



The Conflict in Syria: Implications on the Macro-economy and MDGs

Executive Summary

The Syrian who did not lose his life in this conflict, lost twenty years of it, either by a destroyed home which he spent his life building, or by a faded business which he founded, or by damaged and dispersed relations, or through his experience and career that has been deemed worthless.

The loss in Syria is a simple accumulation of the total loss of each and every one of the Syrians, and in a basic reading, it is evident, that Syria lost all its gains throughout decades, and that all development indicators are directed towards an abyss, and that not any realistic force can change this trend. Even in the case of a political and developmental miracle, the maximum that can be achieved is a return back to up to two decades or more in development indicators.

It is expected that the decline in the graph of all indicators is to continue based on the findings of this report prepared by the Economic and Social Commission for Western Asia (ESCWA). From this notion, came the preparation of this report coupled with the intensification of the momentum of thinking about international development, and questions related to development goals beyond 2015 (the target year for achieving the Millennium Development Goals).

With regard to Syria, which has been going through a severe and violent crisis since three years, leaving disastrous consequences on all Syrians, and on the whole process of economic and social development, the questions thus on the extent to which Syria shall achieve the millennium goals is blocked by a black image which pictures that the achievement of these goals, which was made possible by the year 2015, has not only become impossible today, but also prone to the risk of erosion and continuous decline. There has been such a large gap between the current reality and what was possible and imminent by 2015 due to the rapid and steady collapse of the status of security (economic, food, health and environmental ..) in all the composition of dimensions during the past three violent years.

Before the outbreak of the conflict in 2011, the Syrian Arab Republic made confident steps towards the Millennium Development Goals and could have been able to achieve significant achievements by 2015 if it was destined to continue in the course of the development path that it had begun before the outbreak of the war. However, the series of events halted this process and blew it away, making the possibility of achieving the Millennium Development Goals on schedule a mission impossible.

The report is based on a series of data accumulated by ESCWA from national sources and references issued by the Syrian government and other relevant agencies in the United Nations, as well as reports and studies prepared by the program of the National Agenda for the Future of Syria (NAFS). This program is a project implemented by ESCWA, with the objective of building a base for an expanded dialogue on the alternatives and options that can assist the parties in the Syrian Arab Republic to address the devastating conflict in their country and pave the way to address a post-conflict phase. The study also aims to measure the decline in the indicators of the Millennium Development Goals in accordance with a clear economic, social and governance perspective. The report focuses on the development path in the Syrian Arab Republic during three periods in time; the period before the conflict, during the conflict (2011-2013), and the forecasted future during the aftermath of the conflict.

The study consists of three chapters looking at the macroeconomic situation, achievements of the Millennium Development Goals until late 2013, and expectations of the future development in light of the continued conflict.

Chapter I: Macroeconomic Situation

The first chapter puts forward the macroeconomic landscape in three sections. The first section reviews the collapse of growth as indicated by primary and available data and key macroeconomic indicators, while the second section looks at the potential impact of the conflict on the monetary and financial indicators, GDP and public debt based on the results of the Computable General Equilibrium (CGE) model of the Syrian economy. The third section, focuses on the information available from a few, formal and informal sources, and aims to determine the implications of the conflict on economic sectors and the infrastructure.

The available data indicates that 2013 was the worst on all levels since the start of the conflict. Whereby, real GDP (at constant prices of 2010) declined from 60 billion dollars in 2010 to 56 billion in 2011, and then to 40 billion dollars in 2012, and to about 33 billion dollars in 2013. Shrinking the Syrian economy in 2013 by 16.7 per cent compared to 2012, and 28.2 per cent compared to 2011, an estimated total loss of real GDP at about 70.67 billion dollars (in 2010 prices) during the past three years. The year 2013 also marks a huge decline in exports by 95% and imports by 93% and a rise in inflation which reached up to 90% and unemployment which reached up to 54%. Even as a percentage of GDP, total investment reached 9.9% after it was 24.29% in 2010 led by private investment and government revenues almost halved.

It is estimated that the total loss incurred by the Syrian economy throughout the three years of conflict (2011-2013) is 140 billion dollars, of which 69.1 billion dollars (49.4 per cent) is the value of the losses in monetary supply. The proportion of the remaining 50.6 per cent, amounting to 70.67 billion dollars, is due to the sharp decline in GDP and the vast difference between the expected and actual levels. In terms of the sectoral distribution of losses, the private sector incurred losses of \$ 95.97 billion (68.7 per cent) of the total economic loss, while the public sector losses amounted to 43.8 billion dollars (31.3 per cent). The Syrian government estimates the losses in monetary supply in public institutions by about 814.8 billion Syrian pounds, or 17.7 billion USD by the end of 2013.

Chapter II : Achieving the Millennium Development Goals

Chapter II looks into the Millennium Development Goals in the Syrian Arab Republic by examining the trends of the goals and targets, and measuring a set of indicators that

demonstrate the level of achievement. This chapter also encompasses an analysis of the situation that led to these goals during and as a consequence of the conflict.

Taking into account the impact of crisis and the MDGs in the Syrian Arab Republic in 2013, the country is ranked at the level of achievement of MDGs in Sudan in 2010. This may not be a surprise taking into account the massive destruction of infrastructure and collapse of public services in many areas in the country with regard to access to water, health care, education and loss of jobs and income. On top of it, human security remained a major concern as the country is engulfed in deep conflict. In all the selected 12 MDG indicators, the country has recorded reversals against that in 2010. According to the MDGI (Millennium Development Goals Index), the only country which is below Syrian Arab Republic in 2013 in terms of progress of the MDGs is Somalia.

The evolution of poverty rates according to the lower poverty line in Syria started at 14.3% in 1990 as a base year and was able to reach 10% in 2010. However, it soared to 43% in 2013 and is projected by ESCWA to reach 60% by 2015 if the conflict continues. It was set to achieve 7.1% as a target in 2015. On the other hand, the evolution of poverty rates according to the upper poverty line in Syria was fastest between 2010 (28%), and 2013(69%) and is anticipated to reach 89.4% by 2015.

In terms of achievement of primary education levels, net enrollment ratio in primary education for the age group (6-11 years) reached 70% in 2013 after it was 98% in 2010 and the rate of students who enroll in the first grade of primary education and reach the last grade reached 50% after it was 96% in 2010.

The mortality rate of children under five years of age per thousand births was 25.1 in 2013 after it was 21.4 in 2010 and the mortality rate of infants under one year of age per thousand births went up to 23.3 after it was 17.9. In general, the rate of vaccination of children has deteriorated significantly. After the proportion of immunization by all types of vaccines ranged between 99-100 per cent in all the governorates before the conflict, these percentages plunged for most types of vaccines ranging between 50 and 70 per cent in some governorates, and null in some areas.

As for the maternal mortality rate, it proved to be on the rise since the beginning of the conflict and it is estimated to have reached 62.7 deaths per 100 thousand births in 2013, a result of poor reproductive health services due to damaged infrastructure and health facilities, and lack of medicine due to the halt in most domestic production and the continuing sanctions, and insecurity on the roads in large areas of the country. Proportion of births attended by skilled health personnel and the use of family planning methods reached extremely low levels due to similar roots and causes.

The crisis also resulted in the resurgence of infectious diseases that were eradicated and long forgotten by the Syrians such as TB - Maltese fever - Measles - Meningitis - Polio and the exacerbation of other diseases such as Leishmania - Viral hepatitis. This was accompanied by a decline in general government spending to 5.6% and investment spending on health to 1.9% according to 2012 figures.

One of the most dangerous declines can be witnessed in terms of environment sustainable goals, whereby the percentage of the population with sustainable access to safe drinking water reached 71% after it was 89.7% in 2010 and the percentage of the population with access to

improved sanitation is estimated to have reached 76% after it was 98.6% in 2013. The lowest ratios are believed to be in Idlib, Damascus suburb, Aleppo, Homs, Raqqa and Deir Al-Zor.

Even though the value of development aid provided to Syria during the year 2012 was U.S. \$ 1,672 million a huge surge from only 135 million in 2010 (OECD), humanitarian aid constituted U.S. \$ 807 million by the end of the year 2013. Rationally, debt service as a % of exports of goods and services also rose 129% in 2013 after it was 5% only in 2010.

Chapter III : Future Prospects

The final chapter deals with forecasts on future targets for the Millennium Development Goals in the Syrian Arab Republic, in addition to governance, social and economic conditions and opportunities for advancement in the case the crisis prolongs.

This chapter confirms the predictions of experts that the major collapse in the Syrian economy during the years of the crisis has been achieved, and the major losses have already taken place. The reserves of the central bank's foreign currency decreased from 14.4 billion dollars in 2011 to 3.5 billion dollars at the end of 2013, i.e. consuming up to 67 per cent of it in just three years in order to stabilize the exchange rate of the Syrian pound between the boundaries of 150-160 pounds to the dollar. Thus, the fate of the Syrian pound in 2015 will be subject to the stream of events linked to the crisis and the level of external support. Also, the value of GDP in 2013 declined by 16.7 per cent, after falling by 28.2 per cent in 2012 and is expected to continue this decline, albeit at a slower pace, at 14.27 in the percent in 2014, and about 4.68 per cent in 2015, until it reaches a value of 27.3 billion dollars, a quarter of the level expected by international institutions for the same year.

With the continuation of the crisis, the implications of this economic decline and social plight are expected to transcend to other sectors such as health, education, and poverty. Perhaps the most dangerous of the provisions of this study is the experts' estimates on poverty, which is expected to reach 60 per cent in 2015. This means that if the conflict continued until 2015, 90 per cent of the Syrians will be poor, and approximately 60 per cent of them will not be able to secure their own food requirements.

One cannot talk about governance in the Syrian Arab Republic in light of the current circumstances and conditions. In fact, in this torn reality, one must wonder about the likelihood of saving what remains of the state of the Syrian Arab Republic and the Syrian people and about what should be done to achieve this. In response to those questions, the study indicates that this is still not impossible, even if it is a difficult task which is getting harder day by day in the face of rising cost of material, and human and political conflict moment by moment. Salvation calls for setting a road map, its first pillar is the concerted efforts of all stakeholders, the international and domestic, in order to reach a political solution in which all parties embark on courageous steps to stop the human and material bleeding, out of recognition of their historic responsibility and rescuing the future of the state and the people of the Syria.