



# **Informality and prospects of economic consolidation in Syria**

**Workshop on  
“The Politics and Modalities of Economic Reconstruction in Syria”**

**Geneva, February 7–8, 2019**

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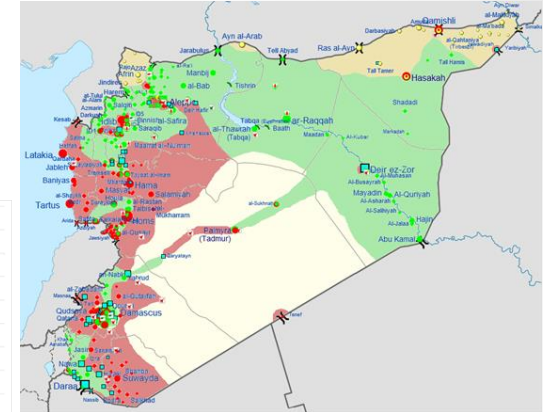
# Inter-War Economic Dynamics

## • GDP Losses

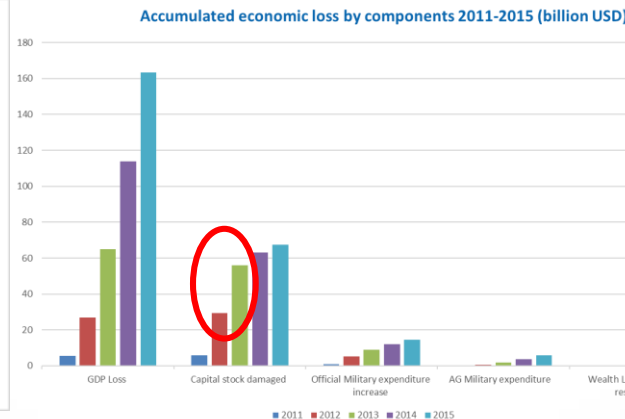
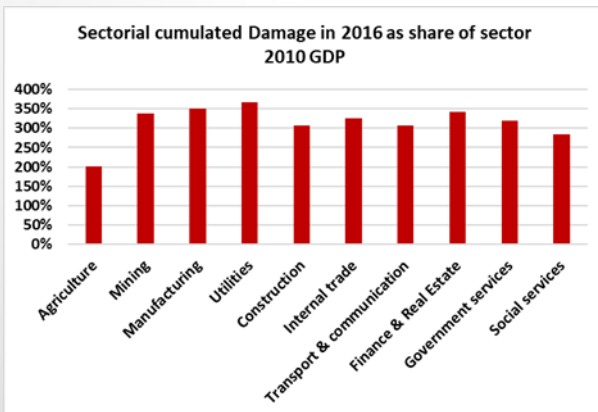
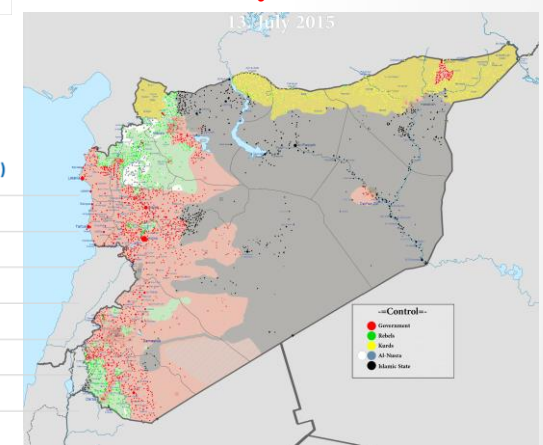
- GDP in 2017 = 0.31 2010 GDP
- Counterfactual GDP 2017= 1.45 2010 GDP
- Highest contraction –38.1% in 2013.
- The less affected sector is Agriculture
- Highest losses in capital stock 2013
- GDP/capita with the flow of refugees?



July 2013



July 2015



- SCPR : War Economy of Syrian Crisis ; WB/IMF Spring Meeting, April 21, 2017.
- SCPR: Syria, Justice to Transcend Conflict. Impact of Syrian Crisis Report (2016-2017); to be published February 2019.

# Inter-War Economic Dynamics

## • What is still functioning?

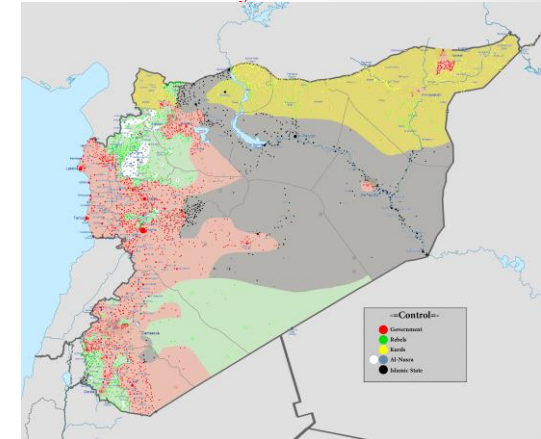
### ○ Agriculture

- *important role during the conflict in providing a minimum base for food security and income. All areas of control.*

### ○ Internal trade

- **Complex war economy trade mechanisms**
- **Large profits ... probably**
- *Contrary to classical wars between countries, civil wars do not completely close off the trade between conflicting zones. They replace the normal trade networks within the country with other networks, which manage to cross frontlines for the benefit of profiteering warlords and combatting factions.*

July 2016



July 2017

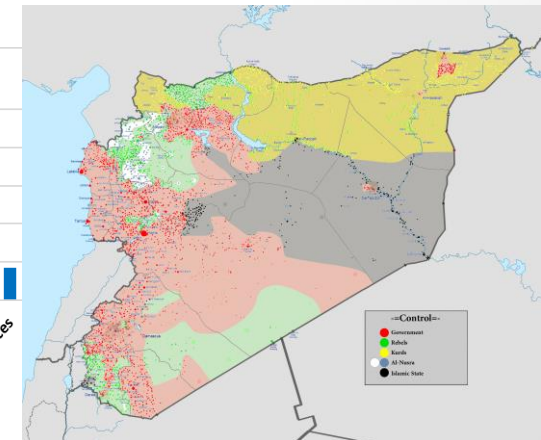
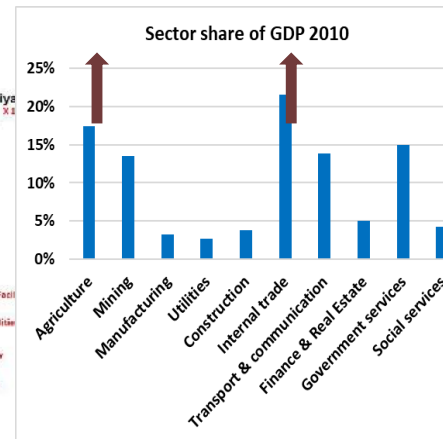
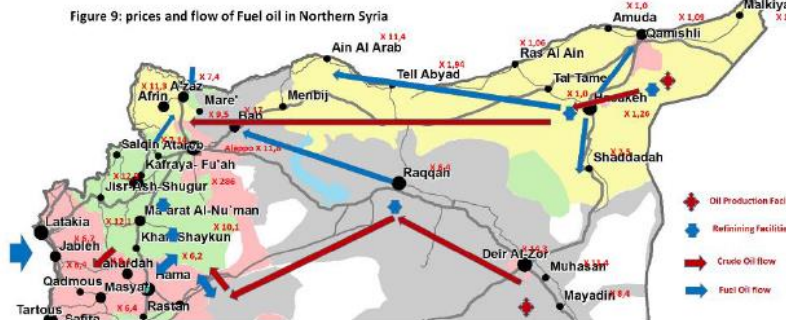


Figure 9: prices and flow of Fuel oil in Northern Syria

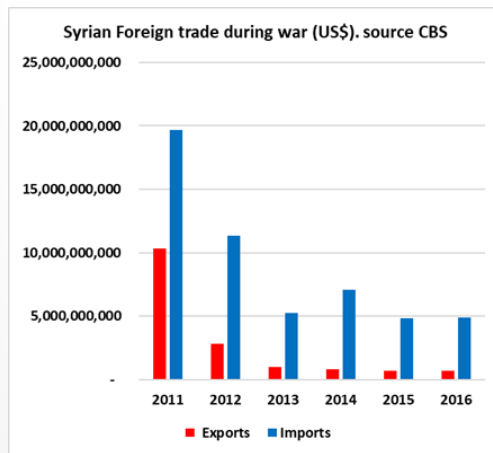


- Samir AITA: War Economy in the Syrian Chaos. How inter-cities and foreign trade fuel the War?; IMF-WB Spring Meeting, April 21, 2017
- Samir AITA: Economic Assessment of Urban Issues for Reconstruction in Syria; in State of Syrian Cities 2016-2017; CSI, October 2017.

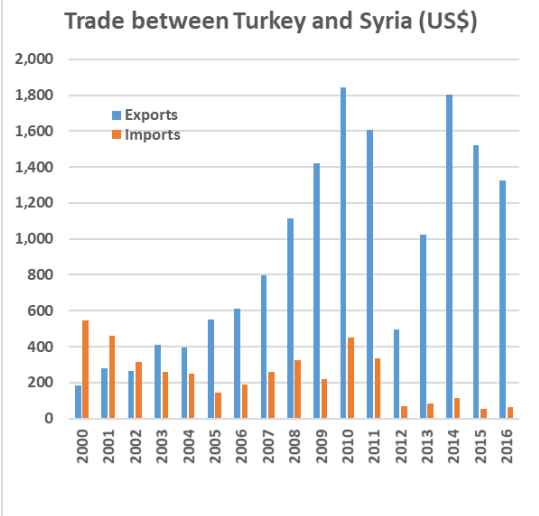
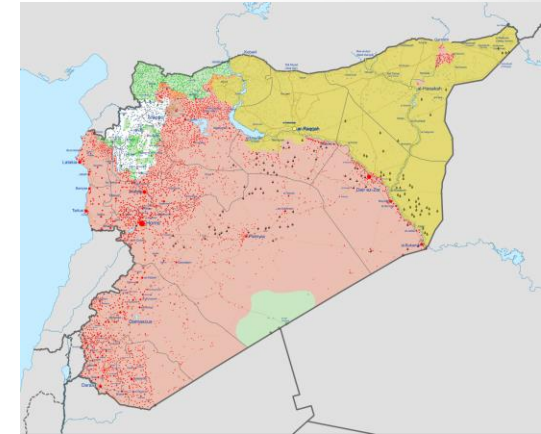
# Inter-War Economic Dynamics

## • What is still functioning?

- Foreign Trade: importation
  - Imports US\$ 5,000M
  - Imports from Turkey = pre-conflict
- Foreign trade exports:
  - To Iraq (US\$ 226M), Lebanon (US\$ 130M), total US\$ 741M in 2016.
- *Both are expected to be larger-informal*
- *The financial and economic sanctions against Syria have served as a precursor and have provided the grounds for developing new informal networks on all sides of the conflict.*



January 2019



- Samir AITA: Trade without Religion between Turkey and Syria; IFRI Editorial, March 24, 2017.
- Samir AITA: Economic Assessment of Urban Issues for Reconstruction in Syria; in State of Syrian Cities 2016-2017; CSI, October 2017.

## Inter-War Economic Dynamics

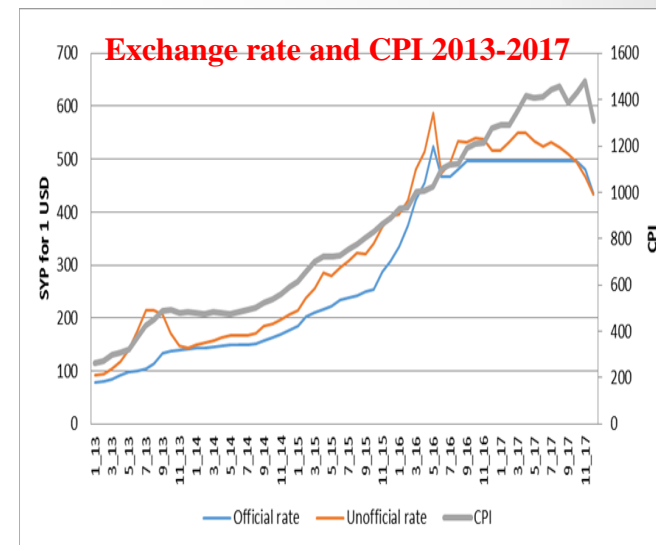
### • Inflation and Exchange rate

#### ○ Inflation

- High inflation rates
- Especially imported goods & agriculture
- Highest in 2013

#### ○ Exchange rate

- Evolving in line with inflation
- As if economy fully dollarized.
- *Reason why replacement of SYP by Turkish Lira in opposition areas failed?*



### CPI rates

CPI in government zones	2011	2012	2013	2014	2015	2016	2017
Food and beverage	7%	41%	110%	20%	35%	58%	15%
Tobacco & Alcohols	5%	68%	87%	27%	57%	40%	24%
clothing	3%	35%	93%	27%	48%	48%	24%
housing water electricity energy	11%	41%	46%	17%	33%	20%	10%
houshold supplies	0%	38%	98%	27%	15%	101%	22%
Health	5%	17%	55%	42%	42%	36%	27%
transportation	3%	26%	76%	21%	58%	52%	18%
Telecommunication	-1%	0%	22%	43%	29%	32%	2%
Entertainment	-13%	25%	90%	40%	50%	82%	22%
education	5%	12%	33%	17%	27%	37%	35%
restaurants & hotels	2%	39%	142%	60%	39%	90%	15%
others	2%	32%	74%	20%	40%	70%	11%
<b>All</b>	<b>6%</b>	<b>37%</b>	<b>82%</b>	<b>23%</b>	<b>38%</b>	<b>48%</b>	<b>17%</b>
SYP/US\$ devaluation	2%	43%	157%	22%	41%	48%	21%

### Cumulative

2010	2011	2012	2013	2014	2015	2016	2017
100	107	151	316	378	512	807	930
100	105	176	329	418	657	922	1,144
100	103	139	269	343	509	754	932
100	111	156	228	268	356	427	471
100	100	138	273	347	400	803	982
100	105	122	189	269	382	519	659
100	103	130	229	278	438	666	788
100	99	100	122	175	225	296	302
100	87	109	207	290	436	795	973
100	105	118	156	183	232	318	430
100	102	142	343	549	763	1,453	1,677
100	102	135	231	290	430	769	854
<b>100</b>	<b>106</b>	<b>145</b>	<b>265</b>	<b>324</b>	<b>449</b>	<b>663</b>	<b>775</b>

- Central Bureau of Statistics and central Bank of Syria.
- SCPR: Syria, Justice to Transcend Conflict. Impact of Syrian Crisis Report (2016-2017); to be published February 2019.

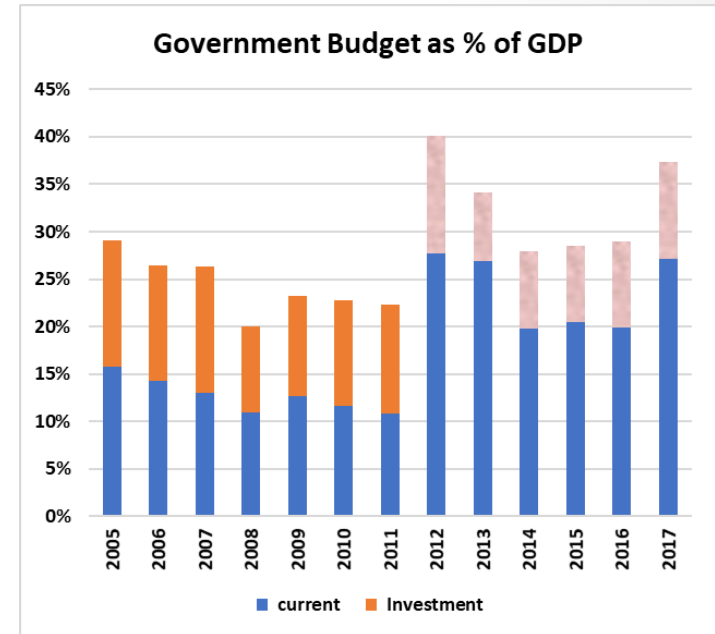


## Inter-War Economic Dynamics

### • Government Budget and policies

#### ○ Budgets

- Official budget %GDP increased substantially
- Reduction of subsidies – oil derivatives +35% mid 2016, increase of wages mid 2016
- Investment budget → Military expenditure and current spending
- In-Budget deficit decreased 25% in 2015 to 19% in 2017 (comparatively with 5% in 2010).
- All regions of control imposed taxes and fees and have policies (self administration – decree 18, 2016, salaries–, opposition factions, ...)



- Central Bureau of Statistics and central Bank of Syria.
- SCPR: Syria, Justice to Transcend Conflict. Impact of Syrian Crisis Report (2016-2017); to be published February 2019.

## Inter-War Economic Dynamics

### • Employment

#### ○ Labor force (no surveys)

- Severe reduction with massive flow of refugees –25%, including crucial human resources.

#### ○ Employment

- Around 5.5 M employed in 2010 → 2.0 M in 2017 (estimate)
- Little in agriculture... mostly in trade and services (including gvt)
- Most employment informal, including in 2010

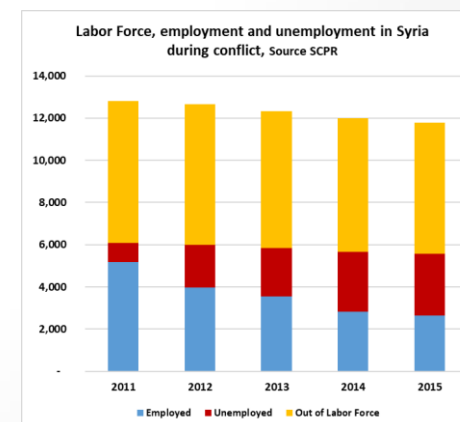
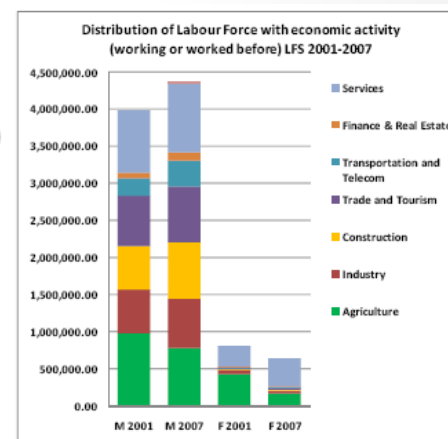
Share of employment 2010	
Agriculture	13%
Manufacturing	16%
Construction	15%
Internal trade	18%
Transport & communication	7%
Finance & Real Estate	3%
Services & utilities	28%

Table 3.23 The shares of informal employment categories in Syria 2010 (% of total employment)

Type of production unit	Jobs by Status in Employment							
	Own-account workers		Employers		Contributing Family	Wage workers		Members of cooperatives
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal
Formal sector enterprises					0.1%	5.4%		
Informal sector enterprises	28.1%		3.5%		3.9%	24.5%		?
Households						0.1%		

Table 3.24 The shares of Women informal employment categories in Syria 2010 (% of total Women employment)

Type of production unit	Jobs by Status in Employment							
	Own-account workers		Employers		Contributing Family	Wage workers		Members of cooperatives
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal
Formal sector enterprises					0.1%	3.6%		
Informal sector enterprises	11.7%		0.8%		11.4%	11.2%		0.0%
Households						0.1%		



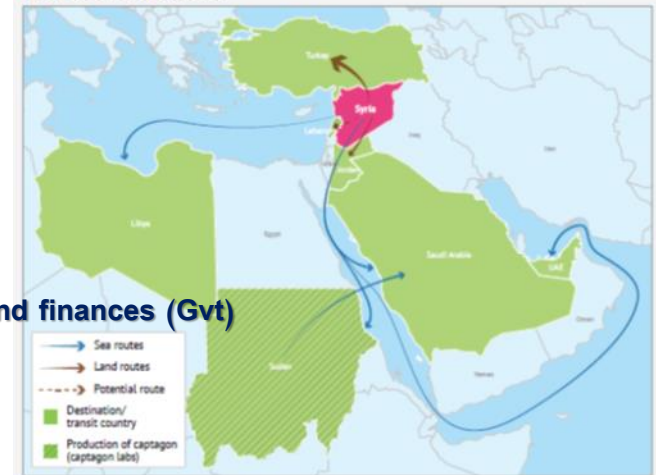
- Central Bureau of SCPR: Syria, Justice to Transcend Conflict. Impact of Syrian Crisis Report (2016-2017); to be published February 2019.
- Samir AITA: The Informal Employment in the Arab Countries: Facts and Rights; ANND Arab Watch Report, 2017.

# Aspects of Informality

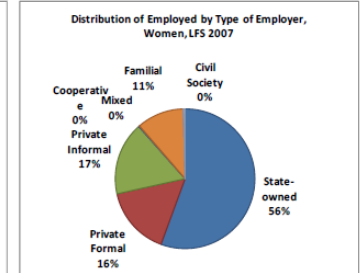
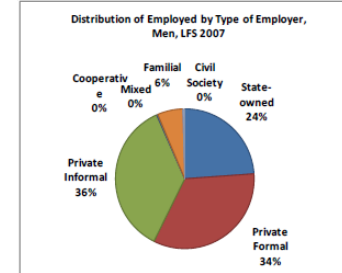
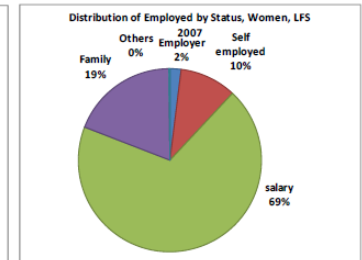
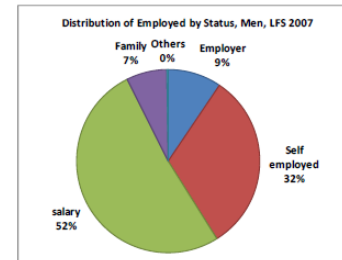
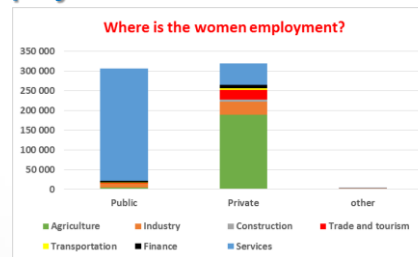
- **Attn: Informal economy = informal employment (social rights) different from informal sector and from illegal sector**
- **Pre-conflict informal/illegal sector**
  - Tax evasion, Smuggling of subsidized oil derivatives
- **In-conflict informal/illegal sector**
  - General financial and economic sanctions → informal foreign trade and finances (Gvt)
  - All actors: informal foreign trade and finances
  - Drugs sector
  - → War Lords of the informal sector
- **Pre-conflict informal economy**
  - 65% of total employment (half salary)
  - 39% of women employment (mainly private sector)
- **In-conflict informal economy**
  - Most of employment
  - Men affected (death, injuries, ...) more than women
  - → the poors of the informal employment

Current trajectories of captagon, 2016

Figure 6: Current Trajectories



**captagon**



- Global initiative against transnational organized crime, 2016
- Samir AITA: War Economy in the Syrian Chaos. How inter-cities and foreign trade fuel the War?; IMF-WB Spring Meeting, April 21, 2017



# The dilemma of informality in Syria recovery

- **Peace-building for recovery**
  - It is all about insuring social rights (return of refugees and IDPs, property, decent housing, decent income, social protection –health, etc.
  - Rights have to be assessed formally
- **Economic recovery**
  - **Employment**
    - Key issue in economic recovery and reconstruction
    - Priority for the reintegration of combatants
    - Women role to be invented as they shall be majority of society
    - What type of formalisation of jobs in post-war recovery?
    - Jobs versus subsistence aid versus resettlement/housing/... aid
  - **Investment**
    - General sanctions impediment to formal investment
    - They can be enforced even long after « political transition », while there is a need for quick actions
    - Aid dependence increase informality, especially if selective
    - Informal sector contrary to rule of law...
    - Focus should be more on the necessary laws and reforms than the constitution
    - How “political transition” could not be only an equilibrium between war lords?