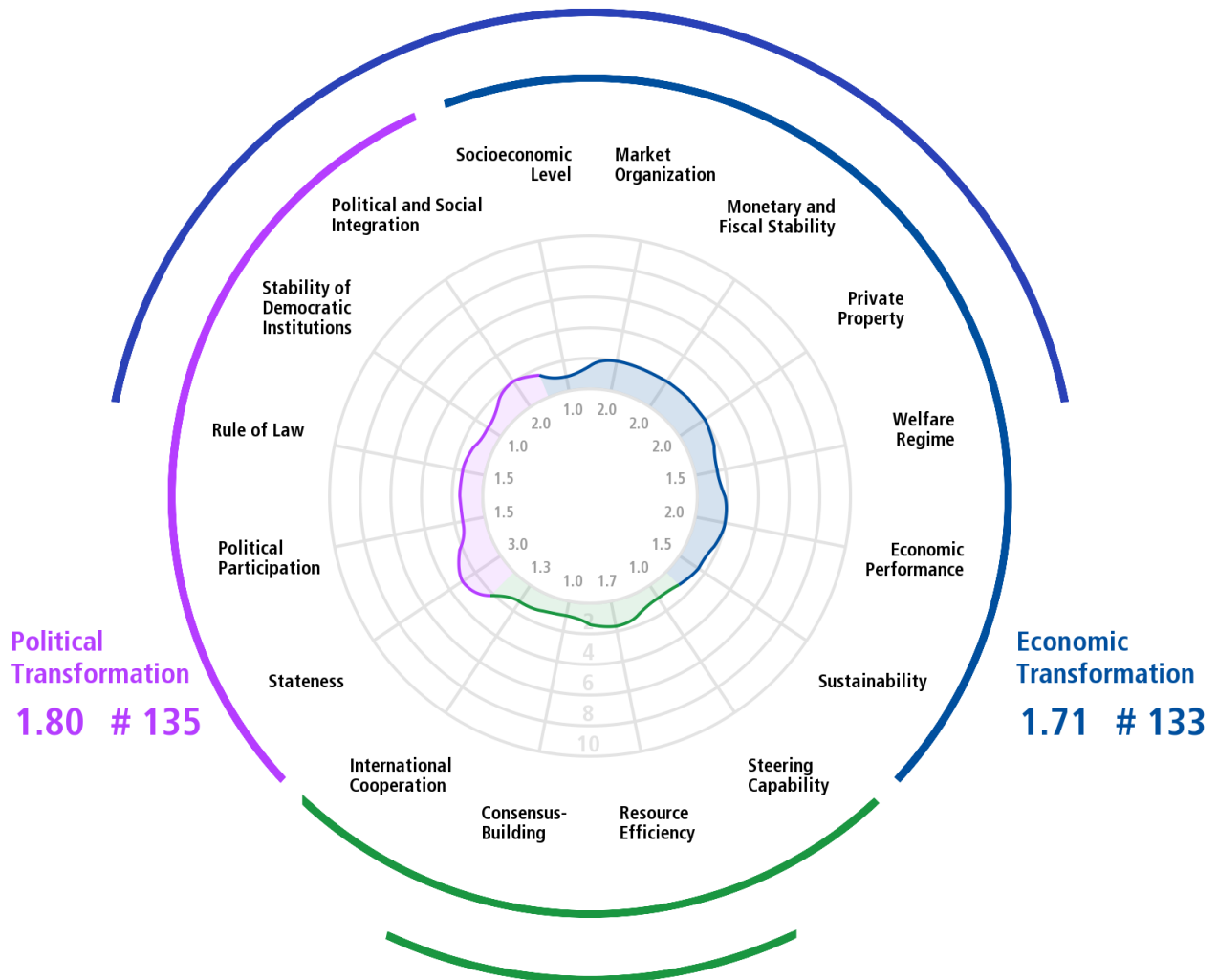


Syria

Status Index

1.76 # 134

on 1-10 scale out of 137



Political Transformation
1.80 # 135

Economic Transformation
1.71 # 133

Governance Index

1.22 # 136

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	16.9	HDI	0.549	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	-1.0	HDI rank of 189	154	Gini Index	35.8
Life expectancy	years	71.0	UN Education Index	0.416	Poverty ³	% 15.3
Urban population	%	54.2	Gender inequality ²	0.547	Aid per capita \$	607.0

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

As the nature of the Syrian conflict changes, so does the nature of the country's political systems and market economy. Regarding the development of democracy, the regime has been emboldened by the success of its Russian- and Iranian-backed campaigns to the point that it has no will to initiate inclusive or reconciliatory democratic processes. This is visible in the absence of free and fair elections, as well as the violent measures used to repress freedoms of speech and assembly.

The so-called Islamic State (IS) group, which announced a caliphate on Syrian and Iraqi territories in 2014, was largely defeated as a territory-controlling armed group as of early 2019. However, the unresolved question of what will happen in terms of demobilization, disarmament, and reintegration (DDR) and accountability for its members (but also those who were under its rule) remains unanswered. The risk of threats emanating from IS remnants is tangible and works against democratization in Syria. Though IS is an extremely anti-democratic actor, fighting terrorism worldwide, and also in the Syrian context, serves as a pretext to curb citizens' rights and violently oppress and persecute alleged terrorists. The western focus on exclusively fighting IS but not the regime has a negative impact on democratic actors' views of western states and the importance these give to universal human rights and democratization.

Within its own territory, the government faces significant challenges in "performing the state." The presence of foreign armed forces who exert their political will continues to erode state sovereignty, and clashes between armed pro-regime groups suggest the government is unable to control actors on the ground. In addition, an emergent class of wealthy war profiteers has begun using their economic influence and the influence of funded militias to negotiate for legitimate powers within state structures.

The rise of this new elite emulates economic trends that existed before the war: stark inequalities between rich and poor, a weak distinction between state and business elites, and a closed circle of economic opportunity. In many cases, inequalities have been exacerbated by the conflict: female

employment and labor participation rates in the formal sector have dropped, despite the wartime need for female breadwinners. Women are also underrepresented in top-tier politics and are at risk of being excluded from the political rebuilding process. New patterns of economic inequality are also emerging, as access to property rights and reconstruction funds are often decided by an area's historic loyalty to the regime.

Despite these inequalities, Syria's national economy may be stabilizing as the conflict becomes more confined, and damage to property and industry subsides. Efforts taken by the government to stabilize the national currency appear to have paid off, and modest appreciation of the Syrian pound (SYP) is predicted as non-oil exports recommence. Regarding foreign trade, the Syrian government has emphasized that it will only allow allied states to participate in trade deals aimed at reconstruction.

As Assad consolidates political power, such trade deals are increasingly discussed as the only way – next to reconstruction aid – for the international community to influence Syrian politics, particularly regarding the fate of Syria's 6.2 million internally displaced persons (IDP's) and its 5.6 million refugees abroad. However, the Syrian regime's focus on the well-being of a tiny elite, and its negligence of the wider country and population, are clear indicators that the regime would rather forego income than make concessions.

Political, security and social actors continue to deter refugees from returning, by declaring that Syria would be better off with a smaller but loyal population, which is "more healthy and more homogeneous," as President Bashar al-Assad himself put it. Such statements show that refugee return is a particular point where the regime and the international community have diverging interests.

History and Characteristics of Transformation

The constraints on a liberal transformation in Syria are rooted in its recent formation as a modern state. The post-independence rise of radical nationalism and populism among the middle class and peasantry destabilized the semi-liberal oligarchic regime, deterred investment and paved the way for the Ba’thist coup of 1963. This initiated a period of “revolution from above” in which nationalization of big business and land reform demolished the economic power of the old oligarchy and gave the Ba’th full economic control.

Hafez al-Assad’s rise to power in 1970 ushered the regime’s consolidation. Assad concentrated power in a “presidential monarchy” achieved by balancing the army, the Ba’th party, a largely Alawi-staffed security apparatus and a new state-dependent private bourgeoisie appeased by limited economic liberalization. Additionally, a combination of repression, institution building, patronage and regional and international endorsement consolidated the state as a whole.

Political dissent was harshly repressed, particularly at the end of the 1970s when the Islamist opposition challenged the regime not only politically, but also violently. This uprising, mainly in the cities of Hama and Aleppo, was violently crushed and any kind of political and social activism was scrutinized.

Apart from a few “tolerated” opposition movements such as the National Democratic Rally led by Hassan Abdul Azim, the regime arrested and oppressed political opponents and largely depoliticized the population by random persecution. This caused a long-term weakness of the opposition which is one of the main hindrances to developing an alternative governance structure.

The exhaustion of Syria’s statist strategy of development forced the regime to embark on several waves of “infatih,” or opening up of the economy to private investment. However, these did not achieve a sustained momentum, as pressures for reform were periodically relieved by rent windfalls from oil revenues and foreign aid. Syria’s first infatih in the 1970s largely helped to recycle oil money, though under the second infatih, beginning in the mid-1980s, the private sector was accepted as a partner of the public sector. The private sector’s share in production output, current investment, foreign trade, employment and GDP met and then exceeded that of the public sector. Intermarriage and business partnerships between the largely Sunni bourgeoisie and the state elite, dominated by the Alawi security forces, generated a “military-mercantile complex” that served as the core of a new upper class. The state initially pursued a policy of balance between the bourgeoisie and its earlier lower- and middle-class constituencies, steering a middle course between a populist statism and a decisive turn toward market capitalism that would risk social stability.

The transition of power from Hafez al-Assad to his son Bashar in 2000 was the beginning of a third infatih. This opened up Syrian markets for new business opportunities which were mainly used to award privileges that garnered support for the young president.

The reforms – supported by Western countries – though limited, enhanced the social divide in Syria and contributed to political tensions. The regime had reneged on the “social contract” in order to bolster its legitimacy. The regime’s patronage capacity was once contingent on state provision of subsidized food, jobs and supported farm prices. Between 2001 and 2011 there was an attempt to center it on granting market monopolies instead of access to state resources. The Ba’th party turned into a patronage network largely excluded from real policy-making power. The resulting crony capitalist class grew in strength and acted in a rent-seeking manner, exploiting state-granted import monopolies and contracts that would be threatened by competition in a more open and transparent market. However, market measures have deepened, and the needs of investors prioritized. Syria wanted to follow the Chinese model but economic reforms – on top of reforms re-distributing new revenue among a small elite while poverty increased – were not satisfactory for a population that increasingly felt social and political injustice growing stronger. While the Syrian revolution erupted as a popular uprising on political grounds with dignity and freedom as its core demands, criticism of the government’s crony capitalism was raised as early as the first protests in Daraa in 2011.

The Syrian regime has responded to popular demands with a military strategy and has been unwilling to engage in reforms, a more inclusive approach or reconciliation. Building on its previous strategy of preventing independent activism, it has made political self-organization of citizens difficult and turned more authoritarian and less open to political reforms since the outbreak of the conflict.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state monopoly on the use of force has been challenged by external and internal actors. In January 2018, Turkey started a direct military intervention in the northern area of Afrin to curb the power of Kurdish actors in Syria. Since then, former Free Syrian Army (FSA) fighters have been in control of the situation on behalf of Turkey.

East of the Euphrates, the Kurdish-dominated Syrian Democratic Forces (SDF) control large areas, supported by American and French troops. In December 2018, U.S. President Donald Trump announced the withdrawal of U.S. troops, however the French confirmed their commitment to remain.

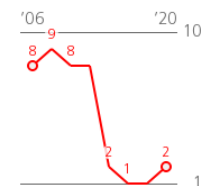
Israel continues to bombard selected targets in regime areas. As for those forces aligned with the Syrian regime forces, “Russia Today” revealed in January 2019 that Russia has many more troops present and trained in Syria than previously expected. Iranian advisers, as well as thousands of predominantly Shi’ite fighters from Lebanon, Iraq, Iran and Afghanistan are fighting along the regime, which also gave official permission to the Iraqi army to intervene on Syrian territory against the Islamic State (IS) group.

Already in 2015/2016, the emerging mafia-like militias and warlords in the province of Hama undermined the local security situation significantly. In 2017 and particularly 2018, regime backers confronted each other more openly, with an open confrontation between Hezbollah and Russian-led Syrian troops in June 2018, and actual fighting between the 4th and 5th division of the Syrian army in January 2019. The 4th division, an elite unit officially led by the president’s brother Maher al-Assad, is under de facto Iranian command, while the 5th division commanded by Suhail Hassan is led by Russia. They confronted each other over control of strategically relevant areas in the north of Hama province.

Question
Score

Monopoly on the
use of force

2



Internal and external actors are challenging the nation-state. While IS's territorial control ended both in Iraq and Syria, there are areas in both countries where groups of fighters still pose a challenge. Turkey's military intervention and its establishing of watchtowers, post and telecommunications infrastructure indicate that Turkey is likely to maintain its presence for the foreseeable future. While Syrian groups and political parties including the Democratic Union Party (PYD) reject partition of the country, the PYD has been asking for autonomy within Syria.

The widespread recognition of legitimacy of the nation-state should not be confused with considering the Syrian regime legitimate. The experience of large segments of the population over recent years has been the denial of fundamental aspects of citizenship. Citizens are treated unequally, privileges given and withheld based on confessional affiliation, place of origin, ethnicity and family background. Unjust treatment has deepened throughout the conflict years and many citizens are alienated to the point that they do not recognize or accept the regime's legitimacy.

Unequal power relations among the different groups rule out any competition for hegemony; rather, armed actors of all factions seek to establish rule by force, and first and foremost among them is the regime; legitimacy is thus neither based on democratic procedures such as elections, nor is it owned through silent consent.

In recent years, the Syrian regime continues to withhold citizens' rights, yet the extent to which it does so and the means it chooses have differed. One of the most powerful tools against hundreds of thousands of citizens has been forced deportations that have depopulated entire cities and villages.

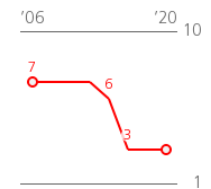
Syria has always been a multi-confessional state, in which occasional but limited sectarian violence has been the exception rather than the rule. Syrian politics under Hafez and Bashar al-Assad has, however, had sectarian features. While secular on the surface, the Alawite minority to which the Assad family belongs is over-represented at the highest, and most sensitive, levels of the political and security sector. The Syrian constitution stipulates equality of "Religions of the Book," the only limitation being that the president must be Muslim.

Historically, religious scholars have contested whether or not Alawites can be considered Muslims, so in order to legitimize his position, Hafez al-Assad obtained a fatwa to that end. As Syrian activist Marcell Shehwaro writes, the repression of an independent civil society has contributed to the confessionalization of politics and civil activism because the only spaces it left for gathering and volunteering were confessional spaces.

Syrian protesters on many occasions underlined that the uprising was not religiously motivated, a notion supported by the near-total absence of massacres between different religious groups. However, as Sunnis continued to suffer the brunt of the

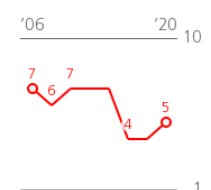
State identity

3



No interference of religious dogmas

5



violence, and religiously extremist rebel groups emerged and gained increasing power, the conflict has displayed ever more sectarian dynamics.

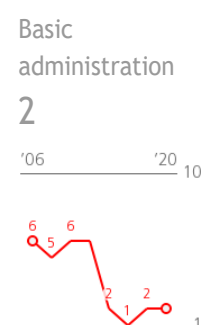
To counter the notion that the regime was particularly targeting Sunni Muslims, the regime has been eager to implicate religious authorities in its crimes against humanity, by having the Grand Mufti Badr Hassoun sign off on death sentences in Sednaya prison, for example, or by taking the Mufti for a prayer in the ruins of depopulated Daraya. The appearances of regime figures in mosques during Islamic holidays have also been keenly publicized.

In order to maintain absolute control over any forms of activism, the Syrian regime has tried to establish its own religious institutions. Religious authority traditionally sat with institutions such as former Grand Mufti Ahmad Kuftaro's "Abu al-Nour Center," but Decree 16 of October 2018 apparently serves to shift power toward the Awqaf Ministry of Religious Endowments. The decree limits the Grand Mufti's term from lifetime appointment to three years, which would concentrate power over religious institutions in the ministry. The decree was criticized particularly in the Alawite community for curbing the secular nature of the state (it emphasizes everyone's obligation to pay zakat, for example) and for giving too much room for Sunni Islam within state institutions.

Iran's support for the Syrian regime has brought with it a stronger missionary drive. In areas controlled by Iranian proxies, more cultural and religious centers have been established. Given that Twelver Shi'ites constitute a very small minority (1%-2% of the population), and that Alawites drink alcohol and women within the community rarely wear a veil, Alawites and other minorities have expressed concerns about Iranian attempts to impose a moral code.

Administrative structures were inefficient and underfunded before 2011, but they continue to exist and deliver a minimum of services. This was very important for the regime to maintain a semblance of statehood. At the same time, shrinking resources, the loss of control to rebels or even within areas affiliated with the regime made service delivery ever scarcer. That means salary cuts, shortages in electricity, gas or fuel supplies and the regime has not been able to grant security through its own forces in all the territories re-taken, since it is foreign groups (Hezbollah, Iranian fighters, Russian military police) that often find themselves in charge.

Furthermore, it is not only a question of capability but also of motivation. The regime has little interest in delivering services to all areas equally. Aid measures and humanitarian provisions are often limited in scope, but are still used in advertising drives to paint the regime as a benevolent actor. There is no clear intention to reconcile and former areas of resistance or rebellion continue to be punished by the regime, including through the withholding of medical services. World Bank data for 2015 still show high rates of access to sanitation (96%) and improved water (90%), however, it is unlikely that these statistics still hold.



2 | Political Participation

Elections in Syria are neither free nor fair. In the last parliamentary elections in 2016, citizens from areas outside regime control could not participate. The Assad-affiliated National Progressive Front won 200 out of 250 seats, the remaining 50 went to the “Popular Front for Change and Liberation” led by Jamil Qadri who is head of the co-opted opposition. The United Nations did not recognize the elections as legitimate.

The parliament has no real power in the legislative process but serves a rubber-stamp. While most members of parliament are not well known, some stick out for their hardline positions, among them Fares Shehabi who is well known for his inhumane comments. He has no role in the policy-making process but is a perfect tool for the regime to convey messages without having to take responsibility for them.

Elections in Syria do not serve to recruit the decision-making elite but rather to give the state an appearance of democratic procedure. Indeed, the questionable legitimacy of parliamentary elections has grown over the past few years, given that they have been inaccessible for large parts of the population. The presidential referendum that takes place every seven years is equally lacking in proper democratic process.

With the escalation of conflict in Syria, power to govern has increasingly sat with the security services.

Outside regime-held areas, the situation is no different. Extremist rebel groups, most prominently Hayat Tahrir al-Sham (HTS), have hegemony in Idlib; local councils which were a seed of democracy in rebel-held areas have been dominated by military forces and are currently under control of HTS. In the Kurdish areas, the PYD is dominant. While paying lip-service to integrating Arab representatives in Raqqa and Deir ez-Zor, the dominance of PYD in decision-making is evident. While the PYD has established a number of administrative bodies on different levels, it is a complicated system with overlapping responsibilities that makes it difficult for citizens to participate in politics unless they are already integrated into party cadres.

While authoritarianism has increased in Syria over the past years, the regime is eager to present itself as the legitimate representative of the Syrian population through elections. In September 2018, local elections were held in which more than half of the population could not participate due to displacement, and in areas outside regime and Kurdish control, no elections were held. The elections are not part of a change toward more democracy but serve to demonstrate normalcy and the façade of democratic processes.

Free and fair elections

2

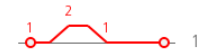
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Effective power to govern

1

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In all areas of Syria, spaces for civic engagement have continued to shrink. In its territories, the regime has allowed some new organizations to register. However much like those operating there before, they are not independent, but either run by individuals with ties to the regime or directly under the control of Asma al-Assad's Syria Trust. One significant move further limiting room to maneuver is that organizations working in the legal sector now need a specific license issued by the regime to advise on how to proceed in housing, land and property cases (HLP).

In areas the regime brought back under its control, it has either displaced or arrested those who were activists before. The particular targeting of first responders and medical staff made it necessary for members of the Syrian Civil Defense, the so-called White Helmets, and their families to be evacuated during the offensive on the province of Daraa.

The White Helmets are one of the few forms of engagement allowed in Idlib. Extremist groups and particularly HTS have been persecuting, arresting and torturing civil activists as well, and so has the Kurdish PYD. All of them impose different forms of authoritarian rule in which independent civic activism is hindered or even persecuted.

Control of HTS in Idlib is not as tight as in regime territories, however the monitoring of civil activism is increasing.

In Kurdish territories, it is possible to register associations, and assembly rights are handled less strictly than in other territories, however it is complicated for associations to hold assemblies or any events because these need separate licensing.

Freedom of expression is not granted in any area of Syria. In opposition territories, a number of new print and audio media emerged, together with online publications, but the operations of many were stopped as soon as the territories were seized by the regime.

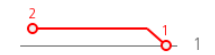
Rebel groups have also hindered, threatened or assassinated vocal critics. Two of the most prominent victims are Raed Fares, the head of Fresh Radio and mastermind behind the witty Kafranbel posters in Idlib, and Hamoud Jneed, who was critical of the regime and radical Islamists. Both were killed by the latter.

As things stand in 2019, all areas are under the control of actors who curb the freedom of expression to different degrees. This is having a devastating effect on any debate or critical exchange inside Syria, and while it has not eliminated the expression of dissent, all major outlets are now based outside Syrian territory.

These outlets, like Turkey-based al-Jumhuriyya, have become professionalized and play an ever more important role in promoting in-depth debate on the future of Syria. They include key voices from inside and outside the country, however internal restrictions mean that their impact in Syria remains limited.

Association /
assembly rights

1
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Freedom of
expression

2
'06 _____ '20 10



3 | Rule of Law

Although the Syrian constitution states that there is a separation of powers, such separation is not implemented or desired. This stems from the strategic interference of the security services that prevail over the constitutional powers on behalf of the regime rather than from a lack of good governance or lack of awareness of a need for the separation of powers.

Separation of powers

2

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While the independence of the judiciary has always had a poor track record, it has increasingly become a tool in the hands of security-relevant political actors. One indicator of this has been the sharp increase in executions at the main prison of Sednaya, as detailed by the Washington Post in late 2018. Within the security services, air force intelligence is known to act with the least monitoring or restraint.



In 2017, the “Local Administration Law” was passed as Decree 107, suggesting decentralization with local councils being established as a more direct form for citizens to interact with authorities underneath the state or governorate level. With the overall authoritarian structure remaining, however, it is unlikely that this reform would give space to more democratic procedures.

The judiciary in Syria has never been independent but rather a tool in the hands of the state. The regime has an interest in maintaining a façade of rule of law, which includes incomplete attempts to establish a legal framework for violations of human rights and civic rights.

Independent judiciary

2

'06 '20 10

While the state of emergency was formally lifted during the first year of the Syrian uprising, the regime has cracked down on any civic activism. Security services are granted immunity, and therefore citizens that experience cannot seek justice for right violations committed by them.



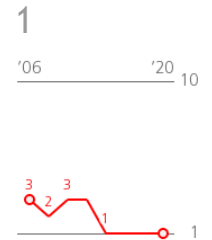
Instead of addressing citizens’ grievances when it comes to transparent legal processes or property, it has redefined the legal framework by ruling through military courts, the counter-terrorism court, or a series of decrees starting from Decree 66 to Decree 10 that seek to legitimize unjust practices in the court of law.

Formally there are ways to appeal decisions of civil courts. De facto this is difficult, however, and with security-relevant charges, particularly those relating to terrorism or being agents of foreign entities, it is impossible.

For housing, land and property rights, there are ways to reclaim these. Yet the Syrian regime is making it more difficult to get legal aid and advice on this, vetting lawyers allowed to work on these issues with citizens.

The Syrian Law Journal, close to the Syrian regime, has highlighted on its Twitter feed selected cases in which officials who have abused their office have been prosecuted. These posts appear on the English Twitter feed, however, and are therefore likely to be oriented to a foreign audience. Furthermore, such cases are limited and do not appear to form part of a wider strategy or program. The paucity of such cases, as well as the new appointments they lead to, suggest that these prosecutions are little more than cosmetic. They only act to redistribute privileges from dispensable or less loyal officials to more dependable ones.

Prosecution of
office abuse

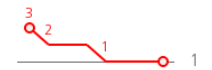


Civil rights in Syria are systematically violated. This was the case not only for the years in which the regime felt an essential threat to its existence, but has become even more so in the period where it has gained ground, and the violation of civil rights is particularly visible in those areas recaptured.

Civil rights



Meticulous and systematic investigations in areas brought under regime control, arrests and forced disappearances in those areas, and spiteful rhetoric of regime officials suggest that revenge is a greater priority for the government than any reconciliation that might safeguard civil rights.



The persistence of opposition in areas subjected to extreme military violence and the recurrence of slogans, graffiti and other acts of civil disobedience in areas under government control suggest that the regime has been asserting authority through oppression, rather than bringing adversaries on side. Random and unrestrained violence continues to be a tool used by the regime.

Public, on-the-record threats against refugees, artists and public figures that joined the opposition are common and counter the official rhetoric of welcoming refugee return.

Jamil Hassan, head of air-force intelligence, is reported to have said that it is better to have 10 million obedient Syrians than 30 million vandals, and the deceased Major General Issam Zahreddine repeatedly stated that those who fled Syria should not dare to return. These sentiments are reflected in Assad's own comment that the demographic engineering of the war can help to create a "healthier, more homogeneous society."

While the regime has established offices for reconciliation, the focus of their activities is less on dialog and bridge-building than on asserting the legal frameworks of the "victor."

4 | Stability of Democratic Institutions

There are no democratic institutions in Syrian regime-held areas. This holds true for all other areas of Syria as well, where local councils – as in Idlib – have come under repression from armed and extremist actors. The same is largely true of the Kurdish areas, which, although they appear more progressive on paper, are in reality non-democratic and under strict control of the PYD.

Performance of democratic institutions



In the absence of real democratic institutions, citizens have little choice in terms of commitment – however, this should not be confused with a general acceptance of non-democratic structures. Ever since 2011, citizens have engaged in civil disobedience, voiced their concerns or have taken to the streets whenever possible. However, war fatigue and the desperate situation in which most citizens find themselves severely limit capacity and readiness to work toward more democratic structures.

Commitment to democratic institutions



5 | Political and Social Integration

The party system of Syria's regime-held territories has been stable. The majority of the seats in parliament remain reserved for the National Progressive Front, a coalition of Syrian parties among which the Syrian Ba'th party is the strongest. Following changes of the party law in 2012, the People's Will Party of Jamil Qadri – including the Syrian Socialist Nationalist Party – forms an opposition bloc in the parliament. Given the support the People's Will Party gave to Bashar al-Assad in the presidential referendum in 2014, this cannot be considered an alternative to the ruling elite but a co-opted opposition.

Party system



Outside regime areas, a number of new and unlicensed parties have established themselves or acquired various roles. The most visible example is the Kurdish Democratic Union Party (PYD) in Hassake and Qamishli.

A new development is that most political parties now have a military arm. While on the regime side the Ba'th Battalions form the largest entity with an estimated 15,000 fighters, there are effectively no longer any political parties without a military wing. The conflict has also seen the politicization of primarily military bodies: as Syrian author Ayman Aldassouky wrote in February 2012, some Shi'a militias fighting along with the regime forces have started to mobilize politically.

By its dominant role in the Syrian Democratic forces, the PYD with its armed forces of 10,000-15,000 fighters (YPG and YPJ) has expanded its control beyond the Kurdish areas into Raqqa and Deir ez-Zor. This dominance continues to be contested and is likely to erode further in case of a successful rapprochement between the Assad regime and the PYD.

Political parties in Syria are not a tool for interest aggregation and transmission from the bottom-up, but rather follow an inverted “top-down” pattern, a phenomenon that is confirmed by the militarization of politics. While, for a long time, the Baath party served to recruit from its ranks, this has become less and less important and at the same time direct access to powerful individuals has become more relevant.

Interest groups in regime territories continue to be under tight control, such that independent expression of interests is near-impossible.

Especially in 2017 and 2018, Russian-Syrian business-oriented associations and forums have become more prominent.

The diversification of regime-affiliated militias over the past years has created a situation where local strongmen and their groups have to be taken into consideration, which means that they are able to impose their interests to varying degrees; such groups cannot, however, be understood as representatives of significant or wide-reaching social interests.

State representatives and institutions are even further from approval of democratic norms than they were before 2011. Of the limited reforms introduced, none has served further democratization. State institutions have increased their persecution of political activism and curbed freedom of expression as well as freedom of organization. In 2018, for example, a new law was issued prohibiting legal experts from offering services for recuperation of property unless they have a specific license.

The Kurdish PYD is not as harsh in its persecution of political dissidents and activists as the regime. By imposing administrative restrictions, the PYD has, however, curbed the freedom of NGOs to operate. Even if an organization obtains a license, activities require separate approval which is often granted too late for the activities to take place.

In the last rebel-held areas in Idlib, the dominant Islamist actors continue to impose limits on political and social activism by threatening activists and journalists. In Afrin, Turkey is controlling civil activities via its proxies of the Free Syrian Army.

All politically relevant actors in Syria implement authoritarian rule to varying extents. Among citizens, the desire for democratic reform still exists, as shown by the now less frequent and more limited protests that take place in spite of threatening behavior from security services.

Interest groups

2

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Approval of democracy

n/a

'06 '20 10



Most citizens in Syria have not experienced democratic rule and they are more aware of what they do not want: corruption, a political elite detached from their needs and interests patronizing them and external interference. This is a common topic in protests in rebel areas but also more often surfacing in media reports and on social media of citizens in regime areas that feel that the political and security elite is not living up to the populations' expectations. The brutal and exhausting war and its impact have led a number of activists to prioritize daily needs and an end of the fighting rather than governance and thereby democratic structures.

In territories outside regime control, activists achieved impressive levels of self-organization. They established administrative entities and local councils for governance, as well as an underground network of schools and hospitals. The White Helmets are the most prominent example of civil actors successfully filling the void left in a field traditionally handled by the state. The war has taken a huge toll on the political structures that were dismantled and became less and less participatory due to the dominance of armed actors, and exclusion and absence of women. Thus, previous political forms of organization have not been sustained.

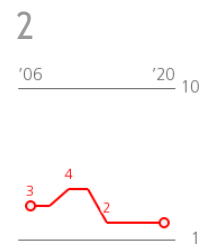
In the Kurdish areas that were saved of aerial bombardments and little affected by the war overall, political structures have become stronger with very well-organized structures – however, while formally a bottom-up structure in the current setting the practice is top-down. While formally better prepared, democratic participation is not accomplished and might not be in the interest of PYD.

As extremist actors grew in size and arms, it became more difficult for people to organize themselves. This was partly an issue of material gains: during the siege of Ghouta, for example, the extremist Jaish al-Islam controlled the transfer of goods through the tunnels not only for political but mainly for material benefits.

The regime understands self-organization as a threat to its all-pervasive control and discourages or even persecutes it. This holds true for the territories it always had under control, but is even more apparent in those areas it has taken back over the past years. In Ghouta, as well as in Daraa, members of the local councils and civil servants such as teachers, nurses, activists and citizen journalists were deported to Idlib. Those who remained are often questioned about their and other family members' role in the territories while they were outside regime control; in the context of this questioning, arrests and forced disappearances persist.

Before 2011, the reliance on state institutions was common – for public sector services such as education and health care, but also for earning a living. Roughly one third of Syrian households were dependent on state employment. The quality of service provision has decreased in light of dwindling resources of the state, due to the damage done to infrastructure, as well as inflation and the resulting higher living expenses.

Social capital



Overall, the experience of citizens has been that either the state is not willing to provide for them unless they show absolute loyalty, or, as loyalists, they receive limited service provision. It is likely that trust in the regime has decreased, yet the large-scale destruction of industry and agriculture means that the state remains the largest employer.

II. Economic Transformation

6 | Level of Socioeconomic Development

A key feature of Syria's economic landscape is fragmentation: since 2012 the civil war has produced not one socioeconomic situation but several, in which levels of development, economic performance, and systems of rights and welfare vary according to who controls which area. As such, country-wide economic indicators only paint part of the picture. This report therefore aims to contextualize such indicators by highlighting regional discrepancies in economic environments.

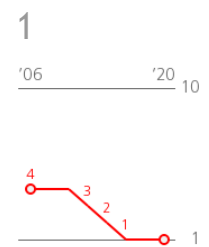
Since 2012, Syria's level of socioeconomic development has deteriorated significantly: on the UNDP's Human Development Index, Syria fell from being 113 out of 188 countries in 2011 to 155 in 2017. A key driver of this ranking is poverty: at the end of 2017, the United Nations estimated that 85% of the population were living under the poverty line, while 69% lived in extreme poverty. These figures can be directly attributed to the loss of property, jobs and access to public services as a result of the civil war, as well as rising food prices. Individuals, companies and communities have become increasingly dependent on the violent sector for employment and services. While comprehensive data for current poverty levels is unavailable, it is possible that the stabilization of food prices and modest appreciation of local currency in 2018 (see below) are bringing poverty levels down.

In terms of income and wealth inequality, the civil war has worsened pre-existing inequalities by simultaneously driving large portions of the population into poverty and allowing a wealthy business elite to consolidate in government-controlled areas. This elite is composed of two groups: traditionally wealthy merchant families who benefited from the liberalization policies of the early 2000s, and a new class of war profiteers who have accumulated significant wealth in illicit and/or unregulated trade. In this polarized context, local analysts note the country-wide disappearance of a middle class.

Another notable trend has been capital flight, with many Syrian businesspeople making use of foreign currency deposits, investing in companies in neighboring countries such as Turkey, or depositing their money in joint accounts with friends or

Question
Score

Socioeconomic
barriers



relatives of different nationalities. As international sanctions continue to discourage banks from accepting Syrian deposits, such tactics have become more popular. In contrast, remittances from Syrian nationals abroad were estimated to total \$1.5 billion dollars annually between 2016 and 2018, which is \$0.4 billion dollars more than the annual total for wages and salaries. Many of these remittances are a result of large-scale family separations caused by the war, with absent family members sending money back to their family in Syria.

As the Syrian government regains control over more of the country, a pattern of inequality within government-held areas is emerging: former opposition-held areas are more vulnerable to having their economic freedoms violated (through looting and intimidation) and less likely to benefit from reconstruction funds. As noted by economists Jihad Yazigi and Salam Said, development inequality increasingly follows the lines of a region's historic loyalty to Assad's regime, rather than ethnic or religious status.

Another significant marker of economic inequality is gender. Through death, injury, disappearance or forced flight, the conflict has significantly reduced the male labor force, creating the need for female breadwinners. However, the labor force participation rate of women remains low (11.9% versus 70.2% for men in 2018, according to the UNDP) and research conducted by CARE in 2016 showed that even when households in southern Syria were female-headed, their monthly income was up to 32% less than male-headed households.

Unequal access to economic opportunities seems to be driven not only by lack of work opportunities, but also social stigma and cultural barriers. A 2017 Bareeq survey of Syrian women inside and outside the country found 81% of respondents stating that "current social and cultural norms in Syria impede women's success." In 2018, UNDP ranked Syria 136 out of 160 countries in its Gender Inequality Index.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	-	-	-	-
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	8.4	8.3	8.0	8.1

Economic indicators		2015	2016	2017	2018
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	-	-	-	-
External debt	\$ M	4419.6	4368.4	4604.7	4589.1
Total debt service	\$ M	0.6	0.3	0.2	18.5
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	-	-	-	-
R&D expenditure	% of GDP	0.0	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

UN-ESCWA estimates that the informal economy was already worth 40% of GDP before the war, and this percentage is likely to have risen sharply with the loss of formal work opportunities and rampant informal trade between government- and opposition-held areas. According to the Syrian Center for Policy Studies, the informal sector has seen particular growth in Idlib, Deir-ez-Zor and Latakia, where more jobs linked to the crisis have become available. Such jobs may be in oil exploitation or the trade of smuggled goods.

Illicit practices such as extortion, blackmail, looting and kidnapping continue to be carried out by all armed parties to the conflict. Informal trade between warring parties has produced a class of political fixers, smugglers and profiteers who have built fortunes from the war, such as Samer Foz, Wassim Qattan, Hossam al-Katerji and George Heswani. Despite international sanctions, the wealth of these figures is safeguarded by their alliance with the government, whereas those engaged in similar

Market
organization

2

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1

practices without alliance to Assad, such as Firas Tlass, have had their assets seized by the government.

Power play between the government and this new elite has greatly influenced the organization of national markets and competition within them. Political scientist Steven Heydemann notes that members of this elite are “less likely to resist the reassertion of regime authority than they are to use this process to strike deals [...] with Damascus that will preserve the wealth they accumulated during wartime and validate their standing as local power brokers.” Given that obtaining their loyalty is also in the government’s interest, key sectors such as energy, logistics, construction, real estate, telecommunications, and financial services have become awash with such deals.” Khatib and Sinja argue that Syria has become a “transactional state that is “essentially underpinned by transactional relationships.”

Significant barriers to entry also exist for those starting a business: the difficulties of registering property, obtaining credit and trading across borders, as well as the absence of a legal rights framework, gave Syria a ranking of 179 out of 190 countries on the 2019 Doing Business ranking. According to this source, it takes seven procedures, 15 days and costs 7.6% of GNI per capita to start a business, ranking it 136 out of 190 in the sub-index “Starting a Business.” By choice or by force, many Syrian entrepreneurs have relocated: according to the Union of Chambers and Commodity Exchanges in Turkey, for example, more than 6,500 companies have been founded by Syrians in Turkey since 2011.

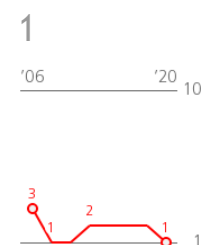
Rather than reorganize market structures, the war in Syria appears to have further entrenched existing systems of clientelism, as well as dependence on the informal sector. While Bashar al-Assad’s neoliberal reforms of the 2000s accorded disproportionate economic and political power to regime insiders, the war economy has allocated similar power to loyalist war profiteers, while hindering conditions for competition and purging the population of potential entrepreneurs.

In 2008, Syria introduced antitrust Law No. 7, establishing a (fully government-controlled) “Competition Council” with the goal of preventing monopolies and price-fixing. However, the law did little to curb corruption: lucrative Public-Private Partnership (PPP) contracts distributed wealth among a select group of regime-friendly actors, while all foreign investors were obliged to work with local partners, often from the same pool.

The ostensibly “formal” sector has seen a rapid deterioration in antitrust regulation since 2011. Internationally-sanctioned businessman Samer Foz stated in 2018 that he “worked for four years with no competition at all,” and this environment is likely to continue as the Syrian government seeks to rebuild the economy with trusted partners.

In informal sectors, both inside and outside of government control, civilians have been hit hardest by the absence of a regulatory framework. Predatory pricing tactics

Competition policy



and arbitrary levies placed on the transport of goods at checkpoints have created sizable imbalances in the cost of goods and services: in the besieged suburb of Eastern Ghouta, for example, prices in 2018 were up to 55 times higher than in Damascus, only 15 kilometers away.

Foreign trade has been hampered by numerous disincentives, including an average applied tariff rate of 14.2% in 2018 and various non-tariff barriers. The war has had a damaging effect on imports and exports across all sectors: in 2011, Syria was producing 385,000 barrels of oil per day (b/d), with oil exports accounting for 23.6% of GDP. Following international import sanctions and the government's loss of control over oil fields, oil production has fallen to 30,000 b/d, meaning that Syria has had to rely on cut-price and clandestine oil shipments from Iran of between 1 and 2.5 million barrels per month.

Agricultural trade has also suffered both domestically and internationally: by 2016, international sanctions, the depletion of workforce, and the destruction of land and equipment had reduced agricultural production and exports by 28.5% and 76.9% respectively. From 2011 to 2016, the World Food Program (WFP) estimates that Syria had 30% fewer cattle, 40% fewer sheep and goats, and 60% less poultry. Here again Syria has sought help from international allies: a net wheat exporter for 20 years prior to the war, the country received 1.5 million tons of wheat from Russia in 2018 and will receive another million in 2019.

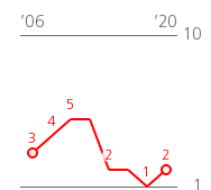
As the Syrian government looks to rebuild the economy, foreign trade is increasingly controlled by the state according to the nature of international interventions during the war, with companies from allied countries having privileged, often exclusive, access to trade contracts. In March 2018, for example, a Russian conglomerate was awarded a 50-year lease of the Khenefis phosphate quarries; high production levels aim to exhaust the reserve by the end of the lease, with the partnering Syrian state company only retaining 30% of output. Iran has also announced plans to build a \$460 million power plant in Latakia, and a \$1 billion oil refinery in Homs.

Such investments chime with the Syrian Foreign Ministry's announcement in August 2018 that "Syria will accept participation in reconstruction only from countries that did not join the attack on Syria." As for those countries not allied with Assad, the regime has a strategy to open trade with them on its own terms: linking the fate of Syria's refugees to economic sanctions. In November 2018, Syrian UN-Ambassador Bashar Ja'afari stated that if western countries want to facilitate the return of refugees, "they must start by lifting the economic sanctions."

The past year has also witnessed a growing normalization of regional trade relations, principally through the reopening of trade routes (e.g., the Naseeb land crossing between Syria and Jordan in October 2018), embassies (UAE and Bahrain reopened their embassies in December 2018), and flightpaths (mainly to the Gulf states). Eager to benefit from a regional "gateway" role in Syrian reconstruction projects, Lebanon

Liberalization of foreign trade

2



is also pushing for normalization, with Lebanese Foreign Minister Gebran Bassil calling for the readmission of Syria to the League of Arab States (LAS) in January 2019.

Given international sanctions and the crippling of exports, however, bilateral and regional agreements remain far less common than procurement and delegation patterns, which represent a reversal of Syria's liberalization initiative of the 2000s.

Syria's banking system was deregulated in 2003 as part of national economic reforms, although the government retains relatively high control over private banks, in which foreign capital ownership is capped at 51%. Today there are fourteen private and six state-owned banks, and while state-owned banks do not publish financial results, the recent performance of private banks can provide helpful indicators.

In 2015, Carnegie Middle East reported that 30% of private bank branches were non-operational owing to the conflict, with similar closures estimated for public bank branches. The same report noted that the average non-performing loans ratio of private banks increased from 3% to 41%, leading to an 82.5% drop in total net loans. Given that public sector lenders are less selective, the ratio of non-performing loans in state-owned banks is likely to have been higher than 41%. By the end of June 2017, total assets of the 14 private banks came to \$3.5 billion, less than one-tenth of the assets of one large bank in Lebanon or Jordan.

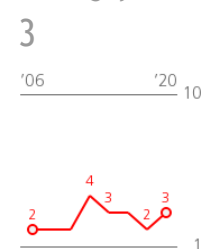
Banks have nevertheless proved resilient to the crisis, a phenomenon that economist Rashad al-Kattan partly attributes to the close ties between regime figures and businessmen who have maintained substantial investments in Syria. In this context, the Economist Intelligence Unit (EIU) predicts that the central bank of Syria (CBS) will now focus on boosting private sector lending in order to release funds for reconstruction. To this end, CBS issued a decree in August 2018 lowering interest rates on short-term deposits and allowing banks to decide on rates for longer-term deposits.

8 | Monetary and fiscal stability

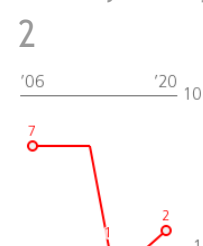
The value of the Syrian pound (SYP) remained relatively stable during the first two years of the conflict, before deteriorating rapidly from mid-2013, reaching an estimated average of 517 SYP per U.S. dollar in 2016. Government attempts to stabilize the Syrian pound by selling foreign currency reserves worth billions of U.S. dollars were unsuccessful; the World Bank reported that the CBS' foreign currency reserves declined from \$20 billion in 2010 to \$70 million in 2015. The most recent estimates for the Syrian Consumer Price Index (CPI) stood at 782 in October 2017 and provide a useful indicator for inflation levels.

This depreciation was compounded by the proliferation of alternative currencies such as the U.S. dollar or the Turkish lira, which gained currency in rebel-held areas. In

Banking system



Monetary stability



the same period, public debt climbed from 29.7% of GDP in 2010 to 57.2% in 2015. The government has become dependent on foreign supporters such as Iran and Russia, and the World Factbook estimates that external debt stood at \$5 billion in 2017.

Since late 2017, the CBS has prioritized stabilizing the SYP, including by forcing exporters to deposit their hard currency at the central bank. The easing of the security situation in regime-controlled areas has also contributed to higher inflows of remittances, alleviating some hard-currency shortages.

The strengthening of the SYP is expected to continue with the reopening of trade routes. These developments have permitted the government to set an exchange rate of 435 SYP per U.S. dollar in the 2019 budget, although the currency is considerably weaker than its pre-conflict rate of 50 SYP per U.S. dollar. Further currency depreciation remains a risk in the period 2019 to 2023 due to the country's weak economic fundamentals and lack of infrastructure. The 2019 budget also includes a 33% rise in capital spending, to 1,100 billion SYP. As a result, the EIU expects the deficit to narrow from an estimated 9% of GDP in 2018 to a still high 5% of GDP in 2023.

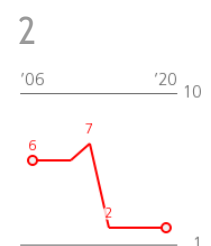
An important consideration here is the independence of the central bank, which is subordinate to the country's ministers and must work within the government's guidelines. In the Arab Monetary Fund's most recent assessment, the CBS was one of the least independent central banks in the region, ranking below Morocco and only above Mauritania.

Food prices rose sharply during 2016, a result both of inflation and a deteriorating agricultural sector. The national average food basket price according to the U.N. World Food Program peaked in December 2016 at SYP 40,551, which is 10.6 times higher than the pre-crisis average. By June 2018, this price dropped to 24,188 SYP.

Between July 2013 and December 2016, the retail price of one liter of diesel increased by 38%. International sanctions, diminishing revenues from oil and gas after the government's loss of key natural resources, and exhausted financial resources because of the crisis forced the government to roll back energy subsidies in the summer of 2016.

The national average price of diesel and gas has started decreasing since key natural resources such as Deir-ez-Zor oil fields were reclaimed from the Islamic State (IS) at the end of October 2017. Moreover, as reconstruction efforts begin, economic growth and a pick-up in investment are expected to support the currency.

Fiscal stability



9 | Private Property

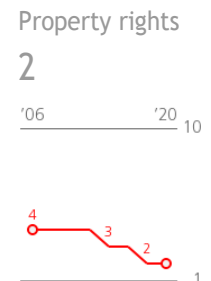
With the mass internal and international displacement of Syrians from their homes, property rights have reached rock bottom throughout the country. In government-controlled areas, a complex yet comprehensive set of laws has been introduced to facilitate government seizure of private land and properties. The cornerstone of these regulations is Decree 66 of 2012, which allows for the expropriation of “unauthorized” housing and informal settlements, and their redevelopment through private sector investments. Urban planners Sawsan Abou Zainedin and Hani Fakhani have shown how this decree is increasingly applied to depopulated opposition areas to “engineer demographic change based on both economic and political interests,” citing cases such as the Basateen al-Razi suburb of Damascus.

Further pieces of legislation include Decree 63 of 2012, which allows the Finance Ministry to seize property of people implicated in the state’s broadly defined counter-terrorism laws, as well as Decree 11 of 2016, which states any property registered in an area outside of government control will not be recognized as registered.

Most recently, Law 10 allows local authorities to re-register property rights and redevelop entire areas without paying compensation. To avoid redevelopment of their properties, homeowners have one year to prove ownership, however obstacles to this process are huge: 50% of land in Syria was not registered before the war, and many local land registries were destroyed during the war; over 11 million Syrians have been displaced internally or externally, with many unable to return to make their claims in the given time-frame. 70% of refugees lack identification documents to make the relevant claim. This legislation strips huge sections of the Syrian population of their property rights, giving the government carte blanche to design urban geographies and national demographics.

Another way in which property owners will be dispossessed of their land is through the valuation process for existing properties. Those whose land has been appropriated under Law 10 are technically eligible for shares in the land’s value, however evidence suggests that valuations are so low that shares awarded would do little to support successful claimants.

Property rights continue to be violated in other parts of the country also. In September 2015, the Kurdish Democratic Union Party (PYD) issued a law confiscating the properties of homeowners who left the region, ostensibly to benefit the local community.



The Syrian business environment is characterized by lack of transparency and efficiency, heavy state interference and control, and the absence of subsidy or support. In 2017, the Heritage Foundation’s Index for Economic Freedom declared that the country’s performance across indicators was so poor that it precluded ranking. Performance in areas of rule of law and regulatory efficiency have dropped further in 2019, and the country remains without ranking.

Fighting has resulted in the destruction of large businesses, large-scale capital flight, and the transfer of thousands of small and medium-sized enterprises (SMEs) to safer coastal areas or in neighboring countries.

For those businesses that remain, state interference raises serious questions about the security of investments. In January 2019, for example, the owner of Katakitt Foods had his assets frozen by the government with no explanation. Such businesses have also become increasingly dependent on violent actors for security. This often manifests itself in security payments or “taxes” paid to armed groups that will “protect” business operations.

As noted above, private enterprise will come to play a key role in reconstruction, given the government’s preferred strategy of Public-Private Partnerships.

10 | Welfare Regime

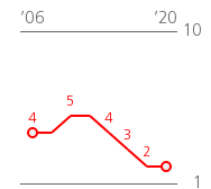
In 2018, the U.N.’s Humanitarian Needs Overview estimated that 13.1 million people in Syria (down from 13.5 million in 2016) were in need of assistance in terms of either food, shelter, health care or other basic needs. Furthermore, while almost 100% of the pre-crisis population in Syria had access to “free at the point of use” water systems, families in some areas now spend up to 20% of their income to fulfill daily water needs.

Welfare access is often determined by questions of geographic location and political control. In government-controlled areas, certain welfare provisions have been an important prop in the “performance of the state,” most notably the continued access to subsidized bread. Such provisions look to increase with economic stabilization. For example, the 2019 state budget includes \$989 million in fuel subsidies, an increase of 80% from 2018 in U.S. dollar terms.

However, the regime has also sought to prevent welfare access in opposition areas. This often occurs through the exploitation of aid deliveries at checkpoints by regime forces, as well as other armed groups. Following the closing of the Naseeb trade route from Jordan into Syria in May 2015, for example, the manipulation of foreign aid coming into Daraa created acute food shortages in the area. Lack of monitoring means that even when aid does reach affected areas, it is often distributed according to political loyalties or family ties.

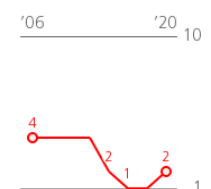
Private enterprise

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Social safety nets

2



Welfare imbalance has also been caused by the targeted destruction of civilian infrastructure in opposition areas. In 2017, “The Lancet” medical journal published a study noting that throughout the conflict the regime has escalated tactics “to restrict or prevent access to care as a weapon of war.” Tactics include the targeted bombing of hospitals in Homs, Aleppo and Idlib; large-scale killings of health care workers; and blocking implementation of water chlorination and vaccines. The effect of these actions is compounded by the fact that many doctors have left Syria. One U.N. official stated that of the 42,000 doctors living in Syria before the war, 27,000 had left by 2016.

As the conflict becomes more confined, access to welfare, either provided by the government or foreign aid organizations, may become easier. The number of people residing in hard to reach locations, for example, declined from 4.1 million in January 2017 to 1.5 million people in July 2018.

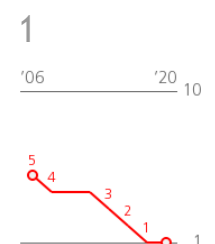
However, welfare spending is likely to be limited by another pressing concern: reconstruction. This will be funded in part by the 10% reconstruction tax on citizens, together with remittances from nationals residing outside Syria (reportedly totaling \$150 million per month). So far, these funding sources have fallen well below the mark. The World Bank has estimated a total cost of reconstruction at over \$250 billion, and in 2018 the state budget only contributed \$83 million to reconstruction. The government appears to have resorted to other means of sourcing funds, such as extortion and the seizing of assets.

Given the importance of reconstruction and lack of political will for universal social provisions, the government is increasingly relying on charitable associations to take on the responsibility for welfare services and support.

A continuing discriminatory factor for participation in Syrian society is gender. The economic inequalities mentioned above are mirrored in inequalities of education. The World Factbook estimated that in 2015 the percentage of women over 15 who can read and write was 81%, which was 10% lower than the male literacy rate. In the same year, UNESCO estimated that girls were almost two and a half times more likely to be out of school than boys, and literacy rates are likely to have dropped with the destruction and closure of schools.

Gender inequality extends to other domains, most notably political representation. In 2017, only 13% of parliamentary seats were held by women. The political rebuilding process also excludes women far too often. Although women have played a vital role in local efforts such as political negotiations, aid delivery and cease-fire agreements, they are not represented at the international level. Former U.N. special envoy De Mistura appointed a Women’s Advisory Board, but similar initiatives have been missing from the Astana talks.

Equal opportunity



11 | Economic Performance

The EIU estimates that GDP reached its lowest point in 2016, at \$12.3 billion. Since then, GDP has shown steady improvements (with an estimated \$23 billion in 2018), and modest GDP growth is predicted for the 2019-2023 period. Current EIU estimates put GDP per capita at \$4,062 (at PPP), up from \$3,646 in 2016.

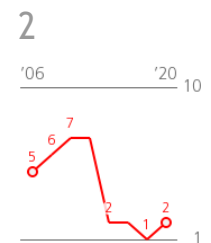
The relatively successful stabilization of the SYP is reflected in inflation rates of 33.4% in January-May 2017 (down from 47.3% in 2016). As a result, the OECD predicts a fall in Consumer Price Index from 2.5 in 2018 to 2.0 in 2023.

The unemployment rate is estimated at approximately 50% (although exact statistics are missing), up from about 10% at the start of the conflict. This does not reflect the fact that many people of those employed have more than one job to cover high costs of living.

The Syrian current account (estimated at -\$2.6 billion in 2018) is likely to remain in deficit for the near future, but this deficit should narrow as non-oil exports increase and the economy grows.

Net public debt is estimated at 87.4% of GDP in 2018, and this percentage is likely to continue on its downward trajectory from 2017 as the gap between government revenue and government expenditure closes.

Output strength

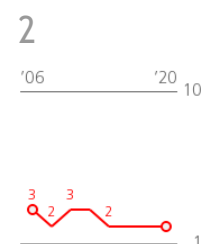


12 | Sustainability

Pre-conflict Syria's urban and rural environments faced distinct but interlinked challenges. The years preceding the conflict saw widespread rural-urban migration which put new pressures on safe water supply, waste disposal, wastewater treatment. In 2010 alone, 50,000 rural families left their homes to seek prospects in big cities. By the end of 2011, 38% of the total population lived in informal settlements without planning that considered urban sustainability measures.

This rapid urbanization was caused primarily by soil degradation and water scarcity in rural areas. In 2011, 75% of farmers faced total crop failure, causing 800,000 Syrians to lose their livelihood, leaving 1,000,000 food insecure. The tenth Five Year Plan (FYP) 2006-2010 and subsequent 11th FYP identified the Ministry of Agriculture and Agrarian Reform (MAAR) as a key stakeholder in combating desertification and suggested sustainable development management for both rural and urban areas in Syria. In addition, Syria has signed multiple international conventions on sustainable development, including the U.N. Conference on Sustainable Development (Rio +20) and the World Summit for Sustainable Development (WSSD). The current constitution declares sustainable development as an explicit goal.

Environmental policy



Since the conflict started, a sustainable environmental policy has not been the government's priority, for obvious reasons. The use of various types of armaments including chemical weapons are likely to have long-term effects on the environment, while damages in water supply infrastructure will lead to further water insecurity. The conflict has also triggered deforestation, for instance many people cut down trees for fuel. In July 2017, HTS even issued a decree banning illegal deforestation in Idlib to protect the landscape. Furthermore, internal displacement has exacerbated pre-conflict urbanization trends, raising more questions about urban and rural environmental sustainability.

The “No Lost Generation” initiative, adopted by donors, U.N. agencies, NGOs and governments, places education at the center of humanitarian needs analysis and the response to the Syria crisis. By the end of 2017, an estimated 1.75 million children, or almost one-third of school-age children (aged 5-17 years) from the 2015/16 school year were out of school and a further 1.35 million were at risk of dropping out.

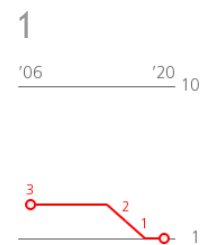
Many IDPs keep children out of school for work. The main reason for children dropping out of school is lack of income and child labor, followed by the lack of educational materials, books, and stationery, according to the 2018 Schools in the Syrian Arab Republic Thematic Report. The report also revealed that many children go to school hungry and more than half do not eat at school.

An estimated one-third of Syrian schools were destroyed, damaged or transformed for military purposes. By the end of 2017, the economic losses from the disruption to Syria's education system were estimated at around \$11 billion. At that time, there were a total of 180,000 teachers no longer in service, and damage or destruction was estimated to have affected 40% of school infrastructure.

UNICEF has raised concerns about modifications of the official curriculum in opposition-held areas, and the implications for national certifications of learning. A total of six different curricula were taught in 2018. Meanwhile the crisis has exacerbated pre-conflict trends; for example, education in camps continues to be underserved. A 2017 assessment of 171 camps found that 74% of camps and settlements have no education services at all.

While most universities continue to operate, they have suffered from severe scrutiny by state security forces and a lack of resources, materials and teaching staff. It is estimated that one-fifth of university teaching staff have left the country since 2011. In this context, there is little evidence of a noteworthy R&D sector.

Education policy /
R&D



Governance

I. Level of Difficulty

A number of structural restraints make governance difficult. For several years before 2011, drought haunted Syria to the extent that some analysts considered this a contributing factor to the uprising. The regime's negligence of this issue compounded its effects further. The damage inflicted on infrastructure by the regime and other armed parties have exacerbated these constraints, and ground water levels have possibly been drained beyond recuperation.

A significant impediment to recovery and development is the lack of workforce. The war has drained the country's workforce, with a particular lack of males aged between 17 and 52. Men in this age group have been vulnerable to death or mutilation within the armed forces, or have fled abroad because of the conflict or to avoid conscription.

The Syrian regime has retaken the area around Damascus, the southern province of Daraa, and agreed upon shared control of the M5 highway connection to Turkey, as mediated Russia. This has opened up the way for trade from north to south, it has reassured the Syrian regime of its ability to assert control and reduced the number of fronts on which its military and attached militias are fighting.

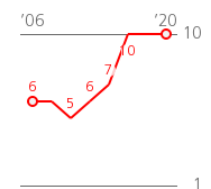
One significant challenge is that the Kurdish-led SDF control around 30% of Syrian territory including 80% of the oil and gas fields, according to a September 2018 report from International Crisis Group. Before 2011, these fields were the most important source of state income.

In late 2018, the U.N. assessed that more than 13 million Syrians were in need of assistance. The state's depleted resources and the vast destruction of infrastructure make it difficult to provide services, at the same time the regime also privileges areas according to the perceived loyalty of citizens to its rule.

Selectively admitting aid and supplies is a political choice that will continue to hinder development, in the same way that benefits of the country's slow economic recovery are likely to be siphoned off by external stakeholders.

Structural
constraints

10



There was hardly room for civil society before 2011, and for areas permanently held by the regime or those that have recently come under control of the Syrian regime once more, the regime now exerts much tighter control over any kind of civil society activism.

In Idlib province, extremist actors among the rebels have become so powerful that they pose an existential threat to civil society. A number of groups and activists are still operating there. However, they face significant challenges and are often threatened.

While over the past few years many individuals and groups have gained significant experience in civil activism, the possibilities to act independently have shrunk significantly since 2017.

There are fewer “hot” fronts in Syria now that the international coalition against IS has ended its territorial control and given that the Syrian regime has re-taken Ghouta as well as Daraa. Bombardments in Idlib have also decreased. However, the majority of these campaigns were carried out in 2018, meaning that it is difficult to know the full toll. Furthermore, it is difficult to monitor ongoing human rights violations once areas have been re-taken.

In many areas, regime-held or opposition, militias are acting without restraint which hinders citizens’ ability to manage their livelihoods. Violence in the form of arbitrary arrests, kidnappings, enforced disappearances and extraction of money continue at all levels of society. While the use of military force has decreased, political and criminal violence has increased.

II. Governance Performance

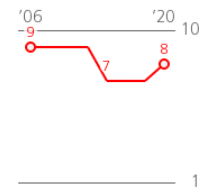
14 | Steering Capability

The Syrian regime has displayed strategic capabilities, yet explicitly not to promote or allow liberal democratization, but rather to implement authoritarian norms.

It has dressed some of these measures as constructive steps toward finding a political solution, most prominently “reconciliation” agreements disguising forced capitulation, or the de-escalation zones agreed upon in the Astana process in September 2017, allowing the regime to compartmentalize its fighting and reconquer the zones one by one.

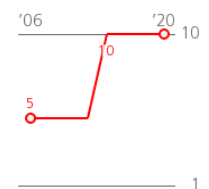
Civil society traditions

8



Conflict intensity

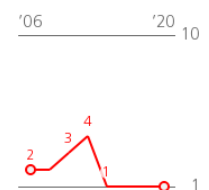
10



Question Score

Prioritization

1



The piecemeal approach allowed the regime to concentrate its forces on one front at a time, thereby finally enabling it to regain control over the particularly resilient surroundings of Damascus.

This policy decision, as well as the use of siege warfare and the weaponization of humanitarian and medical aid, were carefully planned and implemented policies that facilitated military victory. However, the approach for what comes after is less strategic. No strategic approach to reforms, to reviving services, to repairing infrastructure and allowing civil life to resume on a large scale are visible.

While previously the erosion of power was a problem that seemed to be related to territorial losses, an emerging power struggle between the political, security and business elites is becoming ever more visible.

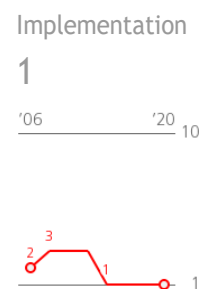
As noted above, Khatib and Sinjab's characterization of Syria as a "transactional state" shows how prioritization is increasingly following the influence of regime-oriented profiteers. This is a significant impediment in long-term planning of the state because political objectives are being drowned out by short-term business interests, thus limiting the steering capacity of the state.

Starting with the military offensive to recapture East Aleppo in 2016, as well as the successful military campaigns to bring Ghouta and Daraa back under control, the Syrian regime has over the past two years shown that it is capable of achieving crucial military aims. It has not been able to do so, however, without enlisting massive support from the Russian air force. The same holds true for maintaining control. In all of these areas, Syrian forces may be present, but the ones exerting control are the Russian military police or Iranian proxies.

When it comes to policy-making and implementation, these processes are often improvised on an ad hoc basis. In contrast, the implementation of repressive measures is often structured and effective; the same holds true for the few development projects such as Marota city. Other policies are lagging behind, with no real expression of will to engage constructively and at the service of citizens.

Similarly, in Idlib, rebels have not been able to formulate and implement a sustainable view. The volatile situation does not allow for the effective monitoring of developments there, although the continuous deterioration of provisions for citizens, partly due to the infighting of different rebel factions, is an indicator that the ability to implement policies at the service of citizens is limited.

In Kurdish areas, there have been more visible policy-making efforts. A new constitution of 2014, a shadow cabinet and policies regarding changes in the education sector have been formulated and implemented by PYD representatives in Rojava.



Both the regime as well as the Kurds would have significant opportunities to formulate and implement policies and thereby also open up for more participatory, democratic structures, but to different degrees they employ authoritarian rule. While in government-controlled areas, hardly any progress is visible, the restructuring in Rojava shows more progress (though still to very limited extents).

The regime benefits from policy learning: the lesson ever since 2011 has been that a firm objection to any concessions, coupled with brutal repression, is the most fruitful strategy.

On the regional level, the Arab League's discussions of re-admitting Syria are a sign of this strategy's success. The international debate on finding ways to support Syria without yet calling it reconstruction is a victory for the Syrian regime. And the submission of previous rebellious areas shows that in the end it is possible to avoid reform, if one is determined enough to end any upheaval by force.

This evaluation has been visible in all rounds of the Geneva and other international negotiations, where the Syrian regime has not made any concessions, having learned that it does not have to. Local ceasefires have not been followed by reconciliation, but by more repression.

However, this is not the kind of learning that would be necessary for a more democratic Syria, but rather one focused solely on regime preservation, hence a low mark has been awarded.

15 | Resource Efficiency

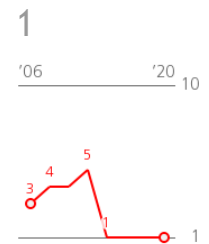
So far, the Syrian regime has not been able to make best use of its resources. By exclusively focusing on a military strategy to end the Syrian uprising, losses of lives, destruction of infrastructure and the civil labor market have narrowed down employment and business opportunities.

Physical harm, threats, fear of recruitment and repression are keeping millions of men from participating in socioeconomic life, and there is an urgent need for qualified personnel in many sectors, including the medical and education sector, but also industrial production.

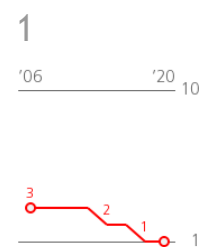
The current efforts of the Syrian regime to closely monitor which refugees will be allowed to return to Syria shows that it intends to optimize supply and demand on the labor market.

In Hassake and Qamishli, the official language of education has been changed to Kurdish and granting other minorities to use their language in education as well. However, the curricula are not internationally recognized. Given that textbooks in Kurdish and other languages are still being developed and that in all languages there

Policy learning



Efficient use of assets



is a lack of qualified teachers, it is difficult to ensure the education quality, and graduating here so far offers little opportunity to continue education outside these areas.

Governmental policies seem unidirectionally directed toward military victory regardless of the loss of lives, permanent or temporary displacement and damage to infrastructure.

The regime has been able to portray itself as the only power capable of preserving territorial integrity, a kind of stability and reliability, however no considerations of sustainability and constructive development are obvious.

Over the past years, the cabinet has been reshuffled many times. The performance has not visibly increased, however, on the one hand because of the lack of a governmental vision on how to reform, and on the other hand because the security services are more relevant than ever before.

Especially in terms of affirming its legitimacy, the regime is bankrupt in every sense. It cannot offer political reforms, it cannot provide citizens, whether loyal or not, with a forward-looking vision, reliable services or a prospect of recovery. In such an environment, it has prioritized a punitive attitude toward dissidents in order to at least satisfy loyalists.

Corruption in Syria has traditionally been an issue and it has become much worse over the conflict years. A war economy has allowed the president's cousin Rami Makhlouf to bring further businesses under his control with the appointment of Hussein Makhlouf in 2016 – another cousin – to the construction of new developments like Marota city or other large-scale projects. These projects are enabled with the help of Decree 66 and facilitated by Law 10 (2018) and are likely to generate more revenues.

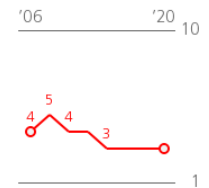
The war economy has also opened opportunities for new businessmen, the most prominent among them being Samer Foz who profited significantly from the siege in Ghouta.

With the enhanced economic difficulties faced by the Syrian regime, it allowed members of regime-affiliated militias to engage in looting to beef up their salaries. Reports from Yarmouk camp showed individuals could purchase licenses to go in with diggers and other equipment to dig out wiring and dismantle infrastructure, such as electricity, for their own benefit.

Corruption has become more relevant as a governance tool to garner support. Stakeholders from cabinet ministers to parliamentarians have occasionally mentioned the need to fight corruption and to establish a body in charge of it but it has not been followed up.

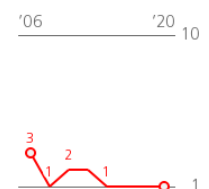
Policy coordination

3



Anti-corruption policy

1



Other factions including HTS, as well as other groups in rebel-held areas, such as rebel groups in Afrin under Turkish control and members of SDF, have been engaging in looting and benefiting from the spoils of war, a phenomenon to which the opposition newspaper Enab Baladi dedicated an in-depth research piece in June 2018.

16 | Consensus-Building

Major political and security-relevant actors in all areas agree on establishing a system of control regardless of democratic values – the regime, the rebels in Idlib and the PYD.

While the regime has been putting much effort into “negative campaigning,” for example, portraying dissidents as terrorists to justify its military response to their uprising, the PYD focuses rather on highlighting its own credentials in establishing a system based on a progressive constitution and with a strong link between the population and political elite.

While in the economy there is more flexibility in opening up to limited cooperation with adversaries and overcoming controversies, this is not done with the aim of establishing wider democracy, but rather of benefitting those in power, regardless of the wider needs and interests of citizens.

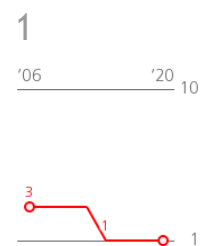
Seizing assets of businessmen who obviously are considered loyal enough to have them operate in regime territories indicates that in a number of restrictive measures, redistribution of assets toward more relevant actors play a role. For any major business, connections to the political elite are essential.

The anti-democratic actors in Syria have proven stronger than democratic ones. On one hand, this is due to the structures of authoritarianism that at any point in time prevent alternatives to its own rule from emerging. On the other hand, democratic actors have had less support from outside and they have been under threat by anti-democratic actors of various affiliations.

The human rights violations of the Syrian regime have been immense and persist. However, however, the emerging and ever-growing strength of extremist rebel factions, the rise of IS and the authoritarian approach of the PYD have constantly shrunk the space for democratic actors. Many charismatic representatives of civil society with democratic ambitions have been killed, arrested or disappeared throughout the conflict.

That does not mean that the authoritarian, non-democratic actors have not sought reform at all.

Consensus on goals



Anti-democratic actors



The Syrian regime has a very narrow understanding of reform necessities. In June 2017, it announced a National Project for Administrative Reforms focusing mainly on a better coordination between the ministries and other procedural issues. As reflected in the scarce coverage of the planning, no progress was made.

In Kurdish areas, the PYD has re-organized political representation at different levels, from the grassroots level to that of the administration.

A characteristic goal of these reforms, however, is that their intention is not to open up and increase transparency, but rather to reorganize power understood as control.

Existing cleavages of sectarian and ethnic nature have served political leaders across Syria to further their causes. There are actors that contest this process, but these have often been marginalized or physically eliminated.

In an ever-deteriorating situation, conflict and confrontation have served different actors to highlight their relevance, conveying a narrative that portrays them as the only alternative. In this way, Syrian society has become much more fragmented and polarized, and voices of moderation are drowned out.

It is worth noting, however, that sectarian and confessional cleavages are not the only ones that have become more visible, but that the unequal distribution of services, privileges and access has diversified the patterns of exclusion and inclusion.

Based on the display of loyalty, economic benefits were re-distributed over the conflict, the war economy has produced a new business elite, and poverty in Syria at the same time has reached unprecedented levels.

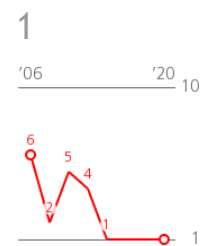
The always restrictive system of the Syrian regime engaging in cooptation and repression has shifted much more to repression over the conflict. Civil society is closely monitored and, on any relevant subject area, independent actors are often replaced with proxies of the regime.

This is mirrored by a distrust of independent civil society activism in all other areas, in which the dominant political forces are persecuting and repressing activists as well. There are forces opposing this, but the dominance of armed actors and lawlessness provide major obstacles.

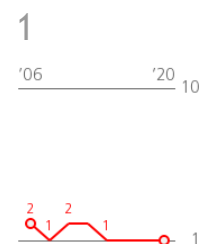
Democratic actors continue to be threatened by military actors and have become marginalized with the loss of strong representatives and supportive structures.

Existing civil society in regime areas is cosmetic and under the control and direction of the regime.

Cleavage /
conflict
management



Civil society
participation



There is neither reconciliation at a societal level nor are there any institutions tasked with transitional justice. The regime strategically engages in continued humiliation and deprivation of those coming under their control again.

It is encouraging that Syrian civil society groups, now mostly outside Syria, engage in efforts for delivering justice. Some of them, such as the informal movement Families for Freedom, have the expressed goal of supporting everyone who has been subject to forced disappearances, regardless of who the perpetrators are. Others seek justice by going up the chain of command, for example there are several Syrian lawyers who are using the principle of universal jurisdiction to file cases in Germany, Sweden or France.

However, for most citizens it is obvious that the regime and other forces on the ground are not ready to engage in official or formalized forms of seeking justice.

17 | International Cooperation

The strongest international relationships of the Assad regime over the duration of the conflict have been its alliances with Russia and Iran. Russian support has been the most relevant in the international framework, where Russia has used its veto in the U.N. Security Council on a number of resolutions or, when signing them, has made sure they are not implemented.

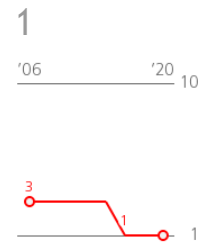
Militarily, the Russian air-force and the armed proxies of Iran on the ground have played the decisive role in re-taking areas the regime had lost.

Neither Russia nor Iran, however, have been supporting political, social or economic development, but their support has been focused on the short-term goal of regime survival for their own interests.

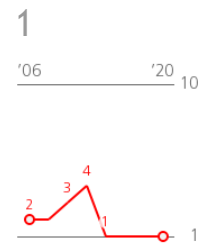
In December 2018, member states of the Arab League started discussing readmission of Syria, something that would be interesting for Syria because it is searching for reconstruction aid in Gulf states and among Syrian businessmen residing in other Arab states. However, so far this has not delivered major results.

For Assad, the U.N.'s support for humanitarian assistance and recovery has been the only major income from abroad the regime has access to. It has been able to benefit from international assistance financially as well as to garner support, given that any entities with which the U.N. can cooperate have to be vetted by the regime. In this sense, the regime has been able to use international assistance for its own needs but not directed at development and sustainability.

Reconciliation



Effective use of support



Over the past few years, there have been a number of instances that have further damaged the regime's credibility, not only among its adversaries but also among its international supporters.

The most prominent instance is the continued use of chemical weapons, for example on April 3, 2017 in Khan Sheikhoun, even though Syria joined the Chemical Weapons Convention and agreed to destroy its arsenal in 2014.

A strong indicator of the regime still pursuing chemical weapons production is that when declaring its arsenal, it listed 133 tons of isopropyl alcohol – essential for the production of Sarin – for destruction. Nevertheless, Syria contravened European sanctions by importing more than 168 tons of the substance between 2014 and 2016 from Belgium alone, and ordered further amounts from Switzerland in a concentration that has no civic use.

With this, the regime is not only in breach of the convention, it also undermines the credibility of its ally Russia that acted as a guarantor of the agreement for the destruction of Syria's chemical weapons stockpile.

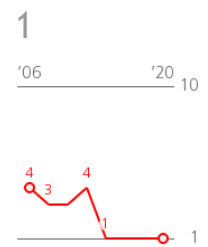
Syria is part of the International Convention Against Torture; throughout the conflict, tactics of torture, including starvation and neglect, became ever more lethal.

The Syrian regime has not lived up to its commitments when it comes to humanitarian aid, as clearly shown by the monthly reports of the United Nations about UNSC resolution 2139 since 2014. These reports also reveal how even when the Syrian regime has approved of humanitarian aid convoys entering an opposition-held area, it has sought ways to undermine the delivery by bombarding the convoy itself, by enforcing military action to hinder distribution or by launching a decisive military offensive right after the delivery. The latter tactic was particularly evident in aid deliveries to Ghouta, where those places that received deliveries were the first to be attacked and looted.

This overall lack of compliance with international agreements is an impediment for any international settlement for which credibility would be crucial.

The regime leaking Law No. 10 that is making return of refugees more complicated at a time when Russia started advocating for "reconstruction in exchange for refugee return" in Europe is another example that undermines the credibility of Syria as a reliable partner.

Credibility



The Syrian conflict has been characterized by each party's maintaining focus on their own interest. Over the conflict, the regime has not given up on any of the issues alienating it from its neighboring states. While the latter might not be particularly concerned with human rights, the influx of refugees driven out of Syria by the brutal response of the Syrian regime has been a controversial issue.

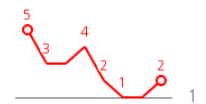
However, there are points in which Syria has been exploring common ground: over border trade with Jordan and Turkey, and over security with Iraq, as shown by the invite extended to Iraqi security forces to continue their fighting against IS on Syrian territory. Syria is seeking normalization of relations with Lebanon, as well as other states of the region, but it does so without signaling any readiness to find compromises.

One of the most difficult questions is the regime's relation with the PYD – a thorn in the side of Turkey which has declared it will ask for Kurdish interests to be curbed. Damascus has declared it is not willing to grant Kurds autonomy within Syria, however, it will be willing to seek a temporary alliance in enlisting the PYD's support in an offensive against Idlib.

Regional cooperation

2

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Strategic Outlook

A strategic outlook for Syria as a whole is difficult, mainly because of the level of external engagement in Syrian and direct intervention that has increased in quantity and quality over the past years.

A withdrawal of American troops from the Kurdish territories risks drawing this area – so far the one least affected by military operations and fighting – into a new chapter of the war. Turkey might see the withdrawal as an opportunity to intervene to reduce Kurdish influence in this region. For the Assad regime, the Kurdish demand of autonomy is not possible, yet an alliance with the PYD would be an asset for a military offensive against Idlib. Turkey's and the regime's interests might be incompatible.

The military victory over large stretches of the country came at a heavy price and it has exposed the erosion of the Syrian army as well as the lack of ability to implement certain policy issues. The remaining insecurity and enhanced injustice and brutality of the Syrian regime will make it necessary for the regime to keep investing in security – for which it will need to rely on external forces. The continued presence of Iranian fighters and Hezbollah, however, will pose an obstacle to U.S. and European reconstruction aid, and the regime's allies have neither the resources nor the political will to invest on their own. Currently the regime is implementing forced conscription in territories it has newly brought under its control again, however, the quality of armed forces largely depends on their loyalty, and, with little means to earn loyalty and credibility, the armed forces of Syria will remain dependent on external support.

To allow for large-scale return of Syrian refugees, assurances of personal security would be needed (e.g., amnesties, no arrests); however, arbitrary state violence has turned into an intrinsic tool of the Syrian state to scare citizens into submission. Change is therefore unlikely, not helped by the fact that international actors (including the regime's allies) have not been successful in imposing conditions on Damascus.

The utmost brutality experienced over the past years at the hands of the regime but also other armed factions will discourage citizens to come back in the first place, with severe consequences for reconstruction as well as the labor market in which a workforce is much needed. The way control was regained will deter citizens from seeking change, and the Syrian regime will on its own not engage in reforms, afraid that these might be understood as weakness. It is therefore unimaginable that the coming period in Syria will be marked by more democratization.

While all forecasts foresee a consolidation of the Syrian economy, realistically this is due to less destruction, rather than a build-up. The prospects for stabilization and security in Syria are too slim to make the country interesting for investors at this point, and to get the economy going faster, these factors are needed. Furthermore, those external actors that have been supporting the Syrian

regime's campaign for survival will expect rewards, meaning that any income generated by economic recovery will need to be shared.

Sanctions against Syria are targeted and therefore do not directly affect citizens' well-being. Understanding the tight nexus between the political and the economic elite has brought a number of businessmen under European sanctions, and judgments about the Syrian regime being supportive of terrorism and extrajudicial killings might lead to further freezing and confiscation of regime assets abroad.