If the Fighting Ever Stops: Stabilization, Recovery, and Development in Syria

REVIEW DRAFT

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May 16, 2017

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Anthony H. Cordesman

There is a natural tendency in war to focus on the fighting and the politics of a ceasefire or peace settlement, and to look at the challenges in creating some form of short-term stabilization. All are critical issues in ending the fighting in Syria. It is a country that is now the scene of a series of four interacting wars and power struggles:

- A war against ISIS that is joined to the fight against ISIS in Iraq, which is the focus of U.S.-led military efforts, and is concentrated in the populated areas of Eastern Syria.
- A struggle for some form of separate identity by Syria's Kurds in northern Syria that has become tied to Turkey’s fighting against its Kurdish rebels, while the Syrian Kurds have become the key U.S. ally on the ground in the fight against ISIS.
- A fight between the pro-Assad faction—backed by Russia, Iran and the Hezbollah—and largely Sunni Arab rebels that have been backed by the Arab Gulf states and Jordan, and have had limited U.S. support.
- Struggles within the Arab rebel forces that increasingly divide them between more moderate and secular forces and a steadily growing mix of Islamic extremist groups, some with ties to Al Qaeda.

Each of these wars and power struggles has had a steadily growing humanitarian impact on Syria's entire population—although that impact has been far worse in the key areas of combat. It has done immense damage to Syria's economy and social infrastructure, and has reversed key aspects of its economic development.

It is also far from clear that any of the four struggles listed earlier can easily be halted in ways that lead to any lasting form of stability, recovery and development. Simply defeating ISIS, for example, will not provide any clear basis for stability, and neither will separating the Assad controlled areas from Arab rebel areas, or carving out some form of Kurdish zone. Ceasefires and de-escalation zones may reduce the level of human suffering, but will scarcely end it or allow progress towards development.

These are key issues that have received far too little attention in the formation of U.S. strategy—and in the efforts of other outside states—as well as far too little practical attention by the Syrian combatants. No real form of conflict resolution will be possible, however, unless conflict resolution does move towards stability, recovery, and reconstruction.

Their implications for stability operations and U.S. strategy have already been addressed in a previous Burke Chair paper entitled "Stability Operations in Syria: The Need for a Revolution in Civil-Military Affairs," that appeared in the U.S Army Military Review in March 2017. They have, however, become steadily more urgent as the fighting has continued, as Russia pushes for a solution based on de-escalation zones, and as the United States moves towards trying to drive ISIS out of its "capital" in Raqqa, while coping with deeply divided Kurdish, Arab, and Turkish allies. The need to understand the full range of challenges in creating some strategy for stability, recovery and development in Syria needs to be a key part of any such efforts at conflict resolution.

This analysis focuses on providing an in-depth comparison of UN, IMF, and World Bank reporting on the economic and social causes of Syria's political upheavals and fighting, the
humanitarian cost of the fighting to date, and the key implications of the fighting for development and long term stability.

These comparisons show that Syria approached the status of a "failed state" in the years before the political upheavals in 2011 and civil war. They also show that Syria has since become a humanitarian disaster. More broadly, they show the extent to which the fighting has created massive problems for recovery and development that can only be addressed if Syria can reach some form of internal political stability, and gain the kind of effective governance that can consistently pursue a mix of policies that has public support.

At the same time, the reports summarized in this analysis must be kept in perspective. First, all of the sources that are quoted and compared make it clear that reliable data are lacking in many areas. Second, the fighting still goes on and the problems grow with time. Third, they show that many currently proposed forms of efforts to end the fighting will not create conditions that offer credible future stability, recovery, and development.

As several of the reports warn, this comparative analysis also draws on UN, IMF, and World Bank reporting that largely treat Syria as a unified state, and that do not attempt to address the sharply conflicting interests of different elements of the Syrian people, its power brokers and warlords, and outside states. As result, this study only tells part of the story. The challenge of producing any form of viable unity or separation that meets sharply competing internal needs and interests is almost certain to sharply compound the all too real nation-wide problems discussed in this report.

Moreover, Syria's problems cannot be separated from those of neighboring states that are impacted by its conflict and that impact heavily on Syria: Iraq, Jordan, and Lebanon. Syria is also only one of the conflict states that competes for international and attention, and where the competition between outside states is a further major source of warfare, instability, and human suffering.

At the same time, the reporting on the mistakes that led to Syria's crisis in 2011 and the civil war that followed, on the current levels of suffering, and on the steps that can lead to future recovery, development and stability, does provide some critical common lessons.

Military action alone cannot bring an end to the forces that shape the instability in any such country, and that no short-term form of ceasefire or conflict resolution is likely to avoid a return to new forms of fighting, it is equally clear that Syria and the other conflict countries cannot succeed without both creating new and more effective forms of governance and without substantial outside aid.

Some conclusions for shaping a successful strategy to meet the challenges outlined in this study are all too clear.

- First, any strategy based solely largely on warfighting will both fail and end in steadily increasing the level of human suffering.
- Second, some form of nation building is essential. Syria and other conflict states can only recover and develop if they can develop politics and governments that can take responsibility for that recovery and development.
- Finally, if outside states focus on military competition in conflict states like Syria, rather than focus on cooperating in aiding recovery and development, the end result is almost
certain to be self-defeating even for any apparent winner. The end result will be ongoing instability, a major security and aid burden, and a constant tension with other competing outside states.

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Looking Beyond the Fighting, Ceasefires, and Humanitarian Aid

The studies by the UN, IMF, and World Bank in this analysis make it all too clear that the fighting in Syria has reached levels where achieving stability, recovery, and development will involve massive challenges even if a stable central government that concentrates on progress should come to power. At the same time, it is clear from the same excerpts of these studies, and virtually all other serious reporting on the war, that that real world efforts to resolve Syria's various conflict can lead to post-conflict power struggles between factions inside and outside Syria that will vastly complicate post-conflict stabilization efforts.

The studies quoted in this report also show that the fighting has also done so much damage that Syria could easily take a decade or more in any to achieve recovery and move towards serious development – even if an end to fighting did result in a Syria that remained united and all of the parties involved made at least some effort to support a recovery effort.

Simply restoring Assad or some other form of authoritarian rule will not solve Syria's problems. The Assad regime only provided the image of stability in the period before 2011 and the start of the Syrian civil war. The political upheavals that began in Syria in 2011, and triggered large-scale civil war, occurred because of failures in Syria's governance and economic development that already made it the equivalent of a failed state.

UN, IMF, and World Bank reporting make it clear that this situation has now worsened to the point of near the disaster. Since the beginning of the fighting, Syria's economy and social infrastructure has suffered so much that it presents challenges for reconstruction that go far beyond humanitarian aid. The fighting has steadily polarized factions within Syria and the attitudes of the nations around Syria – as well as created a major challenge to any effort to bring stability to Iraq and defeat extremism as distinguished from deny ISIS its claims to a protostate or Caliphate.

The rise of Syrian Kurdish demands for autonomy or independence, the divisions between the Assad regime and Arab rebels, the problems that will be created by the defeat of ISIS, and the competition between outside powers also create serious questions as to whether Syria will remain unified enough to pose challenges in nation-building become a divided Syria that will pose challenges in nations building.

In either case, conflict termination will only be the first step in a long struggle to bring some form of security and stability to Syria. Actions like breaking up the ISIS caliphate will not put an end to ISIS, and that ceasefires and safe zones that divided the supporters of the Assad regime from the territory occupied by Arab and Kurdish rebels cannot be a stable or economically viable form of conflict termination.

This means a successful strategy for Syria must look beyond efforts to create a ceasefire and providing short term humanitarian aid. It must provide a credible plan for long-term stability operations and recovery, and consider whether some form of cooperative international effort to provide aid in recovery and reconstruction could act as an incentive for lasting conflict resolution and stability.
Assad's Rule Over a Failed State Before the Uprisings in 2011

Any examination of Syria's future prospects for recovery and development must take the past failures of the Assad regime fully into account. The war has made things far worse, but Syria was on or over the edge of becoming a failed state before the fighting began.

Like so many other "strong men," Assad could only achieve some form of temporary stability as long as he had the outside resources to pay off his people in return for accepting an authoritarian regime. While Syria had made real progress in the 1980s and 1990s, it did so largely because of the wealth it gained from oil and gas exports, and not because of effective government by the Assad regime. At the top, the Assad regime also ran a crony economy, trading economic favors for political support.

This worked for a while. During the 1980s and 1990s, the regime had enough oil wealth to also provide major improvements in the income and services it provided to its ordinary citizens—although it discriminated against minorities like the Kurds. Syria's relative oil wealth declined after 2000, however, and the Assad regime failed to carry out meaningful economic reform while it continued to favor its supporters or cronies.

Even in 2010-2011, Assad still had the opportunity to stay in power by making moderate reforms that would have put Syria on the track to become a stable medium income state. In actual practice, he chose repression and authoritarian rule when Syria's economy came under stress. His regime's efforts to control and channel sectarian and ethnic tension then played a major role in dividing Syria and creating the conditions that could lead to civil war. At the same time, his actions remain the original source of many of the problems that economic problems have now become critical as a result of the fighting, and will be equally critical in shaping Syria's future needs for recovery and development.

The IMF Analysis of the Causes of Political Upheavals and Civil War

One IMF analysis summarizes the economic causes of the civil war as follows:

1. In the early 2000s, Syria embarked on a gradual economic liberalization to spur growth. The reforms were motivated, in part, by the challenges posed by the decline in oil production and proven oil reserves, and the effect that had on fiscal sustainability. Structural reforms were aimed at deregulating and diversifying the tightly-managed, state-focused economy, while phasing out energy subsidies and streamlining the tax regime. In 2004, private banks were allowed to begin operating and in 2009 the stock market re-opened after more than 40 years. Syria requested to become a member of the WTO in 2001, and signed a free trade agreement with Turkey in 2007. Some elements of the structural reform agenda were supported through IMF technical assistance, including strengthening banking supervision and regulation, modernizing the monetary framework, developing a government debt market, strengthening and streamlining revenue administration, and improving public financial management.

2. The economy was stable. Inflation was low and growth robust (non-oil growth averaged 4.4 percent during 2000–09). While the public sector remained dominant, fiscal deficits were manageable with public debt standing at 31 percent of GDP at the end of 2009. The current account was estimated to be largely in balance and international reserves were comfortable at more than nine months of imports of goods and services at the end of 2010. Foreign direct investment at about 1.3 percent of GDP on average during 2000–09, focused on pharmaceuticals, food processing, and textiles.

3. However, poverty and unemployment were on the rise. The 2010 Millennium Development Goals (MDGs) country report found that Syria was making progress toward several of the MDGs, including achieving access to universal primary education, reducing gender disparities in education, lowering child...
mortality, and improving immunization coverage of children. However, after falling between 1997 and 2004, poverty rose in the second half of the 2000s.

4. **There were considerable regional disparities.** Rural poverty indicators were much higher than urban and national indicators as the rural population did not benefit from the economic liberalization reforms, and farmers in particular were affected by a multi-year drought. The northeast region had the highest poverty ratio at about 15 percent in 2007, and accounted for more than half of the poor in Syria. In the second half of the 2000s, many rural, farmers migrated to the urban south or coastal regions, which became some of the poorest areas in the country. At the same time, employment opportunities did not grow in line with decades of rapid population growth, and unemployment almost doubled within a decade to more than 16 percent in 2006/07. The unemployment rate was highest among the youth (age group 15–24), at 22 percent in 2006/07.

5. **Syria also did not fare well on most business environment and rule of law indicators.** In the 2009 Doing Business Indicators, Syria ranked 137 out of 181 countries, performing poorly on access to finance, contract enforcement, and registering property, while making progress on the time needed to start a business. According to the last Enterprise Surveys (2009), the top three obstacles to firms investing in Syria included corruption, an inadequately educated workforce, and electricity. More than 80 percent of firms indicated at the time that they were expected to give gifts to public officials to “get things done,” compared to a regional average of 37 percent. In the Heritage Index of Economic Freedom, Syria was ranked as “repressed” or “mostly unfree” between 2006–09; it also had the fourth-lowest ranking in the region in terms of the rule of law. According to the Heritage Index, Syria’s government institutions lacked public accountability and were plagued by corruption, while the judiciary was viewed as neither transparent nor independent.

6. **At the same time, political reforms were limited.** President Bashar al Assad initially advocated political reforms when he took over the presidency in 2000. However, the pace of reform was slow and frictions arose between those demanding reforms and those allied to the status quo.

**The World Bank Analysis of the Causes of Political Upheavals and Civil War**

A World Bank analysis, published in April 2017, provides another view of the series of rising economic and social problems that led to the political upheavals in Syria that began in 2010-2011.

For the four decades before 2011, the economy relied on oil for more than 50 percent of exports and 35 percent of government revenues. With its oil wealth, the Syrian government supported the “Arab social contract”, providing citizens with universal subsidies, public-sector jobs, and free health and education in return for limited voice and accountability. Periods of oil windfalls brought increases in income, expansion of public-sector jobs, investment in infrastructure, and improvements in living standards together with advances in health and education.

Economic growth was strong during this period, averaging around 5.6 percent, with several years of double-digit rates. Between 2000 and 2008, GDP per capita doubled, reaching $2,806, lower than other oil-exporting countries except Yemen, but comparable to Morocco and Egypt. The high growth was accompanied by fiscal stability, low debt (around 20 percent of GDP) and reasonable levels of foreign reserves. Syria’s fiscal deficit was contained at around 4 percent of GDP for years prior to 2010. Remittance inflows were on the rise, reaching $2 billion in 2010 from $135 million in 2002.

Years of oil boom made it possible to invest significantly in human capital (Figure 2.1). By 2010, about 92 percent of the population had access to electricity, with 100 percent in urban areas. About 95 percent of households had access to improved sanitation facilities and life expectancy stood at 72 years, higher than most countries at this level of per capita income. Health indicators improved significantly. Immunization coverage reached 84 percent of the population in 2010, and child mortality was down from 38 per 1,000 births in 1990 to 13 in 2010. Education was accessible to all school-aged children with the gross enrollment rate in primary education at 126 percent in 2007. Still, the enrollment rate for females was significantly less than for males. Only 58 percent of the female population over 25 years had completed primary education in
2009 compared with 76 percent of males, according to World Bank data. The gap between male and female educational attainment narrowed for those who completed secondary education.

In addition, Syria is one of the MENA countries that appears to have used public spending efficiently (Box 2.1). However, the education system in Syria, like those of other MENA countries, fell short on quality. The results of the 2007 Trends in International Mathematics and Science Study (TIMSS) show that about half the Syrian students who appeared in the international exam performed below the lowest international benchmark.

Though high, the oil-driven economic growth of 1970-2010 was extremely volatile, thanks to the cycles of oil boom and bust during this period (Figure One). Volatility in oil prices led capital expenditures to rely heavily on oil wealth and in sectors that were not conducive to job creation. The public sector wage bill and fuel subsidies increased throughout this period in a move to improve standards of living and reduce the high rates of unemployment resulting from years of investing in the capital-intensive oil sector.

But the higher standards of living and public-sector jobs raised expectations, leading to a wide gap between actual market wage rates and expected wages. Those in the labor market queuing for public sector jobs were faced with a limited number of alternatives and were pushed into the informal sector. Together with a weak private sector that was not able to create private employment, this contributed to an official unemployment rate of about 9 percent in 2010, and unofficially 20 percent, with female rates exceeding 23 percent and the youth unemployment rate at around 19 percent.

Inflated public sector wages undermined competitiveness in the non-oil sectors. Among them, agriculture played an important role in terms of contributing to growth—oil and agriculture accounted for 50 percent of GDP in 2010—and creating jobs especially for rural workers. But due to the geographical situation of the country which made it prone to droughts, production and employment in this sector remained low and vulnerable.

Domestic economic shocks including the real estate boom and the removal of some subsidies in 2008 led to a sharp increase in the cost of living. House prices soared following speculative land deals, making it harder for families and young people to afford a house.

Skills mismatch and the disconnect between the labor market and the education system gave rise to young people looking for jobs elsewhere including street trading, which was considered illegal. The result was the exclusion of many young Syrians from social and financial services. The distribution of income widened as individuals above the third decile in the expenditure distribution benefited proportionally more than the poor from economic growth.

Between 1997 and 2004, inequality in Syria as measured by the Gini index rose from 0.33 to 0.37. A UNDP report (2005) showed that the proportion of people whose expenditure was below the lower national poverty line rose from 30.1 percent to 33 percent between 2004 and 2007, representing about 6 million people. The three-year-long drought devastated agricultural yields and livelihoods in the northeastern and southern parts of the country, further increasing food prices and plunging rural workers and their families into hardship. A series of economic reforms during the 2000s disproportionately empowered those who were close to power including a number of Alawis, which fueled anger among the Sunni Arab poor (Phillips, 2011).

Syrians, particularly the youth, became increasingly dissatisfied with the quality of their lives. The average life evaluation index for Syria compiled by Gallup, which measures the quality of life as perceived by citizens, declined from 5.4 in 2008 to 4.4 (for WP16 index) in 2010 and from 6.4 to 5.7 during the same period (for WP18 index).5 By 2011, both indices declined sharply to 4 and 5 respectively and continued falling, suggesting deep deterioration in life satisfaction among Syrians. A combination of the economic and social weaknesses described above including the erosion of prospects for youth represented by high unemployment rates, and lack of voice resulting from the exclusion of certain sects, triggered an outbreak of riots in Daraa in early 2011, which escalated into a widespread civil war.
The Other Prewar Factors that Led to Civil Conflict

The IMF and World Bank surveys of Syria's prewar problems only tell part of the story. Other sources show that even if one ignore repression and sectarian and ethnic tensions, the pre-civil war problems in Syria included:

• By 2010, Syria had fallen badly behind in meeting its people's expectations. The CIA estimates that Syria only had a per capita income of $4,800 even in PPP terms in 2010, and one that ranked only 158th in the world, with 12% of the population below a very low poverty line. Its economy only functioned because of limited oil and gas exports, and it faced massive population pressures.

• Syria was a desert country that was experiencing extreme population pressure. The U.S. census bureau estimates that Syria's population was only 3.5 million in 1950. It was 5.7 million by the time of the 1967 war and 6.9 million by the time of the 1973 conflict. It was 16.5 million by 2000, and 21.8 million by 2010. In 2011, its median age was 22 and 36% of its population was 14 years of age or younger. A once agricultural country was over 60% urbanized, and its mix of sects had had to extensively relocate and mingle as a result.

• As Figure Two shows, even if one ignores the Assad regime's repression and authoritarian character, Syria had one of the worst governance records in the region before the political upheavals in 2011, and very high levels of corruption. The World Bank rated governance as of low quality, per capita income growth lagged, corruption was significant, serious regional problems occurred because of drought, oil and gas income were limited, and groups like the Kurds faced serious discrimination.
• The upheavals in 2011 occurred because of poor leadership and governance as well as poor economic development and drought, and because Syria had all of the critical elements of a failed state. The CIA summarizes the result as follows:  

Influenced by major uprisings that began elsewhere in the region, and compounded by additional social and economic factors, antigovernment protests broke out first in the southern province of Dar'a in March 2011 with protesters calling for the repeal of the restrictive Emergency Law allowing arrests without charge, the legalization of political parties, and the removal of corrupt local officials. Demonstrations and violent unrest spread across Syria with the size and intensity of protests fluctuating. The government responded to unrest with a mix of concessions - including the repeal of the Emergency Law, new laws permitting new political parties, and liberalizing local and national elections - and military force.

However, the government's response has failed to meet opposition demands for ASAD's resignation, and the government's ongoing violence to quell unrest and widespread armed opposition activity has led to extended clashes between government forces and oppositionists.

International pressure on the ASAD regime has intensified since late 2011, as the Arab League, EU, Turkey, and the US expanded economic sanctions against the regime. In December 2012, the Syrian National Coalition, was recognized by more than 130 countries as the sole legitimate representative of the Syrian people. Peace talks between the Coalition and Syrian regime at the UN-sponsored Geneva II conference in 2014 and the UN-sponsored Geneva III talks in 2016 failed to produce a resolution of the conflict. Unrest continues in Syria, and according to an April 2016 UN estimate, the death toll among Syrian Government forces, opposition forces, and civilians had reached 400,000. As of December 2016, approximately 13.5 million people were in need of humanitarian assistance in Syria, with 6.3 million people displaced internally, and an additional 4.8 million Syrian refugees, making the Syrian situation the largest humanitarian crisis worldwide.

These past failures warn that restoring the Assad regime is extraordinarily unlikely to provide a basis for future Syrian stability, recovery, and development. At the same time, they provide a broader warning that future Syrian governance and leadership will be critical.

This is particularly important because no faction in Syria has yet shown it has the needed capabilities. If anything, the Assad faction is no longer a strong man faction, and must now deal with its own powerbrokers and warlords, and with and competing Russian, Iranian, and Syrian interests. Syria's Kurds have only token experience in governance and are liked to an impractical dream of ethnic Marxism. The Arab rebel factions have some individual leaders with experience in governance but not in the areas needed for recovery and development, and far too many of the Arab rebel factions are tied to concepts of Islam that do not provide any functional basis for running an economy in the modern world.

The question of who shall govern, and their competence, is a critical one if Syria is to have a stable and productive future.
Understanding the Challenge: UN Reporting on the Current Crisis and Humanitarian Needs

Years of war and political upheavals, and outside intervention have made this situation far worse and brought it to the near disaster level. While the U.S. and Europe tend to focus on the threat from ISIS, the primary challenge is not ISIS, but the fighting between the supporters of the Assad regime, “moderate” and “extremist” Sunni Arab rebel factions, Kurds, and other minorities – all of which have their own tensions and sometimes internal power struggles and fighting. A majority of Syria’s population is caught up in this process and winter is coming to nation exhausted by a half a decade of conflict.
Syria has become a humanitarian nightmare, and one where no form of military victory can bring stability or lasting peace. Security may have to come before conflict resolution, but stability has to come before recovery and reconstruction. Any sound policy that addresses Syria must take account of these facts.

**UNHCR and OCHA Estimates**

UN reporting varies with time, and UN sources make it clear that many figures and estimates involve a high degree of uncertainty. They still, however, provide a good picture of the growing scale of the humanitarian challenge and the problems in creating lasting stability. The United Nations High Commissioner for Refugees (UNHCR) summarized these problems as follows in February 2017:  

- Almost 5 million people have left Syria since 2011.
- 4.7 million people are displaced or in hard to reach areas with limited or no aid inside Syria.
- 6.3 million people have been displaced within Syria since fighting erupted in March 2011.
- 13.5 million people are in need for humanitarian assistance.
- 4 out of 5 Syrians live in poverty, competing over limited resources.

The UN Office for the Coordination of Humanitarian Affairs (OCHA) provided a more detailed estimate, on its web site in November 2016, and one that included key estimates of recovery and reconstruction needs:

Syria is one of the most complex and dynamic humanitarian crises in the world today. Since March 2011, over a quarter of a million Syrians have been killed and over one million have been injured. 4.8 million Syrians have been forced to leave the country, and 6.5 million are internally displaced, making Syria the largest displacement crisis globally.

In 2016, an estimated 13.5 million people, including 6 million children, are in need of humanitarian assistance. Of these 5.47 million people are in hard-to-reach areas, including close to 600,000 people in 18 besieged areas.

According to current figures, 11.5 million Syrians require health care, 13.5 million need protection support and 12.1 million require water and sanitation, while 5.7 million children need education support, including 2.7 million who are out of school in Syria and across the region. About 2.48 million people are food insecure, while more than 1.5 million need shelter and household goods.

Syria's development situation has regressed almost by four decades. Four out of five Syrians now live in poverty. Since the crisis began in 2011, life expectancy among Syrians has dropped by more than 20 years, while school attendance has dropped over 50 per cent, with more than 2 million children now out of school. Syria has also seen reversals in all 12 Millennium Development Goal indicators. The Syrian economy has contracted by an estimated 40 per cent since 2011, leading to the majority of Syrians losing their livelihoods.

Humanitarian access to people in need in Syria remains constrained by ongoing conflict, shifting frontlines, administrative and bureaucratic hurdles, violence along access routes and general safety and security concerns in contravention of international law, international humanitarian law and human rights law. While the cessation of hostilities, since 27 February 2016, is a welcome improvement and enabled some temporary aid, those in besieged and hard-to-reach areas need regular and sustained assistance.

It is increasingly difficult for Syrians to find safety, including by seeking asylum. These difficulties have resulted in a marked decline in the number of newly arriving registered refugees and in their ability to access international protection.
The OCHA also provided the following updates in May 2017:

As the Syria crisis enters its seventh year, civilians continue to bear the brunt of a conflict marked by unparalleled suffering, destruction and disregard for human life. 13.5 million people require humanitarian assistance, including 4.6 million people in need trapped in besieged and hard-to-reach areas, where they are exposed to grave protection threats.

Over half of the population has been forced from their homes, and many people have been displaced multiple times. Children and youth comprise more than half of the displaced, as well as half of those in need of humanitarian assistance. Parties to the conflict act with impunity, committing violations of international humanitarian and human rights law.

Among conflict-affected communities, life-threatening needs continue to grow. Neighboring countries have restricted the admission of people fleeing Syria, leaving hundreds of thousands of people stranded in deplorable conditions on their borders. In some cases, these populations are beyond the reach of humanitarian actors.

Civilians living in 13 besieged locations, 643,780 people in need of humanitarian assistance are denied their basic rights, including freedom of movement and access to adequate food, water, and health care. Frequent denial of entry of humanitarian assistance into these areas and blockage of urgent medical evacuations result in civilian deaths and suffering. 3.9 million people in need live in hard-to-reach areas that humanitarian actors are unable to reach in a sustained manner through available modalities.

...In the absence of a political solution to the conflict, intense and widespread hostilities are likely to persist in 2017. After six years of senseless and brutal conflict, the outrage at what is occurring in Syria and what is being perpetrated against the Syrian people must be maintained. Now is the time for advocacy and now is the time for the various parties to come together and bring an end to the conflict in Syria.

Once again, this reporting needs an import caveat. Bad as the UN numbers are, it is important to note that they are nationwide totals and do not reflect the pressures on given elements of the populations and the resulting special aid needs. They do not reflect, ethnic, sectarian, and political differences, but one thing is clear: humanitarian aid buys time in reducing human suffering.

At the same time, even the best humanitarian effort is not a lasting solution to providing stability and security. Important as food aid, medical aid, and shelter are – and options like “safe zones” may be in theory – the lasting problems in stabilization, recovery, and reconstruction will increase at least as long at the fighting continues, and they are almost certain to increase and further divide Syria’s people unless each key faction is offered at least an acceptable form of hope and tangible level of action for the future.

**UN ESCWA Estimate**

The UN’s Economic and Social Commission for Western Asia (ESCWA) published a separate study in November 2016 entitled *Survey of Economic and Social Developments in the Arab Region 2015-2016*. This study provided a broad assessment of the cost of the political upheavals and fighting in the MENA region that begin in 2011. It reported that,
The transition of Arab countries, initiated in 2011 by sociopolitical events collectively known as the Arab Spring, has resulted in instability and, in several cases, war. The adverse effects have been felt not only in those countries enduring armed violence to .. The Survey finds that – as compared with projections made before 2011 – conflicts in the region have led to a net loss of $613.8 billion in economic activity, and an aggregate fiscal deficit of $243.1 billion.

Conflicts have worsened other economic and social indicators, such as debt, unemployment, corruption and poverty. The international refugee crisis has placed a strain on communities that have lost populations, on countries coping with refugee influxes, and above all on the refugee populations themselves, which suffer from poor health and malnutrition, and have limited access to employment and education. Crisis affects everyone, but women have faced the most adverse effects. Greater policy interventions are needed to address these issues and to prevent the rise of a “lost generation” of Arab youth affected by conflict.

...Now in its sixth year, the Syrian civil war has led to one of the most severe humanitarian crises of the new millennium. The international community has failed to end the conflict or provide adequate aid. Recent estimates put the total death toll at 470,000. The country’s population has decreased by one fifth, due to casualties and emigration. The war has been accompanied by atrocities, the rise of the so-called “Islamic State”, a regional and global refugee crisis, and external intervention that has only fueled hostilities.

The ESCWA also provided the following description of the civil cost of the fighting in Syria11,

The conflict has left a once middle-income economy in ruins. Various studies have been conducted on the impact of the war on the economy. However, official data have been scant since the war began and account only for activities in areas controlled by the Government. Data on other regions are more difficult to gather.

In this study, we make use of the most recent estimates of economic losses and look at potential post-war projections.

1. **Pre-conflict situation and trajectory**

According to the Government’s Eleventh Five-year Plan, GDP stood at $60.2 billion in 2010 and was set to grow steadily in the years to 2015 (figure 3.16). Under the plan, public investment was to rise from SYP 309 billion to SYP 514 billion between 2011 and 2015, with major investments in public administration, transportation, water and electricity. In practice, those plans have been stripped back and funds have been diverted to military expenditure.

1. **Impact of the conflict**

According to National Agenda for the Future of Syria (NAFS) estimations, the Syrian conflict has caused losses of $259 billion since 2011, including $169 billion from lost GDP as compared with pre-conflict projections, and $89.9 billion from accumulated physical capital loss. The Syrian Centre for Policy Research (SCPR) says that overall GDP loss has been three times the size of the country’s GDP in 2010.48 The degree of destruction has increased over time, and ramped-up bombing campaigns since late 2015 have begun targeting infrastructure and economically vital sectors such as energy, which had previously been largely immune. This will further diminish the productive capital stock left at the end of the war.

Building and industry have borne the brunt of destruction...Output of manufacturing, a key subsector for job and income creation and an indicator of economic transformation, now stands at one third of its 2010 level.

Despite farming losses, favorable weather and the shift to smallholder agriculture during the conflict lifted agriculture’s share of GDP from 17.4 per cent before the crisis to 28.7 per cent in 2015. That has been matched by a fall in the GDP share of other sectors, particularly mining (an 11.6 percentage point drop) and internal trade (a 4.5 percentage point drop).49 Other subsectors, including tourism and utilities, have also been adversely affected.

Public and private sector consumption and investment continue to slide. Public consumption dropped by nearly one third from 2014 to 2015, and household consumption has fallen as consumer price index (CPI) inflation has risen.50 “Semi-public” consumption (that is, consumption in areas beyond the Government’s control) represented 13.2 per cent of GDP in 2015. For example, the so-called “Islamic State” controls
three quarters of oil production.

Unemployment rose from 15 per cent in 2011 to 48 per cent in 2014. Some three million Syrians, responsible for 12.2 million dependent family members, have lost their jobs during the course of the conflict. More than 80 per cent of the Syrian population were living below the poverty line at the end of 2015, as opposed to 28 per cent in 2010. Areas with the highest poverty rates include Al-Raqqa, Idlib, Deir El Zor, Homs and the rural area around Damascus, all of which have witnessed some of the most brutal and prolonged battles of the conflict so far. The deep descent into poverty has been fueled by rising unemployment, the loss of property and assets by large numbers of IDPs and sharp cuts in food and fuel subsidies.

The continuing economic destruction will translate into a new lower level and trajectory for the Syrian economy, with greater dependence on imports and aid. Debt, unemployment, inflation and other negative indicators are all worsening, and any gains in terms of remittances and informal trade are vastly offset by the physical losses and opportunity costs of the war. So, although theory posits that countries in long-term conflict may adjust to the economic consequences, the situation in the Syrian Arab Republic is worsening every year according to most economic indicators.

The conflict has triggered an unprecedented refugee crisis. The plight of refugees has been documented but global humanitarian assistance and legal allowances for displaced persons remain inadequate. Under an agreement reached in London between European and Arab partners in February 2016, it was decided to open markets for manufactured goods, such as textiles, from Jordan because of the refugee burden that country is bearing. According to the ILO, 28 per cent of Syrian refugees in Jordan had work in early 2014. Unemployment in that country had, however, soared from 14.5 per cent in March 2011 to 22 per cent in February 2016.

**IMF Estimates**

The IMF issued a study called *Syria’s Conflict Economy* in June 2016. While the situation has worsened with each month since that time, it too goes into a level of detail that still provides additional insights. The IMF analysis goes into great depth covering key issues, but key excerpts include:

**The conflict has turned into a humanitarian disaster.** The population of Syria (which stood at about 22.1 million in 2010) is estimated to have shrunk by at least 20 percent since March 2011. According to the United Nations High Commission for Refugees (UNHCR), more than 250,000 people have been killed and more than 800,000 have been injured as a result of the fighting. As of February 2016, UNHCR reports that about 4.7 million people have fled to Syria’s immediate neighbors—Iraq, Jordan, Lebanon, and Turkey....Almost 900,000 refugees had declared political asylum in the EU by December 2015 At the same time, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) reports that there are 7.6 million internally displaced people within Syria, with most having relocated to the coastal region or Damascus, both of which are under government control.

**Millions of people have been pushed into unemployment and poverty.** The Syrian Center for Policy Research (SCPR) estimates that more than 60 percent of the labor force (about 3.5 million) is unemployed, with some 3 million having lost their jobs as a result of the conflict. SCPR also estimated the overall poverty rate in 2014 to be 83 percent (compared to 12.4 percent in 2007). Many Syrians, including children, have had to find jobs in the informal sector to offset the loss of income. More than two-thirds of Syrians are living in extreme poverty, unable to meet basic food and non-food needs. The main reasons for poverty are the loss of property, jobs, and access to public services, including health and clean water, as well as rising food prices. Poverty rates are highest in governorates that have been most affected by the conflict and that were historically the poorest in the country. According to the UN, some 2.1 million homes have been destroyed.

**Children have been profoundly affected by the war.** A livelihood assessment conducted by Save the Children in northeastern Syria found that after years of conflict, families are struggling to meet their basic needs and are increasingly reliant on negative coping practices, putting children out to work, entering daughters into early wedlock, and allowing children to become involved with armed groups. School
attendance has dropped by more than half, with more than 2 million children in Syria out of school. According to UNICEF, child labor is the predominant reason for the withdrawal of children from schools. Access to education is also affected by other factors: one-quarter of schools are not operational, and there is a significant shortage of teachers. Similarly, over 700,000 children of Syrian refugees are out of school. A recent UNICEF report found that 10 percent of the 3.7 million Syrian children that have been born since the conflict began in 2011 are born as refugees.

**Health conditions have dramatically worsened.** According to SCPR (updating UNDP estimates of 2013), life expectancy has declined by 20 years within a span of four years (to 56 years in 2014, down from 76 years in 2010). Health clinics have been closed; health services severely curtailed; about one-fifth of all primary health care facilities are not functioning and another one-fifth are functioning at limited levels; and half of the country’s hospitals have been destroyed. The ratio of doctors to the overall population has declined to 1:4,000 in 2014, down from 1:661 in 2010. The collapse of the domestic pharmaceuticals industry has resulted in a scarcity of medicine, thereby precluding access to treatment for treatable and chronic diseases, especially among the poor. Vaccination rates for children have fallen to 50–70 percent from 99–100 percent before the crisis. And diseases that had long disappeared in Syria such as polio, measles, and typhoid have reappeared. Unsafe drinking water and poor hygiene practices are further increasing the risk of infections and illnesses among children. According to OCHA, about two thirds of children in Syria are without safe and reliable water.14 Only one third of Syria’s sewage is now treated.

**There is little food security.**15 People are having difficulties buying essential foods to survive, because of the contraction in agricultural output and high food prices. UNICEF estimates that more than 4 million children and women are in need of nutritional assistance. Since mid-2014, the government has cut price subsidies on bread, rice, sugar, and water, as well as closed down government-run bakeries in opposition held areas.

**Access to water and electricity has also been curtailed.** The conflict has destroyed significant water infrastructure. In some cases, various groups have used tactical water and power cuts to reduce service provision to targeted population areas. Alternative service providers have sprung up to fill gaps in service delivery, including by selling drinking water and electricity generation, but they typically charge high prices. The government has issued rules attempting to control prices but has not been able to enforce them.

**Funding for, and access to, humanitarian aid poses a persistent challenge for relief agencies in Syria.** The UN’s appeal for its Syria response plan has been underfunded over the past four years. OCHA and SCPR estimate that, as of early 2016, 13.5 million people in Syria are in need of humanitarian aid, including six million children. Of these, 4.6 million people are in hard-to-reach areas, including close to 500,000 people in besieged areas. At the same time, foreign NGOs have been somewhat restricted in their assistance, as they cannot distribute aid without formal authorization by the government and also face other restrictions in channeling aid, including through formal financial channels as a result of the international sanctions.

**The conflict has devastated the economy.** Broadly in line with estimates from the Economist Intelligence Unit (EIU) and the SCPR, we project that the economy has contracted in real terms by 57 percent since 2010. Non-oil real GDP declined on average by 14 percent between 2011 and 2015, while oil and gas GDP both fell by an average of 28 percent during the same period."

**Oil and gas production has been severely disrupted and the well-developed energy infrastructure has been damaged...** Crude oil production in areas under government control has fallen sharply, declining to about 9,000 barrels per day (b/p) in 2014 from 386,000 b/p in 2010, a 98 percent decline in oil GDP. However, total crude oil production is higher when taking into account output from fields under rebel control, that is then sold via the black market, including to the government-owned domestic refineries.18 Taking these fields into account, total oil production is estimated to have amounted to 40,000 b/p in 2014.

- Gas output has halved, declining to 0.5 billion cubic feet per day (bcfd) in 2014 compared to 1.1 bcfd in 2010. After ISIL’s seizure in early 2015 of the gas fields near Palmyra, production was projected to have fallen to 0.4 bcfd in 2015.
- Energy infrastructure—including oil and natural gas pipelines and electricity transmission networks—has been damaged. Syria’s two state-owned refineries—one in Homs, the other in Banias—are operating at half capacity, mainly due to the damage to pipelines and other infrastructure around the...
refinery at Homs.

- The lack of fuel inputs has also limited power generation. By early 2013, more than 30 of Syria’s power stations were inactive, and at least 40 percent of the country’s high voltage lines had been attacked...

**Agricultural production, which accounted for one-fifth of GDP before the conflict, has experienced significant losses.** 21 Agricultural areas have been affected by the destruction of farmland and shortages of inputs such as seeds, fertilizer, pesticide, fuel, and farm labor, as well as damage to irrigation systems, mills, and farming equipment. Farmers also have sold off their livestock, or taken them across the border. Further, some of the more fertile areas such as the Aleppo and Raqqa governorates, which accounted for half of Syria’s agricultural production, are largely outside government control. Farmers are also facing serious transportation and storage problems due to the loss of government control over roads and territory, making it difficult to get food on time from production and surplus areas to core markets...

- Cereal production has been disrupted. Wheat production—the largest produced crop in terms of harvested area and tons—was estimated at 2.5 million tons in 2015 20 percent lower than 2010. By contrast, barley, the next most important crop, has increased by 40 percent to 0.9 million tons since 2010 because of good rainfall.23
- Since 2010, livestock production has declined by 30 percent in cattle, by 40 percent in sheep and goats, and by 50 percent in poultry.
- Fruit production has suffered from the felling of trees for firewood, and from shortages of pesticides and fertilizers. The Ministry of Agriculture estimates that olive production has declined to 400,000 tons per year in 2015 from one million tons per year; olive production used to employ 100,000 families and Syria was the fourth-largest olive producer in the world..
- Industrial crops such as sugar beet, cotton, and tobacco have also fallen.

**The services sector has also been hit hard.** While no data are available, we estimate that services—such as retail, wholesale, transportation, construction, and banking—have contracted sharply on account of a collapse of the overall economy, particularly tourism, and with heightened security risks, destruction of roads, and economic fragmentation impeding trade and commerce. Banking has been further impacted by the economic sanctions. The government contributed positively to economic growth in the initial conflict years as public sector wages and military spending increased sharply between 2011 and 2013. Since then, however, there have been cuts in the provision of services in the face of falling revenue and export oil earnings.

**Manufacturing production has likely suffered a disproportionately large decline.** The sector has been affected by shortages in fuel, power, and other raw materials, limited access to trade finance, and severe destruction to infrastructure. The centers of Syria’s manufacturing base were in Aleppo, Homs, and the suburbs of Damascus—areas which have been most affected by the conflict. Reports indicate that equipment in factories has been plundered. Many businesses have moved their production from war-torn areas to more secure locations along the coast. Many Syrian small and medium enterprises (SMEs) and entrepreneurs have allegedly moved their production to Turkey and are selling their goods back to Syria. In 2014, Syrians accounted for 26 percent of new businesses registered in Turkey while Turkey’s exports to Syria recovered to their pre-crisis level of $1.8 billion in 2014 from $500 million in 2012 and May 2015.

**Inflation has increased sharply.** The consumer price index (CPI) increased by more than 300 percent between March 2011 and May 2015. This reflects a combination of supply shortages of basic goods such as food, medicine, and fuel, along with cuts in government subsidies (water, food, electricity, and fuel) and the depreciating currency. After being relatively stable in 2014, food prices increased again in 2015 in the wake of further subsidy cuts, supply shortages, and a more rapid pace of exchange rate depreciation. As a result of food price inflation, the 2015 FAO/WFP report found that households are now spending a disproportionate amount just on food—well over 50 to 60 percent in many areas.

**The conflict and international trade embargos have led to a sharp widening in the external current account.** We estimate the 2015 current account deficit to be 13 percent of GDP, compared with about 0.6 percent of GDP in 2010. Most of the deterioration comes from the collapse in oil exports and tourism.
The deficit has been largely financed through a drawdown of reserves and some external financing.

There has been likely major capital flight while capital inflows have been limited. We assume that the only official financial assistance is the announced credit lines by the Iranian government, amounting to $1.9 billion in 2013, $3 billion in 2014, and $0.97 billion in 2015. At the same time, a considerable amount of money has also reportedly left the country, mainly through informal channels to avoid capital controls, as Syrians have reallocated into safer assets.

Fiscal data are very scattered. In particular, the government does not release details on the approved budget and fiscal outcomes, as well as financing. That said, there are some news releases on total expenditure, the wage bill, and subsidies in the annual budgets and the projected fiscal deficit...

We estimate that the fiscal deficit has widened to over 20 percent of GDP in 2015 from 8 percent of GDP in 2010. While in nominal terms the budget has almost doubled from SP800 billion in 2010 to SP1.3 trillion in 2015, in real terms the 2015 budget is 40 percent lower than the budget of 2010. We estimate that revenue fell to 6 percent of GDP, compared to 21 percent of GDP before the crisis, mainly due to the loss of oil revenue, a collapsing economy and international trade, a growing informal economy, political fragmentation, and weak administrative collection capacity...Capital spending is expected to be negligible.

Public debt is large and mostly financed domestically. The Iranian credit is assumed to have been the only external financial support between 2011 and 2015. Therefore, the remaining deficit had to be covered domestically by the Central Bank and commercial banks.... We estimate that public debt was above 100 percent of GDP at the end of 2015, up from 31 percent of GDP at the end of 2009. The growing dependence on bilateral financial support, in particular from Iran, along with the significant exchange rate depreciation and collapse in GDP, is expected to have pushed external debt to 60 percent of GDP from 9 percent at the end of 2009.

Sanctions and the war have affected Syria’s financial system. Banks are largely isolated from the international banking market. As part of the international sanctions, the central and state-owned banks—which account for three-quarters of banking assets—are largely shut off from the international payment and settlement systems, as well as the credit markets.

Non-performing loans (NPLs) are a large problem. Because of large scale deposit withdrawals and the limited ability to do business domestically, bank balance sheets and net income have both shrunk...NPLs are estimated to have increased from 4 percent at the end of 2010 to 35 percent by September 2013.

The integrity of the Syria’s financial system has been eroded, with a reported rise in financial crime activities and terrorist financing risk.

World Bank Assessments

The World Bank has also addressed the humanitarian challenges of Syrian recovery and reconstruction. Its work joins the previous sources in highlighting the sheer scale of the recovery and reconstruction effort that will be needed.

An October 2016 report highlights its assessment of several important issues near the end of 2016:

The conflict has had severe macroeconomic implications. Real GDP contracted sharply in 2012-15, including some 12 percent in 2015. After increasing by nearly 90 percent in 2013, inflation eased but remained high at nearly 30 percent in 2014-15.

The severe decline in oil receipts since the second half of 2012 and disruptions of trade due to the conflict has put pressure on the balance of payments and the exchange rate.

Revenues from oil exports decreased from US$4.7 billion in 2011 to an estimated US$0.14 billion in 2015 as most of Syria’s oil fields are outside government control.

The current account deficit reached 19 percent of GDP in 2014 but declined markedly to 8 percent of GDP in 2015. International reserves declined from US$20 billion at end-2010 to US$1.1 billion at end-2015,
while the Syrian pound depreciated from 47 pounds per USD in 2010 to 517 pounds per USD at end-August 2016.

The overall fiscal deficit increased sharply, reaching 20 percent of GDP in 2015, with revenues falling to an all-time low of below 7 percent of GDP during 2014-15 due to a collapse of oil and tax revenues. In response, the government cut spending, including on wages and salaries, but this was not enough to offset the fall in revenues and higher military spending.

Macroeconomic and poverty projections are complicated by the uncertainty about the duration and severity of the conflict.

Nevertheless, real GDP is estimated to continue to contract in 2016 by around 4 percent on account of a worsening of the conflict in key centers of economic activity such as Aleppo and as oil and gas production and non-oil economic activity continue to suffer from the conflict. Inflation is likely to remain very high at around 25 percent in 2016, because of continued exchange rate depreciation, trade disruptions, and shortages. Current account and fiscal deficits are also projected to remain large, broadly around the levels of 2015.

Medium-term macroeconomic prospects hinge on containing the war and finding a political resolution to the conflict, and rebuilding the damaged infrastructure and social capital.

The key challenges are clearly to end the conflict and restore basic public services along with other measures to address the humanitarian crisis.

The World Bank published a summary assessment in April 2017 that provided a more updated picture of how the crisis was worsening over time:

The proliferation of violence in Syria over the past six years has taken a heavy toll on life of the Syrian people and is resulting in a large outflow of refugees. The estimated death toll has exceeded 250,000 people (as per the UN); a report by the Syrian Center for Policy Research (SCPR) put the death toll at 470,000, with 1.2 million wounded and many more displaced. In addition, The UN High Commissioner for Refugees (UNHCR) estimated that by June 2016, 4.8 million Syrian refugees have been hosted by Egypt, Iraq, Jordan, Lebanon and Turkey. The latest UNHCR statistics reveal that half of the Syrian population has been forcibly displaced, with an estimated 7.6 million internally displaced persons (IDPs). Lack of access to health care and scarcity of medicine have led to a catastrophic health situation. Poor food availability and quality and successive cuts in subsidies on bread have exacerbated nutritional deprivation.

The SCPR estimates that over 60 percent of the labor force (about 3.5 million) is unemployed, with some 3 million having lost their jobs as a result of the conflict. The World Bank has not had poverty estimates since 2007, but SCPR estimates the overall poverty rate at 83 percent in 2014 (compared to 12.4 percent in 2007). Many Syrians, including children, have had to find jobs in the informal sector to offset the loss of income. It is estimated that two-thirds of Syrians are living in extreme poverty, unable to meet basic food and non-food needs. The main reasons for poverty are loss of property and jobs, loss of access to public services, including health and clean water, and rising food prices. Poverty rates are highest in governorates that have been most affected by the conflict and that were historically the poorest in the country.

The economic impact of the conflict is difficult to estimate precisely given limited data but is large and growing. Syria’s GDP is estimated to have contracted by an average of 15.7 percent for the period (2011-2014) and is expected to decline further by 12 percent in 2015 and 4 percent in 2016. The decline in GDP growth was in part attributed to a sharp decline in oil production, down from 368,000 barrels per day in 2010 to an estimated 40,000 barrels per day in 2015 and 2016. After increasing by nearly 90 percent in 2013, average inflation increased by 29 percent in 2014. CPI inflation is estimated to increase by 30 and 25 percent in 2015 and 2016 because of continued trade disruption, shortages and a sharp depreciation of the Syrian pound.

The severe decline in oil receipts since the second half of 2012 and disruptions of trade due to the conflict put pressure on the balance of payments and exchange rate. Revenues from oil exports decreased from US$4.7 billion in 2011 to an estimated US$0.22 billion in 2014, and are estimated to decline further to US$0.14 billion in 2015 and 2016. Therefore, the current account balance is estimated to continue its trend and reach a deficit of 8 and 16 percent of GDP in 2015 and 2016 respectively. As a result of the civil war, it
is estimated that total international reserves have significantly declined. Depressed export revenue caused by the impact of the conflict and declining international reserves have caused a significant depreciation of the Syrian pound from 47 pounds per USD in 2010 to an estimated 154 pounds per USD at end-2014.

As a result of Syria’s decline in Gross National Income per capita and the increases in poverty, the World Bank Group recently re-classified Syria as an International Development Association-eligible country, a move which emphasizes the sheer scale of the damage the conflict has done to Syria’s economy. This reclassification places Syria among the world’s poorest countries, and makes it eligible for the Bank’s IDA grants and highly concessional loans.

The World Bank also published an in-depth study in April 2017 entitled The Economics of Post-Conflict Reconstruction in MENA that provides exceptional depth on Syria's humanitarian crisis by major area of impact.\textsuperscript{15}

Six years of war and violence in Syria have torn the social fabric of a society that once coexisted with multiple ethnicities, religions, races, and political orientations. Historically, Syria has not been directly involved in armed conflict except for the Franco-Syrian war in 1920 and the Great Syrian Revolt of 1925-27. The current war grew out of the unrest of the 2011 Arab Spring. Whether Syria’s multiethnic social fabric triggered the current war or the war itself is responsible for the current sectarian divide (or both) is not clear. But clearly the war is among several factions: The Syrian Government and its various supporters, a loose alliance of Syrian Arab rebel groups, the Syrian Democratic Forces, Salafi jihadist groups (including al-Nusra Front) who often co-operate with the rebels, and the Islamic State of Iraq and the Levant (ISIL or Daesh). Among opposition groups, Daesh has turned into a major force in the country’s sectarian insurgency, capturing and controlling swaths of Syria and Iraq – squeezing some of the crude oil production in both countries. Scarcity of weapons and funds have been fueling additional conflict between different rebel factions.

Regardless of the nature of the war, the outcome has been one of the worst humanitarian and economic disasters with large spillovers to the rest of the world. Estimates by the Syrian Observatory for Human Rights puts the number of deaths in Syria as of December 2016, at more than 310,000 people since the conflict began in March 2011. This is twice as much as the casualties in the Yemen civil war of 1962-70 and the 15-year civil war in Lebanon. The Syrian Center for Policy Research (SCPR) puts the death toll at 470,000 with 1.1 million being injured. The war between Iraq and Iran produced three to five times more deaths over a period of eight years, but both the Syrian and the Iran-Iraq wars produced the same amount of deaths per capita (Iran has about 4 times the population of Syria).

Population. The Syrian population has fallen from 21.8 million in 2010 to 18.5 million in 2015 (a decline of 15 percent), whereas it was expected to reach 25.6 million in 2015 in the absence of conflict. Relative to the counterfactual, the population has decreased by almost 28 percent. The unemployment rate is estimated to have risen to 56 percent in 2014, increasing the number of unemployed to 3.7 million. About 3 million lost their job due to conflict and more are going jobless as conflict continues. ESCWA forecasts that unemployment increased to 66 percent in 2015 with more people pushed into informal, low-productivity jobs.

The Human Development Index (a composite statistic of life expectancy, education, and per capita income indicators, used to rank countries by their level of development) for Syria fell by 2 percent every year during 2010-15, resulting in Syria’s position in the global ranking going from mid-ranking in 2010 to 134th out of 187 countries in 2015, comparable to Congo, Timor-Leste, Zambia and Ghana.

Forcibly Displaced. Compared to three million people displaced in Iraq, 2.5 million in Yemen and 1.3 million in Ukraine, Syrian forced displacement stands out. Over 11.5 million (half of the pre-conflict Syrian population) have left their homes. Over half of them - about 6.6 million people - have been displaced within Syria. Globally, Syria stands after Colombia with the largest number of internally displaced persons (IDPs). The remaining 4.9 million have fled the country as refugees mostly to nearby countries such as Lebanon, Turkey, Iraq, Jordan and Egypt; about one million have gone to European countries. To keep these figures in perspective, fighting in Afghanistan has produced 2.7 million refugees, Somalia about 1.1 million, the Lebanese civil war one million, and the Iran-Iraq war a negligible number.
**Children and Education.** Syrian children are affected in multiple ways with more than 8 million witnessing violence, loss of parents, displacement, child labor, forced child marriage and shortages of schools. The latest official data show that more than 10 percent of girls in Syria are married before the age of 18 and the conflict has led to a dramatic increase in child marriage within the Syrian refugees.9 UNICEF estimates that 2.8 million children are out of school with 2.1 million inside Syria and the rest outside of the country. This amounts to half of the school-age children in Syria. The SCPR projected that the 2015-16 school year will follow suit with half the children not attending school (Figure 2.4). Among them, one-third did not attend school due to fear of safety and the difficult security situation. The rest did not attend school due to financial hardship as a result of child labor and destruction of the educational infrastructure. SCPR estimated the accumulated cost of loss of years of schooling by children at about $16.5 billion in 2015. The United Nations International Children's Fund (UNICEF, 2015) reports a loss in human capital of about $10.5 billion due to loss of education among Syrian children and youth.

SCPR estimates that by 2014, more than 25 percent of all schools in the country (around 5,200 schools) were not operational, 90 percent of which were partially or completely destroyed and the remainder serving as shelters for IDPs. Official data show that the education sector losses from the beginning of the crisis until end-2014 amounted to SYP 170 billion, or about $809 million at the current exchange rate.10 Lack of staff due to staff flight, displacement and migration besides other violent incidents have adversely contributed to the situation.

A survey by SCPR shows a wide gap in attendance rates between regions. During the 2014-2015 school year, the school-age non-attendance rate was highest in Raqqa and Deir Ezzor where it reached 95 per cent. This dramatic decrease in school attendance in both cities was a result of a decision taken by Daesh to close schools in regions under their control. School non-attendance in Aleppo was around 74 percent, followed by Rural Damascus at 49 percent, and Idlib at 48 percent. The school-age nonattendance rate was relatively low at about zero percent in Tartous, 16 per cent in Damascus.

**Health.** The health system is completely dysfunctional, with demolition of infrastructure and medical centers, lack of medical equipment and vaccines, and professional staff fleeing the country. Vaccination rates for most types of illnesses have dropped to less than 70 percent while reaching zero percent in some regions (compared with pre-crisis rates of 99-100 percent). Diseases that were eradicated are coming back. Infant and maternal mortality, which were on a declining trend pre-crisis...have started to rise, reaching around 23 deaths per thousand and 63 deaths per hundred thousand births in 2013, from 18 and 52 deaths in 2011 respectively. Provision of health services has taken a significant hit, with 35 percent of public hospitals functioning partially, while another 22 percent being completely out of service according to the UNICEF. The collapse of the pharmaceuticals industry has resulted in a scarcity of medication and the development of a black market, preventing access for treatable and chronic diseases, especially among the poor.

**Women.** Women’s role in Syria has shifted dramatically during the war.

Data show that 12-17 percent of households in Syria and up to one-third of households in refugee-hosting countries12 are now female-headed. This has contributed to deterioration in the living conditions for women inside and outside of Syria. Data from UNHCR show that half of the registered Syrian refugees are females of working age. With the scarcity of jobs in the hosting communities particularly acute for women, the income of the female headed households tends to be below that of male-headed households. Women, in particular poor women and those with disabilities and social needs are extremely vulnerable; many have experienced physiological and mental problems.

Access to medical, education and others services is difficult for women given the cultural context for many Syrian refugees. A study has shown that more than one-third of refugee women are dealing with disability. They also face various types of legal problems such as family law issues, accounting for 65 percent of all cases in Jordan, for example. Criminal legal problems accounted for 15 percent of cases, refugee-related issues 13 percent, and civil issues 7 percent. Marriages in Syria are not certified by a court, whereas in the host communities such as Jordan, the rule is different. Syrian females have difficulty proving family relations, which is often a necessary step to obtain certain kinds of humanitarian relief, causing many to file cases in the host community family courts. In the case where alimony and child support payments are not made, female-headed households are more likely to fall into poverty.
Poverty. Unavailability of water supply, poor quality when available, limited access to food, sanitation, and health care have pushed the majority of people into poverty. Estimates by SCPR show that the number of people living in poverty has increased to 85.2 percent in 2015 relative to 83.2 percent in 2014 and 64.8 percent in 2013. About 35 percent are living in extreme poverty (limited access to basic food) though the levels of poverty differs significantly among governorates and has increased dramatically in conflict zones and besieged areas. As shown in the poverty map, in 2015 Al-Raqqa was considered the poorest region in Syria with 91.6 percent of residents living below the overall poverty line. In addition, the highest overall poverty levels among the population were registered in Idlib, Deir Ezzor, Homs, and rural Damascus...

Physical Costs. Assessments of the physical damages to key public and private assets in Syria have been conducted by the World Bank, SCPR and REACH (IMPACT). The analysis in this section relies on these assessments. The World Bank Damage and Needs Assessment (DNA) report in 2014, with a subsequent update in March 2016, conducted a remote data collecting exercise that combines satellite imagery with social media to assess damages to the six war-ravaged cities; Aleppo, Dar’a, Hama, Homs, Idlib, and Latakia and in selected sectors: housing; education; health; water and sanitation; energy; transportation; and agriculture. Damages caused during 2015 and early 2016 were more severe than previous years and the latest update of the damage assessment has increased relative to estimates at end of 2014, suggesting that the war intensified in these cities..

Estimates by the World Bank put the cost of damages - at 2007 constant prices - between $5.9 and 7.2 billion as of March 2016. This is a lower-bound estimate since data gathered remotely do not capture the total physical damages to these cities and the prices used to calculate the damages are pre-crisis levels that do not take into account inflation, and insurance premiums. If adjusted by the inflation rate only, damages for six cities over seven sectors for 2016 are estimated at $33.7 to $41.1 billion for 2016...at $27 billion from the destruction of wells, pipelines, and refineries. Putting these all together, damages from war in six cities among eight sectors including oil, will amount to close to $68 billion as of March 2016. This figure is close to that of SCPR, who estimate the destruction of physical infrastructure to be about $67.3 billion including loss of residential and non-residential buildings. Their estimates also include damages to equipment and tools.

Estimates by the DNA report show that Aleppo appears to be the most affected among the six cities, accounting for roughly 57 percent of the estimated damages in 2016. Damages have been increasing since December 2014 (initial estimate) due to considerable increase in housing destruction.16 Following Aleppo, Homs and Hama are the most affected cities. Housing is the most affected sector in Homs accounting for almost 83 percent of the damage estimates.

Almost 80 percent of the damages in Hama are in the energy sector. Dar’a and Idlib’s share in overall estimated damages is low partly due to their smaller size compared to the other cities. Overall, the two cities account for 2 percent and 6 percent of the total estimated damage cost respectively. By contrast, Latakia has been a relatively secure area since the beginning of the conflict, experiencing only very limited destruction.

Agriculture. Agricultural production has dropped significantly during the war, contributing to rising food prices. Together with the depreciating Syrian Pound, this has made living conditions hard for those inside the country. Data collected between January and August 2016 by REACH in Northern Syria show that the median cost of a Survival Minimum Expenditure Basket (SMEB), which represents the minimum amount of food and nonfood items needed for a Syrian household to survive, rose by 37 percent in May. This was largely driven by rising food prices with the median price of bread in Syrian pounds rising by 38 percent, bulgur by 82 percent, and sugar by 121 percent over eight months. Cereal production levels have remained low, with an estimated 2-2.5 million tons of wheat, far below the historical average of about 3.5-4 million tons. The DNA analysis puts the damages to the agriculture sector in all six cities to around $74 to $91 million. Applying the inflation rate to these estimates will give us a rough estimate of between $422 and $530 million in damage costs for 2016.

Energy. The destruction or damage to assets have created a severe disruption to the power sector, which was already inadequate for the peak demand needs of the country. Syria had 7,500 MW of capacity nationwide. The assessment covered energy infrastructure providing approximately 70 percent of the grid electricity to the six cities. Damages in the energy sector in the six cities are estimated to be between $1.1 and $1.5 billion in real terms as of March 2016. Adjusted by inflation, the damage amounts to $6.1 to $8.5
billion. The damage assessment for the energy sector covers Power Plant, Substation, and Transmission Tower and assesses roughly 60 percent of the installed power generation capacity in the country. Hama is the most affected city with the largest power plant capacity (1,730MW split between two large plants) of the six cities.

**Housing.** The housing sector is the most damaged sector in these six cities. As of March 2016, an estimated 20 percent of total housing in Aleppo, Dar'a, Hama, Homs, Idlib, has been completely destroyed. Homs and Idlib have incurred the vast majority of the destroyed units. About 34 percent of housing units were partially damaged with Aleppo accounting for the largest number of partially destroyed housing units. Total damages in the Housing sector in the six cities are estimated to be around $5 billion, though this may be an underestimate because of the price quote that has been used for estimation. Adjusting for inflation, in 2016 prices, the damage cost amounts to $28 billion. The estimated cost only covers physical damage to the core housing structures and does not include destruction of amenities inside the house and losses resulting from looting.

**Transport.** About 2.2 percent of the total length of intra-city roads in the cities of Aleppo, Dar'a, Hama, Homs, Idlib, and Latakia have been directly damaged. Among them, primary roads and Trunk roads have been damaged the most. Though the impact on road functionality extends beyond direct damage to the road itself. Aleppo accounts for the vast majority of the damage assessed (49.4 percent of the total), and Homs the second largest accounting for 18 percent of the total. The total damages to roads in the six cities is estimated to be ranging from $127 to $156 million, covering only physical damage to roads and bridges, and does not include additional urban infrastructure such as traffic lights, culverts, and road signs. The damage cost would be much higher adjusting for inflation, leading to an estimate of $725 to $891 million in 2016 prices.

**Water and Sanitation (WATSAN).** The sector has incurred significant damage. There were 260 WATSAN assets ranging from water tanks, treatment facilities, and dams in the cities of Aleppo, Dar'a, Hama, Homs, Idlib, and Latakia (the assessment does not cover the damages to the water pipe network). Of that total, 23.8 percent, mainly the water towers, have suffered damage. Aleppo and Dar'a suffered the most damage, accounting for 49 percent and 27 percent of the total damages assessed respectively. Although much of the infrastructure was undamaged, reduced functionality is a significant problem. Water infrastructure's dependence on electricity infrastructure has also affected service delivery, particularly in the case of Aleppo where the Tishreen Dam, which provided 60 percent of Aleppo's power, has reduced the operational times of pumping stations, and limited household access to both clean water and electricity. The total cost to the infrastructure element of the WATSAN sector, for all six cities, is estimated to be between $56 and $69 million. Adjusting for inflation, the damage cost amounts to $320 to $394 million in 2016 prices.

**Health and Education Infrastructure.** Damages to the health sector include damaged medical infrastructure, shortage of supplies and medicine, and lack of health professionals. There were 780 health facilities in the cities of Aleppo, Dar'a, Hama, Homs, Idlib, and Latakia, ranging from hospitals to pharmacies. About 302 or 40 percent have suffered damages or been completely destroyed. Aleppo suffered the most damage, accounting for 48.4 percent of the total damages assessed. The total cost to the health infrastructure element of the health sector, for all six cities, is estimated in real terms in the range of $320 to $390 million at pre-crisis prices. Adjusted by inflation, the damage cost amounts to $1.8 to $2.2 billion.

The education sector has suffered a major setback and lost much of the remarkable progress it had made towards almost meeting the 2015 Millennium Development Goal (MDG). There were 1,417 institutions ranging from Pre-K to Universities in the cities of Aleppo, Dar'a, Hama, Homs, Idlib, and Latakia. About 14.8 percent, particularly the primary and secondary schools, have suffered damages. Aleppo and Dar'a suffered the most damage, accounting for 46 percent and 45 percent of the total damages assessed respectively. The total cost to the infrastructure element of the education sector, for all six cities, is estimated to be between $195 to $215 million, as of March 2016 estimated at pre-crisis 2007 prices and do not take into account the rising inflation in the aftermath of the war. At current 2016 prices, the World Bank estimates the damage cost to the infrastructure of the education sector to be in the range of $1.1 to $1.2 billion.

**Economic Costs.** Economic activity in all sectors of the economy (except the military) have slowed down or stalled as a result of war and violence. For ease of analysis, we will first discuss the macroeconomic
impact of the war on the Syrian economy over the past 6 years...instability, violence and lack of security have created multiple groups, each governing a region or sub-region. Job opportunities are available only in conflict-related areas. Trade has been disrupted and is mostly informal.

Under these circumstances, economic activity has fallen. Compared to the GDP levels in 2010 (prior to conflict), Syria’s GDP fell by 16 percentage points on average each year during the period of 2011-14. The World Bank estimated that growth was expected to contract by another 16 percent in 2015 and 4 percent in 2016. Collier (1999) estimates that countries annual real GDP growth tends to slow down by more than two percentage points on average during civil conflict; Syria’s growth fell by over five times that amount. The decline in average annual per-capita income in Syria has been about two percentage points larger than those for a sample of more than a dozen fragile countries (Stewart et al., 2001).

The dramatic decline in the size and skills of the labor force due to loss of life, disability and displacement has been a major source of output loss. According to Ianchovichina and Ivanic (2016), death and forced displacement accounted for one-fifth of the decline in Syrian economic output during the first three years of the war, while capital destruction contributed close to a quarter.

Syria’s non-oil GDP declined by an annual rate of 15.5 percent for 2011-14 and was estimated to decline further by 4.9 and 4.3 percent over 2015-16 respectively. Cumulative output in constant prices is estimated to have declined by two-thirds between 2010 and 2016. The estimated foregone output (output if there were no conflict and the economy grew by 5 percent annually, on average) amounts to 300 percent of 2010 GDP in constant prices (Figure 2.5). Oil production, the main source of government revenue and exports, has come to a virtual halt due to conflict and Daesh control. Prior to the conflict, the country produced 368,000 barrels of oil per day and exported half of this amount, mainly to Europe. Oil production has dipped to less than 40,000 barrels in 2016 due to damages to facilities and pipelines, and international sanctions imposed on Syria in late 2011 (See Figure 2.5).

The 2011 international sanctions imposed by the United States, the European Union, the League of Arab States and some other countries banning oil imports from Syria, freezing government and individual assets and termination of investment by Arab governments have contributed to the massive loss in output. Qatar, for example is estimated to have halted $6 billion in investment in the country. The banning of Syrian oil imports has forced the State Oil Company to find new markets elsewhere but with no success. Some of its oil buyers including Indian refineries were not been able to secure private or public insurance for shipments. Sanctions on Syrian oil are estimated to have cost the government $4 billion in lost revenues, leading to a severe foreign currency crisis.17 To counter the impact of the trade losses on the economy, Syria has largely relied on Iran, Iraq, and Russia and to some extent Turkey and Jordan. Iraq, ignoring the Arab League sanctions, increased its imports from Syria by 40 percent, and Iran increased its imports by 100 percent.

Moreover, the total costs of war in terms of economic output would nearly double if the opportunity cost of the forgone deep trade integration reforms within the “Levant Quartet” were included in the estimation (Ianchovichina and Ivanic, 2016). These reforms would have allowed Syria to modernize its economy by improving firms’ competitiveness and diversifying production. Although Syria continued to trade with its neighbors after 2011, the composition of trade changed considerably, from capital goods such as machinery and equipment to necessities and other goods in short supply.

Due to violence and the government’s large military expenses, capital expenditures have fallen rapidly, to about half a percentage point of GDP in 2016, compared to 9 percent of GDP in 2010, while current expenditure has increased by 6 percentage points of GDP in 2016 compared to 2010. With almost zero oil revenues, the huge fiscal and current account deficits have been financed by printing money and using foreign reserves. Total foreign reserves are estimated to have reached below $1 billion in 2016 from $20 billion in 2010. The Syrian Pound has depreciated by 400 percent, with the official rate at 514.43 per US dollar on March 10, 2017. The current account balance has deteriorated mainly due to a sharp decline in tourism and oil exports. Lines of credit from Iran and assistance from Russia have helped government finances, but aggravated the already high public debt, which doubled during 2011-14. The IMF estimates that public debt stands at 100 percent of GDP in 2015, up from 31 percent of GDP in 2009.

**Infrastructure.** Sectoral output losses and infrastructure destruction are significant. They are mainly in the construction (housing) sector followed by manufacturing, and mining especially oil (See next section). A
large number of housing units have been destroyed or damaged, putting pressure on the existing houses in the cities not directly involved in war.

The manufacturing hubs of Aleppo, Homs, and the suburbs of Damascus have been destroyed by intense fighting. Furthermore, this sector has been suffering from shortages in fuel, electricity and raw materials due to lower imports. Since 2010, pharmaceutical production has declined by 90 percent according to the UN. The agriculture sector has been affected largely by shortages of inputs, equipment and storage problems and this has been exacerbated by low precipitation rates recorded in 2014. According to the Food and Agriculture Organization of the United Nations (FAO), wheat production has been halved in 2014 compared to mid-2000. The damage to irrigation infrastructure has led to increased reliance on rain-fed crops.

The Challenge of Recovery and Development

There is no way to properly address the longer term costs of post-humanitarian recovery and reconstruction raised by this range of studies until the fighting in Syria is over, and enough stability exists to allows a functional analysis of what it will take to make real world progress towards recovery and development.

It is also important to point out that any form of recovery can only be relative and limited. No one can compensate for the suffering that has already taken place; the lost years and opportunities; the lasting effects of combat, malnutrition, lack of education and job experience; and many of the other effects of war. Anger, hatred, and fear can be overcome with time, but inevitably outlast the fighting and affect the real world process of recovery, as do the ambitions of different leaders and factions inside Syria, in neighboring states, and on the part of outside powers.

Planning development is at least as difficult. It is possible to present options, but no one can now predict what the factions that survive the fighting will want and how they will interact. As noted at the beginning of this analysis, any model of recovery and development tends to be based on the assumption that it represents a common goal for a united country. This is probably the least likely contingency among all of the many ways the current mix of fighting can end.

The UN, IMF, and World Bank have, however, completed a number of studies that at least begin to address the problem and provide some picture of its scale. If nothing else, they help quantify the scale of the challenges that addressing even the economic priorities involved will pose.

**The UN UN’s Economic and Social Commission for Western Asia (ESCWA) Estimate of the Recovery and Reconstruction Challenge**

As noted earlier, the UN’s Economic and Social Commission for Western Asia (ESCWA) published a separate study in November 2016 entitled *Survey of Economic and Social Developments in the Arab Region 2015-2016*. This study not only addressed the humanitarian costs of the war, it summarized the key conclusions of an economic model for reconstruction that assumes a full and immediate solution to the conflict, national unity, and massive outside investment and aid.
The NAFS scenario for rebuilding the economy of the Syrian Arab Republic, supposing that hostilities will end in 2016, uses a financial programming model to calculate what will be needed to return the country’s GDP to its 2010 level by 2025.

…Under the scenario, a minimum public investment of $183.5 billion will be needed to rebuild the country. This equals the sum of cumulative capital loss during the conflict and the investments intended under the 2011 five-year plan, and will boost growth through multiplier effects and stimulate private investment.

…Reconstruction could be divided into two phases…a peacebuilding phase (2016-2018), with a focus on basic needs, ending violence and initiating economic recovery, and a State-building phase (2019-2025), expanding investments to productive sectors and activities, with sectoral allocations presumably based on the five-year plan. The process will require major and expanding investment, particularly from the private sector. Success will depend greatly on the sources and reliability of, and conditions attached to, the available financing options.

…An alternative exercise utilizes a computable general equilibrium (CGE) model, based on the assumption that hostilities end in 2016 and implementation of Eleventh National Development Plan, with a focus on rebuilding destroyed capital and restoring public investment. This yields interesting projections, including a steady increase in GDP similar to the NAFS calculations, but with a spike of 40.6 per cent GDP growth in 2016 due to the immediate infusion of capital and assistance, before it levels off to an average of between 11 and 15 per cent. Capital stock would grow at its pre-crisis rate to reach 2011 levels by 2017 in an optimistic projection. Public investment would spike in 2016 and continue to grow as well, triggering private sector investment. Exports would increase slowly, reaching a value of 20 per cent of GDP by 2020, while imports would boom at 57 per cent of GDP in 2016, later stabilizing at 43 per cent. In the absence of grants, the public deficit and debt would increase to 50 and 200 per cent of GDP respectively. This highlights the importance of tapping into a broad range of alternative financing options. With so many Syrians displaced externally, remittances will play an important role in rebuilding as many of those who find work will remain abroad and continue to work and send money home.

Post-conflict macroeconomic policy will have to go beyond stabilization and tackle problems resulting from the loss of physical and human capital, brain drain, deep political and geographical divisions, as well as factoring in peacebuilding. The approach to post-war reconstruction in Lebanon offers some cautionary lessons. The economic policies and political arrangements arrived at, although they helped the country to emerge from conflict, did not prove sustainable in the longer term.

At the meeting held in London in February 2016 on supporting the Syrian Arab Republic and the region, European and Arab Governments pledged $11.2 billion to deal with the crisis between 2016 and 2020. That would help make up for past shortfalls in aid to meet the basic needs of refugees (access to shelter, health and water), and create opportunities for them through education and employment. The 2016 Humanitarian Response Plan alone requires $3.18 billion. Signatories must honor their pledges and ensure that the plan is implemented. The inclusion of refugees into workforces will help to prevent them becoming a “lost generation” and could prove to be an opportunity for the Arab countries in which they have sought refuge if accompanied by job-creating economic policies fostering industrialization and diversification.

It is important to note that this analysis was intended to model what could be achieved by a theoretical near-best case approach. The required unity of effort, consistent governmental action, and a focus on overall national benefits to the exclusion of any internal tensions and conflicting interests.

This is not a criticism. Syrians need to see that there is hope and the benefit of a "best case." It is not, however, a plan based on credible conflict resolution options or probable aid as distinguished from pledges. Real world action will require far more demanding planning and have to deal with each of the critical issues dividing both Syrian and its neighbors.
An IMF Assessment

The IMF has also gone beyond diagnostics of the crisis to attempts to assess the problems in recovery and transitioning from recovery to development. One such assessment was made as part of the issued in June 2016, and it joined the UN study in warning just how serious the recovery and reconstruction challenge is – although the results of the IMF study seem less optimistic than the model in the UN Economic and Social Commission for Western Asia study in estimating the speed and scale of Syrian recovery:17

The conflict has set the country back decades in terms of economic, social, and human development. Syria’s GDP today is less than half of what it was before the war started. Inflation is high double digits, and there has been a large depreciation of the exchange rate. International reserves have been depleted to finance large fiscal and current account deficits, while public debt has more than doubled. Syria’s people are struggling with the devastating effects of the conflict, including widespread unemployment and poverty, homelessness, food and medicine shortages, and destruction of public services and infrastructure. The situation for those who have stayed in Syria is dire: half of the population is displaced, the social fabric is torn, many children are no longer schooled, access to medicine, food and clean water is limited, and many people of all ages are traumatized by the war.

Rebuilding the country will be a complex and monumental task. Reconstructing damaged physical infrastructure will require substantial international support and prioritization. Rebuilding Syria’s human capital and social cohesion will be an even greater and lasting challenge. Considerable resources will need to go to rebuilding the lives of internally displaced people, and to encouraging the return and reintegration of refugees along with reducing the divisions and tensions between various sectarian communities.

Far-reaching economic reforms will be needed to create stability, growth, and job prospects. The immediate focus would need to be on urgent humanitarian assistance, restoring macroeconomic stability and rebuilding institutional capacity to implement cohesive and meaningful reforms. In the medium term, the reform agenda could include diversifying the economy, creating jobs for the young and displaced, tackling environmental issues, and addressing long-standing issues such as the regional disparities in income and greater political and social inclusion.

Key points in the 2016 IMF study included:18

Many factors will determine the extent and speed of rebuilding the country. Most importantly, the timeframe and success of any reconstruction will hinge on when and how the conflict is resolved. This, in turn, will shape the scope and pace of political and economic reforms. And it will determine how much external assistance is forthcoming, including whether Syria will be able to attract private investment. It will be critical to establish quick wins, including in the energy sector and agriculture, as well as in labor intensive industries such as textile or food processing, which could become drivers of growth.

The recovery will likely take a long time. The literature on post-conflict recovery shows that a longer-lasting conflict will have a more negative impact on the economy and institutions, and prolong the recovery. For instance, it took Lebanon, which experienced 16 years of conflict, 20 years to catch up to the real GDP level it enjoyed before the war, while it took Kuwait, which endured two years of conflict, seven years to regain its pre-war GDP level.

Given the unprecedented scale of devastation, it may be difficult to compare Syria with other post conflict cases. That said, if we hypothetically assume that for Syria the post conflict rebuilding period will begin in 2018 and the economy grows at its trend rate of about 40 percent, it would take the country about 20 years to reach its pre-war real GDP level.

Achieving a higher growth rate would allow the country to achieve a faster recovery. This assumes that the country can quickly restore its production capacity and human capital levels and remains intact as a sovereign territory.

Any break-up of the country would affect potential growth and might require creating new institutions and governance structures.
Rebuilding damaged physical infrastructure will be a monumental task, with reconstruction cost estimates in the range of $100 to $200 billion discusses an assessment of damage to public and energy assets in six large cities. SCPR estimates that the destruction of physical infrastructure between 2011 and 2014 amounted to US$72–75 billion, equivalent to about 120 percent of 2010 GDP.

The MPMR estimated in early 2015 that the conflict has cost the oil industry alone US$27 billion from the destruction of wells, pipelines, and refineries. Similarly, the U.S. Energy Information Administration (EIA) suggests that it will take years for Syrian’s domestic energy system to return to its pre-conflict operating status, even after the conflict subsides. With the escalation of the conflict since the second half of 2015, the rebuilding estimates are likely to be much higher. More recently, the UN Economic and Social Commission for Western Asia (ESCWA) estimated that Syria would require about $180 to $200 billion—three times the 2010 GDP.

Syria will also have to grapple with deep-rooted socioeconomic challenges. The extreme rise in mass poverty, destruction of health and education services, and large-scale displacement of Syrians will pose huge challenges. Syria’s population has shrunk by 20–30 percent, with 50 percent of the population internally displaced, destroyed homes, and many highly skilled workers and entrepreneurs having left the country.

Moreover, the currently low school enrollment rate of children will negatively impact the country’s potential output for years to come. SCPR estimated in 2014 that the loss of years of schooling by children represents a human capital deficit of $5 billion in education investment. A recent UNICEF report placed the loss in human capital at $10.5 billion from the loss of education of Syrian children and youth.

Many children have been born into conflict and exposed to violence, and studies show that exposure to violent conflicts has long-term effects on generations to come. Therefore, considerable resources will need to go to rebuilding the lives of internally displaced people, and to encouraging the return and reintegration of refugees. Further, the conflict has exacerbated existing, and created new divisions and tensions between various sectarian communities across the country that will need to be addressed in a meaningful way to promote social and political cohesion.

This figure includes the cost of looting and the foregone revenue from significantly lower production levels.

According to MPMR, many oil wells in areas not under state control have been set on fire. The World Bank’s Syria Damage Assessment (DA) is a remote in-conflict damage assessment in six cities (Aleppo, Homs, Latakia, Dar’a, Idlib, and Hama) and covers six sectors (agriculture, health, education, energy, transport, and housing). The damage estimates for the six cities range from about $3.7 to 4.5 billion.

The IMF study noted that there were serious problems in getting the data needed for the assessment, and that its reform suggestions give priority to fiscal issues over political needs and conflict resolution. At the same time, the study makes it make it clear that there is a very real political and human dimension: 19

The post-conflict reconstruction efforts should seek to address regional disparities in income and social inclusion. Poverty and extreme poverty, according to SCPR, have worsened further with the conflict, and are highest in governorates that have been most affected by the conflict and that were historically the poorest in the country. Addressing the underpinnings of these disparities should be central to any policy package intended to bring about peace and prosperity. Innovative approaches will be required to improve the provision of public services, including reconstruction of damaged water pipelines, farm irrigation and drainage, roads, schools and hospitals, employment prospects, and access to finance at the regional levels. Institutional and governance arrangements should be considered to give local authorities greater controls over service delivery, including greater forms of fiscal decentralization. However, for fiscal decentralization to work, certain critical governance conditions will need to be in place, including ensuring local authorities are held accountable and resources are spent in a transparent manner. Therefore, any decentralization efforts have to take into account Syria’s new governance model, as well as the state of its institutions.

40. Rebuilding public institutions and improving governance will be key. This includes making fiscal
policy and fiscal management effective, fair, and transparent; developing the rule of law and judiciary independence; and re-establishing and strengthening the capacity for monetary operations and banking supervision, and reforming the bank regulatory framework, including the anti-money laundry and combating terrorist financing (AML/CFT) regime....These efforts would help address governance issues that plagued the country prior to the start of the conflict and contributed to regional and income disparities, and that likely have further deteriorated. They would also help facilitate the re-integration of the domestic financial system into the global economy, lower transaction costs, and reduce the size of the informal sector. Lessons from other post conflict countries show that framing an overall consistent technical assistance strategy at the outset of the post-conflict phase and securing donor coordination are critical for successful implementation of economic and institutional reforms.

**A World Bank Assessment**

The World Bank study on the *The Economics of Post-Conflict Reconstruction in MENA* is largely diagnostic and has already been excerpted in depth. It still, however, provides several important insights and important recommendations regarding recovery and development. Estimates of output and growth for 2017 and beyond are difficult due to lack of reliable data particularly on damages to the infrastructure, currency depreciation and fiscal-deficit financing in the face of dwindling reserves. The destruction of health and education services, and displacement of highly skilled workers and entrepreneurs fleeing the country have also affected the labor market. Moreover, the current low school enrollment rate of children and their deteriorating health conditions will negatively impact the country’s potential output for years to come. Estimates by the World Bank show that if a political solution is reached today and reconstruction begins, it will take 10 years for the Syrian GDP to get close to its pre-war (2010) real GDP level, if the economy grows by 5 percent on average. Growing at lower than this rate i.e. at 3 percent growth rate, will delay the recovery by another 10 years.

Recovery and faster growth will also depend on the reconstruction strategy, implementation and the resources available from the international community. Furthermore, studies have shown that the pace of economic recovery in the medium term depends to some extent on whether a country is rich in natural resources (Devarajan and Mottaghi, 2016b). This is because oil output could recover faster than others sectors in oil rich countries compared to other sectors of the economy. A peace settlement in Syria could lead to a swift rebound in oil output and exports, allowing the economy to recover more quickly.

**Rebuilding Human Capital**

The post-conflict Syrian economy will inherit a weak labor market, disrupted education system and patchy human capital characterized by shortages of skilled workers, teachers, professionals, physicians, etc. that have either fled the country or been displaced internally. Motivating the displaced and refugees to return and, more important, creating jobs for those that have been out of the labor market for several years is a daunting task. Vast amount of resources and sustainable policies are needed to encourage displaced people to return and to help them reintegrate into the society. This is challenging both for the post-conflict government and the international community as some of the refugees particularly the skilled workers, may choose to stay in hosting communities due to insecurity and lack of access to basic services and jobs in their homeland. For example, in post-war Bosnia, many refugees did not return to their home community due to lack of employment opportunities. Contrary to the refugees who have fled the country, IDPs are more likely to return, providing appropriate reintegration support for their smooth transition.

There are many obstacles that stand in the way of reintegrating of returnees into the society. Returnees often choose not to return to their pre-war living communities for fear of discrimination, violence or lack of economic opportunities. This could also apply to those IDPs who select not to go back to their former communities in their homeland and choose different areas to live. This could increase competition in finding jobs, schooling and health care services in the areas that are overly demanded. A recent study by the World Bank examines what can be learned from the available literature and the case studies about the when, who, and why of return, and the role of international assistance in the eight case studies. The study finds that most returnees to their home countries will not go back to their original villages and hometowns. Instead, they settle in the capital where they can find more economic and educational opportunities. For
example, during the civil war in southern Sudan between 1983 and 2005, more than two million people predominantly from rural areas fled to Khartoum. While half have remained in Khartoum, many of those that returned (along with IDPs) have moved to Juba and other towns in what is now South Sudan rather than to their rural areas of origin, due to better security, services, and economic opportunities.

What can be done for a smooth reintegration of the Syrian returnees into the labor market? The answer depends on two factors; how fast the education system can respond to the need for rebuilding human capital in Syria, and how to fill the skill gap between schooling and the labor market? First, due to the mass destruction of the education system, there is an urgent need to form medium-term programs to support educational services for Syrians. Returnees and displaced people need to acquire new skills that are needed to land a job and this could be done through re-evaluating and revitalizing the education and training system. Studies have shown that in countries affected by violence, local education institutions are not capable of providing quality education to the population immediately after a peace settlement. So it is crucial to focus on short-term interventions perhaps through private or international development partners including universities to help restore the education system. This could start now while peace talks are underway. In the medium to long term, however, it is imperative to move from short term interventions to re-build physical infrastructure and institutional capacity aimed at re-orienting the education system towards learning skills and vocational training.

Second, social capital and relationships of trust play an important role in the reintegration process. Studies have shown that communities with a good stock of social capital have less crime, better health and higher educational achievement (Halpern 2009). There is, however, a downside to this and that is when groups and organizations with high social capital have the means to exclude others. A survey conducted by UNHCR in the Afghan labor market in 2006 showed that networking played a strong role in integration of returnees into the labor market through personal networks of friends and relatives as well as professional networks in their field to get information about jobs or to get a job directly. The results also show that attractive sectors for job creation were those that needed less skills such as construction, wholesale, retail and manufacturing where they could easily find a job.

Moving Forward

Syria clearly faces daunting problems and challenges. As has been noted earlier, a previous study -- "Stability Operations in Syria: The Need for a Revolution in Civil-Military Affairs," -- has already examined the impact these problems and challenge have on U.S. strategy. The problem, however, is international and not simply one in reshaping the character of U.S. stability operations.

The Steadily Growing Challenges in Syria

All of analyses summarized in this study show that it is becoming steadily more difficult to devise a strategy for Syria that can deal with the challenges raised by these diagnostics and advice. They make it clear that it is optimistic to talk about any coherent recovery effort beginning in Syria before 2019 at the earliest -- although some efforts might begin earlier in parts of Syria.

The IMF report on Syria’s Conflict Economy warns that,

Starting in March 2011, Syria has witnessed an extremely violent civil war. The 2011 uprising has evolved into a crippling and violent civil war with fierce fighting between the regime and various secular and Islamist opposition groups in different parts of the country. Syria has politically disintegrated into autonomous provinces and territories controlled by the central government, Islamic State of Iraq and the Levant (ISIL), and various rebel groups (Box 1). The conflict has also attracted financial and military support from external powers.

..Syria is deeply fragmented. According to the Syrian Observatory for Human Rights, ISIL controls about half of Syria’s territory (by land mass), in particular the resource-rich north and the eastern/central part of the country. The Kurds hold about 5 percent of the territory (by land mass) in the northeast and a small
pocket in the northwest. The government controls most of the west—the coastal area and some parts of the south. These areas are more densely populated, with the west and Damascus accounting for about 55 to 70 percent of the population. There are also parts that are held by other anti-regime forces.

... post-conflict reconstruction efforts should seek to address regional disparities in income and social inclusion. Poverty and extreme poverty, according to SCPR, have worsened further with the conflict, and are highest in governorates that have been most affected by the conflict and that were historically the poorest in the country.

Addressing the underpinnings of these disparities should be central to any policy package intended to bring about peace and prosperity. Innovative approaches will be required to improve the provision of public services, including reconstruction of damaged water pipelines, farm irrigation and drainage, roads, schools and hospitals, employment prospects, and access to finance at the regional levels. Institutional and governance arrangements should be considered to give local authorities greater controls over service delivery, including greater forms of fiscal decentralization... However, for fiscal decentralization to work, certain critical governance conditions will need to be in place, including ensuring local authorities are held accountable and resources are spent in a transparent manner. Therefore, any decentralization efforts have to take into account Syria’s new governance model, as well as the state of its institutions.

The UN, IMF, and World Bank reports make it clear that any serious conflict resolution and stability effort will have to consider how to move beyond efforts to end the fighting and deal with the immediate politics of a ceasefire or other agreement – as well as humanitarian aid and short-term stability operations. In fact, it may be impossible to even get to short-term conflict resolution without showing the key actors there is a path that can meet their separate and collective needs and providing some form of incentive in the form of international support.

In developing such efforts, it will be important to remember that they also show that Assad was a serious liability by 2010, and one that helped trigger many of today's problems. Syria will need leadership that can plan and manage an effort on the necessary scale, and do so with integrity and in ways that can win substantial popular support.

The U.S. also needs to remember that ISIS and terrorism is only part of Syria's problems. Syria’s pre-2011 leadership, governance, and economy – along with rapid population growth, corruption, repression, and a lack of equity created the upheavals and civil war now underway. Civil war and extremism made things far worse, but they were not underlying causes.

For all the uncertainties in casualty and collateral damage estimates, it is also clear that the primary source of well over 70% of the civilian casualties and collateral damage to Syria's civil economy had to be caused by the fighting between the Assad forces and Arab rebels.

**Dealing with the Full Range of Syrian Recovery and Development Challenges**

The complexity of the challenges described in this study also show that sequential stability, recovery, and development efforts will take careful planning and execution. They also will need major aid resources to support the stability and recovery phases, much less development.

Nothing that deals with problems on the scale described by the UN, IMF, and World Bank can be quickly improvised or implemented without substantial resources. Moreover, while Syria will have to pay for much of the necessary effort, it clearly lacks all the resources to move forward at the pace it needed to provide stability and meet urgent humanitarian needs for recovery. Moving on to the development phase development will almost certainly require substantial and sustained international aid.
As the UN, IMF, and World Bank have noted in different ways, such efforts must also deal with the fact that the challenges in moving towards recovery and development go far beyond the economic aspects of the problem:

- The UN, IMF, and World Bank all note that key data are lacking in many areas, and it takes time to analyze and plan, and set up structure that may be able to survive the pressures of forging a lasting settlement and consistent effort.

- Recovery or reconstruction along the classic narrow lines used in most economic development plans will not meet the expectation of much of Syria’s a people, help unite them, bring a refugee diaspora the still exceeds four million people back to Syria, ordeal with some 8 million independently displaced persons (IDP) within Syria.

- Most development planning focuses on nation-wide efforts, not on achieving reconstruction and growth that meetings the needs of deeply divided key factions, and ethnic and sectarian groups Syria is now divided into Assad regime supporters, Kurds, areas occupied by ISIS, and deeply divided Sunni Arab rebel movements split between extremist and more moderate elements.

- To put the resulting refugee repatriation problem in perspective, the U.S. census bureau estimates that Syria's population dropped from 21.7 million in 2010 to 17.1 million in 2015, although it has since risen back to 8.6 million in 2017.

- Syria is also estimated to be under renewed population pressure that will increase as the refugee outflow ends and reverses. The Census Bureau estimate is 22.4 million for 2020, 26.1 million for 2030, 28.9 million for 2040, and 31.2 million for 2050.

- Forging any kind of coordinated international effort will be difficult at best. It cannot be suddenly improvised, past experience reveals just how difficult it is to actually fund and implement such efforts, and outside nations will need some degree of confidence that such an effort will help bring stability, be affordable, and work.

- The history of international cooperation in such efforts to date is a history of poorly organized, planned, and implemented failure and waste.

- Unless key outside actors like Syria’s Arab neighbors, Turkey, Iran, Russia, the U.S., and European states see some viable option they are almost certain to support given factions and elements in Syria, as well as jockey for power on a broader regional level.

- Regardless of how the issue of dealing with Assad and Syria’s key factions is resolved, trying to go back to Syria’s pre-crisis and civil war institutions and structure cannot provide a basis for dealing with the challenges that have just been outlined. The net effect would be similar to trying to stuff a genie back into a bottle that never had a cork.

Unless all the critical challenges are addressed, Syria can divided or return to conflict in ways that ensure that recovery, reconstruction, and development become “mission impossible.” Syria's current political divisions and the conflicting interests of outside states make these risks all too clear.

No one should understate the challenges involved, or rely on the empty optimism that so often ends in rhetoric and the “fog of failure.” At the same time, the UN, IMF, and World Bank studies make it brutally clear that a narrow focus on the fighting and narrow ceasefire and uncertain political settlements will almost ensure future instability and large-scale human suffering unless the stability, recovery, and development effort is relatively successful.

Ironically, some aspects of a recovery and development effort may also prove easier with time. War can exhaust or burn out some of the Syrian participants. Outside powers may already be learning that the present version of Syrian "great game" is not worth playing if it can possibly be avoided. Recent years have made it increasingly clear that competing to dominate a divided
Syria not only produces uncertain short term gains but creates steadily growing and more serious problems for the future.

From a broad strategic viewpoint, major outside powers like the U.S., Russia, and Turkey now have a greater strategic interest in creating a stable Syria than trying to somehow "win." The same is proving to be equally true of other regional and outside powers and of potential aid donors.

This is particularly important because some form of cooperation between outside powers will be essential. Syria simply lacks the resources to finance its own recovery and development. Moreover, it needs some form of aid effort that can both help it plan and be conditional enough to act as an incentive for effective Syrian governance and planning, and to help create a functional level of Syrian unity.

**The "Nth Case" Problem and the Need for Broader Solutions**

Finally, however, it is important to note in that this analyses of the challenges in Syria does not address the fact that Syria's stability is dependent on what happens in other states, and that is needs will compete for international attention and aid with those of a number of other conflict countries.

Success in Syria is heavily dependent on the outcome of the conflict in Iraq and Iraq's post war stability (and vice versa.) It is also dependent on the degree to which Iraq and Syria can provide security on their common border and avoid becoming part of the competition for power between outside states.

At the same time, this paper only addresses the UN, IMF, and World Bank analyses of Syria. it does not address the problems that the Syrian war(s) have created for Jordan, Lebanon, and Turkey, and their common need for some form of stability recovery.

Moreover, Syria is only one of four major conflict cases the U.S. and international community must now deal with in the MENA region. The others include Iraq, Libya, Yemen. In addition, Afghanistan, Somalia, the Southern Sudan, and a number of other conflict cases in Sub-Saharan Africa also require U.S. and international attention. In practice, Syria will compete with many other countries for aid and support and the strategy of any given outside state must take these needs into consideration in shaping its strategy for Syria.

Here, some key excerpts from the World Bank study of *The Economics of Post-Conflict Reconstruction in MENA* provides some general recommendations about recovery and reconstruction in conflict states that the U.S. and other countries must keep carefully in mind:23

The description of the pre-conflict economies of these three countries as well as of the devastating effects of the wars points to a fundamental principle: Reconstruction has to be a *nation-building* exercise. It has to go beyond repairing the physical damage of the war to addressing the root causes of the conflict. Relatedly, reconstruction has to be a *peace-building* exercise, if nothing else to prevent a recurrence of conflict. It should be designed to influence the conflict dynamics towards peace by changing the calculus of the belligerents.

With these overarching principles, the assessments of the damage and economic costs of the three civil wars in MENA - estimated in the order of $300 billion - as well as the review of previous experience with post-war reconstruction programs such as Iraq after 2003, ... suggest certain specific principles that could guide a post-conflict reconstruction strategy in the region.

The scale of damage is such that just bringing the economies of Syria, Yemen and Libya back to their pre-war levels will require a colossal amount of resources. Estimates of the order of two to three times the country’s 2010 GDP would not be unreasonable. However, any recovery program should strive for going
beyond reproducing 2010 GDP since... the economies would have grown significantly in the absence of a
civil war. Syria, for instance, had an historic opportunity to break the lower-middle-income barrier and
become an upper middle-income country by 2025. Catching up to this long-term trajectory could take
several years and trillions of dollars. Yet it is only fair to the people of these countries that any
reconstruction plan keep its eyes on this seemingly unattainable trajectory and seek to achieve as much of
its promises as possible.

In addition, much of the damage to human capital - children pulled out of school, re-emergence of
communicable diseases, psychological trauma - will have long-term, possibly intergenerational
consequences. Hence the focus of reconstruction should go beyond restoring the current lost output to
preventing a long-term and possibly permanent stagnation in the economy.

Arriving at an estimate of the resources needed is only the first step. The next one is identifying how the
funds will be raised. In the cases of Syria, Yemen and especially Libya, the oil sector—when it is back in
production—could represent an important source of financing, just as it did for Iraq. To be sure, oil prices
are unlikely to go above $60 per barrel ...and restoring oil production will itself require financing. But the
experience of other post-war recoveries shows that countries with significant natural resources are able to
revive their economies faster than those without)...So prioritizing the resumption of oil production could
both help revive the economy and finance further reconstruction.

That said, even a fully functional oil sector would not generate enough resources to finance the post-
conflict reconstruction in any of these countries. This is where the international community needs to step
in. Given the sizable spillovers of these wars to neighboring countries and places further away such as
Europe, it is in the international community’s interest that peace, once achieved, should be sustained. And
this requires that the post-war reconstruction program be adequately financed. Indeed, agreement around
a reconstruction program could be the point of convergence among different regional and international
players in the current conflicts.

While the financial and technical support of regional and international partners is critical, the reconstruction
program should be a national-driven and not a donor exercise. It should be based on national visions and
agendas developed through inclusive forums of debate. Donors can reinforce this process by working
through national institutions, even if they are nascent, rather than impose a foreign entity in an already
fragile situation

...While raising the necessary financing is important, the pace and rhythm by which the money is spent is
just as important. The experience of Iraq (and possibly Afghanistan), as well as other high-aid developing
countries, teaches us that spending beyond the absorptive capacity of the recipient can create huge
distortions, rent-seeking behavior, and possibly make the situation worse...If complementary inputs such as
technical knowledge and incentives are not in place, large amounts of financing will serve to raise prices
beyond reasonable levels. It can also lead people to favor expedient, short-term investments (to show that
the money was spent) at the expense of longer-term, institution-building measures. Rather than focusing on
just raising the total amount of money estimated as needed, the principle should be that no sensible and
realistic post-conflict reconstruction activity should be financially constrained.

Any reconstruction program will require prioritizing and sequencing of interventions. In Syria, for
example, should they first rebuild Aleppo or Homs? Should electricity be restored before restarting
children’s schools? Given that all three countries followed an autocratic, state-led development model in
the past—a model whose breakdown led to the Arab Spring protests that, in turn, led to civil war—it is
essential that the reconstruction strategy not reproduce the old social contract...Rather, it should be people-
led, -driven, and -controlled. Decisions on resource allocation, even for large-scale infrastructure projects,
should not be taken exclusively at the central-government level. There should be mechanisms by which the
public is consulted and their voice has an impact on the decisions.

Giving citizens voice in decision-making is important for two reasons. First, as just noted, it would be a
departure from the old social contract, which has clearly broken down. Fuel subsidies, for instance, are not
only inefficient and regressive, but they serve to disempower people, especially poor people. For the only
way they can get a benefit from the state is to consume fuel...Replacing these fuel subsidies with cash
transfers not only reduces inefficiencies such as pollution and congestion associated with excess fuel
consumption, but it gives people a choice of what to consume out of the benefit they receive. In this spirit,
the post-conflict reconstruction program should try to give people a choice over what types of benefits they
wish to receive.

The second reason for consulting with the public before, say, building infrastructure is that the three civil wars have become sectarian conflicts with a large number of displaced people. In Syria, over half the population has left their homes. Inasmuch as they were fleeing violence perpetrated by groups different from themselves, some of these people may not wish to return to whence they came. They may not even wish to live with people of their own sect.

In a study of rebuilding post-war Bosnia, Whitt (2010) finds that people do not unconditionally trust their co-ethnics and universally distrust other groups. He suggests that factors other than ethnicity could create trust among different sects in society. Institutions that cut across ethnic or sectarian lines, but build trust, can be critical in rebuilding post-war economies. While helping these institutions emerge, one concrete measure of post-conflict reconstruction could be to give citizens cash transfers and let them decide where to move before rebuilding infrastructure. Not only will this avoid wasteful infrastructure spending, but it would empower citizens and possibly incentivize local governments to attract citizens, both of which would help build trust in the state.

A particular way for the reconstruction program to be people-led is to crowd in the private sector. A post-conflict government will have neither the resources nor capacity to rebuild the economy. But the private sector can - and will - be the engine of growth in the aftermath of the war. The government should promote a dynamic business environment and institutional reforms, based on a consensus emerging from an inclusive dialogue on reconstruction, so that the power of the private sector can be unleashed. Privileging the private sector will also be important in facilitating the return of refugees, many of whom abandoned their businesses during the war. Finally, a dynamic private sector is the strongest antidote to a resumption of conflict.

It is unclear which, if any, conflict countries like Syria will reach the point where such ideas can be implemented, and when and how their current agony will end. What is clear is that military action alone can bring an end to the forces that shape the instability in any such country, and that no short-term form of ceasefire or conflict resolution in likely to avoid a return to new forms of fighting, it is equally clear that Syria and the other conflict countries cannot succeed without both creating new and more effective forms of governance and without substantial outside aid.

Some conclusions are all too clear. First, any strategy based solely largely on warfighting will both fail and steadily increase the level of human suffering. Second, some form of nation building is essential. Syria and other conflict states can only recover and develop if their can develop politics and governments that can take responsibility for that recovery and development. Finally, if outside states focus on military competition in conflict states like Syria, rather than focus on cooperating in aiding recovery and development, the end result is almost certain to be self-defeating even for any apparent winner. The end result will be ongoing instability, a major security and aid burden, and constant tension with other competing outside states.


8 http://www.unocha.org/syrian-arab-republic/syria-country-profile/about-crisis


10 UN Economic and Social Commission for Western Asia, Survey of Economic and Social Developments in the Arab Region 2015-2016, November 2016, pp. 6-7.


16 UN Economic and Social Commission for Western Asia, Survey of Economic and Social Developments in the Arab Region 2015-2016, November 2016, pp. 96-98.


