manner"*, attributing this to *"the high population density and the availability of hard currency among families compared to neighbouring regions"*. The de facto authority in Idleb has implemented policies that incentivize production, such as reducing taxes on factories and subsidizing electricity in Bab Al-Hawa Industrial City, which is situated near the Turkish border. However, it is important to note that this support from the de facto authority in Idleb tends to benefit a specific group of merchants and importers who have strong connections, whether through tribal, family, or economic affiliations with military factions aligned with the local de facto authority.

Regarding exports to other Syrian local markets, several respondents in Idleb highlighted the presence of a significant market for used cars, predominantly located in the northern countryside of Idleb. Cars are imported from East and Southeast Asian countries through partners in Turkey, and after paying customs according to specific price bulletins, they are transported through the Bab Al-Hawa crossing and sold in neighbouring markets, particularly in north-eastern Syria. A car parts dealer in Idleb explained their process, stating that they purchase cars from external sources with official contracts, *"then we add the value of Turkish and Syrian customs, and sell them throughout north-western Syria"*. They also informally transport cars to Northeast areas, where there is a thriving market for used cars. It should be noted that these cars are not exported to the markets in government-controlled regions of Syria due to specific government policies on importing and selling used cars that do not apply to vehicles imported through Idleb. In terms of accessing foreign markets, respondents mentioned that goods manufactured in Idleb cannot compete in the Turkish market due to their low quality and limited quantity. Consequently, Turkey is relied upon as a transit route for some goods and foodstuffs manufactured in Idleb to reach foreign markets in Europe and Gulf countries.

A noteworthy observation shared among respondents in all the studied areas is that the expansion of non-profit organizations and international agencies significantly stimulates local markets. For instance, a money transfer company owner in Idleb stated that *"[non-governmental] organizations are favoured customers due to their substantial financial resources and significant needs, along with their ability to inject hard currency into the market"*. Similarly, a respondent from Al-Qamishli emphasized that *"the more [non-governmental] organizations operate, the more companies, particularly those supplying these organizations, thrive"*. In Damascus, the owner of a general trading company affirmed that a significant portion of the demand for local products comes from international organizations, particularly relief organizations, *"as they source a substantial portion of their needs from the local market, driven by the limited purchasing power of other groups."*

5. Emerging socioeconomic dynamics

This section examines the impact of the new socioeconomic dynamics that have emerged during the conflict on MSMEs in Syria. These dynamics include the de facto division of the country, informal trafficking, instability and uncertainty, the narcotics trade, and the challenges posed by drought and pollution. The analysis also highlights how MSMEs are coping with these dynamics and other external factors, such as drought. Additionally, it explores the effect of the deterioration of human capital in Syria on MSMEs, with a specific focus on the changes that have occurred in the role of women in the labour market.

A. Disempowering socioeconomic dynamics

The de facto division of Syria into different areas of control has had repercussions on the socioeconomic interdependency between these regions, significantly affecting MSMEs and leading to a dependency on informal trafficking.

Socioeconomic interdependency and the disruption of supply chain: A strong economic interdependency between the various parts of the country existed before the conflict with busy trading activities between the different regions of the country. Small and medium manufacturing industries were also concentrated in certain parts of the country, such as Damascus and Aleppo, with strong traditions and expertise in these areas to establish and run businesses. These expertise and traditions were lacking in some other parts, such as the northeast, that acted mainly as areas that provide input to the industries in other areas. The internal division of the country had a detrimental effect on this socioeconomic interdependency. It disrupted the supply chain, hindering the growth and development of MSMEs. Industries relying on inputs and raw materials sourced from other areas have been disrupted, posing significant challenges for businesses. Limited market access resulting from the division has also negatively impacted the overall business environment. For example, in the northwest region, many MSMEs rely on machinery produced in Aleppo or sourced through agents based there. A small factory owner in the northwest told us *“Smuggling these machines, despite incurring additional costs, remains a more affordable option compared to procuring them from Turkey.”*

Informal trafficking: In addition to the difficulties in internal trade, external one has also been heavily affected. International sanctions, internal constraints imposed by the Syrian government on import and export in addition to heavy import fees imposed by the public authorities in the northeast of Syria have exacerbated the prevalence of informal trafficking across the international borders as well.

But despite the challenges, some goods and materials continue to cross internal and international borders through checkpoints and smuggling routes. However, this movement is predominantly controlled by a network of warlords and war profiteers. It is important to note that describing this informal trade across internal and international borders as "smuggling" is no longer valid, as most of it occurs in daylight through agreed arrangement and known fees, and it serves as a vital mean of sourcing key raw materials for legitimate businesses.

MSMEs have mixed attitudes toward their dependency on informal trafficking through these routes. They heavily rely on this mode of trade. Most business owners told us that it the *"only available option"*. A business owner from Aleppo told us *"Yes, we benefit from smuggling, but smuggling for us is a just a coping mechanism and a way to circumvent the obstacles that cannot be resolved through clear legally rout"*.

However, informal trafficking also poses significant challenges to their businesses. The surge in production costs resulting from monopolies and high-profit margins on smuggled goods, along with increased transportation expenses due to royalties paid at checkpoints, has placed considerable financial strain on MSMEs. As one factory owner from Aleppo explained *"Smuggling leads to higher prices and inflation. The businesses add this additional cost to the price of the product, and thus the consumer bears the increased costs. For example: you find the same product in Lebanon at a price of 10 cents, and in Syria you find it at a price of one dollar. This difference does not go into the entrepreneur's pocket as profit. The winners out of this are the smugglers and the losers are the consumers."* Another business owner explained that *"the legitimate businesses are driven out of the market at the expense of smugglers"*.

In some cases, some trafficked goods are made available in the market at low prices than locally produced alternatives, especially those who must rely on inputs from outside their areas, cannot compete with. This makes it difficult for some businesses to survive.

While businesses in all areas acknowledge that they are not actively combatting the trafficking of goods, they express a clear interest in seeing an end to this informal trafficking. However, they emphasize the need to have an alternative legitimate formal trade system established first, before discontinuing informal routes. A business owner in the northwest told noted *"We hope that regular trade routes will be opened. Otherwise, smuggling is a very useful solution to our situation"*. Traders and entrepreneurs realise however the complexity of putting an end to the trafficking networks. As one entrepreneur from the northwest told us, this is particularly difficult *"Because of the involvement of the parties to the conflict in those trafficking operations"*.

Nearly all businesses across the divided regions express a desire for open and regulated trade across internal borders to promote economic stability and growth. A small factory owner in the northwest told us *"Smuggling is one of the solutions, but most industrialists wish that there was a regular road to the areas of the regime"*.

Regional variations in trafficking patterns: In the northwest and northeast regions of Syria, trafficking appears to be confined to trade between different areas rather than across borders. Some goods crossing the borders in the northwest are destined for government-controlled areas. In the northeast, smuggling across international borders is primarily motivated by the need to avoid imposed fees or circumvent difficulties in procuring goods through formal channels. This informal trade provides access to inputs at lower prices. Government controlled areas are heavily dependent on trafficking routs via Lebanon, but the multiple crises Lebanese is facing mean that some of the essential goods and inputs that used to be available via Lebanon are either unavailable or extremely expensive. This is driving more legitimate businesses out of the market.

The impact of trading in illegal products: Out of all the interviews in all parts of Syria, the most significant issue that emerged when being asked about the impact of trading illegal products on businesses was the detrimental effect of trading narcotics. The sector that experiences the most significant impact from this trade is businesses based in government-controlled areas that export their products to the region. These businesses face multiple challenges, including reputational damage, increased transport costs, and heightened risks associated with transportation operations.

The once-trusted brand of Syrian products and businesspersons in the region has been tarnished, leading to a loss of trust among potential importers. One respondent shared their experience, stating, *"Our factory secured a big order from Iraq, but the next day, narcotics were discovered in a shipment of Syrian goods destined for Iraq. Immediately, the Iraqis cancelled the order they had placed."*

Potential instability: The ambiguity of the future of the areas outside government control, and the concern that these areas may witness a change in the controlling authority, has created deep uncertainty about their future, which, in turn, hampers both local and external investments. This effect is particularly evident in the northeast region, where concerns about sudden changes in the area's dynamics have deterred potential investments. Plans to establish factories in the region with support from expatriate investments have been put on hold due to the unpredictable situation. An expat Syrian businessman described how many investors were reluctant to make use of the American General License 22, which authorises economic activities in non-government held areas and exempt it from American imposed sanctions.⁶ He explained that *"Despite all reassurances, there is a feeling that the American forces may suddenly pull out of the area leading to an instability in the area. No one wants to invest in building factories in such risky environment"*.

Drought and pollution: Drought have emerged as a prominent issue, particularly in the northeast and northwest regions of Syria, which heavily rely on the agriculture sector and its related industries. Sectors unrelated to food production may not consider these issues as significant. To cope with the water scarcity, MSMEs have resorted to alternative energy sources, digging wells, and importing goods that can no longer be produced locally. In some cases, sewage water is used for irrigation due to the high cost of clean water, which poses serious health and environmental risks. The prolonged drought and the use of sewage water have led to a decrease in agricultural productivity.

In general, there was less reference and awareness regarding the impact of pollution among businesses in Syria. Some perceive it as a luxury to complain about such issues, given the more immediate and pressing challenges they face. However, it is important to acknowledge that pollution can have long-term consequences on public health, the environment, and sustainable development.

B. Labour market distortions

The analysis examines the main issues faced by businesses in Syria, including the loss of qualified and experienced labour, the distortion of demographics, low salaries offered to employees, the role of women in the labour market, and the integration of persons with disabilities.

Constant loss of qualified and experienced labour: The ongoing conflict and dire economic conditions in Syria have compelled a significant number of qualified individuals to leave the country. This mass exodus has created a severe shortage of skilled labour, hindering the operational capacity and recovery efforts of MSMEs. Larger factories are being forced to close, while others are downsizing into small workshops. For example, in Aleppo, professions crucial for maintaining factory operations, such as mechanics skilled in repairing machinery, have become scarce. Coping mechanisms for dealing with this issue are inadequate, although some businesses provide training. However, these efforts often result in a recurring the same problem, as newly trained workers leave the country, requiring the training of new employees. Some businesses resort to employing remote workers from outside their area, but this only addresses certain expertise gaps.

Many MSMEs have no choice but to employ underqualified labour, leading to compromised product quality. A factory owner in Aleppo explained that one of their coping mechanisms is *"Reducing the required skilled labour by compensating it with unskilled labour. This is then reflected in a reduction in the quality of the product and thus its end-user price"*. Highly skilled labour is particularly affected, with businesses that can afford it offering disproportionately high salaries, resulting in a significant wage gap between highly skilled and less skilled workers.

Distortion of demographics: The distribution of working-age men in Syria has been greatly distorted due to the conflict. Government-controlled areas have a low number of working-age men, while the northwest region has an abundance of them. In the northeast, the number of working-age men is also low but not as dire as in government-controlled areas. To address the scarcity of working-age men in government-controlled areas, businesses are employing women, older men (many of retirement age), and, in some cases, juveniles. This situation disproportionately affects certain sectors, such as workshops requiring skilled mechanics and construction businesses heavily relying on working-age men.

But as a small factory owner in Aleppo explained, this is affecting the development of MSMSs *"The absence of young people negatively affected business development. As young people are usually the ones to come up with new ideas to improve and develop the business"*.

In the agriculture sector, farmers in northeast areas are compelled to hire entire families, particularly those with a high number of children, to work on the land. Conversely, no reference is made to employing women and elderly individuals in the northwest due to the surplus of working-age men.

Low offered salaries: All MSMEs, regardless of location, agree that low salaries are one of the primary challenges they face. To address this issue, potential solutions include allowing employees to have multiple jobs and offering additional employment benefits, such as assistance with accommodation. Also, to avoid having workers asking for a higher wage that business owners cannot afford, business owners try to impose a "market rate" that they all agree on not exceeding.

It is worth mentioning that low salaries contribute to the diversion of human capital, from low-profit productive economic activities towards illegal but highly profitable ones. Youth, for instance, are more likely to become members of smuggling gangs, despite the risks involved, as this provides an easier and more profitable option than pursuing legal and productive businesses. Such dynamics have distorted the work culture and made it challenging for MSMEs to attract financial and human resources.

Role of women: In both government-controlled areas and the northeast, the changes in human capital have had a significant impact on the role of women in the labour market and as entrepreneurs. The scarcity of working-age men has necessitated a greater reliance on women to fill labour gaps. A KI from Aleppo reported that *"70% to 80% of workers in SMEs [in Aleppo] are women"*. Moreover, women have broken new ground by taking on traditionally male-dominated jobs. It has been noted however that some sectors, such as construction businesses and slaughterhouses are unable to compensate for the lack of men in working age by employing women.

Overall, we detected a positive attitude in the interviews toward this shift in the role of women, the important role they are playing in driving the economy and a sense of deep trust in their dedication and commitment to work which some scored as much better than the dedication of working men. However, concerns have been raised regarding the additional burden placed on women due to their expanded role at home, as the cultural shift required to accompany this change is progressing slowly." The pay gap between women and men is substantial. A KI reported that on average *"women in Aleppo are paid 50-60% less than men"*. Women are also seen as more willing to accept unfavourable working conditions, making them attractive hires for some businesses in the northwest. In the northeast, there is no mention of salary discrepancies or exploitation in the interviews, suggesting a better situation for women, who are more visible across all sectors, including industry and services. They have been increasingly employed in low-wage tasks such as cleaning, loading, and agriculture. Despite the challenges, women are seen to have effectively filled the labour gap and contributed to the development and empowerment of society.

Integration of persons with disabilities: The integration of persons with disabilities into the labour market remains extremely limited across all areas of Syria. Most MSMEs feel that they lack the necessary resources and cannot afford the increased costs associated with integrating this group. Some businesses are making efforts to incorporate persons with disabilities, typically assigning them roles that do not involve direct interaction with clients. However, many MSMEs argue that they need to be able to support themselves before they can effectively support this marginalized group. Additionally, certain types of businesses, such as those in the agriculture sector, face limitations in accommodating persons with disabilities due to the nature of their operations.

C. The dynamics of the civil society and MSMEs relations

Over the past twelve years, civil society organizations in Syria have experienced a significant increase in their numbers, role, visibility and influence. They have gained attention from international donors and have become one of the main channels for aid and key recipient of international aid. Their rapid institutional growth led to them absorbing skilled humanitarian resources. This rising role for civil society organisations has occurred concurrently with the diminishing role of MSMEs who were facing multiple crisis, financial challenges and shortage of skilled labour.

As a result, new dynamics have emerged between civil society and the private sector, which is important one to understand when providing support to civil society or to MSMEs. There are however clear regional variations in these dynamics. In regions where the private sector is historically well-established, civil society is viewed by the business sector as a valuable client, but with few exceptions, is not the main or only client. Conversely, in the northeast, the emerging business sector heavily relies on civil society as its primary, and often sole, client. The relationship between civil society and the private sector in the northwest appears to be somewhere in between.

Overall, MSMEs are coping well with the expansion of the civil society activities but they think that civil society organisations do not appreciate the added value of MSMEs and are not aware of how they can build a constructive partnership with them. As a business owner in Damascus reported to us *“At the end, there are many mutual benefits between us and civil society organisations”*.

Most entrepreneurs we interviewed express a sense of disappointment, feeling that their societal role is not fully appreciated by civil society organizations, and they perceive a lack of support. They believe that the humanitarian sector should reciprocate by assisting businesses that are helping provide livelihoods. An industrialist from Aleppo gave an example of the CSOs response to the earthquake, saying *“when the earthquake hit, CSOs only helped the individuals. No one thought about helping the affected businesses, which would have actually meant helping large number of individuals. One factory for example had its roof collapsed as a result of the earthquake, had they helped in rebuilding the roof, they would have indirectly helped supporting several families in a sustainable way”*.

Below are some of the main areas where CSOs activities are seen to affect MSMEs:

Affecting the demand in the local market: In general, the activities of local and international civil society and humanitarian organizations have increased the demands in the market. A development that private enterprises have welcomed. However, not all sectors have equally benefited from this trend.

In government-controlled areas, civil society activities increased the demands for locally produced products because the market is relatively closed in these areas, leading to more local procurement. The size of the demand created by civil society is said to be comparable to that before 2011, but the percentage of the demand in the market is much higher because the purchasing power of other actors has declined. Some KIs reported that the demands that local and international civil society organisations created in the market is contributing to products' development and raising the standard of the services provided by MSMEs. One KI reported "Many MSMEs developed their standard to meet that expected by INGOs and CSOs since the standard expected by them is very different to that expected by the governmental sector which some of these MSMEs provide for". Another reported that *"INGOs in particular are highly valued customers for MSMEs and often SMEs are raising the standard of their services to meet the standard expected by INGOs"*. In Aleppo, many MSMEs developed awareness and knowledge about how to apply for tenders open by INGOs. *"There are even some new contractors that specialise in providing services for INGOs in water related services and in restorations"*. Some business owners are still sceptical however about the potential of civil society activities to maintain activities in the local market. One business owner told us *"I think their role [CSOs] is limited because their projects are short, hardly a year long, and are not sustainable. Also, people working for these organisations do not seem to have the knowledge on how to connect to the private sector"*.

In northwest Syria, CSOs activities have modestly increased the demand in the market. Since import via Turkey is an option, many of the goods and materials CSOs distribute are not procured locally. Some business owners viewed CSOs activities positively seeing them as *"the favourite client, as they have plenty of many and a lot of demands"*. Others view it negatively. A businesswoman who runs a women-led garment making workshop in the northwest told us *"CSOs impact on the market has been negative because they circumvent our role, and they deal directly with the main wholesale importer and suppliers. They also import large quantities, and they distribute it to people which reduce the demand for our products"*.

In the northeast of Syria many new enterprises have been specifically established to cater specifically for the needs of CSOs and INGOs. These businesses, commonly referred to by the locals as "logistics companies," operate in the service sector and provide a range of requested services, such as school restoration or importing stationery supplies. A KI from northeast Syria told us *"Logistics companies view CSOs as a milking cow, most of them were established after the CSOs and they have no specialisation, they do various things depending on the needs of CSOs"*. CSOs is also reported to have increased the demands for vans in the area.

Improving purchasing power: CSOs are valued by MSMEs not only for their own purchasing power, but also because they also improve people's purchasing power in two ways. First, by supporting people in need. A business owner in Damascus reported *"Supporting people in need is indirectly improving people's purchasing power, especially for basic commodities"*. The generous and stable salaries CSOs offer to their employees are also reported by business owners to improve purchasing power, especially for non-essential goods.

Liquidity injection: In all areas, KIs and businessowners reported that they appreciate the role of CSOs in injecting liquidity into the market, contributes indirectly to keeping the market moving. It is also reported to be having a positive influence on stabilising the exchange rate.

Attracting humanitarian resources: In all areas, KIs and businessowners reported that CSOs are attracting skilled labour making it more difficult for them. They were specifically concerned about people with managerial, administrative and accounting skills who were attracted by the higher salaries offered by CSOs. Otherwise, the attraction of skilled labour by CSOs is reported to have a moderate negative impact on the private sector because of their limited capacity, the need for specific skills and the fact that many of these organisations seem to operate like a "closed club" that are not accessible to others. The jobs they offer are also short term and depends on funding and is project dependent. One business owner from Damascus reported *"Although CSOs offer high salaries, but their jobs are only available for limited number of people, because they are like closed clubs, not open for all. Highly skilled labour who do not find jobs with these organisations typically leave the country. So, at the end of the day, we can't blame it all on CSOs"*.

Another business owner pointed out the unsustainability of CSOs job comparing to less paid MSMEs jobs *"CSOs jobs are not sustainable because they rely on short term funding, and this cause a lot of disruption in the labour market"*. An industrialist from the northwest also pointed that their sector is not affected *"Industrialists usually care about vocational experience, and not degrees. This is contrary to CSOs who seem to care more for degree holders"*.

In all areas, the higher salaries paid by CSOs led to skilled workers asking for higher salaries in the MSMEs sector. Nevertheless, MSMEs struggle to match these salaries since CSOs receiving stable foreign currency funds and are able to offer better salaries that adjust to inflation and currency devaluation.

Training and support offered by CSOs to MSMEs: There is also general disapproval among MSMEs regarding much of the training and support provided by civil society organizations to MSMEs. The support is reported to be primarily focused on start-up micro-enterprises, which many view as unsustainable and susceptible to exploitation. Instances have been reported where individuals attend vocational training, receive equipment, sell it, and then enrol in another course. MSME owners emphasize the importance of supporting small and medium enterprises, as they are considered more sustainable in the long run.

Most KIs indicate that international organizations have played a crucial role in facilitating early recovery projects across various regions in Syria. However, concerning the assistance provided to MSMEs, many respondents note the urgent need for a more efficient follow-up system to monitor and evaluate the aid provided to micro and small enterprises, as most of the supported businesses were unsustainable and eventually closed. Furthermore, international organizations should prioritize aligning their support with market demands rather than using predetermined strategies. The ineffective support has contributed to unfair competition with existing enterprises that did not receive assistance and lost a considerable market share.

6. Limited diversity and unproductive interrelations

This section examines the distinct groups of MSMEs in Syria based on their business models. It also analyses the degree and types of cooperation among MSMEs besides the level of competition and its impact on the market.

A. Growing role of new business models

During the initial years of the conflict, Syria experienced a significant decline in private businesses due to multiple factors. These included challenging security conditions, extensive infrastructure destruction, widespread violence, and the departure of skilled workers. However, since 2015, MSMEs have begun to adapt to adverse conditions, leading to the establishment of new start-ups across various Syrian governorates; many of them have relied on online platforms to offer their services (Bayram, 2017).

At the same time, the findings show that most MSMEs in Syria are still adopting the traditional business model that has many drawbacks besides conflict-related challenges. Typically, projects adopting this model are small-scale and family owned. They prefer to hire workers based on family connections rather than skills and qualifications. Entrepreneurs within this model are often hesitant or unable to modernize their working and marketing techniques, which are outdated and hardly competitive. Thus, they have a poor bargaining power with internal and external buyers.

Most KIs in all areas indicate that before the conflict, MSMEs adopted the traditional business model, yet they covered a wide range of goods and services. However, under the current difficult business conditions and sanctions, MSMEs only *"cover basic market needs of local communities,"* as highlighted by a contractor in Aleppo. In Al-Qamishli, the KIs believe that MSMEs can meet the local market's needs; however, *"they largely depend on imports, which increases their selling prices,"* according to a car trader. Similarly, an owner of a canned-food factory in Idleb mentions that the market depends mainly on imported goods *"which can compete with the local ones in terms of quality and prices."* In government-controlled areas, many KIs emphasize that MSMEs can ensure the availability of all goods and services, provided that the authority facilitates their activities related to trading, taxes, the rule of law, and money transfer, regardless of external factors such as sanctions.

Due to the conflict, civil society and the private sector have partially replaced public entities in providing goods and services to local communities in many Syrian regions. Additionally, there has been a noticeable rise in social enterprises across all areas. These include Non-Governmental Organizations (NGOs) with commercial arms focusing on alleviating poverty and improving the dire living conditions for Syrian families. However, these enterprises have encountered various challenges. Many struggled to sustain themselves financially due to the deterioration in the businesses that supported them and the extensive and long-term needs of local communities. Another challenge is the presence of political bias, as several social enterprises are funded by individuals loyal to a specific authority. The bias increases discrimination and undermines the social aspect of these enterprises.

Some profitable private enterprises fulfil their social responsibilities on a small scale by supporting the specific needs of their workers' families. However, this type of social responsibility is subjective and unsustainable as it relies on the affordability of the businesspersons funding the support. One example was the aftermath of the February earthquake when numerous initiatives emerged from the private sector in the initial days to assist affected families. Many enterprises collaborated to distribute aid. However, as emphasized by a trader in Aleppo, *"these initiatives were short-lived."* Subsequently, support from private enterprises to the affected families became "scattered, relying on individual connections and operating on a small scale," as indicated by a manager of a private training centre in Damascus. Furthermore, a businessperson in Aleppo highlights that after the initial surge of support driven by emotions, *"enterprises started competing to sell goods at high prices"* to areas affected by the earthquake.

Syria is witnessing an increasing number of online-based businesses and projects that use modern working techniques, according to a business consultant in Damascus. Although these businesses still have a small market share in terms of the number of MSMEs compared to the traditional ones, it is growing faster. The growth is particularly evident in online-based activities, as entrepreneurs seek ways to overcome the challenges confronting MSMEs. However, this growth has resulted in many challenges. One of them is the widening gap in terms of competitiveness between most traditional businesses and the minority of projects that adopt modern working models. Moreover, there is a lack of a regulatory framework to organize and protect online-based activities, which leads to an increase in informal businesses and a higher possibility for external markets to exploit these activities.

B. Competition over complementarity

The analysis categorizes the interrelations among MSMEs into aspects of cooperation and competition. Numerous studies demonstrate that cooperation between MSMEs is a key factor in enhancing their performance. This cooperation is influenced by the institutional and cultural environment that fosters trust and encourages collaborative efforts (Oughton and Whittam, 1997). Many studies show that competition, when conducted within fair institutional frameworks, can incentivize MSMEs to improve their performance. However, unfair competition, such as monopolistic practices by elite entities, constrains the growth of MSMEs (Hoffman and Lange, 2016).

In Syria, there has been a notable trend of institutionalized cooperation among various projects within specific context, such as industrial cities. However, alongside this positive development, there has been a concerning rise in the influence of crony capitalists, who hold significant control over lucrative industries like telecommunications. During the conflict, the level of cooperation between productive projects has deteriorated, while the monopolization of financial resources has intensified. As a result, these resources have been redirected to benefit a select few cronies (Mehchy, 2021).

In government-controlled areas, the KIs mention that the level of cooperation among MSMEs varies depending on the sector and types of activities involved. For instance, in the textile sector, there is a relatively high degree of coordination among all actors across the value chain. An owner of a textile factory in Aleppo explains that *"different competitors collaborate by sharing resources, such as machines and equipment,"* to support each other in remaining competitive in the market. On the other hand, in the plastic industry, there is limited cooperation between entrepreneurs, primarily driven by individual interests and personal connections. A contractor in Aleppo emphasizes that most types of current business cooperation *"aim to achieve personal interests rather than collective goals."* A business consultant in Damascus distinguishes between formal and informal cooperation among MSMEs. The formal one occurs through official entities, like chambers of commerce or industry. But it is often hindered by bureaucratic processes and tends to be inefficient. Informal cooperation takes place throughout the value chain of various activities and is more efficient and mainly motivated by personal interests. The consultant highlights that *"within the challenging economic conditions, most entrepreneurs prioritize individual profits over collective benefits."*

Despite the decreasing number of MSMEs during the conflict, most KIs in Aleppo and Damascus indicate a surge in competition between enterprises. This surge is due to the deterioration in the purchasing power of the internal market and difficulties in accessing external markets. Indeed, an owner of a tailoring workshop in Aleppo highlights that *"the limited market has increased competition between MSMEs."* Additionally, some KIs express that the market has become further distorted during the conflict, particularly in the profitable sector, where there is *"unfair competition and a monopoly of crony capitalists,"* as indicated by a businessperson in Damascus. This monopoly forces most MSMEs to compete for the remaining opportunities in a market that has already shrunk.

In Al-Qamishli, there is a notable level of coordination among private enterprises, as reported by most KIs. This coordination is primarily informal and lacks institutionalization, relying on individual relationships. Traditional actors, such as tribal leaders, can play a crucial role in facilitating connections between enterprises. For example, an agriculture landowner mentions that *"many tribal leaders always encourage coordination among workers in the agriculture sector."* However, coordination through quasi-formal and formal entities, like the Chamber of Commerce, is limited and relies on the reputation of its members. When it comes to competition, it is on the rise within the constraints of the market. Furthermore, many KIs highlight the existence of monopolies over various goods. According to a director of a trading company, *"traders store these goods for a while to sell them later at high prices."* Different KIs believe that these traders have connections with authorities that enable them to monopolize certain goods.

In Idlib, KIs indicate that many entrepreneurs cooperate by exchanging raw materials and production inputs. This cooperation allows them to overcome shortages of certain inputs by utilizing surpluses of the same inputs from other enterprises. However, some businesspersons point out a negative form of cooperation characterized by alliances among a few entrepreneurs with the goal of monopolizing the market. This type of cooperation grants these individuals *"dominance over the market of certain goods, leading to increased prices,"* as highlighted by the owner of a bottled water factory. Regarding competition, most KIs emphasize that monopolies pose a significant barrier to fair competition, which could otherwise promote better quality and lower prices in the market. An owner of a small canned-food factory states that *"crony capitalists control the market of strategic goods such as fuel."* However, competition remains relatively fair for small services and replaceable goods.

The findings from all regions indicate a lack of institutionalized coordination among projects within the same sector. Although there are various forms of formal and informal coordination, primarily based on ad hoc arrangements and individual connections, there is no evidence to suggest that such coordination has resulted in sustainable benefits from economies of scale, including lower production input costs and enhanced bargaining power with buyers. Furthermore, most MSMEs in all Syrian regions have been established based on personal knowledge of entrepreneurs about the market, without conducting feasibility or market studies. The absence of these studies has contributed to the failure to capitalize on clustering opportunities, instead emphasizing competition in a market that is already saturated with similar goods or services.

It is important to note that all challenges related to the four dimensions of the study are interconnected. For example, improving the relationships between MSMEs and relevant public institutions can have a positive impact on the business infrastructure. However, prioritizing interventions should be based on the context of each area and economic activity and involve participatory research studies that consider all stakeholders, including public sector, private businesses, and civil society actors.

7. The current role of MSMEs in poverty reduction and local peacebuilding

This section sheds light on the current role of the private sector in alleviating poverty in Syria. It explores the various approaches that have emerged during the conflict to support deprived families. Additionally, the section examines how the business sector indirectly contributes to enhancing social cohesion at the local level, drawing on the findings derived from KIs. By delving into these aspects, we can gain a comprehensive understanding of the private sector's involvement in poverty reduction and its impact on social cohesion in Syria.

A. Traditional and new mechanisms in poverty alleviation

MSMEs in Syria are playing a significant role in poverty reduction and addressing the needs of the most vulnerable in the country in multiple ways.

Providing jobs: MSMEs in Syria play a crucial role in job creation, which they consider their primary contribution to poverty reduction in the country. In 2020, among the 4.5 million individuals labour in Syria, approximately 1.5 million were self-employed within the private sector. Additionally, there were approximately 170 thousand private entrepreneurs who contributed to the creation of job opportunities for around 1.19 million workers (CBS, 2020). In government-controlled areas, MSMEs stand out as providers of what business owners refer to as “real jobs” compared to other job sources. The alternatives, such as illegitimate high-risk jobs or low-paid yet secure long-term contracts in the public sector, fail to match the jobs offered by MSMEs. Meanwhile, civil society organisations offer project-based jobs limited to specific skills, lacking sustainability. Many individuals resort to working in both the public and private sectors as a coping mechanism.

A KI in Aleppo highlighted the significance of MSMEs as the key employers saying “*MSMEs are the largest employer. Neither the public sector nor the organisations are able to provide jobs for everyone*”. An industrialist from Damascus further emphasized the private sector's role as the foremost provider of authentic employment opportunities saying, “*The private sector is not only the biggest provider of real jobs in the country, but it also provides more than one job opportunity within the value chain*”. KIs from the northwest region stressed that the private sector's ability to reduce unemployment helps retain people within the country, even if it means meeting only the minimum acceptable standard of living. However, other informants in the same region pointed out that “*despite the recent slow economic recovery, the needs outweigh the current capacity of MSMEs to absorb the workforce due to the high population density*”.

In the northeast, it is worth noting that the agriculture sector stands as the only job provider not entirely reliant on donor funding. Most job projects initiated in the area lately rely heavily on donor support and lack the potential to sustain themselves without such funds. Several interviewees emphasized the intrinsic value of jobs in boosting morale and instilling hope. One business owner from Damascus stressed the psychological significance, highlighting how having a productive job to go to each morning keeps him motivated, even if the economic returns are meagre.

Providing affordable goods and services: MSMEs believe that their ability to offer goods and services at affordable prices contributes to poverty reduction, especially in government-controlled and the northwest areas where they help stabilize market prices. Most of them feel that they are forced to offer lower prices because of the low purchasing power and that this is often comes at the cost of reduced quality. In the northeast this impact is only limited to the locally produced agricultural products since most other products in the market are imported.

Traditional philanthropic role: the results of the interviews reveal a strong well established charitable culture within the private sector in the areas where the sector is well established historically, such as in Damascus and Aleppo. The main characteristic of this culture is that first it addresses the very local communities and often the employees of the businesses, and second that it is very discrete. An industrialist from Aleppo expressed the tradition of looking after the workers as "The head of the business would look after those working for him". Typically, business owners would offer regular support families in need within their local areas, mainly families with no breadwinner. They would also step in when urgent needs for these families emerge, such as covering medical operation. They would not announce that they are giving this support and they would ensure that no one would find out that the families are receiving their charitable support so that they maintain their dignity. They contrast this to people having to queue in order to receive food parcels distributed by humanitarian actors, which many find humiliating. It is considered a shame to brag about families they support. MSMEs see themselves as able to support cases which may not receive assistance from the international humanitarian aid system.

A businessperson states that “*we tend to support families who are left out of the humanitarian aid support system for one reason or another.*” One example is a factory owner in Aleppo who personally covered the costs of an eye operation for an artist who couldn't afford it. The business owner believed that by helping the artist maintain his eyesight, he was also helping him sustain his livelihood as an artist, a case NGOs usually do not support. In other words, within the Syrian context and particularly in areas with long established business culture, many of the MSMEs could be considered as social enterprises.

When giving to institutions, rather than families, most MSMEs and family-led businesses tend to favour well-established traditional charities, such as orphanages. Directors of two orphanages in Aleppo and Homs we interviewed have spoken about the generous donations, both in kind and cash, they used to receive from businesspersons who preferred to remain anonymous. Additionally, many businesses provide in-kind support to their workers and community members in need. Many MSMEs also consider their charitable donation as part of the Islamic Zakat.

While many MSMEs face financial challenges, which affect their ability to help the community, but the tradition of giving persists and could be revived with reviving the sector. We noted that several MSMEs disapprove of big businesses openly supporting civil society activities and demanding visibility to show their support. They view this type of support as primarily a PR exercise rather than a genuine charitable act. Several business owners expressed their desire to see the charitable activities of the private sector becoming more organised and not reliant on individuals.

Offering students grants: Several Syrian businesspersons inside and outside Syria established schemes to offer grants for disadvantaged students.

Connecting international business to communities in need: Some business owners who have dealings with Syrian and international businesses outside Syria play a bridging role between these business partners who are willing to help and people in need. They either connect external donors directly with those in need or receive donations and channel them accordingly.

Social enterprises: An emerging trend that we observed is civic actors transitioning from leading civil society organizations into establishing their own social enterprises and bringing with them a culture of contributing to the public good to the private sector. An example is a young woman who co-founded and led a civil society organization in Homs and later established her own private school. She offers grants to students financially in need or need financial support, funded by the school's income from fee-paying students. Another is a lady in Damascus who used to lead a child focused CSO then moved to establishing a new private enterprise that support children with disabilities from the profit it generates.

It is worth noting that most respondents indicate that public authorities do not provide tax exemptions for charitable donations and there is a lack of regulations that encourage corporate social responsibility and to regulate social enterprises.

B. Indirect but growing role in strengthening social cohesion and peacebuilding

The findings show that private businesses tend to approach peacebuilding cautiously, primarily due to the intricate nature of political sensitivities and the potential controversies that may arise.

MSMEs often avoid direct and open contributions in these areas and leading or participating in public civic campaigns, especially if they address issues such as human rights and peace. Instead, they prefer non-political initiatives and campaigns such as promoting COVID-19 prevention measures or supporting anti-drug campaigns, as observed in all Syrian regions. A banker from Damascus told us that as a private bank they carried out campaigns to raise public awareness about cybersecurity fraud prevention. Another in the northwest said that they support *"sport activities because it lifts up the morale"*.

Nonetheless, upon delving deeper into social cohesion, it becomes evident that businesses indirectly contribute to its development. One significant way they do this is by actively employing individuals from diverse social backgrounds. By providing employment opportunities to people from different social divides, businesses contribute to bridging the gaps between communities. One example is an industrialist from the western part of Aleppo who told us that most of his employees come from the Eastern part of the city, which was for several years disconnected from the rest of the city by a conflict line, a division that exacerbated social tension between the western and eastern parts of the city.

Moreover, MSMEs often extend support to families in need within local communities. This form of assistance is regarded as Syrian-to-Syrian aid, which reinforces the community's cohesion and sets it apart from the international aid system. A KI from Idleb told us that *"Industrialists and merchants contribute through their donations to solve some service problems within their twons and villages, which lead to a state of harmony within the community"*. When asked about their role in peacebuilding and social cohesion, most interviewees from northeast Syria referred to the role that CSOs play in this regard and not to any role they are playing directly.

Business relationships and activities that span different areas of control also play a very positive role in building the foundations of peace. Most entrepreneurs and businesspersons report that their commercial interactions with counterparts in other regions led to the breaking down of the barriers of suspicion and mistrust. For instance, a food factory operating in the northwest may rely on the northeast and government-controlled areas for sourcing raw materials and distributing its products. These business relationships are primarily driven by commercial interests rather than political affiliations, as emphasized by a businessperson in Idleb who stated, *"The relations between us are commercial and not political."* A businessperson in Damascus also stressed that *"Commercial relations do not care about regional differences"*.

Additionally, our findings reveal that the majority of medium and small businesspersons and entrepreneurs favour a peaceful settlement to tensions at the local level. They constantly seek to utilise their financial influence over local authorities to reduce the intensity and frequency of violent episodes between the adjacent areas, especially those with cross-line commercial exchange. In some instances, these businesspersons might act as indirect, behind-the-scenes, mediators between the different parties, either by relying on their business clout or through family and tribal ties with some state and non-state actors.

Overall, there is a prevailing attitude among MSMEs that favours trading and economic collaboration with other areas of control. They recognize the significance of better regulations to prevent exploitation or profiteering that has emerged during the conflict. Their aspiration is to establish robust economic unity across the country, thereby contributing to the larger goals of peace and stability.

Conclusion and recommendations

MSMEs in Syria have suffered from almost all the destructive aspects of the Syrian conflict. They find themselves having to survive in a country with poor infrastructure that has been carved to areas under different control severing the well-established internal trade routes and relations. The purchasing power of most Syrians has sharply declined, leading to a significant contraction in the internal market. MSMEs' accessibility to the external market has been limited and they have poor access to finance. MSMEs are also having to adapt to new dynamics as new actors emerged including civil society organisations that have been attracting most of the attention of the international community as MSMEs were left to shrink in the shadow.

Still, MSMEs has great potential to play a key role in reducing poverty and enhancing social cohesion, leading to sustainable peace at the local level. They are the institutions that house many valued traditions, including a well-established culture of discrete charity and support to local families in need. They are the main providers of what they refer to as 'real jobs' in the country.

Empowering MSMEs in Syria has the potential to give agency to the people, to aid a sustainable bottom-up economic recovery that is focused on the civilians and their needs and to nurture civic values and new trends such as the increased role of women in the sector. Empowered MSMEs are more capable to contribute to social enterprises that enhance social cohesion, and thus, sustainable peace.

But the findings show that supporting MSMEs needs to have from the outset a bird eye view of the spectrum of impediments undermining their work. We formulated below a set of recommendations that aim to address all these aspects. And while the recommendations address a wide spectrum of issues at several levels, we see them all as important for creating an enabling environment to empower MSMEs to play their role in economic recovery and social cohesion, and therefore should be addressed hand in hand.

We also recommend three main approaches in implementing the recommendations. First, following a participatory approach involving all stakeholders in implementing recommendations. And second, to make the 'how' of implementing supporting programmes themselves a transformative mechanism that promote some of the needed key aspects such as good governance and the rule of law.

There is also need for a support approach that is at the same time comprehensive but also contextual and able to accommodate the differences between the different areas. While we observed many similarities between the different areas of control, but also important differences are important to have in mind when designing interventions aiming at supporting MSMEs. For example, the distorted demographics meant that one area is abundant in men in working age who are scarce in other area, and this is not only affecting the labour market in each area but also having a profound impact on the role of women in each area.

1. **Address institutional challenges:** the analysis of institutional challenges encompasses various issues from unclear registration procedures to a lack of effective rule of law. In all areas, the findings show that the core issue is the lack of trust between MSMEs and relevant public institutions, and for empowering MSMEs it is crucial to gradually rebuild it. Thus, these institutions in all areas should adopt a participatory approach with MSMEs, civil society, business experts, and international organizations to:
 - a. Develop a legal and regulatory framework for businesses that takes into consideration the size of the enterprise rather than the one-size fit all approach. This framework should be designed to be flexible and prioritises the interests of MSMEs rather than solely focusing on the direct increase public revenues.
 - b. Promote collaboration among MSMEs and enhance transparency in public spending, reduce fees and costs, improve commercial dispute resolution mechanisms, and implementing social programmes to mitigate the impact of inflation.
 - c. Provide clear guidelines for business registration and tax payments, offer tax incentives, establish one-stop centres and online platforms for streamlined processes, provide legal and advisory services, allocate funds for business infrastructure development, implement monitoring and evaluation systems, organize training programmes, and establish price monitoring mechanisms.
 - d. Provide tax relief for cash and in-kind donations made by MSMEs to help the community including for what is given as zakat.

International organizations, including UN agencies, can contribute to the implementation of these recommendations through different mechanisms. One example of these mechanisms is to initiate a long-term programme aiming at alleviating bureaucratic and financial burdens on start-ups and MSMEs. Within this programme, a series of discussions and evidence-based dialogues can be organized involving entrepreneurs, relevant authorities, as well as local and international experts. The objective would be to reach a consensus on regulations that satisfy the needs of both MSMEs and relevant public authorities.

Another example is the establishment of business centres aimed at providing technical support to start-ups and MSMEs. These centres, for instance, can offer assistance in clarifying the registration process and determining eligibility for tax exemptions. Moreover, they can organize training sessions for new entrepreneurs, equipping them with the necessary knowledge on how to effectively navigate their interactions with relevant public authorities.

2. **Improving business infrastructure:** The results highlight that electricity, and to a lesser extent transportation, significantly impede the operations of MSMEs across all regions in Syria. Moreover, the already limited access to finance has further deteriorated due to the ongoing conflict and imposed sanctions. The internal market has become severely limited, while accessing external markets has become increasingly challenging. Within this context, Crony capitalists and warlords have largely benefited at the expense of most MSMEs. Thus, to empower MSMEs, it is crucial to improve business infrastructure by:
 - a. Promoting solar energy and providing incentives and support for MSMEs to adopt solar power. For instance, public authorities could provide tax exemptions for projects that implement solar energy solutions. On the other hand, the authority in cooperation with civil society should adopt a monitoring system to ensure the quality and reliability of solar energy equipment in the market since many entrepreneurs doubt the effectiveness of these equipment.
 - b. Facilitating the provision of financial services to all MSMEs and designing a comprehensive financial strategy to serve that purpose, including the support of micro-finance services; and encouraging international organizations to offer business grants and loans for start-ups based on feasibility and market studies.

- c. Establishing Credit Guarantee Facilities targeted at MSMEs in Syria, and developing practical models for access to finance such as self-help groups and subsidized interest rates for micro and small entrepreneurs.
- d. Improving market accessibility, especially regional market. Different measures and interventions are needed by different actors to improve the ability of MSMEs to export their products especially as the local market is limited. One implementing mechanism could be the creation of an online platform, funded by international organizations, for MSMEs to coordinate their activities across certain value chains. Such a platform could also provide quality standards for MSMEs to improve their competitiveness level, particularly in external markets.
- e. Providing a very tailored capacity building programmes that cater for the specific gaps in the labour market. All training sessions for MSMEs should be based on labour market supply and demand assessment.
- f. Providing targeted support for MSMEs based on market needs, facilitating/regulating online business activities, supporting the formation and collaboration of social enterprises, promoting clustering and communication channels, monitoring transparency, and enforcing anti-monopoly regulations. One example is for international organizations to provide direct financial and technical support for traditional industries such as laurel soap. An independent civil society entity should monitor and evaluate the effectiveness of such support. They could also support a cluster for laurel soap producers to benefit from the economies of scale.
- g. Establishing a Trust fund to support MSMEs: There is a need for a trust fund that is carefully designed to cater for the needs of MSMEs in all areas and to become a transformative vehicle itself through designing a conditionality for benefiting from the trust fund that is anchored in human rights and adherence to good governance including transparency. Syrian diaspora, particularly businesspersons, can contribute technically and financially to this fund. While such trust fund could be based outside Syria, there is a need for mechanisms to enable MSMEs inside the country to access it and benefit from it.

3. On sanctions: It is evident that economic sanctions aiming at some of the big actors and institutions in Syria have had negative direct and indirect impacts on smaller actors and institutions, particularly MSMEs.

- a. It is important to review the impact of some of the sanctions on this sector, and work together with the business owners from the MSMEs community to find solutions to ensure that any solutions are going to benefit them in particular and not the actors typically targeted by sanctions. Relaxing the sanctions that are harming SMEs is necessary, but on its own, it is unlikely to provide a solution. For example, in many cases there is a need to provide alternative channels, such as alternative financing mechanisms, to avoid the impact of external de-risking and overcompliance policies. The revival of import and export also require tailored interventions to re-assure the private sector in the countries that are imposing sanctions. These countries could work towards establishing clear guidelines for their private sectors, providing them with specific instructions on how to engage with MSMEs inside Syria while minimizing over-compliance with the sanctions.
- b. Reviewing the sanctions that have an impact on the electricity sector and broadening the scope of exemptions on this sector. By doing so, it would open up opportunities for international organizations to provide technical and financial support for the revitalization of the electricity sector in Syria. To ensure transparency and effectiveness, it is essential to establish an independent entity comprising Syrian and international experts. This entity would be responsible for monitoring and overseeing the distribution of support, guaranteeing that it effectively serves the interests of ordinary Syrians, including MSMEs.
- c. Advocating for a reduction in the over-compliance policies adopted by the international banking system on the non-sanctioned Syrian businesspersons and non-sanctioned goods and services that are facilitated by non-sanctioned businesspersons and entities, particularly in government-controlled areas, where most entrepreneurs face significant challenges in conducting external financial transactions.

4. **Working towards national market-unity:** businesses in Syria are resisting the de facto division of the conflict in Syria by attempting to maintain their business relations against all odds and despite the increased risks and costs. They displayed a desire to see these relations regulated so that there is more open and regulated trade movement and joint commercial activities between the different areas rather than leaving most of these activities under the control of few warlords and influential businesspersons. Working towards trade-unity of the country could provide an important foundation for future united country while also benefiting MSMEs and contributing to economic recovery.
5. **To improve the role of MSMEs in promoting civic values:** the business arena needs to be seen not just an arena for supporting the economy but also one where new and traditional civic values are nurtured. As such, the area of MSMEs needs to be observed and supported not just by actors interested in supporting MSMEs themselves but also those interested in promoting civic values and social cohesion. Examples:
 - a. Actors working on gender equality need to campaign for women's rights within the MSMEs environment including equal pay, better and more protective working environment that is also accommodating for women's needs.
 - b. Actors engaging in labour rights advocacy should prioritize the promotion of legal and human rights for workers in MSMEs. This includes advocating for a decent working environment that encompasses fair wages, reasonable working hours, and suitable workplaces.
 - c. Actors working on disability rights need to devise programmes to integrate persons with disabilities within MSMEs. This could include providing them with special training and equipment and encouraging business owners to employ them and teach them and to make the working environment more accommodating and respecting their needs.
 - d. Actors working on Children's protection need to ensure that children are receiving their rights to education regardless of their families' needs for additional income.

- e. Actors working on environmental protection and climate change need to devise programmes to teach business owners, especially in the agriculture sector how to cope with issues such as the scarcity of water by using water-smart agricultural solutions.
- 6. To improve the role of MSMEs in poverty reduction and peacebuilding** the established culture of charity and supporting the local community within this sector needs to be understood, respected, supported and developed. This could include:
 - a. Helping MSMEs in providing support to people in need beyond individual cases while at the same time respecting the tradition of remaining discreet. An improved relation with civil society could help in developing the existing traditional model and in making it more organised.
 - b. Encouraging the public authorities to provide tax relief for cash and in-kind donations made by MSMEs to help the community and reduce poverty.
 - c. Since providing jobs is the most important role MSMEs play in poverty reduction, they need to be seen by humanitarian actors as a main agent in offering a more sustainable poverty reduction mechanisms and taking people out of the aid cycle.
 - d. Encourage inclusivity and diversity in the business place and reward the businesses that meet this diversity.
- 7. Building an improved relationship with civil society organisations:** There is a need to encourage a relation between civil society and business actors that is based on complementarity. The way the growing role of civil society organisation as a market player needs to be understood in the specific context of each area in Syria and taken into consideration when devising programmes to support both civil society organisations and MSMEs. While civil society is emerging as an important client for MSMEs in all areas in Syria, the model where many enterprises are established solely to cater for civil society needs is not producing sustainable businesses especially if most of the needed goods are imported.

- a. Civil society organisations and other actors aiming to support MSMEs development need to expand the support beyond the micro start-ups and invest in supporting existing small and medium size enterprises which are better placed to remain in operation.
 - b. Civil society organisations could also play an important role in providing training and capacity building that is tailored to the specific needs of MSMEs, which could be through business incubators.
 - c. Civil society organisations could also help MSMEs in improving their charitable activities in many ways while respecting their traditional ways of giving.
8. **The co-operatives model** needs to be explored as an efficient and inclusive model for area development, especially in villages and small towns and MSMEs could play a leading role in such model. This model can stimulate local production and safeguard small businesses from exploitation by intermediaries and large traders. It also helps micro and small enterprises to benefit from the economics of scale resulting from clustering and cooperation between each other.
9. Investing in the **new opportunity of businesses** based on remote working and that are providing services for clients outside the country by establishing co-working centres that could host such businesses and providing them with an uninterrupted electricity and internet connection. Such businesses are playing an important role in providing skilled labour with well paid jobs and stable salaries.
10. There is a slowly growing trend of **women-led businesses** and there are even examples of women-only businesses. Support to women to establish their own business could be an important vehicle for empowering women and setting a new business standard for pay and working conditions that are equitable and respecting of women's needs.

The diverse array of recommendations resulting from the KIIs underscores the urgent requirement for support for MSMEs across all regions of Syria. These recommendations, aimed at empowering MSMEs, are interconnected, and ideally should be implemented simultaneously. However, considering the limitations in resources, various stakeholders need to engage in an inclusive process to prioritize these recommendations at the local level. These stakeholders should include public authorities, businesspersons, civil society organizations, the Syrian diaspora, as well as Syrian and international experts.

The analysis reveals that despite the challenging circumstances prevalent in all regions of Syria, numerous private businesses continue to actively support their local communities in efforts to alleviate poverty. These businesses also contribute, directly or indirectly, to enhancing social cohesion within their respective areas. Consequently, empowering MSMEs is expected to yield a significant impact on poverty alleviation and social cohesion, thereby fostering sustainable peace at the local level.

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Endnotes

¹ Interview in October 2020 with the director of SMEs Development Commission in Syria, Available at: <https://www.facebook.com/watch/?v=955743071583458>

² *ibid*

³ The USD to SYP exchange rate in this report is 1 USD = 8,500 SYP, which was the exchange rate during April 2023. Source: <https://sp-today.com/en>

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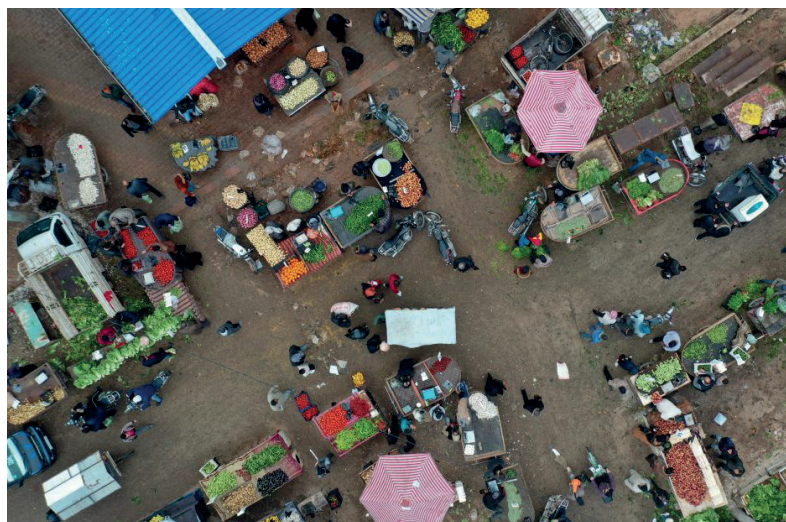
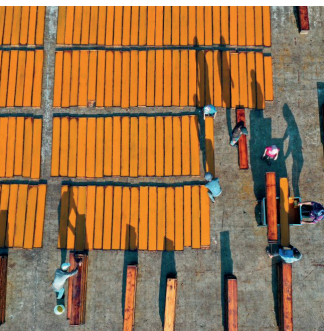
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University of Edinburgh, School of Law, Old College, South Bridge EH8 9YL

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