

## Review Analysis

Of the ESCWA “Strategic Policy Alternatives Framework (SPAF). Syria Post Conflict”

Of the “National Agenda for the Future of Syria (NAFS)”

Samir Aita, July 17, 2017

This review analysis is made on ESCWA’s June 2017 SPAF synopsis report<sup>1</sup>. The detailed report or the numerous background papers on which it was based may contain additional information that could answer some of the concerns and questions raised in this review. Additionally, regular public communication<sup>2</sup> on the analysis and consultation efforts made by the NAFS team, experts and stakeholders would have answered other ones.

Said review, although critical, aims at being positive and constructive, proposing perspectives for future activities of the NAFS project.

The review follows the chapters of the synopsis report.

### The context of the conflict

- There is a gap between the general intent of this chapter, i.e. “*looking at the characteristics of the conflict and contextualizing it*” and the, albeit short, description made, which is more of a historical and socio-economic background. The contextualization and background would be more relevant when they address more specifically the conflict characteristics and causes.
- The notion of “**conflict**” needs to be better clarified, as there were clearly two phases. The first from February 2011 to mid-2012, made of demonstrations, repression with a relatively lower level of violence and casualties, and the second characterized by organized fighting between different factions with the state’s loss of control over many areas, including losses to extremist groups, such as ISIS. The causes of this shift in **the nature of the conflict** merit to be addressed. This is important, as the present perceptions among Syrians mix both phases to describe the “conflict”, whereas the second phase better characterizes the present situation.
- A non-partisan and “Syrian-owned” characterization of the conflict is a difficult exercise. Nevertheless, it is an essential step to reach a “shared vision” of possible scenarios and priorities for peace building and state building phases.
- More generally, one wonders if it is not better to address this characterization after, and not before, the assessment of the roots of the conflict.

### The structural root causes of the conflict

This section on the roots of the conflict is detailed following 3 axes: governance, economy and the social scene.

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<sup>1</sup> ESCWA: *The Strategic Policy Alternatives Framework (SPAF), Syria Post-Conflict*; English Synopsis, June 2017.

<sup>2</sup> This was strongly suggested during expert consultations made by NAFS team with experts.

- The description of the governance axis neglects the **interaction between governance and economy, i.e., political economy**, particularly for the periods of the early 1990s and the 2000s. Some major economic changes are pointed out in these periods, without any linkage to corresponding factual changes in governance. A proper analysis of the pre-conflict political economy is essential for a comprehensive, consensual, vision of peace building and state building.
- On the other hand, no reference is made to **regional and international factors** on the political and economic levels, such as the influence of the conflicts in Lebanon and Iraq, the failure of the peace talks with Israel, the US SALSA law and the collapse of the EU-Syria partnership, as well as the lost opportunity to retain membership in the WTO.
- More important, the issues described on the governance axis do not demonstrate the causes of conflict. Other Arab or world countries have governance characteristics similar to those described for Syria. And one wonders why the conflict sprang up in Syria and not in these countries.
- Significant issues are missing along the economic axis. The **financial default of the country** on its external debts in 1986 was a major issue that lasted until 2001 to be finally solved. The 1990-1995 period experienced the highest GDP growth rates in real terms and the most rapid growth of the private sector, never equaled before and after. The causes of the **collapse of this early 1990s development scheme**, based mainly on import substitution, are not analyzed. Similarly, the reasons of the stagnation of the ratio of Gross Fixed Capital Formation (sum of public and private) to GDP during the 2000s is not assessed, despite the facilitation for private sector investments and the exceptional foreign reserves. These missing issues are essential for a proper assessment of the background that lead to a “shared vision” of the economic causes of the conflict.
- Many general and structural factors are well described in the social section. However, major aspects need to be highlighted. On one hand, the **youth bulge** was more of a major characteristic than population growth by itself. This led to an unbearable situation where the country was injecting circa 300,000 newcomers into the labor market each year, while this same labor market was creating only around 65,000 jobs, only 8,000 of which were formal jobs. Most of these new jobs were **informal employment**, both as salary and own account. On the other hand, this situation was exacerbated by an acceleration of **rural-urban migration**. The country experienced massive losses in agricultural jobs in 2003 and 2004 as a result of economic policies, and later in 2008-2009 from draught. This led to a mushrooming of **informal settlements** in big, medium and small size cities putting enormous pressures on the delivery of all basic services and creating complex legal conflicts and grievances in **land and property appropriations**. These overpassed issues are among the main social causes of the initiation of the conflict. Their “shared” understanding is essential for sustainable peace and state building.
- In that regard, a gap appears in the relation between the social and governance issues, as no analysis is made of the influence of the pre-conflict policies in aggravating the social challenges. One example is the “Agency for Combatting Unemployment” which had operated for around 2 years (2005-2006), and was suddenly dismantled, while its positive effect was significantly measurable in the labor force surveys.
- Finally, it is important to better develop this section of the report, and to submit it to substantive discussions. This in order to have a better “shared analysis” of the causes of the conflict, which can better guide to a “shared vision” of the future, and a “shared” peace and state building problematics .

### The impact of the conflict

This section on the impact of the conflict is also detailed following the same 3 axes: governance, economy and the social scene.

- The description of the impact on governance is limited to central state institutions and local councils, with a passing reference to the “war economy”. This description does not fully address all aspects of Syria’s fragmentation in terms of governance. With the long duration of the conflict, Syria experienced the emergence of forms of **de facto “regional” governances** that are still active, especially in the two major zones in the North out of central state control. There is a need to describe the “institutional” relations between these “regional” governances and the local councils, which do not operate in a vacuum. This is a major issue as the subject of decentralization is not limited to the relationship between the central state and city or village local councils.
- Another major issue missing in the governance section is **security**. Organized major combatting forces had developed with the conflict in all Syrian zones, and they exert to this day power and control. The interaction between these combatting forces and “governance” is a critical subject. Moreover, the Syrian army and security forces had been impacted by the war. Peace and state building cannot avoid dealing with the issues of post-conflict security for citizens, reform of the security sector, re-unification of the army, and dismantling of militias.
- The description of the impact on the economy did not also address several major issues. **Internal trade** is the one mostly affected by the “war economy”<sup>3</sup>. Syria is still united economically through different mechanisms of smuggling between the different zones of control. All products are traded despite the war, be they local products, such as petroleum and its derivatives or imported products, especially from Turkey and Lebanon. And this trade adapts with the ever-changing lines of control. On the other hand, **criminal economy** has developed and Syria has become a major producer of narcotics, with a production turnover that could make the war self-sustainable. There is also a need to address the **external financial flows** towards the country’s different zones. This financing has the form of foreign aid toward the affected population, including the local councils, to provide services, as well as external financing of the combatting groups. The **dependence on these financial flows and foreign aid** is an essential issue of the Syrian economy during the conflict.
- The description made of the impact on the social scene sheds light on many important aspects. However, it would be useful to compare it with the results of research made on social degradation<sup>4</sup>. In particular, such research showed a **degradation in social trust, as well as in social networks and participation**.
- Moreover, whatever the scenarios for the future, there are other major issues which need to be addressed. On one hand, and despite all the development in social medias, there is a concern on how the Syrian population can have its rightful **independent voices and social organizations** to effectively represent effectively its needs. This is especially the case of the Syrian refugees in the neighboring countries, but is also applicable to resident and IDPs inside the country. On the other hand, the matter of other social **dependence mechanisms** needs to be brought forward, be it on the combatting forces or foreign aid.

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<sup>3</sup> Samir AITA: *War Economy in the Syrian Chaos. How inter-cities and foreign trade fuel the war?*; paper presented at the IMF/WB spring meeting 2017.

<sup>4</sup> SCPR: *The Conflict Impact on Social capital, Social Degradation in Syria*; 2017.

- The social impact of the conflict needs to be also addressed in terms of **greed and grievances**, as their analysis and their inclusion in a wide social dialogue is an essential component of peace building. The conflict has generated social grievances at different levels, but some pre-conflict grievances have also been put forward by various components of the Syrian mosaic. Both generate obstacles to peace-building.

#### Possible scenarios of the conflict ending

This section elaborates on possible scenarios, while the reality of its value remains in the discussions behind the establishment of such scenarios. Two of the chosen scenarios are the continuation or the worsening of the war. Neither gives meaning to a process of “developing priorities for a scenario” or “developing policy alternatives”. For such cases, **the most significant thing is to forecast the terrible human, social, economic and governance costs of the continuation of the war**<sup>5</sup>. Analyzing the key factors of the war and discussing them between Syrians has value all by itself.

#### Principles of a future vision for Syria 2030

The vision presents four fundamentals and nine principles presumably agreed upon between Syrian experts and stakeholders involved in the NAFS project. There is certainly a need for a wider consultation for a better, stronger addressing of vision, fundamentals and principles. For example, the sequence of principles could be questionable: Why is the return of the displaced the first principle put forward?

#### Strategic Principles of Peace-Building and State-Building Phases

This is a key chapter, as it defines the way forward for the NAFS project: Policy alternatives and Phasing of recovery. The policy alternatives are described along nine “nexus”.

Its description elicits the following remarks:

- **Two consecutive phases:** The logic of the chapter suggests that peace building and state building are two consecutive phases. The transition from the first to the second is not clarified, while it is stated that *“the peace-building phase will likely be extended and focus on humanitarian aid, settlement and reintegration of the displaced, improvement of living conditions and provision of basic services”*. This **phasing, and the content of each phase, is extremely controversial**, especially as the return of the refugees is considered as a first priority.
    - Where should the displaced persons return to? particularly in the cases of destroyed homes, villages and towns and of pre-conflict informal settlements.
    - How can aid be delivered and economy developed efficiently if there is no institutional regulation?
    - More essential, what can insure a minimal **“rule of law” in the peace building phase?** Especially as local grievances are highly voiced and as important greed had developed with the conflict?
    - And what insures that the **“regulatory” decisions taken during this peace-building phase** do not hinder a *“comprehensive, balanced and citizen-centered development”*?
- Experiences in transition and post-conflict recovery in and outside the region, including cases ranging from Tunisia to Iraq, have shown that **the decisions and developments of the early**

<sup>5</sup> See per example: *The Toll of War, the economic and social consequences of the conflict in Syria*; World Bank, 2017.

**transition and post-conflict period determine the path of later phases. State building is part of recovery, concomitant and intimately linked to peace building.**

- **The nine nexus:** The choices made for a decomposition of the pillars, sectors and cross-sectors of post-conflict development could be arguable and controversial.
  - The differentiation between “2) *Building a Legal Framework and Institutional Rehabilitation*” and “6) *Governance and Institutional Reform*” is arguable, and the postponement of the latter “nexus” until the end of the peace-building phase is controversial. From Day One of a political agreement and the halt of the fighting, the main issues shall be to define the reformed or created institutions governing the transition and the necessary laws to be implemented to insure a **minimal rule of law** addressing grievances and building the future. In particular, the delivery of relief, the organized return of the displaced, “*achieving food security, alleviating poverty, and seeking comprehensive and inclusive economic development*” cannot be made without management, planning and rules. The re-unification and reform of the army and security services cannot wait three or five years to be started. To avoid addressing the necessary institutions and regulations in the early times of transition means accepting the principle that the leadership of transition, however it is agreed on, has overriding authority to define the future of the country, with no accountability, checks or balances. **One of the key outcomes of a UN-agency sponsored NAFS and SPAF is precisely to propose schemes and alternatives for the urgently needed institutional and regulatory reforms that will insure human, social and economic rights respecting the principles of sovereignty of the country and inclusiveness of its population.** The necessity of such reforms is reflected in the present efforts of the UN Special Envoy on Syria focusing on the reforms of the constitution and the urgent laws to be enacted as an essential part of a peace agreement.
  - The differentiation between “1) *Emergency response, Relief and Humanitarian Work*” and “7) *Comprehensive Development Policies*” is arguable, and the postponement of the latter “nexus” until the end of the peace-building phase is controversial. There is a need to manage the issues of relief, humanitarian work and return of the displaced and refugees within the framework of a development plan. This, especially, as the continuation of flow of foreign aid at the level of needs is subject to external factors, and as it is essential to move the population from aid subsistence to production, resilience and self-reliance. Otherwise, investment plans have been designed and proposed by many actors, and the transition management need to prioritize these investments and to design the framework of their agreement within a “*comprehensive development plan*”. It is also essential to dismantle the “war economy”, especially its aspects linked to criminal activities. Here again **one of the key outcomes of a UN-agency sponsored NAFS and SPAF is precisely to propose schemes and alternatives for post conflict economic and social development.**
  - In this context, it is arguable to put “*the rehabilitation of physical infrastructure*” (included in nexus 4) and “*the management of environmental and natural resources*” (included in nexus 8) in nexuses separated from “*economic development*” (included in nexus 7). And it is controversial to postpone the subject of managing natural resources till the middle of the peace building phase. The rehabilitation of physical infrastructure is essential for peace building, insuring easy unhindered movement of population, delivery of humanitarian aid, as well as the re-activation of the Syrian economic trade networks. **A proper management of the natural resources out of “war economy” is also an essential issue for peace building and future economic and**

**social development. The basic rules of such proper management should be a key outcome of a UN-agency sponsored NAFS and SPAF**

- Similarly, it is arguable to separate “*nexus 9 Information technology and telecommunication*” from the “*technological development*” (included in nexus 8), “*promoting labor-intensive technology and a shift ... to technology-intensive economy sectors*”.
- Finally, the synopsis document does not mention explicitly “policy alternatives” and methodologies to propose such alternatives.

Thus, there is a need to reassess in SPAF and NAFS the phasing of transition as well as the definition of the relevant nexus, in a dialogue with experts and stakeholders. **A more straightforward set of nexuses could be proposed resulting from the analysis of the conflict causes and impact.**

#### Development Priorities and Macro-Economic Model

This chapter discusses separately the “*fundamentals of the proposed macroeconomic policies*”. It rightly advocates that “*the restoration of economic recovery to push the development wheel is the cornerstone for the restoration and sustainability of social peace*”; but this comes in contradiction to the described phasing and nexus framework of the SPAF.

Two major tasks of an economic simulation are set forward: The “*restoration of the economic recovery in the medium term*” and “*the mobilization of sustainable sources of funding for the reconstruction process*”. The results of the second task are clear: Estimating the financial needs, especially those from external sources, the “*funding gap*”. Those of the first task are contradictory. They are based on a reconstruction program consisting of “*(a) rebuilding the destroyed capital in each sector, and b) the implementation of the public investment program prepared by the 11th Five-Year Plan in 2011*”. But an assumption is made later in the text “*that the public investment programme would be frozen*”, while the economic simulation results show that “*public investment can reach 35 per cent of GDP during the first year of the cessation of armed conflict and settle at 20 per cent and where public investment plays a role in stimulating private investment, which can reach 15 per cent of GDP*” and later that “*public investment is estimated to reach 50 per cent of GDP*”!!!! Rightfully, the capacity of absorption of the Syrian economy and the management of investments are mentioned.

These economic simulations are certainly useful. However, several concerns may be raised:

- **Discussion of the assumptions:** The main assumptions of the economic model need to be formulated in detail and submitted to peers review and Syrian stakeholders’ discussions. In particular, it is not clear why the “**2011 11<sup>th</sup> Five-Year plan**” should be the main basis for implementation. This plan was based on a reality that does not exist anymore because of the conflict destructions. New realities have been created on the ground. And **a new plan should be elaborated on new priorities**, for example those discussed in the chapter. On the other hand, the assumption of “*the tax rates remaining on their level of 2013*” is controversial. For example, the significant share of customs duties could hardly be kept at their level of 2013, especially in the early post-conflict period due to the weakness of governance.
- **The management of the economy:** One of the striking characteristics of the pre-conflict five-year plans is that their targets were never met. Bureaucratic blockage, corruption and economic sanctions have all contributed to slowing down, if not stopping, implementation. **Proposing appropriate rules for a fair and accountable management of public investment (public procurement procedures) as well as procedures for private investment (especially**



those concerning rent-seeking activities) are key outcomes of a UN-agency sponsored NAFS and SPAF.

- **The financing options and the place of Syria in world trade:** Many countries are contributing to the financing of human aid and relief efforts during the conflict under the auspices of the UN and its agencies. The continuation of these aid contributions and their gradual transformation for supporting **resilience** inside Syria for the remaining population and for the displaced and refugees returning are key issues. Another key issue is a dedicated fund for recovery and reconstruction encouraging peace and state building. Proposing mechanisms for such a fund, resulting from discussions between Syrians and with willing countries and international organizations, would be an excellent outcome of a UN agency. Syria is important for Euro-Mediterranean neighborhood policy (ENP), as well as for the Chinese “road and belt” cooperation initiative, and for USA, Russia, Turkey, Iran, Iraq, Lebanon, Jordan and Gulf countries trade and cooperation.
- **Sanctions:** Syria has also been subjected to different kinds of severe financial and trade sanctions, even prior to the conflict. For example, such sanctions hampered the options for the procurement of greatly needed electricity power plants. And one may wonder how recovery and reconstruction could be performed efficiently while such sanctions are still in place. Post-conflict peace and state building assumes that all parties, Syrian and non-Syrian, are commonly engaged in combatting terrorism and illegal activities inside Syria and in the neighboring environment. Proposing mechanisms for lifting these sanctions would be an excellent endeavor of a UN agency.

### Conclusion

This review analysis acknowledges the progress made with the SPAF/NAFS, but depicts also from a critical perspective, the issues that still need to be tackled and further analyzed and discussed by Syrian experts and stakeholders

In order to progress forward, the review advocates that there is a need today:

- To submit the SPAF synopsis and report to similar critical reviews so that the UN ESCWA agency project could focus in its next steps on producing best appropriate elements for post-conflict social, economic and governance recovery and reconstruction, necessary for the public and policy Syrian debates.
- To review the process of involvement and participation of Syrian experts and stakeholders, as well as that of regular communication on the NAFS project progress, so as to have best efficiency and strong outreach among Syrians, specialists and stakeholders.
- To elaborate a new framework for future activities of the NAFS, better taking into account the new realities on the ground and more adequately formulating principles, phasing and nexuses in order to derive universal and UN-rights based policy alternatives;
- To establish a solid approach for producing background papers for the project with clear peer-reviewed scopes of work.