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Syria

Alienation and Violence

Impact of Syria Crisis Report 2014

March 2015

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Acronyms and abbreviations



CBS	Central Bureau of Statistics in Syria
CPI	Consumer Price Index
EU	European Union
FX	Foreign Exchange
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
HDR	Human Development Report
HIES	Household Income and Expenditure Survey
IDP	Internally Displaced Persons
ISIS	Islamic State in Iraq and Sham
LFS	Labour Force Survey
MoE	Ministry of Education
MoET	Ministry of Economy and Trade
MoH	Ministry of Health
MoLA	Ministry of Local Administration
MoSA	Ministry of Social Affairs
NGO	Non-Governmental Organization

OCHA	United Nations Office for the Coordination of Humanitarian Affairs
PL	Poverty Line
PICC	Planning and International Cooperation Commission
SCPR	Syrian Centre for Policy Research
SOE	State Owned Enterprise
SYP	Syrian pound
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees
USD	United States Dollar
WDI	World Development Indicators
WHO	World Health Organization

Acknowledgments



This report was prepared by the Syrian Centre for Policy Research (SCPR) with support and cooperation of UNDP and UNRWA. It is part of series of quarterly based reports on the impact of the crisis on development in Syria. All three organisations are committed to providing reliable socioeconomic data, indicators and analysis to track the economic and social consequences of the armed-conflict and the resulting humanitarian emergency in Syria.

These reports will provide a sustained focus on human development issues to ensure that the current and future development needs of the Syrian people remain in focus while the present humanitarian emergency and relief operations are ongoing.

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Executive Summary



This report is part of series of reports that provide analysis to track and assess impacts of the armed-conflict on the socioeconomic situation and the lives of people in Syria during the current crisis¹. The report is the fourth in the series and covers the four quarters of 2014. The analysis and projections of SCPR indicate that:

ECONOMIC IMPACT

- The economy of violence flourished in 2014 as battles intensified, with reallocation of resources and capital to the machinery of war. This was accompanied with the expansion of black markets, the erosion of sovereignty and rule of law, increasing dependence upon external support, deepening economic exposure and loss of economic security. Under the conflict the Syrian economy suffers from the dominance of the subjugating powers working to institutionalize control through violence. Moreover, as sovereignty has weakened conflict-related transnational networks and criminal gangs emerged to engage in human trafficking and abuse, pillage, smuggling, kidnapping and extortion, recruiting combatants and trading in the objects of national and historical heritage.
- The future growth of the Syrian economy has been compromised by the systematic collapse and destruction of its economic foundations as its infrastructure and institutions, human

and physical capital, as well as the wealth of the nation has been obliterated.

- Economic destruction has engendered drastic levels of inequality and inequity as the domestic economy fragmented across the country, where armed parties created a state of exception to control and rule institutions and resources. To retain their dominance, the different parties have reallocated resources to create incentives and loyalty among their followers.
- Total economic loss since the start of the conflict until the end of 2014 is estimated at USD 202.6 billion, with damage to capital stock accounting for 35.5 per cent of this loss. Total economic loss is equivalent to 383 per cent of the GDP of 2010 in constant prices. This massive loss has dramatically increased dependency upon the external support.
- The total volume of GDP loss is estimated at USD 119.7 billion, of which USD 46.1 billion was generated in 2014. GDP contracted by 9.9 per cent in 2014 compared to the previous year. Contracting by 15.2 per cent in first quarter, 8.1 per cent in the second quarter, 7.3 per cent in the third quarter and by 9.5 per cent in the fourth quarter compared to the parallel quarters in 2013.
- The structure of GDP changed dramatically during the conflict, with agriculture and

**USD
202.6
billion**

total economic loss since the start of the conflict until the end of 2014

**USD
119.7
billion**

total volume of GDP loss till 2014

1. Previous reports [Syrian Catastrophe (June, 2013); War on Development (Oct, 2013); and Squandering Humanity (May, 2014)], are available in English and Arabic on SCPR website: scpr-syria.org/en/

government services together accounting for 45.7 per cent of total GDP in 2014, but with each assuming a greater share of shrinking productive capacity.

- There was a tiny improvement in private investment in 2014, which increased slightly by 1.4 per cent compared to 2013. This was driven by manufacturing investment in relatively stable areas. However, this is not an indication of recovery and/or sustainability, but does indicate that the enterprise sector is partially making adjustments to operating under armed-conflict.
- Public investment continued to retrench, contracting by 17 per cent in 2014. Combined public and private investment formed just 10.8 per cent of the GDP. This resulted in a position of negative net investment in 2014 since this level of investment is below the normal annual depreciation rate of capital stock.
- Public consumption increased its share of GDP during the crisis, climbing from 17.6 per cent in 2010 to 28.1 per cent in 2014. Public consumption represents a key fiscal tool to create a sense of stability by sustaining public services. Moreover, as public sector workers now dominate the labour force, it was the primary source of income for the majority of employees in 2014. However, despite its significance, it contracted by 9 per cent in 2014, while government policy to reduce subsidies on essential goods caused a drop in real public consumption in the last quarter of 2014.
- Private consumption, which is the main component of economic demand and a direct measure of household welfare, contracted by 41.7 per cent in 2014 compared to 2010, while shrinking by 11 per cent in 2014 compared to the previous year. This reflects another year of increasing hardship

for Syrian households that have already suffered financially from job loss and surging increases in living cost. Thus, as people had less income to spend, the Consumer Price Index (CPI) continued to rise in 2014, with a fall in the CPI of 4.3 per cent in the first quarter that rose by 5 per cent in the second quarter. This trend intensified in the later half of the year as the CPI rose by 10.3 per cent in the third quarter and jumped by 22 per cent in the last quarter. This includes rising prices for basic commodities like bread, sugar, and oil derivatives that increased as the government loosened subsidies on these goods in the second half of the year.

- The coverage of exports to imports deteriorated sharply from 82.7 per cent in 2010 to 29.7 per cent in 2014; this is reflected in a huge trade deficit that reached 42.7 per cent in 2014; reflecting the exposure of the economy to external economies and depends to a large extent on imports that are financed mainly through external loans and financial facilities. As economic dependency on external resources climbed, a growing balance of payments deficit consumed foreign reserves and created a mountain of debt for the next generation.
- The budget deficit increased from 35.7 per cent in 2013 to 40.5 per cent in 2014. This deficit added another burden to public debt that continued to increase substantially relative to current GDP, from 104 per cent in 2013 on average, to 147 per cent by 2014-Q4.
- The government adopted additional liberal policies to reduce subsidies through increasing the prices of many basic goods and services. While this will increase government revenues, it will have significant socioeconomic impact on household welfare, particularly of poor families. It will also increase the cost of domestic production and raise the cost of basic goods such as bread and energy.

2.96
million

of people lost
their jobs
during the
conflict

- The country is plagued by joblessness and unemployment, as the unemployment rate surged from 14.9 per cent in 2011 to 57.7 per cent by the end of 2014, where there were 3.72 million unemployed persons. Some 2.96 million from these people lost their jobs during the conflict, with the loss of income impacting on the welfare of 12.22 million dependents. Tragically, the expansion of the economy of violence is producing “make-work” activity within the economy, with an increasing share of Syrian youth joining various networks to engage in conflict-related enterprises and illegal activities.
- At the end of 2014, the key pillars of the economy had corroded and were no longer sound. The economy lost fundamental aspects of economic security, including the waning sovereignty over resources and territory, an unprecedented balance of payments and trade deficits, a burdensome public debt and budget deficit, extremely high inflation combined with unstable exchange rates, negative savings, low investment and mass unemployment that have all combined to produce considerable negative growth and massive economic contraction that has left the population bereft and destitute.

SOCIAL IMPACT

- Armed-conflict, economic disintegration and social fragmentation have transformed the human geography of Syria. This resulted in a hollowing population as it fell from 20.87 million persons in 2010 to just 17.65 million people by the end of 2014. Over half the population (52.8 per cent) were dislodged as they left their homes looking for safer places to live or better living conditions elsewhere. Some 6.80 million persons from this population-in-movement (58 per cent) continue to live in Syria as IDPs, with many displaced numerous times. The hollowing of the population has also resulted in 1.55

2014 just over four in every five Syrians lived in poverty

million Syrians migrating to other countries.

- After the unresolved and prolonged Palestine refugee issue, refugees from Syria now constitute the second largest refugee population in the world with an estimated 3.33 million refugees fleeing Syria by the end of 2014. During the past year Turkey displaced Lebanon as the major host of Syrian refugees, with 35.1 per cent of refugees sheltering there, compared to 34.5 per cent in Lebanon. Jordan hosted 18.7 per cent of Syrian refugees, while Iraq provided haven for 6.9 per cent.
- The ruinous descent into poverty in Syria continued in 2014 when just over four in every five Syrians lived in poverty. While poverty varies among regions, those governorates that witnessed intensive conflict and had higher historical rates of poverty suffered most from poverty. Moreover, almost two-thirds of the population (64.7 per cent) lived in extreme poverty where they were unable to secure the basic food and non-food items necessary for the survival of the household. This was particularly acute in the conflict zones. As poverty has become increasing prevalent, 30 per cent of the population fell into abject poverty where they were unable to meet the basic food needs of their households. The abject poor in the conflict zones face special difficulty with many facing hunger, malnutrition and even starvation in extreme cases.
- Under these conditions human development is rapidly regressing, with the UN Human Development Index (HDI) highlighting the appalling deterioration of Syria’s human

The budget deficit increased from **35.7 per cent** in 2013 to **40.5 per cent** in 2014

6
per cent
of the
population were
killed, maimed
or wounded
during the
conflict

development record as it tumbled from the medium human develop group into the low human develop group during the course of the conflict as the key education, health and income indicators withered. Thus, the HDI of Syria is estimated to have lost 32.6 per cent of its pre-conflict value, while falling in global ranking from 113th to 173rd out of 187 countries.

- Education is in a state of collapse with half (50.8 per cent) of all school-age children no longer attending school during 2014-2015, with almost half of all children already losing three years of schooling. There is a wide disparity in school attendance rates across the country as the conflict is creating inequality in educational opportunities. The conflict has generated increasing inequality between the different regions, while the quality of education also deteriorated. The loss of schooling by the end of 2014 represents a human capital debit of 7.4 million lost years of schooling, which represents a deficit of USD 5.1 billion in human capital investment in the education of school children.
- The appalling loss of life continues to be among the most horrific feature of the armed-conflict, as the death toll increased in the past year to reach 210,000 persons killed. Together with the 840,000 people who were wounded, 6 per cent of the population were killed, maimed or wounded during the conflict. Equally horrendous is the silent disaster that has reduced life expectancy at birth from 75.9 years in 2010 to an estimated 55.7 years at the end of 2014, reducing longevity and life expectancy by 27 per cent.
- The people of Syria are now forced to live under a terrible state of exception, estrangement and alienation with a massive social, political and economic chasm dividing them from those involved in violence and the

institutions of violence. Most people continue to remain alienated from the subjugating powers that have been able to enrol some in the machinery of violence, oppression and terror that has already squandered human values, lives and livelihoods of Syrians. While this estrangement and alienation are often seen as a symptom of exclusion, fear, subordination, indifference, hopelessness and despair, there are still people and institutions that refuse violence and the state of alienation. They continue to struggle peacefully against the internal and external powers of subordination and alienation.

Introduction



The armed-conflict continued to intensify and become even more corrosive during 2014 with the emergence of ISIS as significant terror force operating in both Iraq and Syria. Moreover, the expanding internationalisation of the conflict served to deepen the suffering of Syrians with scant hope of ending the crisis.

As the institutions of violence have expanded and been reinforced they have spread hatred, extremism and polarization. These institutions primarily serve the objectives of the powers of subjugation through oppression, fanaticism and fundamentalism, regardless of the will of people. This created a fissure and great divide between Syrians and different dominating institutions that has significantly aggravated estrangement and alienation among the majority of people.

As with the previous reports in this series, this report was prepared by the Syrian Centre for Policy Research (SCPR) with the support of UNDP and UNRWA. It aims to estimate, document and analyse the catastrophic socioeconomic impact of the ongoing armed-conflict. The report highlights some of the pitfalls and gaps in applying mainstream analytical framework due to the complexity and

specificity of Syrian crisis. To attempt to close this gap, the report uses a comprehensive analytical frameworks that adopts the concept of inclusive human-centred development. This framework uses recent quantitative and qualitative methods to evaluate the impact of the crisis in its economic, social, and institutional aspects².

The report provides an evidence-based diagnosis of the Syrian situation that could be used as a tool to support and help build alternatives that break the cycle of violence and lessen the dominance of subjugating powers through a framework grounded in respect for human dignity and rights.

The report applies a counterfactual methodology that compares the “crisis scenario”, or the actual indicators that emerged during the crisis, with the “continuing scenario”, or the indicators that would have been achieved had the crisis not arisen. It includes multiple macroeconomic and social performance indicators that were compiled and estimated based on available sources and in consultation with a number of experts.

By estimating the economic data for first

The report highlights some of the pitfalls and gaps in applying mainstream analytical frameworks

2. The data sources in this report are mainly from the Central Bureau of Statistics, Planning and International Cooperation Commission, Ministry of Health, Ministry of Education, Ministry of Local Administration, Ministry of Social Affairs, the Central Bank of Syria and UN agencies. In addition, formal interviews were conducted with independent experts and key informants.

Understanding the mechanism of violence and alienation can contribute to posing alternative strategies

three quarters of 2014 and projecting the data for the fourth quarter, section one of the report focuses on the impact of the armed-conflict on the basic underpinnings of the economy. This focuses on the structure, value and segmentation of the sinking GDP, the scale of economic losses, escalating budget deficit, exchange rate performance, labour market distortion and the scale of unemployment. Moreover, this section highlights the need for an alternative new framework using a critical knowledge-based approach to deepen understanding of the roots and consequences of armed-conflict in Syria.

Section two considers the social impact of the crisis including the continued remapping of the population and the increase in the incidence of poverty in 2014. It considers the decline of the Human Development Index in Syria and then looks at constraints on the educational process that distort the child's future. Additionally, this section considers the catastrophic impact on the health sector and highlights the role of subjugating powers in misusing health institutions as a means to punish their enemies and reward their supporters.

The report considers the phenomenon of alienation emerging from an environment rife with violence that has systemically empowered inhuman conduct in the execution of heinous crimes and violations that are contrary even to the rules of war. This state of exception has shocked the collective consciousness and entrenched a culture of fear, futility, indifference, passivity and subordination

among people. As it has robbed people of any sense of power, it has empowered others to become the instrument of violence, abuse and oppression of fellow Syrians, often with the support of foreign combatants and agents. Thus, understanding the mechanism of violence and alienation can contribute to posing alternative strategies to combat oppression and terror.



Economic Impact of the Crisis.



The report diagnoses the status and dynamics of Syrian economy during the present crisis using the most recent evidence, while highlighting the main role of both internal and external subjugating powers in squandering economic resources and diverting them to serve the continuation of the armed-conflict, contrary to the interests and benefit of Syrians.

The report continues the previous work since 2012 in documenting, analysing and understanding the economic impact of the conflict and its devastating impact on all aspects of human and economic development in Syria. This was done by estimating economic losses during the first, second, and third quarters of 2014 and projecting these losses through the fourth quarter of 2014.

This section continues the previous narrative and analysis of economic growth/decline across different sectors, the structure of the economy, sources of economic growth, fiscal policy and public budget structure, price and exchange rate volatility, trade development, and job creation. It uses the same methodologies applied in the previous reports and updates quarterly estimations to reflect real sector dynamics during 2011, 2012, and 2013, together with the estimates of

economic status during the first three quarters of 2014 with projection for 2014-Q4³. This was done through using actual quantitative proxy indicators, seasonality analysis, econometric projections, and a financial programming model. The report used the counterfactual methodology to estimate the economic loss, where the “crisis scenario” is the estimation of the actual GDP, and the “continuing scenario” is the projection of GDP during the same period using past historical data to project what would have been likely had the crisis not occurred.

FURTHER CONTRACTION IN A FRAGMENTED ECONOMY

After the unprecedented decline of the Syrian GDP in 2013, the economy continued to shrink during the first three quarters of 2014, with projection of further decline in the last quarter. In 2013, the overall contraction reached 36.5 per cent compared to 2012, when GDP was estimated to decrease by 30.8 per cent compared to 2011. Economic contraction continued in 2014, but to a lesser extent than previously, with quarter-on-quarter decline reaching 15.2 per cent in 2014-Q1, 8.1 per cent in 2014-Q2, and 7.3 per cent in 2014-Q3, compared to the same quarters in 2013. Moreover, the report projects a decline of 9.5 per cent in 2014-Q4 compared to the fourth

3. Annual growth rates reported for 2011, 2012, and 2013 with quarter-on-quarter growth rates for 2014-Q1, 2014-Q2, 2014-Q3, and projected 2014-Q4 compared with the same quarter in the preceding year.

quarter of 2013. Overall, this is expected to result in a 9.9 per cent contraction in 2014 GDP compared to 2013. Furthermore, the “continuing scenario” shows that, if the crisis had not emerged, Syria would have achieved an annual GDP growth rate of approximately 7.1 per cent in 2011, 6.5 per cent in 2012, 6.6 per cent in 2013, while compared to the parallel quarters in 2013 this would have produced a 6.7 per cent improvement in 2014-Q1, 5.4 per cent in 2014-Q2, 6.5 per cent in 2014-Q3, and 6.2 per cent in 2014-Q4.

If the crisis had not emerged, GDP in 2014 would have grown by 29 per cent over that of 2010. Thus, the counterfactual results show that the accumulated GDP loss to the Syrian economy due to the crisis is estimated at SYP 3,032 billion in constant 2000 prices until the end of September 2014, with a loss of SYP 309 billion in 2014-Q1, SYP 372 billion in 2014-Q2, and SYP 322 billion in 2014-Q3. Moreover, GDP loss is projected to reach SYP 336 billion during 2014-Q4.

The accumulated total loss of Syrian GDP equates to 229 per cent of Syria’s GDP in 2010 and 603 per cent of the projected GDP in 2014 based in crisis scenario. (See Figure 1) At current prices, total GDP loss equals USD 119.7 billion, with a GDP loss of USD 10.2 billion in 2014-Q1, USD 12.1 billion in 2014-Q2, and USD 11.1 billion in 2014-Q3. Additionally, a GDP loss of USD 12.7 billion is projected in 2014-Q4.

The main sectors contributing to accumulating GDP loss until the end of 2014 are: internal trade, which lost SYP 748 billion and accounted for 22.2 per cent of the total GDP loss; transportation and communication lost SYP 517 billion and accounted for 15.4 per cent of total GDP loss; the mining sector lost SYP 467 billion, making up 13.9 per cent of total GDP loss; the government services sector lost SYP 417 billion, accounting for 12.4 per cent, manufacturing lost SYP 366 billion, or some

10.9 per cent and agriculture lost SYP 348 billion, or 10.3 per cent of total GDP loss. (See Figure 2)

The structure of GDP loss during 2014 did not change significantly from the pattern established in previous years, with the relative trend contribution of each sector to total GDP sector loss during 2011 until the end of 2013 remaining relatively stable. However, 2014-Q2 showed an increase in the agriculture share of total loss, but stabilising thereafter. There was also a marginal decrease in the mining sector loss.

Figure 3 illustrates the magnitude of GDP loss in each sector compared to GDP in 2010. The results show that, in terms of the sector GDP in 2010 until the end of 2014, the loss in manufacturing sector GDP accounted for 311 per cent, the loss in transport and communication sector accounted for 270 per cent, and the loss in finance and real estate sector was 254 per cent, internal trade was 252 per cent, while mining accounted for 251 per cent. (See Figure 3) The NGO sector was the only sector to gain share during the crisis; however, its overall contribution to GDP remained very minor.

The GDP of several sectors continue to decline during 2014-Q1, 2014-Q2 and 2014-Q3 compared to the same quarter in 2013, with further regression projected in 2014-Q4. These sectors include agriculture, utilities, internal trade, transport and communication, financial and real estate, and social services sectors. Other sectors such as manufacturing and NGO services indicated positive growth rates during 2014, with the mining sector GDP increasing in the last three quarters of 2014 after a notable decline during 2014-Q1 compared to 2013-Q1. While the construction sector GDP witnessed a reasonable increase in 2014-Q1 compared to the first quarter of 2013, it declined in the last three quarters of 2014. (See Table 1)

9.9
per cent
contraction in
2014 GDP

Figure 1: GDP crisis and continuing scenarios and accumulated GDP loss in constant 2000 prices in billion SYP (2010 - 2014)

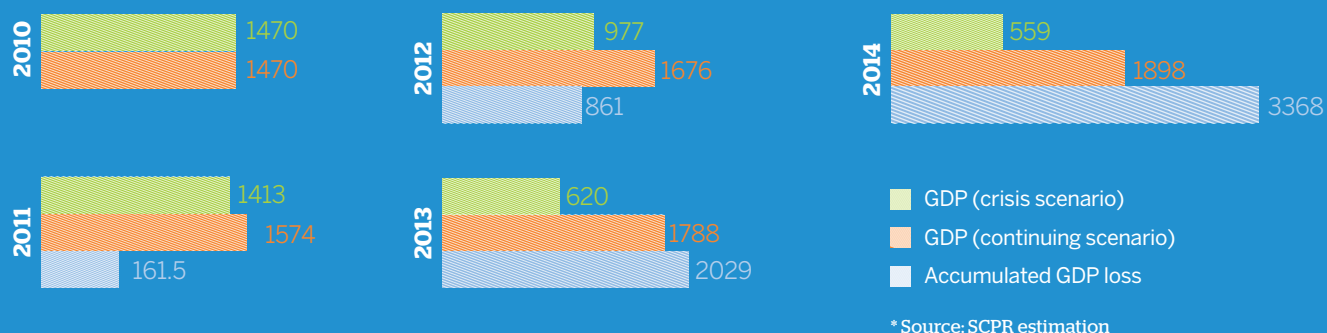
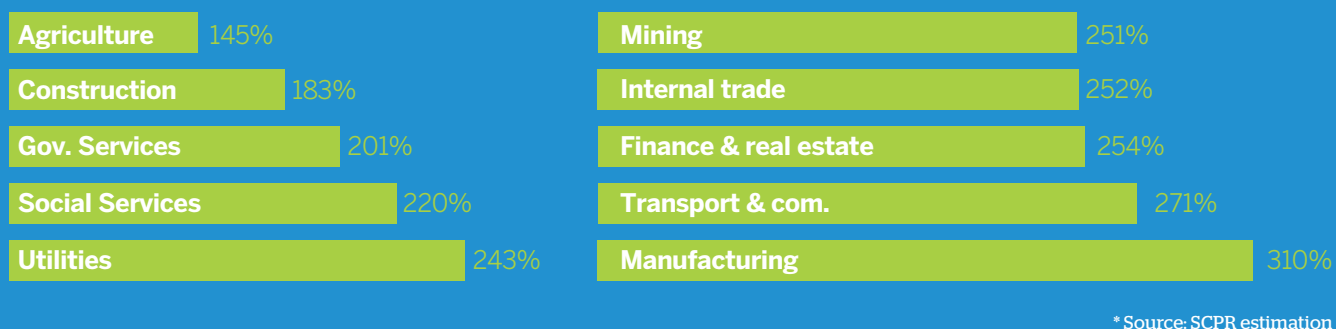


Figure 2: Sector structure of estimated total GDP loss (gain) 2011, 2012, 2013, and 2014



Figure 3: Real GDP loss by sector till the end of 2014 as a percentage of real sector GDP in 2010



Throughout the crisis, the Syrian **agriculture** sector played an important role in maintaining the minimum level of wellbeing for hundreds of thousands of Syrian households that are economically dependent upon the agrarian sector. Despite significant seasonality and reliance on climatic conditions, agriculture in Syria provided sustainable food security.

However, this has been negatively affected after the crisis due to the huge deterioration in both animal and plant production. Taking into account the impact of seasonality, agriculture GDP contracted by 31.9 per cent in 2013 compared to 2012, with almost 65 per cent of this contraction due to the reduction in plant production and 35 per cent due to the drop in animal production.

Table 1: GDP by sector 2010-2014-Q4 and estimated crisis impact, billions of SYP (in constant 2000 prices)

	Agriculture	Mining	Manufacturing	Utilities	Construction	Internal trade	Transport & com.	Fin. & real estate	Gov. Services	Social Services	NGO Services	GDP
Actual 2010	240	168	118	37	52	297	191	80	207	59	1	1470
2011	263	185	124	42	54	311	208	88	230	67	1	1574
2012	276	185	130	48	55	326	227	96	257	76	1	1676
2013	290	184	136	54	56	342	247	105	286	87	1	1788
2014Q1	31	46	36	15	14	89	67	29	80	25	0	432
2014Q2	150	46	36	15	14	89	67	29	80	25	0	552
2014Q3	47	46	36	15	14	89	67	29	80	25	0	448
2014Q4*	65	46	36	15	14	89	67	29	80	25	0	466
Crisis scenario (Projection)												
2011	263	163	93	39	59	263	158	87	228	60	1	1413
2012	227	83	27	34	33	164	108	56	190	53	3	977
2013	154	15	22	24	18	87	87	31	132	45	5	620
2014Q1	14	2	6	6	4	18	20	6	35	10	2	122
2014Q2	67	3	7	4	5	20	20	7	33	11	2	179
2014Q3	21	3	7	4	4	18	20	6	30	11	2	126
2014Q4*	29	2	7	4	4	19	20	7	26	11	2	131
Crisis scenario (Estimation)												
2011	0	23	31	3	-5	49	51	1	3	7	0	162
2012	50	102	103	14	22	162	119	40	67	24	-2	699
2013	136	169	115	30	38	254	160	74	153	42	-4	1168
2014Q1	17	44	30	10	10	72	47	22	45	15	-1	309
2014Q2	83	43	29	11	10	69	47	22	46	14	-1	372
2014Q3	26	43	29	11	10	71	47	22	49	14	-1	322
2014Q4*	36	43	29	11	10	71	47	22	54	14	-1	336
Till Dec 2014*	348	467	366	89	95	748	517	204	417	130	-12	3368
Crisis impact												

* Projections

Source: SCPR' estimations based on preliminary data from the PICC and CBS.

In 2014-Q1, agriculture accounted for 10.3 per cent of total GDP compared to 35 per cent during 2014-Q2, which is the annual peak period of agriculture production, thereafter, this percentage decreased in the third quarter reaching 14.7 per cent mainly due to the seasonal downswing in production. The report projects the share of agriculture to GDP at 19.5 per cent in 2014-Q4. Consequently, as a share of total GDP, in 2014 agriculture is expected to reach 21.3 per cent compared to 23.7 per cent in 2013. In terms of the sector losses, the agriculture GDP contracted by 15 per cent in 2014 compared to agriculture output in 2013, with about 80 per cent of this contraction due to reduction in plant production, reflecting a notable decline in several crops.

Citrus production, the main crop during the first quarter, witnessed a slight reduction of 3 per cent compared to 2013; more than 95 per cent of this production was in the more stable governorates; Lattakia and Tartous, where continuous access to lands and raw materials was maintained. During 2014-Q2, wheat and barley production is estimated to have declined by 25 per cent compared to 2013-Q2 due to difficulties in accessing agricultural land and moving products to market under the armed-conflict. This was also affected by continuing drought, with scant rainfall during the quarter dramatically reducing sugar beet output to just 20 per cent of its 2013 production. Third and fourth quarter crops suffered from poor climatic conditions, i.e. with tomato production down by 25 per cent compared to previous year, grape production fell by 20 per cent and olive production was down by 50 per cent. Contraction in the livestock sector during 2014 slowed from 2013, falling by 10 per cent in the value added of sheep production, with a slight increase of 1.9 per cent in chicken production. Moreover, there was a partial recovery from the earlier glut in livestock sector resulting from pillage and smuggling by armed elements, as some farmers and small investors were able to return to animal production, particularly in the more stable areas.

Thus, in 2014, the agriculture sector continued to be affected by the combination of drought and continuing armed-conflict. While some agricultural areas in the country became more secure in 2014, there is no guarantee that stability can be sustained as the security situation can deteriorate quite suddenly as military forces and armed groups pursue tactics of flexible mobility that see them move from area to area. Therefore, the majority of farmers remain constrained by difficulties in reaching their lands due to insecurity and the absence of safety, which also hampers the marketing of their products. Moreover, the continuation of military operations and pillage in many regions has destroyed a large part of the remaining irrigation systems, trees, storehouses, livestock, and agriculture tools and materials. The financial burdens on farmers have mounted with many unable to repair their damaged assets or to re-engage in production due to continuing danger, while those that can are hindered by the increasing cost of fertilizers and energy inputs. The agriculture sector and its markets have become increasingly fragmented, while some farmers have been able to adapt to this crisis by continuing to produce and sell, others are producing to meet household subsistence requirement, generating a minimum level of food security for their families. But for the majority of those working in agriculture, agrarian life has become more difficult and uncertain.

The contraction in agriculture production has forced the government to resort to increasing food imports to plug the gap in food security for such basic foods as wheat, sugar and flour, which are also being delivered on a lesser scale through humanitarian assistance programmes by United Nation agencies and NGOs. The deterioration in agriculture production has increased food scarcity and inflated prices, causing food insecurity in many regions of the country where there is a growing mass of poor households, but especially so in besieged areas and conflict zones.

The contraction in agriculture production has forced the government to resort to increasing food imports to plug the gap in food security

In 2014, the agriculture sector continued to be affected by the combination of drought and continuing armed-conflict

The manufacturing sector showed some improvement and will achieve an annual growth rate of 16.3 per cent in 2014

Since the beginning of the crisis, the **manufacturing** sector witnessed dramatic contraction with an annual decrease in GDP by 21.5 per cent in 2011, 70.8 per cent in 2012, and 18.8 per cent in 2013. By the end of 2013, manufacturing GDP was just 18.6 per cent of that of 2010. The prolonged armed-conflict resulted in widespread closure and bankruptcy. Combined with widespread destruction of firms and infrastructure through increasing pillage and looting, there was large-scale flight and migration by the qualified labour force. The mass reduction in manufacturing production occurred in both public firms and private enterprises, while the later was most seriously affected and accounted for the largest share of output.

During 2014, the manufacturing sector showed some improvement, with manufacturing GDP growing by 9.9 per cent in 2014-Q1, 14.3 per cent in 2014-Q2, and 20.8 per cent in 2014-Q3 compared to the same quarters in 2013, while a further improvement of 20.3 per cent in manufacturing GDP is projected in 2014-Q4 compared to the parallel quarter in 2013. Thus, it is estimated that the sector will achieve an annual growth rate of 16.3 per cent in 2014. Moreover, the share of manufacturing in the total GDP is expected to increase from 3.4 per cent in 2013 to 4.1 per cent in 2014. However, despite the positive growth rate, by the end of 2014 the manufacturing sector GDP is projected at just 21.7 per cent of that of 2010.

The better performance of the manufacturing sector is due to the ability of many entrepreneurs to adapt to the crisis circumstances, combined with lowering levels of violence and decreasing military operations in some areas, particularly in some industrial zones. In 2014-Q1, many factories in Adraa industrial zone in Rural Damascus resumed their activities, and by the mid-2014, there were 906 working mills in this zone. At the same time, the improvement of security conditions in Kalamon area resulted in 110 establishments reopening. There was revived activity in Hessia industrial zone in

Homs in 2014-Q3, while some 120 industrial enterprises resumed business in Alsheck Najjar industrial zone in Aleppo. Similar signs are apparent in other areas of Homs and Rural Damascus governorates. In 2014-Q4, this trend is expected to continue as an increasing number of entrepreneurs continue to adapt to the crisis by reopening their establishments in newly secured regions or by reallocating activities and small workshops to more secure regions such as Tartous and Damascus city.

During 2014, the government has attempted to support industrial entrepreneurs by issuing several laws and decrees to reschedule loans, compensate for damages, while reducing customs tariff on raw materials and semi-produced goods. However, the application of these decrees was slow, in October 2014 the government undercut such incentives to re-emerging industrial activity by increasing the price of fuel used in industrial enterprises from 60 to 150 SYP per litre, while it increased prices for consumers from 60 to 80 SYP per litre. Such a decision will impact industrial production that is already suffering from energy scarcity in both fuel and electricity.

Production in state-owned enterprises is projected to have improved by 3.3 per cent by the end of 2014, but this has not been evenly spread across the sector. Some enterprises continue to exhibit a sharp decline in production, with textile production contracting by 38 per cent, whereas, chemical manufacturing and cement production witnessed an increase of 21.6 per cent and 10 per cent, respectively. Moreover, public sector refinery production fluctuated during 2014 due to changes in the quantity of imported substitutes and crude oil production. Thus, public owned refinery production declined by 1 per cent in 2014-Q1 and by 17.4 per cent in 2014-Q3 and 2014-Q4 compared to the parallel quarters in 2013, yet in 2014-Q2 output increased by 41.5 per cent compared to the parallel quarter in 2013.

However, these improvements are compounding from a low base point, as the armed-conflict and crisis created a fragmented manufacturing sector with low productivity, poor infrastructure, and scarce raw materials. The sector continues to be dominated by uncertainty, with the threat of destruction and pillage ever present. Moreover, many industrial activities have been diverted to serve directly or indirectly the economy of violence, and thus, the subjugating powers from all parties involved in the conflict. These powers provide legal and/or illegal facilities to support investment by “loyal” businessmen and enable the takeover or establishment of enterprises that serve their economic and political interests.

The **mining** sector was significantly damaged during the crisis, not just due to the armed-conflict through the destruction of related infrastructure, but also from the sanction regime imposed by the international community since 2011, which has placed major constraints on financing, importing and exporting raw materials and goods from the sector. Moreover, the primitive extraction techniques used by several groups, including criminal elements, and fundamentalist entities that have commandeered the majority of oil wells in the eastern and northeast regions are harmful. Such unregulated activity is causing substantial damage to oil reserves and the environment. Consequently, in 2013, oil production was less than 8 per cent of output in 2010: falling from a 12.7 per cent share of GDP in 2010 to just 2.3 per cent in 2013.

In 2014-Q1, oil production dropped to 14.2 thousand barrels per day compared to 60.5 barrels in the same quarter of 2013. The second quarter of 2014 witnessed an upturn in oil production to 20.7 thousand barrels per day, or a 10.8 per cent increase over the parallel quarter. Yet, the average production estimated at 17.7 thousand barrels per day in 2014-Q3, declined by 14.4 per cent over the previous quarter, but improved by 7.7 per cent

over the parallel quarter in 2013. In 2014-Q4, oil production is projected to reach 17.5 thousand barrels per day; an uplift of 36.5 per cent compared to 2013-Q4.

The fluctuation in mining sector is directly related to the security conditions affecting nearby oil wells and pipelines; moreover, changes in oil production between 2013 and 2014 are relatively minor when compared to the overall reduction of 95 per cent in the sector since the beginning of the crisis. Moreover, these estimations do not include output from oil wells that are beyond government control, with a large part of this output being used directly to fuel the armed-conflict and the machinery of violence and terror.

Gas production is projected to fall by 9.6 per cent in 2014 due to insecurity and the additional destruction of infrastructure. Production was down by 4 per cent in 2014-Q1, 7 per cent in 2014-Q2, and 12.9 per cent in 2014-Q3 compared to the same quarters of 2013. In the fourth quarter production is projected to decrease 14.5 per cent compared to 2013-Q4. Much of this downswing is related to the intensified military operations around Al-Shaer gas field.

Overall, the mining sector downswing is projected at 31.3 per cent in 2014 compared to 2013, as a result of a relatively sharp decline of the oil production during the first quarter of 2014. Moreover, this loss in production was accompanied with significant destruction to infrastructure and equipment from pillage, theft and military operations. This intensified in the second half of 2014 as airstrikes by the international coalition against ISIS or the “Islamic State” destroyed several oil factories, including Conoco gas plant that was controlled by the Islamic State. The contraction in oil and gas production forced the government to import crude oil and increase energy prices, creating an additional burden on businesses and households.

The **trade** sector is highly dependent on the availability of goods and services in the domestic markets. In 2013, the sector suffered from a drastic annual decline of 46.6 per cent due to the decrease in the supply of goods, rising prices of basic goods and the direct and indirect damage to hundreds of thousands of commercial outlets due to the armed-conflict.

In 2014, the sector has faced similar conditions to the previous year, although the rate of decrease slowed due to improvement in the manufacturing sector and the relatively better security conditions in some areas that improved communication and movement between and within such pockets. Thus, the sector contracted by 20.8 per cent in 2014-Q1, 12.4 per cent in 2014 Q-2, and 12 per cent in 2014-Q3 compared to the same quarters in 2013, while the trade sector GDP is projected to retrench by 9.2 per cent in the fourth quarter of 2014 compared to the parallel quarter in 2013. Thus, in 2014, internal trade is expected to decline by 13.7 per cent, with trade GDP falling to 29.4 per cent of its 2010 level. The level of trade activity has been significantly affected by the pressure of rising prices that has decreased effective domestic demand from a population less able to afford many goods and services.

Thus, the internal trade sector continues to be affected by serious challenges that emerged during the crisis. Among these are variable security conditions, restrictions on transportation and financial transactions, scarcity of several basic goods particularly in blockaded areas and conflict zones, and weak purchasing power among the majority of Syrians. This is further complicated by the spread of informality and economies of violence, with several war-traders monopolising markets through violence, smuggling and theft. This has led to a fragmented market in which goods and services have relatively high prices and low quality.

The **tourism** sector remains in a state of collapse with an annual decline of GDP value by

87 per cent in 2012, 76 per cent in 2013, which is estimated to retrench by a further 51 per cent in 2014. Some hotels continue to survive, particularly the five star operations in Damascus as they receive custom and bookings from international organizations, while many smaller hotels survive by renting rooms to financially capable IDPs sheltering in Damascus from other regions.

Similarly, due to insecurity and continuing direct and indirect damage to infrastructure from the armed-conflict, the **transport** sector faced further retrenchment. By the end of 2013, the sector lost an estimated 64 per cent of its GDP compared to 2011, with this trend continuing during 2014, although at a slower rate of contraction. Transport GDP contracted by 7.7 per cent in 2014-Q1, 7.9 per cent in 2014-Q2, 7.1 per cent in 2014-Q3, and 7.2 per cent in 2014-Q4 compared to the parallel quarters in 2013. The roads connecting some major cities such as Damascus and Homs improved in terms of security conditions, yet, land transportation between and within north and northeast regions became more difficult. During 2014, despite the gradual reactivation of Damascus airport, airport services witnessed a slight decrease over the year. The other main airport in Aleppo was still out of service and the government has faced serious challenges in maintenance of civil airplanes due to sanctions. Similarly, shipping and port services contracted due to the decrease in the external trade activities during 2014 compared to 2013.

The transport sector is now fragmented and no longer functions to connect and integrate all regions of Syria. The cumulative effects of the crisis continues to burden the sector due to the destruction of transport infrastructure, looting of equipment including public and private vehicles, and the high cost of transporting goods due to the lack of fuel and the risk in travelling between or within many regions in the country.

**In 2014,
internal trade
is expected to
decline by
13.7 per cent**

In 2014, the **communication** sector contracted by 7.2 per cent in 2014-Q1, by 3 per cent in 2014-Q2 and by 6.4 per cent in 2014-Q3 compared to the same quarters in 2013. Moreover, contraction is projected at 7.9 per cent during 2014-Q4. While the government attempted to maintain the effectiveness of the sector by repairing damage to infrastructure, increasing costs in 2014-Q1 and 2014-Q3 is expected to reduce effective demand, contributing negatively on the sector's GDP.

The **financial and real estate** sector GDP contracted by 45.1 per cent in 2013, with negative growth projected during 2014, but at a slower rate than 2013. Thus, the sector slimmed by 21 per cent in 2014-Q1, 12.5 per cent in 2014-Q2, and 12 per cent in 2014-Q3 compared to the parallel quarters in 2013. It is further projected to contract by 9 per cent in 2014-Q4. The reduced rate of decline was partially due to the relative improvements in local production, particularly in the manufacturing sector, which pushed business activities that positively affected banking and financial services. However, with sanctions and continued looting and destruction of banking infrastructure, the financial sector is still dominated by uncertainty and business insecurity. Moreover, the sector has been affected by the increase in informal money transfers as financial networks extended into legal and illegal activities that benefit the subjugating powers.

The continuation of the armed-conflict has destroyed a significant portion of real estate properties, including homes and commercial ones. This has forced many families to rent homes in relatively secure areas, where rental costs have surged as demand has outstripped supply. Moreover, crony capitalists, in coordination with the subjugating powers involved in the armed-conflict, have bought both lands and destroyed buildings at cheap prices exploiting peoples need to survive. Such

investments are normally speedily resold at higher prices. This war profiteering represents a form in which the interests of such crony capitalists coalesce with those operating against the interests of Syrians.

The **utility** sector continues to face difficulties due to the destruction of electricity and water infrastructure and lack of fuel. Electricity production dropped by 18.9 per cent in 2014-Q1, 23.4 per cent in 2014-Q2, and 27.8 per cent in 2014-Q3 and it is projected to decrease 16.6 per cent in 2014-Q4 compared to the same quarters in 2013. The sharp contraction, particularly in the second and third quarters, was mainly due to the lack of fuel due to intensifying of military operations near several gas plants in Al-Shaer region in Homs. Moreover, while maintenance efforts continued to repair damage to generating stations and cables, this proved difficult in many conflict areas that were inaccessible and suffered from long periods of electricity cuts. This has created marginalisation and inequity between regions and governorates.

Similarly, the GDP of water and sanitation decreased on average of 29.2 per cent in 2014 compared to 2013. The utility GDP contracted by 19.5 per cent in 2014-Q1, 23.7 per cent in 2014-Q2 and 27.9 per cent in 2014-Q3 and it is projected to contract by 17.3 per cent in 2014-Q4 compared to the same quarters in 2013. In many areas, mainly in north and northeast regions, households have been forced to buy drinking water and to participate in private electricity generating service to cope with the lack of water and power outage. These kinds of private businesses are flourishing, with many supported and dominated by various military groups providing protection and securing the necessary fuels.

In 2014, activity in the **construction** sector fluctuated, experiencing a GDP increase of 17.2 per cent in 2014-Q1 compared to 2013-

The transport sector is now fragmented and no longer functions to connect and integrate all regions of Syria

The surge in consumer prices will decrease the real wages of public sector employees

Q1, but thereafter contracted by 1.8 per cent in 2014-Q2, 22.8 per cent in 2014-Q3 and is projected to decrease by 8.4 per cent in 2014-Q4 compared to the parallel quarters in 2013. Overall, construction output is expected to drop by 5.7 per cent in 2014, compared to 2013, which had declined by 45.2 per cent compared to the previous year. Thus, during 2014, there was limited investment aimed at rehabilitating or building new dwellings due to uncertainty, lack of income and insecurity.

The **government services** sector continued to play a major role in providing relative stability through maintaining the public sector payroll and, to a lesser extent, through current expenditure on goods and services. However, this function faces the on-going challenge of falling public revenue and the allocation of a significant part of government resources to security and military spending. The sector contracted by 12.7 per cent in 2014-Q1 and then increased slightly by 4.5 per cent in 2014-Q2 and by 0.2 per cent in 2014-Q3, but this is projected to drop by 16 per cent in 2014-Q4. Thus, by the end of the year it is projected that the government service sector will retrench by 6.4 per cent in 2014 compared to 2013. Moreover, the surge in consumer prices will decrease the real wages of public sector employees which is one of the main components in the government services sector.

There was reduction in economic activities in the **personal** and **social services** sector affecting the income of a large segment of population. The sector contracted by 10.4 per cent in 2014-Q1, by 5.4 per cent in 2014-Q2 and by 4.6 per cent in 2014-Q3 compared to the same quarters in 2013. It is projected to fall by 4.6 per cent in 2014-Q4. Thus overall the sector is expected to retrench by 6.2 per cent in 2014 compared to the annual decline of 14.8 per cent in 2013. Despite the decline, social services are still playing a positive role within the sector GDP with a slight increase in health and education services benefitting displaced people.

As in previous years, the **NGO services** sector depicts a relatively high annual growth rate, which is projected to reach 50 per cent in 2014 compared to 2013, with widespread networks of social groups, charities and UN institutions providing humanitarian support. However, despite the scale of growth and the importance of its services to individuals, households and communities, the sector accounts for a marginal share of GDP.

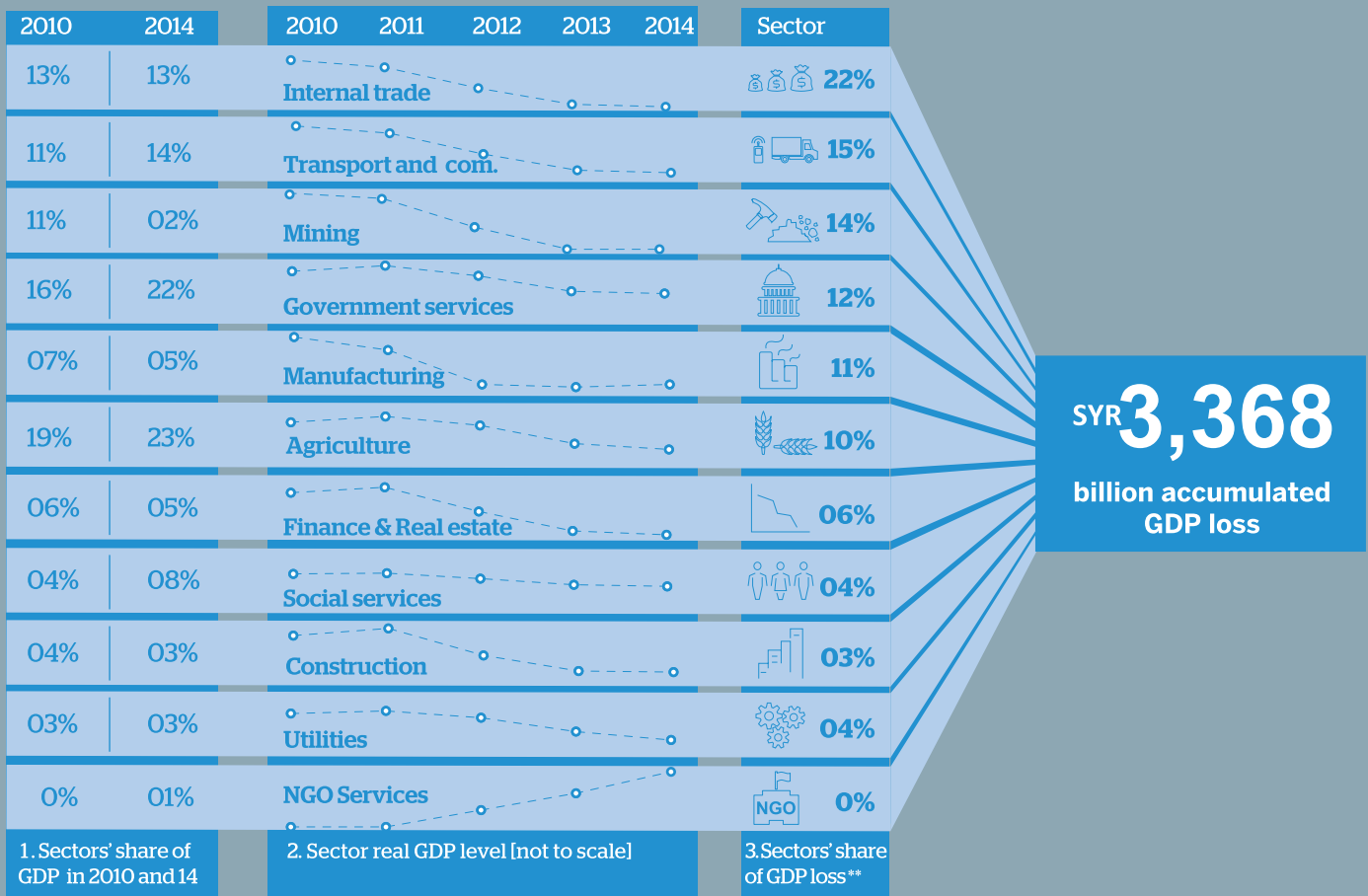
In terms of the structure of GDP, the combination of agriculture and government services account for an increasing share of GDP, with agriculture and government services accounting for 23.5 per cent and 22.2 per cent, respectively, in 2014. They were followed by transport and communication and internal trade sectors at 14.5 per cent and 13.5 per cent, respectively. (See Figure 4)

The crisis continues to distort the GDP structure with the economy becoming largely dependent upon agriculture and government services. However, this dependency is not stable and is likely to become unsustainable due to factors affecting both sectors, i.e. the agriculture sector is highly dependent on climatic conditions that are beyond human volition, while the economic downturn has resulted in a dramatic decrease in government revenue. A more positive sign in 2014 was the improving share of manufacturing, which depicted a slight increase but continues to maintain a share of less than a five per cent of GDP. Moreover, while the share of NGO and social service sectors continued to grow in response to burgeoning humanitarian needs, these needs largely remain unmet for the majority of the population in need.

DEPENDENCY ON EXTERNAL SUPPORT

The contraction, fragmentation and deterioration of the economy continued throughout the country

Figure 4: GDP by sector* 2010-2014



* GDP estimated in constant 2010 prices ** Accumulated sector loss (projected sector GDP - real sector GDP)

in 2014, as the traditional sources of income were diminishing, while the government was increasingly dependent upon external support, including loans and aid. Moreover, an increasing number of households depend upon subsidies, humanitarian assistance, and conflict-related activities. In terms of the demand structure, consumption and imports continued to increase at the expense of investment and exports.

Private consumption, which is the main

component of economic demand and represents a direct measure of household welfare, fell by 41.7 per cent in 2014 compared to 2010. During 2014 private consumption contracted by 12.8 per cent in 2014-Q1, 6.9 per cent in 2014-Q2, 16.6 per cent in 2014-Q3 and is projected to decline by 9.5 per cent in 2014-Q4 compared to the parallel quarters in 2013. This reflects another year of household hardship, as a result of exceptional loss of job opportunities, absence of traditional breadwinners, loss of properties, shortage of

The precipitous drop in real consumption was unevenly distributed among households

The government is reallocating an increasing share of its resources to military activities, which continues to undermine the foundation of the economy

domestic goods and services, and surging living costs, including increasing prices for subsidized goods like bread, sugar, and oil derivatives imposed by the government in 2014-Q3.

The prolonged duration of the conflict has forced households to adapt different strategies to survive, including shifting consumption patterns to most vital goods and services, especially basic food, housing, and health services, utilising rapidly diminishing savings, selling properties and depending increasingly on external support and assistance.

The precipitous drop in real consumption was unevenly distributed among households, with those most at risk unable to meet their minimum basic needs. The collapse in private consumption is indicative of the huge increase of poverty, including the spread of abject poverty that is threatening the nutrition status of vast swathes of the population. Moreover, the conflict has fragmented the economy between regions, further deepening poverty across politico-geographic fault-lines, where the absence of the rule of law and flourishing economies of violence further economic marginalisation and inequality within such communities. For example, in different regions, subjugating powers used different forms of discrimination and constraints to serve their interests through monopolising goods and services, including restrictions and bias in allowing access to food, fuel, and basic services. Moreover, there is a general perception of bias and inequality in the distribution of humanitarian support.

Public consumption continued to play critical role in preventing total economic collapse in 2014. However, with rising prices, there was a slight fall in public consumption by 8.7 per cent 2014 compared to 2013. During 2014, public consumption contracted by 16 per cent in 2014-Q1, grew by less than 1 per cent in 2014-Q2 and 2014-Q3 and is projected to contract by 16.6 per cent in 2014-Q4. The increase of public sector wages

in the second half of 2013 and the slight decrease of the prices during the first half of 2014 led to a growth in real wage income in the second quarter 2014. However, the spike in prices in the last quarter of 2014 is projected to result in a dramatic deterioration in real public consumption.

The significance of public consumption during the crisis is seen in its burgeoning share of GDP, which jumped from 17.6 per cent in 2010 to 28.1 per cent in 2014, albeit on a GDP of shrinking volume. Maintaining this scale of public consumption is necessary to provide public services and maintain the income of the majority of employees. However, the maintenance of such consumption faces two key challenges, including supporting a rising wage bill and subsidies that are pushing up the deficit and mounting public debt that requires external support. At the same time, the government is reallocating an increasing share of its resources to military activities, which continues to undermine the foundation of the economy.

Investment is a key component of economic demand, but in such an unstable socioeconomic environment, the standard indices used to assess competitiveness and business environment are barely relevant. As the country descended into insecurity, it has lost the major part of its physical capital stock including infrastructure, buildings, and equipment. Moreover, it has also lost a huge part of its human capital through migration, displacement, killing, kidnapping, threat, unemployment, loss of training opportunities, with a downswing in school enrolment. Market fragmentation and the deterioration of traditional market networks and institutions, in an environment where the rule of law and property rights became fragile and under attack from conflict-related organisations and networks, has limited access to productive goods and services. Moreover, insecurity and risk is heightened by short-term speculation, exchange rate volatility, declining access to mortgage facilities, bad debts and sanctions.

Public investment was severely affected during the crisis with projected public investment in 2014 merely 12.7 per cent of its level in 2010, with the government shifting resources from investment to maintain public consumption, including military consumption. During 2014, public investment contracted by 31.9 per cent in 2014-Q1, by 18.5 per cent in 2014-Q2, by 4.3 per cent in 2014-Q3, and is projected to decline by 22.4 per cent in 2014-Q4 compared to the parallel quarters of 2013.

Private investment in 2014 improved by a margin of 1.4 per cent over 2013, mostly driven by manufacturing, which bounced in the relative stable areas as businesses adapted to opportunities opened by the lack of domestic supply and substantive unmet demand. In the first quarter private investment contracted by 5.5 per cent, but thereafter grew by 0.9 per cent in 2014-Q2, 4.4 per cent in 2014-Q3 and is projected to grow by 5.6 per cent in 2014-Q4. However, this is still very far from any indication of recovery and/or sustainability under such conflict conditions.

The combined public and private investment in 2014 formed just 10.8 per cent of the GDP, which is below the normal annual depreciation rate of capital stock, resulting in negative net investment in 2014.

The **export sector** continued to contract in 2014, falling to 25 per cent of its 2010 level. In the first half of 2014 exports contracted by 11.0 per cent, with a further contraction of 13.4 per cent in the second half of the year compared to the parallel periods in 2013. The main exports during this period were sheep, phosphate, fruits, and vegetables.

The monitoring of external trade, including exports, is complicated by the fact that the government no longer controls many borders, where the absence and failure of registration prevents an accurate estimation of goods flow. This is especially complicated by the significant role of smuggling in the transit of exports

and imports, including most conflict related commodities.

The crisis changed the nature of importation with increasing movement towards food, medical, and oil products, due to the collapse of the oil production, pharmaceutical and food processing industries. At the same time, local demand for intermediate and luxury goods has fallen dramatically. Additionally, sanctions and scarcity of hard currencies made imports more difficult and more costly to procure.

During the first half of 2014 **imports** contracted by 11.0 per cent and by 20.5 per cent in the second half of the year compared to the parallel periods in 2013. The ratio of exports to imports deteriorated sharply from 82.7 per cent in 2010 to 28.5 per cent in 2013, slightly improving to 29.7 per cent in 2014. This contraction is reflected in huge trade deficit, which reached 46.5 per cent of GDP in 2013 and declined to 42.7 per cent in 2014. This fluctuated through the year from 47.5 per cent in 2014-Q1 to 36.3 per cent in 2014-Q2, to 38.7 per cent in 2014-Q3, and projected to reach 51 per cent in 2014-Q4. (See Table 2)

The economy is now exposed to a complex external world that now makes it dependent to a large extent on imports that are financed mainly through external loans and financial facilities. The prolonged nature of the conflict ruined the competitiveness of the Syrian economy and undermined its basic foundations of wealth and productivity that were accumulated over decades. This economic dependency has massively increased the balance of payment deficit, which consumed foreign and other reserves and savings, that is creating mounting debt for the next generation.

Overall, total consumption accounted for 128.9 per cent of GDP in 2014, indicating a significant and unsustainable drawdown on domestic savings, with **national savings**

The combined public and private investment in 2014 formed just 10.8 per cent of the GDP

The economy is now exposed to a complex external world that now makes it dependent to a large extent on imports that are financed mainly through external loans and financial facilities

Table 2: GDP by expenditure 2010-2014-Q4, billions of SYP in constant 2000 prices

	Consumption	Public	Private	Gross capital formation	Public	Private	Change in inventory	Net Foreign Export	Exports	Imports	GDP (market prices)
Actual 2010	1225	258	967	330	144	193	-8	-85	404	489	1470
2011	1287	285	1002	360	145	207	8	-73	414	487	1574
2012	1354	315	1039	384	146	222	16	-62	424	486	1676
2013	1426	348	1078	412	147	238	27	-50	434	484	1788
Q1 2014	376	96	279	90	37	64	-11	-34	82	116	432
Q2 2014	376	96	279	182	37	64	81	-6	109	115	552
Q3 2014	376	96	279	90	37	64	-11	-18	103	120	448
*Q4 2014	376	96	279	72	37	64	-29	19	151	132	466
2011	1204	297	907	367	113	174	80	-158	372	530	1413
2012	975	236	739	155	49	51	56	-154	179	333	977
2013	805	172	633	104	22	41	40	-288	115	403	620
Q1 2014	165	42	123	16	1	10	5	-58	33	91	122
Q2 2014	225	40	185	19	4	11	4	-65	24	89	179
Q3 2014	154	39	115	21	6	11	4	-49	25	74	126
*Q4 2014	176	36	140	22	7	11	4	-67	19	85	131
2011	84	-12	95	-7	32	33	-72	85	42	-43	162
2012	379	79	300	229	97	171	-40	92	244	153	699
2013	621	177	445	309	125	197	-13	238	319	81	1168
Q1 2014	211	54	156	74	36	54	-15	24	49	25	309
Q2 2014	151	56	94	163	33	53	77	59	84	26	372
Q3 2014	221	57	164	69	31	53	-15	31	77	46	322
*Q4 2014	200	61	139	50	30	53	-33	86	132	46	336
*Till Dec 2014	1866	473	1393	887	384	615	-112	614	947	333	3368

* Projections

Source: SCPR' estimations based on preliminary data from the PICC and CBS.

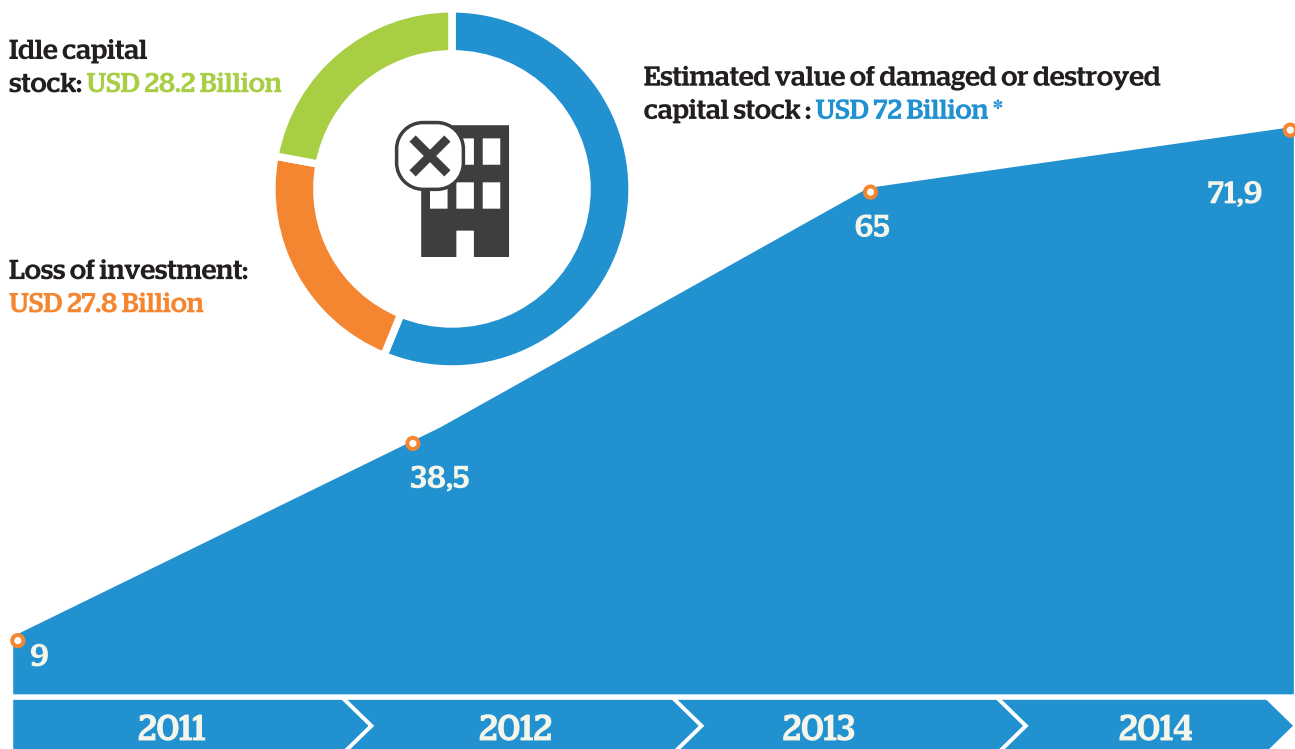
accounting for minus 16.7 per cent of the Gross National Disposable Income. Furthermore, imports accounted for 60.8 per cent of GDP, while the exports accounted for 18.1 per cent. The dependency on external support to finance trade and balance of payment deficits is deepening the fragility of the economy, while threatening future recovery and development.

TOTAL ECONOMIC LOSSES REACH USD 202.6 BILLION

GDP loss, discussed in the previous sections, is only one component of the total estimated economic loss in Syria. The other two components are damage to capital stock as a result of the armed-conflict and the increase in off-budget military expenditure. The projected capital stock

losses reach USD 128 billion in current prices until the end of 2014, with physical capital stock in 2014 accounting for 44.1 per cent of its level in 2010. (See Figure 5) This loss consists of three components including: reduction in net investment of USD 27.8 billion (already accounted for in the estimate of GDP losses); idle capital stock, as a result of physical capital ceasing to contribute to production, services and value-added, is projected at USD 28.2 billion (also included in the calculation of GDP loss); and partial or full damage to capital stock is estimated USD 71.9 billion due to damage incurred from the armed-conflict, which includes ruined public and private properties, equipment, and residential and non-residential buildings. This component was not included in the estimation of GDP loss, and thus it should be added to the total economic losses.

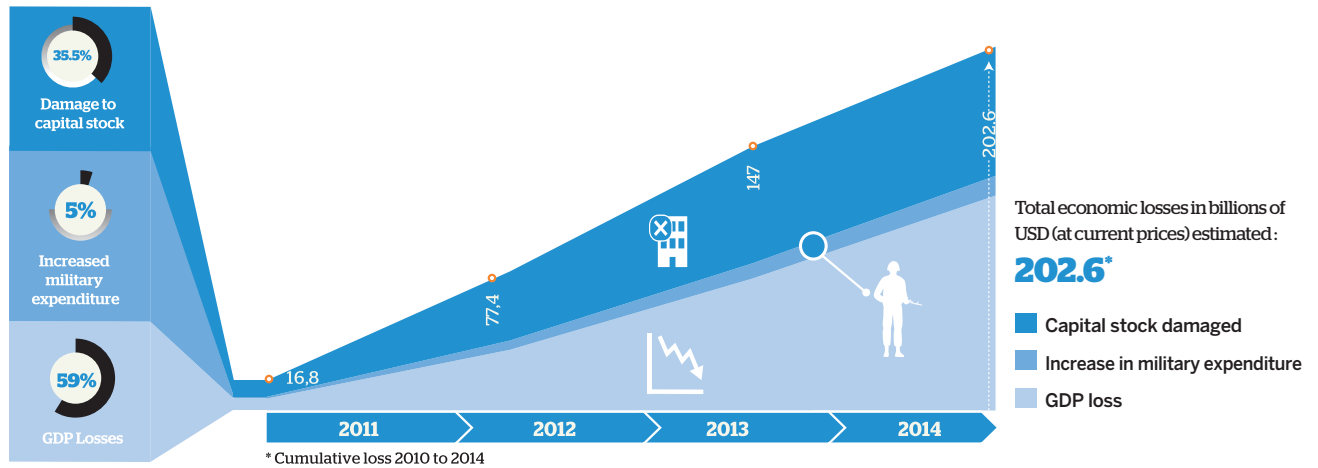
Figure 5: Capital Stock loss distribution



* Cumulative damage 2010 to 2014

* Source: SCPR calculations based on (Nasser, Mehchy 2012b: capital stock estimation of Syria 1965-2010)

Figure 6: Total economic losses in millions of USD (at current prices)



Total estimated economic loss is equivalent to 383 per cent of the GDP of 2010 at constant prices

There was massive destruction of physical capital during the armed-conflict, which resulted in a large proportion of the costly infrastructure and equipment loss representing a significant proxy of loss of wealth that will continue to affect the welfare of the population and the prospects for growth in the future.

As in the previous reports, the exceptional increase in official military expenditure is considered a part of economic loss, since this is generally a reallocation of budget resources from public good, including education, health and welfare, to weapons and security. Moreover, as outflows to military expenditure and manufacturing are treated as off budget items, they are not reflected in the calculation of GDP loss. Since transparent data is not readily available, it is difficult to project the extent of the increase in the military expenditure account. However, by utilising cross-country empirical evidence, it is projected that off budget increase in military expenditure in Syria accounted for 16.2 per cent of GDP in 2013 and 13.2 per cent in 2014⁴. Moreover, military expenditure by the armed opposition is not available and has not been estimated in this study. (SCPR, 2013a)

the armed-conflict in Syria generated a total estimated economic loss of SYP 5,627 billion at 2000 constant prices. This is equivalent to 383 per cent of the GDP of 2010 at constant prices. In current prices by the end of 2014, the total economic loss is estimated at USD 202.6 billion. (See Figure 6) GDP loss accounts for 59.1 per cent of the total loss, damage to capital stock accounted for 35.5 per cent, while reallocation to increased military expenditure accounted for 5.4 per cent of total economic loss.

HUGE SUBSIDIES, UNBEARABLE DEFICIT

Public expenditure has been a major pillar of the economy during the crisis, which with the off budget subsidies reached 47 per cent of current GDP in 2014. The failing economy and the drop of private investment and consumption have forced the government to dramatically increase spending through various channels, including: raising public sector employee wage; substantially increasing the subsidies bill, especially for the oil derivatives, electricity and basic foods. Moreover, growing military expenditure has shifted resources from productive activities as seen in the dramatic collapse in the public investment. In parallel, the

4. Calculations made by using results from Collier and Hoeffler in addition to SCPR assumptions.

Thus, based on the foregoing analysis,

public revenue fell sharply due to dropping oil-related revenue, net profits from state-owned enterprises, and declining direct and indirect taxes from the private sector; although the government increased the prices on subsidised foods and the prices of oil derivatives, this put pressure on general prices and exchange rates.

During 2014 the public expenditure, without off budget subsidies, accounted for 27.2 per cent of the current GDP, which almost equal to the 2013 level at 27.1 per cent. Adding the off budget deficit increases this ratio from 43 per cent in 2013 to 46.7 per cent in 2014. Public investment is projected to contract slightly in 2014 from 3.3 per cent in 2013 to 3 per

cent in 2014. The share of public wages and salaries increased during 2014 to reach 18.5 per cent of GDP compared to 17.6 per cent in 2013 while spending on public subsidies and transfers increased from 19.7 per cent in 2013 to 23.2 per cent in 2014. Furthermore, although part of military expenditure is included in the public budget, the most significant part of this expenditure is off budget.

Revenue dropped from 7.2 per cent in 2013 to 6.2 per cent in 2014; affected by the drop in oil related revenue and the losses, bankruptcy, and destructions of businesses, which affected the volume of direct taxes, while the drop in domestic demand, affected indirect tax

Table 3: Revenue, expenditure and government budget deficit (% of GDP), 2010-2014

	Preliminary		Projected						
	2010	2011	2012	2013	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014
Revenue	22.7	17.3	10.4	7.2	8.1	5.3	6.8	5.4	6.2
Oil-related proceeds	7.0	5.0	3.4	2.3	2.5	1.7	2.1	1.7	1.9
Non-oil tax revenue	9.4	8.4	5.2	4.1	4.6	3.0	3.9	3.1	3.5
Non-oil non-tax revenue	6.3	4.0	1.8	0.8	0.9	0.6	0.8	0.6	0.7
Expenditure	24.9	26.3	26.6	27.1	32.6	22.3	30.7	25.8	27.2
Current expenditure	16.2	19.4	22.3	23.7	31.5	20.5	26.4	21.5	24.2
Wages and salaries	10.7	13.5	16.3	17.6	24.2	15.8	20.3	16.1	18.5
Goods and services	1.3	1.4	1.6	1.8	2.0	1.3	1.7	1.9	1.7
Interest payments	0.8	0.9	0.6	0.6	0.4	0.3	0.4	0.3	0.3
Subsidies and transfers	3.5	3.7	3.8	3.8	4.9	3.2	4.1	3.2	3.7
Development expenditure	8.7	6.9	4.3	3.3	1.0	1.8	4.4	4.4	3.0
Budget balance	-2.2	-8.9	-16.2	-19.8	-24.5	-17.1	-24.0	-20.5	-21.0
Budget balance with off budget subsidies	-2.2	-12.1	-27.7	-35.7	-50.0	-33.7	-45.3	-37.4	-40.5

* Source: ibid

Public debt increased substantially relative to current GDP, from 104 per cent in 2013 to 147 per cent by 2014-Q4

revenue. Furthermore, the tax administration was affected by the inability of the authority to reach many conflict zones, while tax regulation weakened as the rule of law loosened across the country.

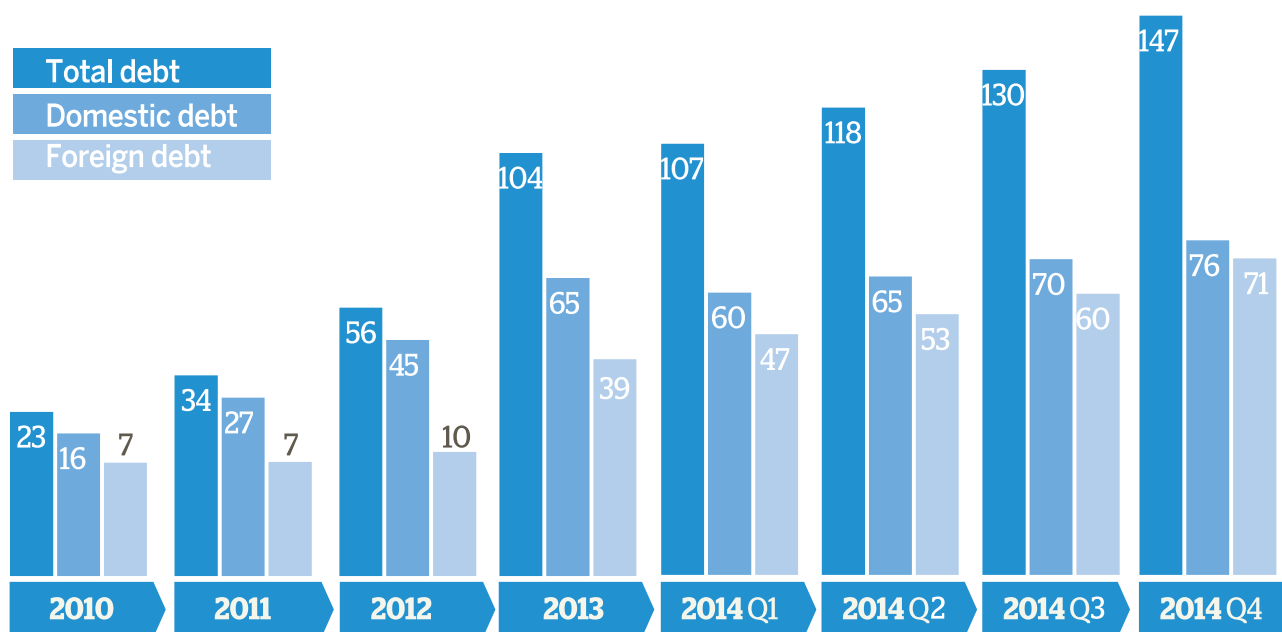
As a result, the budget deficit increased from 35.7 per cent in 2013 to 40.5 per cent in 2014. This deficit adds to the public debt burden that continues to rise. Public debt increased substantially relative to current GDP, from 104 per cent in 2013 on average, to 107 per cent in 2014-Q1, 118 per cent in 2014-Q2, 130 per cent in 2014-Q3 and 147 per cent by 2014-Q4. (See Figure 7)

Although the government concentrates on borrowing domestic loans from the Central Bank, the pressure of importing oil derivatives, vital equipment and commodities and basic foods increased the need for external loans and facilities.

The domestic component of public debt measured against GDP increased in 2014-Q1 from 60 per cent to 65 per cent in 2014-Q2, to 70 per cent in 2014-Q3 and to 76 per cent in 2014-Q4. Moreover, foreign public debt has risen significantly from 39 per cent in 2013 to 47 per cent in 2014-Q1, 53 per cent in 2014-Q2, 60 per cent in 2014-Q3, and 71 per cent in 2014-Q4. The foreign debt burden is substantially dependent upon credit facilities from Iran.

The deterioration in the governance of fiscal management continued in 2014 as the crisis increased uncertainty, lack of transparency, inefficiency, inequity, and poor monitoring and accountability, which negatively affected the impact of crisis on people lives and increased losses. The conflict has deprived the majority from a minimum standard of living and given incentives for conflict-related activities.

Figure 7: Total debt by domestic and foreign component (% of GDP), 2010 - 2014-Q4



* Source: SCPR estimations.

VULNERABLE EXCHANGE RATES

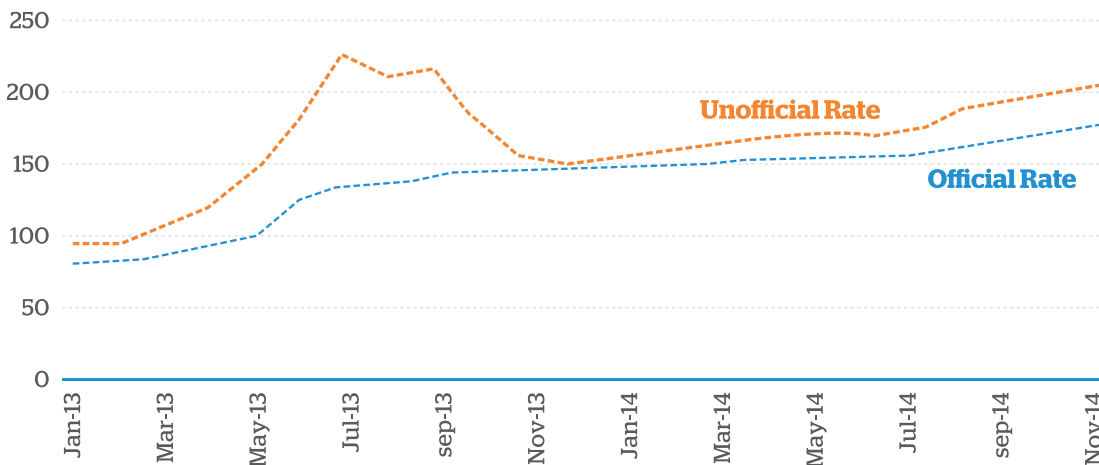
In 2014, the Central Bank continued to intervene directly and indirectly in the foreign exchange market aiming to ease the mounting pressure on Syrian Pound. The Central Bank sold USD reserves several times in 2014 to licensed foreign exchange companies in order to prevent any deterioration in the Syrian pound. However, these interventions had limited impact in deterring FX speculation or black market activities. As long as the armed-conflict continues the economy is likely to face a series of rounds of FX instability.

In March 2014, the average monthly exchange rate of the Syrian pound depreciated against the US dollar in the unofficial market by 7.7 per cent compared to its average monthly level in December 2013 and by 2.6 per cent in the official market. During 2014-Q1, the market was quite stable due to relative improvement in the military and political conditions, improvement in enterprise activity and direct and indirect government interventions in the market. During the second quarter, these conditions continued to play a role in preventing a dramatic depreciation of the Syrian pound although the relatively sluggish decline in the FX rate continued. In June the average monthly rate depreciated, compared

to its level in March, against US dollar by 7.1 per cent in the unofficial market and 3.3 per cent in the official market.

The third quarter of 2014, particularly September, witnessed a sharper depreciation of the Syrian pound as a result of several factors, including the airstrikes by the international coalition against targets inside Syria and an increase in the prices of basic goods such as bread, sugar, and rice. In September the average monthly FX rate in the unofficial market reached SYP 185.79 to one US dollar from a position of SYP 168.50 in June. The official FX rate also depreciated during this time as it moved from an average monthly rate of SYP 150.13 to one US dollar in June, to SYP 158.29 in September. Currency depreciation is expected to continue in the fourth quarter due to an increase in energy prices. The average monthly FX rate in the unofficial market is projected at SYP 191 in October, SYP 196 in November and SYP 202 to one dollar in December. In parallel, the average monthly FX rate in the official market is projected to increase from SYP 164 to one US dollar in October to SYP 173 in December. (See Figure 8 (A)) Theoretically, depreciation should contribute to increasing the competitiveness

Figure 8: (A) Official and unofficial exchange rate from January 2013 till December 2014 in SYP for one USD



* Source: Central Bank of Syria, PICC, and SCPR calculations

The decrease in the value of the Syrian pound was accompanied with an appreciation of real exchange rate from mid-2014 due to the increase in domestic prices

of exports, particularly non-oil goods. However, the decrease in the value of the Syrian pound was accompanied with an appreciation of real exchange rate from mid-2014 due to the increase in domestic prices. (See Figure 8 (B))

During 2014, the gap between the official and unofficial exchange rate increased as depreciation of the official exchange rate reached 22.4 per cent compared to depreciation of the unofficial FX market of 38.2 per cent in 2014. The increasing gap between the two markets is expected to enlarge black market activity by creating more incentives to deal with foreign currencies in the unofficial market. Instability in FX markets is likely to continue as long as the armed-conflict persists.

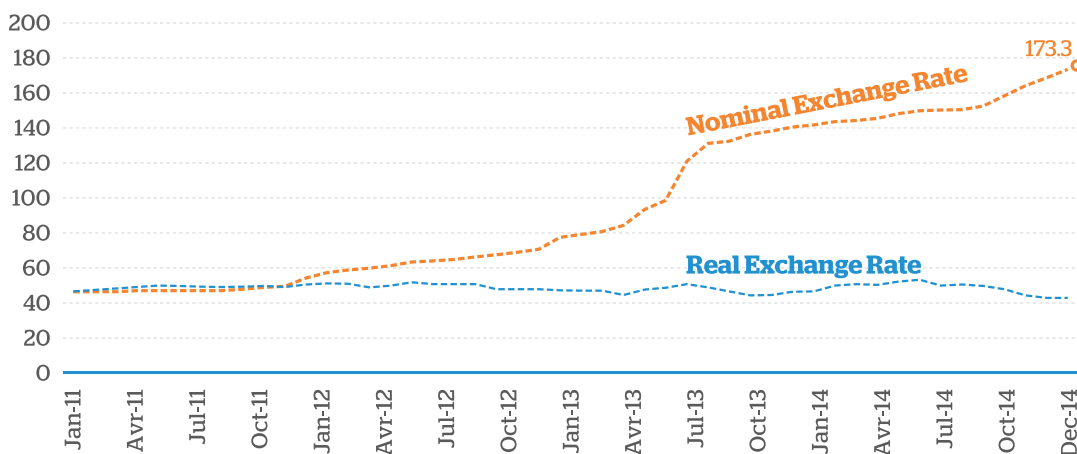
COST OF LIVING: A SURGE AFTER QUASI STABILITY

Using Central Bureau of Statistics data until May 2014 and SCPR projections for the remaining seven months of the year, the Consumer Price Index (CPI) decreased by 4.3 per cent in 2014-Q1, but increased by 5 per cent in 2014-Q2 as price of benzene jumped by 20

per cent. This trend is projected to continue with the CPI increasing by 10.3 per cent in 2014-Q3 and by 22 per cent in 2014-Q4. (See Figure 9) This increase during the second half of 2014 is the result of several factors, including increases in the price of basic goods such as bread, rice, and sugar, swelling energy prices in the last quarter of the year, and the scarcity of basic goods, such as household gas due to the security situation. Moreover, the price of the same goods differ substantially between areas and regions, with prices in the conflict zones usually higher than elsewhere due to scarcity of basic commodities.

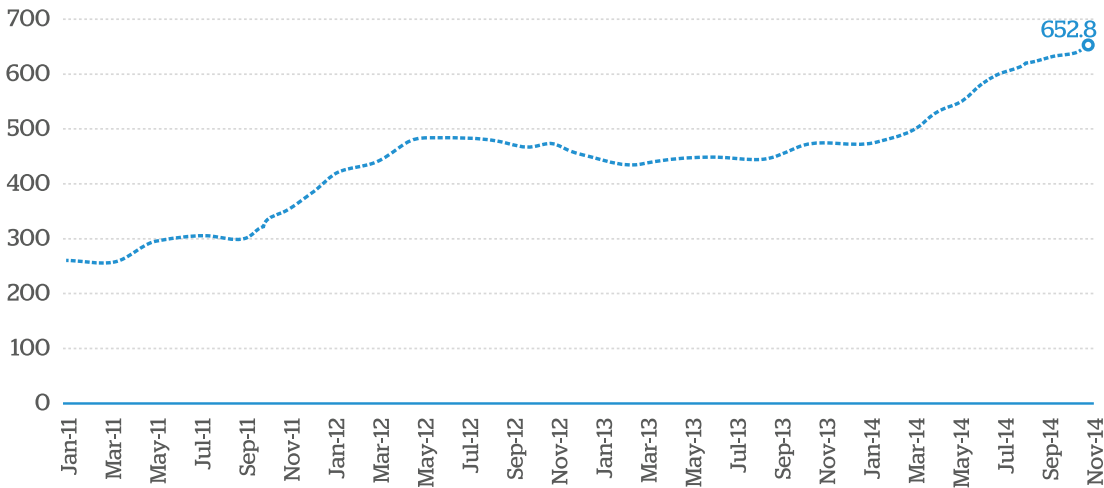
In general, the government decision to increase the price of many basic goods and services drove up the surge in CPI during the second half of 2014. While this will increase government revenues, it will most likely have a negative impact on the welfare of households, particularly the poorest as rising costs on basic goods and energy will significantly squeeze their income. Moreover, networks and individuals who are using the situation to push margins for their own benefit monopolize markets for many goods.

Figure 8: (B) Nominal and Real Exchange Rate from January 2011 to December 2014 in SYP for one USD



* Source: Central Bank of Syria, PICC, and SCPR calculations

Figure 9: CPI in Syria (January 2013 to December 2014)



* Source: Central Bureau of Statistics and authors' projection from June till December 2014

EVAPORATING PRODUCTIVE WORK

The crisis continues to deepen distortions in the labour market by transforming potentially productive capabilities, particularly among young people, toward destructive and violence-related activities. The employment rate decreased from 36.1 per cent in 2011 to 21.9 per cent in 2013, and is projected to fall to 19.6 per cent by the end of 2014. Concurrently, the unemployment rate surged from 14.9 per cent in 2011 to 53 per cent in 2013 and witnessed additional increase in each quarter of 2014: growing to 53 per cent in 2014-Q1, 54.7 per cent in 2014-Q2, 56.1 per cent in 2014-Q3 and rounding off quarter four at 57.7 per cent. By applying the counterfactual analysis and comparing between “continuing” and “crisis” scenarios, the labour market lost 2.96 million job opportunities by the end of 2014. (See Table 4)

In 2014, while public sector employment remained stable with no major increase in employment, its share of employment increased to 55 per cent, indicating that the

majority of formally employed persons now work in the government sector.

Using the 2010 dependency ratio of 4.13 persons for each employed persons, the loss of 2.96 million job opportunities by the end of 2014 had a direct impact on the welfare of 12.24 million persons who lost their main source of livelihood. Moreover, the vast majority of those remaining in the labour market were affected by a drop in real wages due to increasing prices, especially in the last quarter of 2014.

The drop in the available job opportunities within the formal sector has resulted in an increasing level of informal activities including small workshops and street-market micro-enterprises. This is turning a large segment of Syrian labour force towards unskilled activities, while diminishing the past accumulation of human capital. Moreover, with the flourishing of economies of violence, a large share of Syrian youth has become involved in conflict-based and illegal activities that are dominated and organised by national and international networks. In addition to the catastrophic

The unemployment rate increased from 53 per cent in 2013 to 57.7 per cent by the end of 2014

Table 4: Impact of the crisis on the labour market (in thousands)

	Employment Status	Employed	Unemployed	Out of LF	Total Active Population	Unemployment Rate
Continuing scenario (Projection)	2011	5,214	600	7,594	13,409	10.3%
	2012	5,379	645	7,857	13,881	10.7%
	2013	5,538	702	8,137	14,376	11.2%
	2014Q1	5,579	715	8,209	14,503	11.4%
	2014Q2	5,620	730	8,281	14,631	11.5%
	2014Q3	5,653	752	8,354	14,760	11.7%
	2014Q4	5,693	769	8,427	14,889	11.9%
Crisis scenario (Estimation)	2011	4,949	865	7,594	13,409	14.9%
	2012	3,890	2,129	7,862	13,881	35.4%
	2013	3,141	3,098	8,137	14,376	49.7%
	2014Q1	2,960	3,334	8,209	14,503	53.0%
	2014Q2	2,873	3,476	8,281	14,631	54.7%
	2014Q3	2,810	3,596	8,354	14,760	56.1%
	2014Q4	2,730	3,732	8,427	14,889	57.7%

* Source: SCPR estimations based on LFS (2006 - 2011), CBS

impact of such activities, overcoming such negative features will be a significant challenge that will require innovative socioeconomic and institutional conditions to de-incentivise economies of violence and re-engage youth and others in legal economic activities.

ALIENATED ECONOMY

The scope of the current conflict requires the questioning of mainstream concepts and frameworks which researchers traditionally use to analyse socioeconomic contexts. Assessing the impact of the crisis within this report is not a purely technical exercise aimed

at counting losses of GDP, wealth, investment, job opportunities, prices, deposits, debt, fiscal deficit, but it is also an attempt to diagnose the deterioration in development within a broader concept that considers the dynamics of socioeconomic relations, new functions and forms of institutions, the changing influence of key actors, and most importantly widespread loss of human security for citizens both now and in the future.

The report estimates the loss in GDP in 2014 accounted for 38 per cent of GDP in 2010, while physical capital which is the main source of growth accounted for 44 per cent of its 2010

level in 2014, as the number of employees was just 54 per cent of the level in 2010. Additionally, the report compared many traditional indicators to the level that it could reach in 2014 if the crisis did not happen. Many other examples of these indicators could be illustrated within the traditional supply and demand framework. However, can we consider remaining production as value added or investment as a source of growth or exports as an index of competitiveness?

Unfortunately, a large part of the remaining resources of Syrian economy are being used to fuel the conflict directly through military expenditure and indirectly through the reallocation of economic resources by the subjugating powers as positive incentives for their “supporters” or negative incentives for their “enemies”. If we consider the standard definition of economic development as “an increase in living standards, improvement in self-esteem, needs and freedom from oppression as well as a greater choice”, (Todaro, 2011), we can reasonably conclude that the utilisation economic resources and the perpetuation of relations that are part of the economy of violence are producing negative value-added that is destructive to improving the standard of livings. Such relations and institutions are not compatible with the foundation of normal economic growth through the utilisation of physical capital, human capital and institutions founded on the basis of independent commercial and contract law that are safeguarded by the general rule of law, and human rights. Furthermore, within the armed-conflict, growing segments of the market have become a haven for black market monopolists,

profiteers and extortionist, where weapon trade, pillage, kidnapping, human trafficking, smuggling, and abusive enterprise flourishes to increase the wealth of new groups and classes, which from developmental and moral point of views are destroying human values, the social fabric and the economic capital of the country.

Such new operators organized around conflict related networks are subordinate to the powers of subjugation as they build new de facto “institutions” that are contrary to normal economic activity and the right to a decent life. Ironically, the subjugating powers and their allies often provide some services for people, often enforce order and stability, if not the rule of law, and often lead efforts to reconstruct what they have contributed to destroying. But this dystopian world is one in which the economy, market and institutions are being built upon the alienation and estrangement of citizens and society.

The Syrian crisis is an international crisis under which its economy, society and institutions have been shrivelled by GDP loss, an annual budget deficit around 50 per cent, a public debt of 147 per cent of GDP, a loss of almost 60 per cent of job opportunities, and the massive military expenditure, with a substantial involvement of external powers that fuelling the violence.

The report attempts to suggest alternative developmental concepts that could help build different policy options to embrace the interests of citizens and society in terms of equity, sustainability and welfare. There is a need to develop an alternative framework using a

There is a need to develop an alternative framework using critical knowledge-based approach rooted in an understanding of the causes and consequences of armed-conflict in Syria

Assessing the impact of the crisis within this report is not a purely technical exercise, but it is also an attempt to diagnose the deterioration in development within a broader concept

critical knowledge-based approach rooted in an understanding of the causes and consequences of armed-conflict in Syria that can develop a new policy framework that focuses on development options that take into consideration the needs and interests of the population as a whole.

The tragedy of Syria, including its economic destruction, will only be compounded if space is created for the opportunists and warlords aligned with the domestic and international subjugating powers. Especially if they are enabled to dominate markets solely to profit at the expense of those who have been marginalised and alienated during the conflict.

As in other similar situations, many influential actors will look at the Syrian catastrophe as an opportunity to strengthen their power and authority over people, by using the need for humanitarian assistances and reconstruction to increase their dominance over the economy. This presents a challenge for political, development and humanitarian actors to ensure that institutions that used the conflict and economies of violence do not benefit in the future, by ensuring the emergence of inclusive and accountable institutions that will put the Syrian people and their needs at the centre of the future development process.



Social Impact of the Crisis.



FORCED DISPERSION

The widespread insecurity and the devastating economic contraction, particularly in conflict zones, have forced millions of Syrians to leave their homes and resettle both inside and outside the country. Extensive displacement has increased the suffering of the population who already face enormous challenges to meet their basic needs. This is especially traumatic for those who lost family members, properties and businesses. Most heartwrenching is the plight of those who have become so desperate as to place their lives and fortunes at risk in the hands of illegal traffickers in the hope of reaching safe-haven on European shores. While tens of thousands managed to reach Europe both legally and illegally, thousands have drowned in the Mediterranean Sea or been abused and robbed by human traffickers and criminal gangs.

The forced dispersion of Syrian population during the crisis had major social and economic impact on the displaced population and created economic, political and social tension in receiving societies. This impact includes changes in labour markets, production processes, consumption patterns, social relations and the formal and informal institutional structure of the economy. In general, these changes have created a considerable economic burden on the receiving nations and their communities.

Moreover, the forces unleashed by armed-conflict and economic crisis continue to

transform the demography of Syria through population redistribution and movement both inside and outside the country. The increasing number of migrants, refugees, and the mounting toll of conflict-related deaths are hollowing out the residential population. While the population of Syria was 20.87 million in 2010, by mid-2014 it is estimated to have fallen to 18.02 million inhabitants, which by the end of 2014 is projected to fall to 17.65 million. Consequently, the population growth remained negative in 2014, shrinking by 5.9 per cent in 2014-Q1, by 5.5 per cent in 2014-Q2, by 4.0 per cent in 2014-Q3 and by 4.0 per cent in 2014-Q4 compared to parallel quarters in 2013. Thus, if the conflict had not emerged and the Syrian population growth rate continued at 2.45 per cent annually, the total population would have reached 22.99 million inhabitants by the end of 2014. Thus, counterfactually, the potential versus the real population declined by 23 per cent.

Syrian refugees fleeing violence and economic desolation were the main factor in the hollowing out of the residential population. By the end of 2014-Q1, the total number of Syrian refugees, including registered and waiting-to-be-registered refugees, in neighbouring countries reached 2.58 million. During 2014-Q2, the Syrian refugee population increased by 269,000, and grew by a further 161,000 during the third quarter (UNHCR, 2014). There was a notable increase in the number of Syrian refugees in the fourth quarter due to

The forces unleashed by armed-conflict and economic crisis continue to transform the demography of Syria through population redistribution and movement both inside and outside the country

the intensification of military operations in the eastern and northern regions of the country. Thus, the number of refugees is projected to increase by 326,000 persons during 2014-Q4⁵, when the total refugee population will reach 3.33 million persons.

By the end of 2014, Turkey replaced Lebanon as the main host of Syrian refugees, with 35.1 per cent of all refugees sheltering there. This changing position was mainly due to intensifying armed-conflict in the northern region of Syria, which was especially violent in the fourth quarter as ISIS mounted attacks in the fourth quarter. Close geographic proximity was the primary reason why these forced refugees chose Turkey as their destination. Following closely behind, Lebanon continued to host a significant Syrian refugee population, accommodating 34.5 per cent of Syrian refugees, while at the same time hosting a long-term Palestine refugee population of 500,000 residents in 12 refugee camps. The Lebanese government decided in October 2014 to ban the inflow of Syrian refugees except for cases approved by the Ministry of Social Affairs. Another 18.7 per cent of Syrian refugees are hosted in Jordan, and 6.9 per cent of Syrian refugees have found shelter in Iraq. (UNHCR, 2014)⁶.

The rise in non-refugee migrants, especially middle-class professional, who have left Syria to find regular work and residence in other countries also contributed to the declining population in Syria. Most of these migrants left early in the conflict, such that the pace of this migration slowed substantially in 2014 as the majority that were able and willing to travel had already departed. By the end of 2014, the total number of migrants accounted for 1.55 million departing Syrians⁷, with 163,000 persons departing during 2014 compared to 524,000 in 2013. Migration from Syria was a common phenomenon before the conflict and driven by economic reasons. However, during the crisis, migration increased dramatically, particularly

among wealthy and professional people who left to escape the deteriorating socioeconomic situation, insecurity and violence, as they saw little hope for their future within the country. The loss of this population constitutes a very significant brain drain.

At the end of 2014, the number of internally displaced persons (IDPs) in Syria is estimated at 6.80 million people⁸, which is an increase from 5.99 million at the end of 2013. The majority of IDPs fled conflict zones or areas that were badly damaged. As they fled many left their household resources and assets behind. Most are in need of basic services, goods, and assistance. The government has been able to provide shelters and support for less than 5 per cent of IDPs, with the majority residing in host communities throughout the country. The continuation of the crisis has deepened the complexity of relations between IDPs and host communities within Syria. While the majority of these communities have provided tremendous moral and physical support to IDPs, they themselves have suffered from economic hardship, lowering of incomes and insecurity and there is increasing feeling of fear and hostility within the polarised environment.

By the end of 2014, more than half the population (52.8 per cent) had moved or fled in search of safety and security as a result of the armed-conflict. Approximately 58 per cent of the population in flux continued to live in Syria as IDPs, while 28 per cent fled as refugees and 14 per cent migrated to other countries. (See Figure 10) The movement and turmoil resulting from the armed-conflict is dividing families and producing increasingly fragmented communities. The scale of the disruption to the lives of Syrians living both inside and outside the country is devastating to their wellbeing and human dignity. Without a long-lasting solution to the current crisis that is based on people's aspirations for security and wellbeing then their lives will continue to be both precarious and wasted.

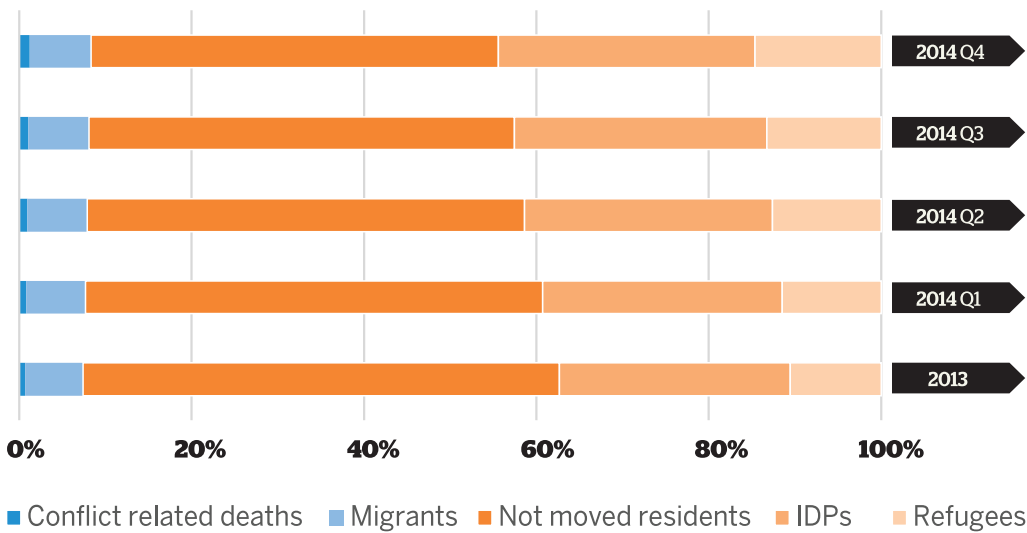
5. This is based on UNHCR updates till the 10th of December and authors' calculations till the end of 2014.

6. The data is as at the first of December 2014.

7. The authors estimated non-refugee-migration based upon the following assumptions: First, the loss of jobs in 2011, 2012, 2013, and 2014 had the same structure as the employment status in 2010; second, the highest decile in terms of the expenditure of workers who lost their jobs (13.98 per cent) had migrated; and, third, assuming a dependency ratio of 4:1, or four persons to one job.

8. The estimation is based on UN numbers till the mid of 2014, the third and fourth quarters IDPs number is based on authors' estimations; noting that UN estimated the IDPs number till December 2014 at 7.6 million.

Figure 10: Structure of total counterfactual Syrian population across conflict related categories during 2011 - 2014.



SCPR estimations

VANISHING HUMAN CHOICES

The international standard of measurement established by the United Nations Human Development Index (HDI) provides comparative insight into the impact of the regressive social and economic forces facing humanity in Syria. While this index can be used to measure the scale of human development over time and between different countries, it does not capture all aspects of development as an expansion or contraction of human choices, especially in terms of cultural and institutional developments. In this report, the counterfactual approach is applied to estimate the index in both the “continuing” and “crisis” scenarios to measure the impact of the crisis on the general development status of the country. The report modified the earlier HDI record for Syria until 2011 based on the latest UNDP update. (UNDP, 2013)⁹.

The three dimensions of HDI are health, education and income. Each of these deteriorated significantly during the conflict. At the end of 2014, the health index decreased

by 36.3 per cent compared to 2010. This was primarily due to the dramatic decrease in life expectancy, which is calculated on the gain/loss of life expectancy by reducing it for violent deaths using the Eastern Mediterranean as reference for Syria. (Ferguson et al, 2010) The estimation indicates a drastic decline in life expectancy in Syria from 75.9 years in 2010 to just 55.7 years in 2014, reducing biological longevity by 27 per cent. This pushed the ranking of the health index in Syria, using the 2010 HDI results, down from 67th place to 177th from 195 countries, placing Syria among the worst countries in the world in terms of the health dimension of HDI. (See Figure 11)

The education index fell by 32.2 per cent compared to 2010, driven downward by collapsing school attendance rates and a drop in the expected years of schooling. Millions of children have dropped out of school as a consequence of the armed-conflict, producing a 7.5 per cent decrease in the average years of schooling when compared to “continuing”

The estimation indicates a drastic decline in life expectancy in Syria from 75.9 years in 2010 to just 55.7 years in 2014

9. Syria’s HDI in Human Development Reports during the crisis did not take into account its impact on all development aspects, thus, this report projects HDI for Syria during the crisis.

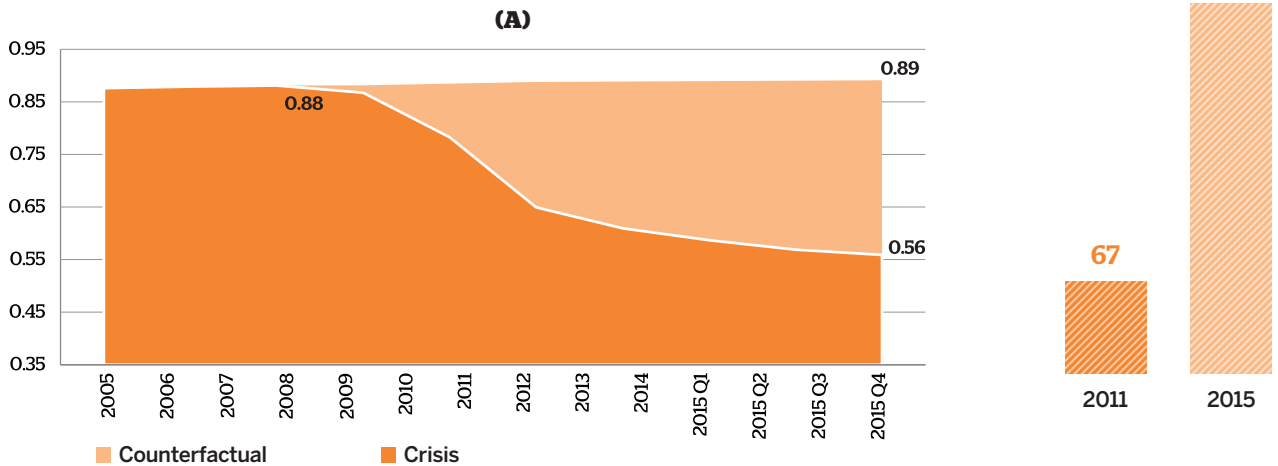
10. HDI measures human development indicators in the previous year, this applies only in figures and tables; while the narrative is describing the actual year.

scenario. Moreover, in 2014, the ranking of Syria in the education index dropped from 124th to 168th place from 187 countries. (See Figure 12)

In 2014, the income index decreased by 29.3 per cent compared to 2010, mirroring

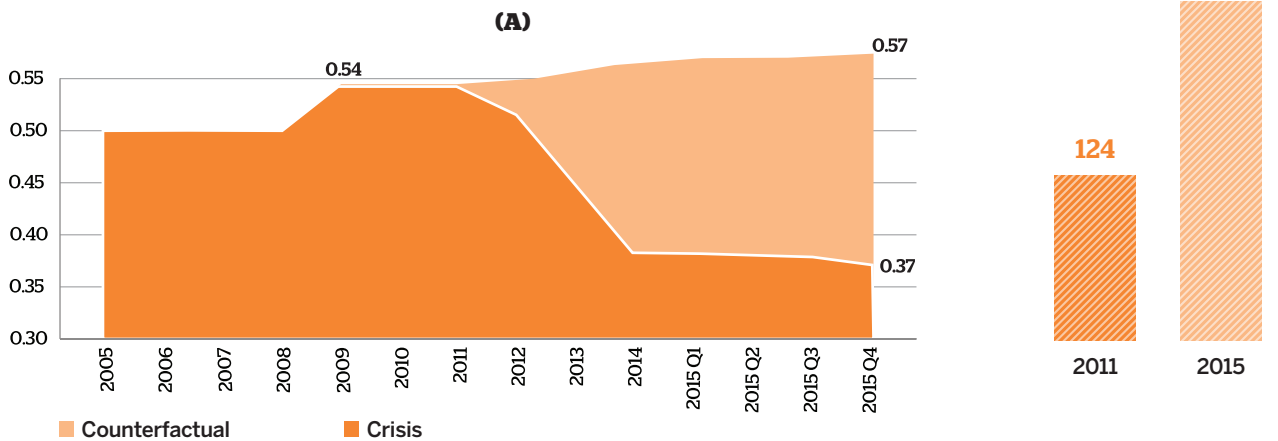
continuing economic contraction when the 2014 GDP in real term was only equal to 38 per cent of GDP in 2010. Moreover, the index does not capture the increasing levels of inequality that have surged during the crisis. The ranking of Syria in the income index fell from 116th to 172nd position from 190 countries. (See Figure 13)

Figure 11: (A) HDI-Health Index for Syria, 2005-2015¹⁰, (B) Syrian rank in Health Index (using 2010 HDI results, out of 195 countries)



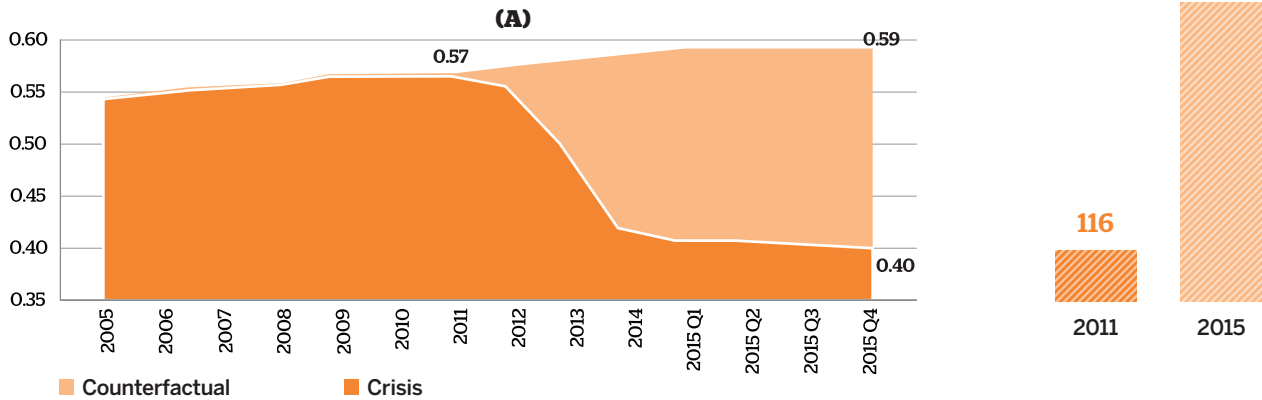
* Sources: HDR till 2011 and SCPR estimations (for HDI of 2012 - 2015)

Figure 12: (A) HDI-Education Index for Syria, 2005-2015, (B) Syrian rank in Education Index (using 2010 HDI results, out of 187 countries)



* Sources: HDR till 2011 and SCPR estimations (for HDI of 2012 - 2015)

Figure 13: (A) HDI-Income Index for Syria, 2005-2015, (B) Syrian rank in Income Index (using 2010 scale, out of 190 countries)

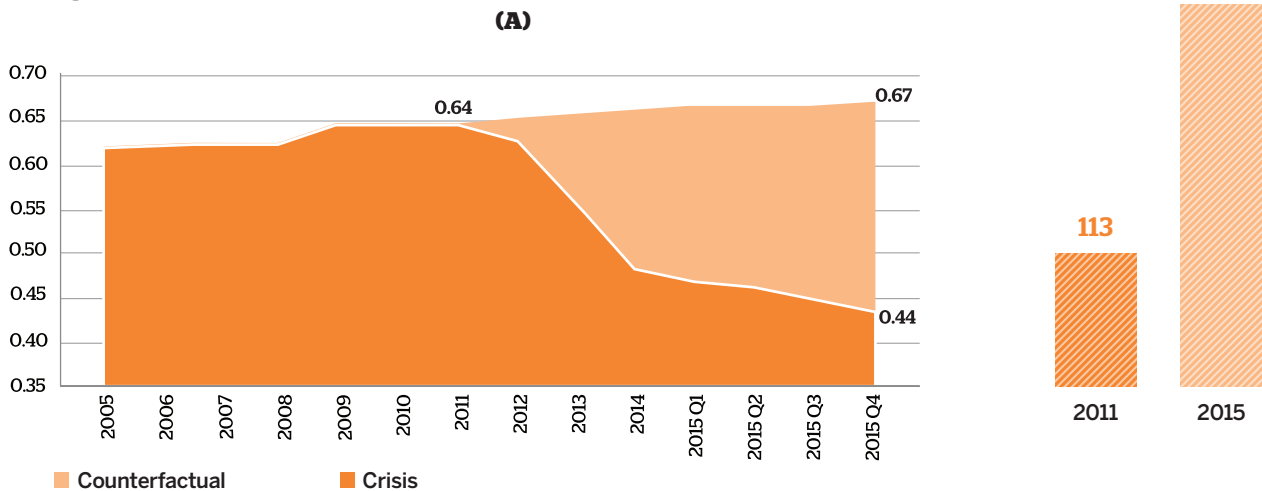


* Sources: HDR till 2011 and SCPR estimations (for HDI of 2012 - 2015)

The impact of the armed-conflict on the three components of HDI resulted in a significant deterioration Syria's human development record. The results show that in the "continuing scenario" the Syrian HDI would have increased from 0.646 in 2010 to 0.671 by the end of 2014, putting it in the "medium human development" group. However, the "crisis scenario" indicated a projected drop in Syria's HDI from 0.646

in 2010 to 0.449 in 2014-Q3 and to 0.436 in 2014-Q4 putting it among the "low human development" group. Consequently, the HDI of Syria is estimated to have lost 32.6 per cent of its HDI value compared to 2010, and 35.05 per cent from its potential until the end of 2014. The general HDI rank of Syria using the 2010 HDI results, indicate a fall from 113th to 173rd place out of 187 countries. (See Figure 14)

Figure 14: (A) HDI for Syria, 2005-2015, (B) Syrian rank in HDI (using 2010 scale, out of 187 countries)



* Sources: HDR till 2011 and SCPR estimations (for HDI of 2012 - 2015)

11. Three indices of consumption deprivation are used to measure the depth and incidence of poverty. These include: "overall poverty" based on the upper poverty line, which is the minimum necessary goods and services that a household requires to survive; "extreme poverty" based on the lower poverty line, which is the very basic food and non-food items that a household requires to live; and, "abject poverty" based on the food poverty line, which are the minimum basic food needs of a household.

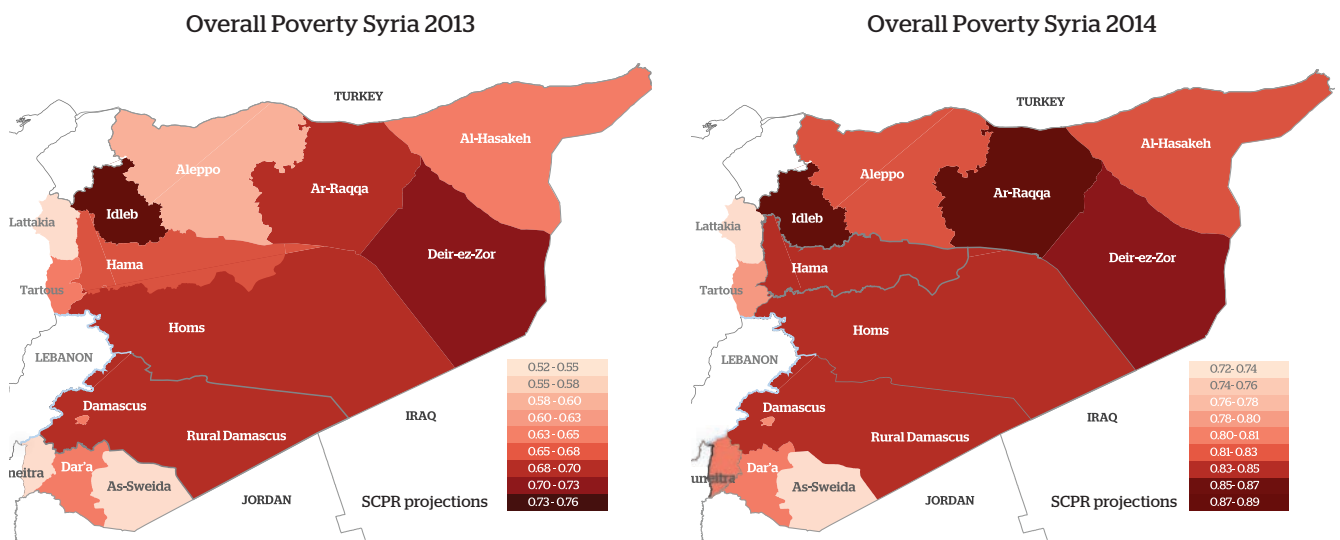
The results show that during 2014 there was a shift in the relative contribution of the HDI components, with the poor performance of the health index significantly worsening the HDI, due to the dramatic increase in the number of mortalities. This contributed 41 per cent of the difference in the HDI between the "continuing" and "crisis" scenarios in 2014-Q4. The negative impact of the conflict on education contributed 33 per cent of the total HDI loss, with the dropout rate in 2014 almost equal to that of 2013. The dramatic decrease in income during the crisis contributed 26 per cent to the deterioration of the HDI. The challenge of measuring the impact of the conflict upon human development in the midst of the turbulent conditions in Syria is enormous, while the macro level data and the broad but limited indicators of the HDI provide a high level view of decline, even if this does not provide a robust description of human development at the concrete level of the human misery affecting social groups and regions through inequality, differential quality of education and health, and the prevalence of insecurity, which needs to be addressed within a more comprehensive framework.

DEPRIVATION FOR ALL!

The report utilises established national poverty lines to estimate and measure the incidence of poverty, including the severity and poverty gaps across governorates. The projections used in this report are based on the Household Income and Expenditure Surveys (HIES), augmented by using the counterfactual methodology to project real private per capita consumption growth in the period 2010-2014 through a micro-simulation technique.

During 2014 poverty continued to deepen throughout the country as a result of: rising prices for goods and services; job loss and growing unemployment; swelling numbers of IDPs who lost their properties and assets; combined with a stinging economic recession and the liberalisation of fuel and food subsidies that pushed up prices during the second half of 2014. This was also compounded by the direct impact of violence in many areas of the country. Thus, by the end of 2014, 82.5 per cent of Syrians lived in poverty, suffering from multidimensional deprivation and not just the money metric one that reported in this section¹¹.

Map 1: Overall poverty incidence in Syria by governorate (2013, 2014)



* Source: SCPR estimations based on HIES 2009, CBS

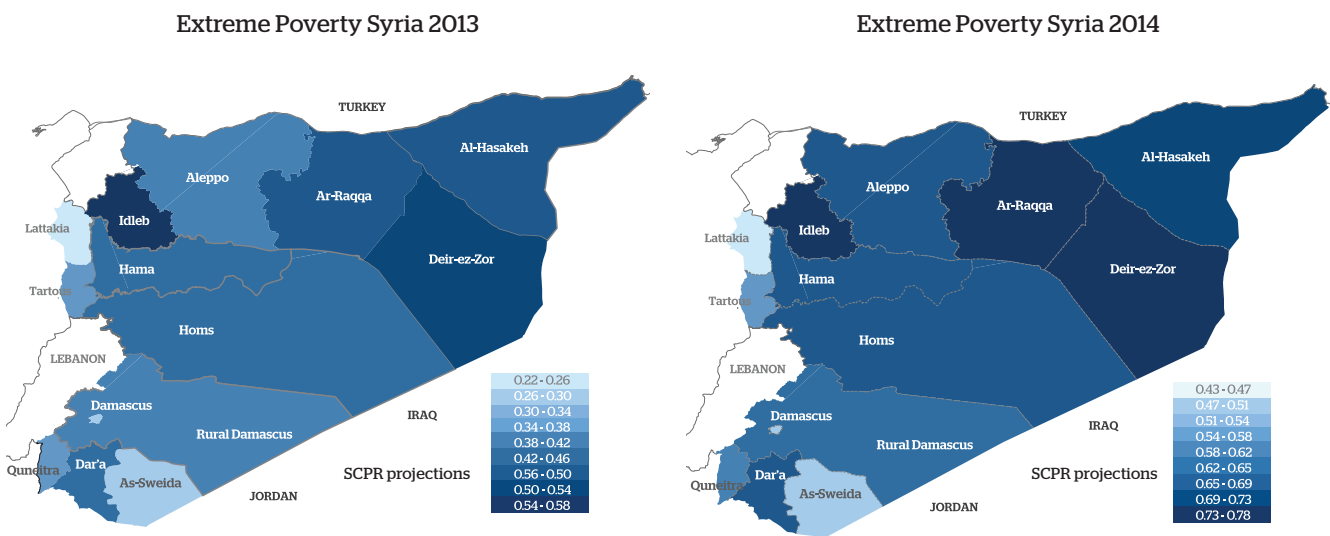
Assuming no change in expenditure distribution within each governorate, and taking into consideration the change in the structure of the prices between governorates compared to 2009, it is estimated that the overall poverty rate reached 82.5 per cent by the end of 2014 compared to 64.8 per cent in 2013. While poverty varies among regions, those governorates that witnessed intensive conflict and had higher historical rates of poverty suffered most from poverty. Thus, people in Ar-Raqqqa were the poorest with 89 per cent of residents falling below the overall poverty line, while those in Idleb, Deir Ezzor, Rural Damascus and Homs also suffered from high rates of overall poverty. There were few people in these regions that were not poor. While the poverty rate increased in all governorates since the last reporting period, the lowest rate was in Lattakia at 72 per cent, followed by Sweida, and Damascus respectively. But even in the regions with the lowest incidence of poverty, the majority of the populace was poor. (See Map 1)

A subset of the overall poor is the set of extremely poor people, defined by using the lower national poverty line. It is estimated that those living in extreme poverty reached 64.7 per cent of the population by the end of 2014 compared to 40.9 per cent in 2013, with those living in conflict-affected regions showing the highest incidence of extreme poverty. The population of Idleb was most affected by extreme poverty, with 76 per cent, households struggling to meet their households' basic food and non-food items to survive in 2014, with Ar-Raqqqa, Deir Ezzor and Al-Hassakeh following closely.

The lowest rates of extreme poverty were in those areas of the country that had been least affected by direct military actions. Thus, both Lattakia and Sweida witnessed the lowest incidence of extreme poverty, which affected 43 per cent and 48 per cent of the population respectively. (See Map 2)

Overall poverty rate reached 82.5 per cent by the end of 2014 compared to 64.8 per cent in 2013

Map 2: Extreme poverty incidence in Syria by governorate (2013, 2014)



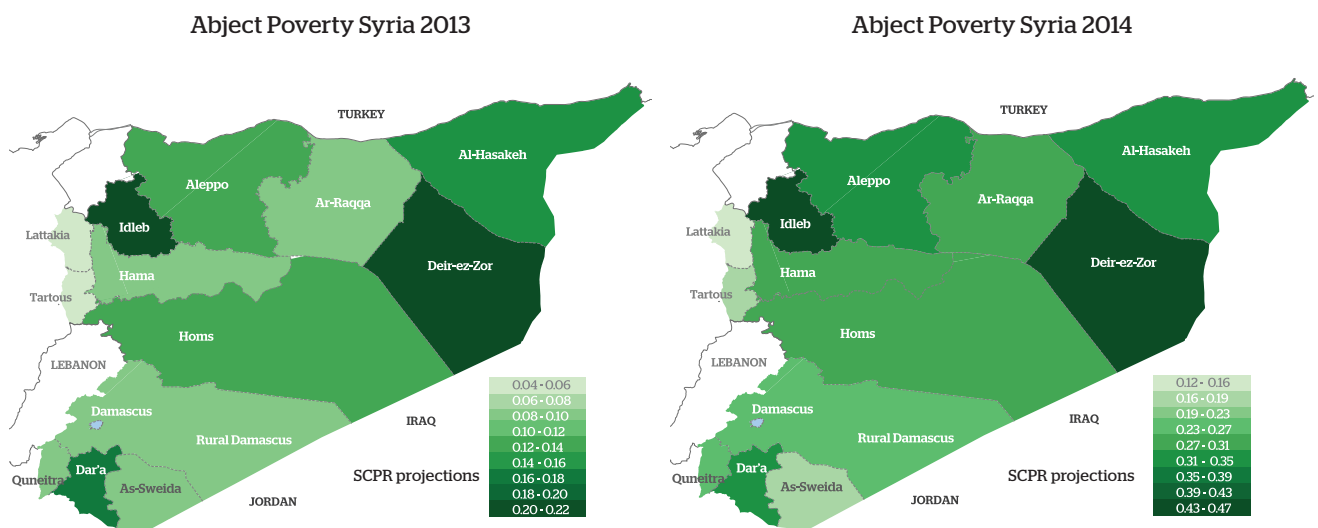
* Source: SCPR estimations based on HIES 2009, CBS

The abject poverty rate reached 30 per cent by the end of 2014

Intensifying military operations and blockades in several areas within Syria dramatically increased the prices and the scarcity of basic goods, particularly food items. This is reflected in the sharp increase in the abject poverty rate, which reached 30 per cent by the end of 2014. At this level of poverty people find great difficulty to provide for the non-food items required by the household. Such excessive levels of deprivation put life at risk, which is reflected in the increasing number of tragic cases of death due to malnutrition and starvation, especially besieged and isolated places. People and households in Idleb, Deir Ezzor and Aleppo were poorest with the highest rates of abject poverty, with households finding great difficulty to meet the basic food needs required to sustain bare life. Households in the safer areas of Lattakia, Damascus, and Sweida experienced the lowest incidence of abject poverty, although abject poverty was not uncommon among these populations. (See Map 3)

The substantial increase in poverty between 2013 and 2014 reflects the extreme and deepening suffering of the Syrian families due to the continuation of armed-conflict, which caused a dramatic collapse in socioeconomic conditions. This has been accompanied by the increasing absence of human security, the deterioration of the rule of law and increasing of inequality in accessing basic goods and services. Moreover, the prolonged nature of the conflict is diminishing the resilience, self-reliance and empowerment of Syrian households that are increasing exposed to violence, discrimination and abuse. While the substantial provision of humanitarian assistance from multiple parties has helped mitigate some of the worst situations and provided a lifeline for millions of households, its scale, form and content remains far below the needs of people within the present catastrophic situation.

Map 3: Abject poverty incidence in Syria by governorate (2013, 2014)



* Source: SCPR estimations based on HIES 2009, CBS

LEARNING AND DISPUTED IDENTITY

Education is a vital pillar of human and social development, with the ability to empower peoples' capacities, improve their wellbeing, and enhance the values of peace, freedom, and social justice. Education has the potential to contribute to the prevention and alleviation of conflict, through equipping children with values that discourage, protect and prevent them from engaging in violence and conflict. (Miles and Singal, 2010) Formal education can shape understanding, attitudes and ultimately the behavior of individuals to support the development of a unifying national identity. It can help remedy and counter many social ills like racism and fanaticism. (Bush and Salterelli, 2000) But education can also be used to achieve contrary ends. There are many examples of education being used to fuel the conflict. (Harber, 2002) The propagandistic use of formal and informal education can act detrimentally by restricting access and deepening inequality of education opportunities, by being used as a weapon of cultural repression and war mongering, by misrepresenting history and misusing curricula for political purposes, by promoting the self-worth of one group or community through hatred of others, and by stereotyping and demeaning other individuals, groups or religions. (Bush and Salterelli, 2000)

The complex and fluid nature of the ongoing armed-conflict has distorted education and learning throughout the conflict. In the early phase there was a direct loss of education and learning opportunities for children, which affected the population in the various parts of the country unevenly. Fear and insecurity, culminating from the lack of law and order, were key elements in this turbulent phase of the armed-conflict as educational infrastructure was destroyed, schools were closed and many became inaccessible. During this time the educational system lost staff and students through refugee flight, population displacement and migration, as well as killing and kidnapping.

This report revisits previous estimations of school age non-attendance rates based on new information and experts' estimations. Thus, during the 2012-2013 school year, 48.4 per cent of school-age children did not attend school. There was a marginal worsening in the 2013-2014 school year when 48.6 per cent of school-age children were absent from school. This is projected to worsen in the 2014-2015 school year when 50.8 per cent of the school-age children will not attend school. Thus, almost half of school-age children did not attend school during the past two years, while just over half will be out of the school system in the current year. As a result, the basic educational achievement of Syria in 2014 was the second worst performance in the world when comparing net primary education enrolment rate against World Development Indicators. (WDI, 2014) Educational opportunities were dramatically curtailed as millions of children no longer attended or were unable to access schools. Such deprivation of educational opportunity is affecting a whole generation of school children who are being robbed of the ability to develop the capacities and resources they need for a productive future.

The widely different attendance rate within the different regions of the country is an indicator of growing inequality. During the 2013-2014 school year the school-age non-attendance rate was highest in Aleppo where it reached 74 per cent, followed by Ar-Raqqa at 64 per cent. School non-attendance was around 62 per cent each in Rural Damascus, Deir Ezzor and Idleb. In 2014-2015, school attendance in Ar-Raqqa, Dar'a, Al-Hassakeh, and Dier Ezzor declined compared to the 2013-2014 school year, while it improved in Damascus, Rural Damascus, Homs, Tartous, and Lattakia over the same period. This situation reflects the reduced intensity of conflict in some regions, such as Homs and Rural Damascus, and intensification in others, such as Dar'a, Ar-Raqqa, and Deir Ezzor.

The report also measures lost human capital as a factor related to lost years of schooling.

The widely different attendance rate within the different regions of the country is an indicator of growing inequality

The basic educational achievement of Syria in 2014 was the second worst performance in the world

Based on calculating each year of schooling as a factor of GDP, each year of schooling is valued of USD 680 per student¹². The loss of “years of schooling” by 2014-Q4 reached 7.4 million years during the crisis. The projection of this loss based on the counterfactual methodology results in a reduction of average years of schooling by 7.5 per cent. The cost of this loss in human capital during the crisis is estimated at USD 5.1 billion, with a loss of USD 1.8 billion in 2014 alone.

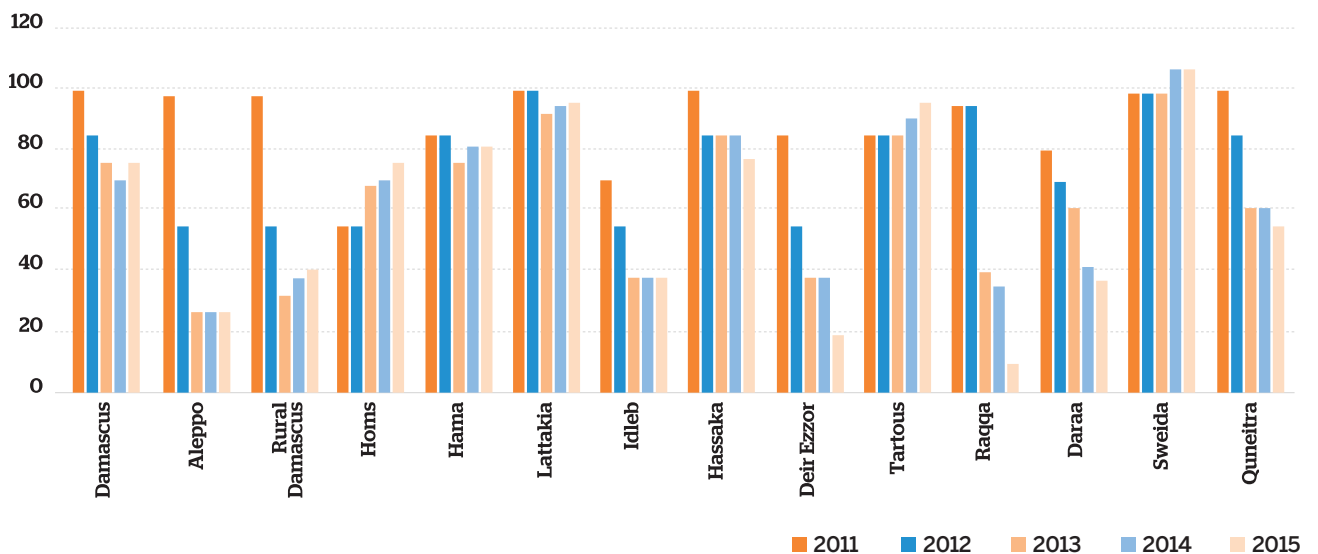
12. The SCPR methodology determined the value of each school year calculated as an average between 2006 and 2010 by dividing the GDP at current prices over the total number of years of schooling. The result produced a value of USD 680 per year of schooling, which was then applied to the dropout rate.

The on-going armed-conflict continued to negatively impact the educational infrastructure. Thus, according to the Ministry of Education, by 2014-Q1 some 600 schools were totally destroyed, of which 300 were located in Aleppo. The number of partially damaged schools reached 2,391, with 480 located in Rural Damascus, 232 in Dar’a and 217 in Aleppo. However, these estimates significantly underestimate the scale of the damage, as there is no estimation of damage in some of the major conflict zones. By the end of 2014-Q3, approximately 25 per cent of schools across the country ceased to function, with 608 schools being used as shelters and 4,606 schools

totally or partially damaged. It is projected that 28 per cent of the schools were out of operation by 2014-Q4 due to intensifying battles in regions like Dar’a, Quneitra, Rural Damascus, Al-Hassakeh, Idleb, and Hama. The cost of damage to educational infrastructure was estimated by official sources at SYP 111 billion by 2014-Q1, SYP 115.3 billion by 2014-Q3, and projected to reach SYP 129 billion by 2014-Q4.

The armed-conflict also adversely affected higher education, especially in Aleppo and Homs where two of the main public universities are located, i.e. Aleppo University and Baath University. Some students have transferred to education facilities in safer areas such as Damascus and Lattakia, while the relative improvement of the security situation in Homs in 2014 allowed a gradual return of students to Baath University. Moreover, higher education has lost significant human capital and part of its student body as many academic and administrative staff, as well as students, like the rest of the population, fled as refugees, were internally displaced or migrated as a result of the conflict.

Figure 15: School-age Attendance Rates by governorates



* Source: SCPR estimations and projections based on Ministry of Education data.

As the conflict continued it has resulted in increasing inequality of opportunities as children in the conflict zones suffered most from interruption and disruption to the educational process. While those who fled from these regions as IDPs and refugees were often deprived of adequate opportunities and resources both inside and outside the country. Moreover, they often suffer discrimination and limited access to the facilities that are available. In the midst of deprivation, many children are forced to work to support their families, which have lost their properties, assets, sources of income and often the family breadwinner. An especially pernicious aspect of inequality is discrimination against female children and young girls who are perceived as most vulnerable to violence and insecurity, with many parents pulling female children from school in response to insecurity and fear.

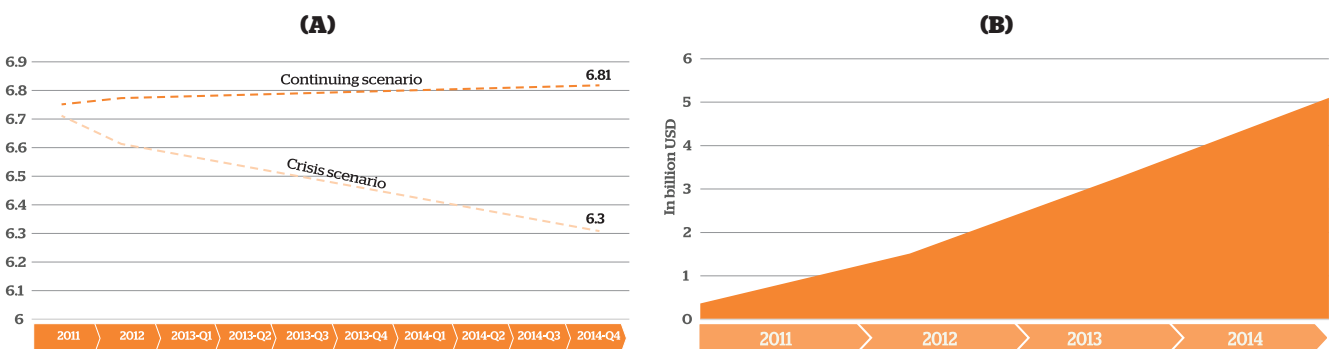
There has also been a reduction in education quality due to lack of staff who have been part of the turbulent population movement or among those who have been killed, injured, kidnapped or arrested. Educational quality has also been affected by the loss of educational infrastructure, including building, transport, power, heating, materials and equipment. Moreover, there was a reduction in investment and expenditure in the sector. This is compounded by the loss of stewardship over the educational system as it

has fragmented within the country. There is also polarization and tensions within the education system reflective of broader conflict within society. This is seen in the fragmentation in children's identities and their attitudes towards others within the country, often expressed in values that legitimate violence and/or encourage it. Within this dystopian environment, the loss of hope and frustration among teachers and students is gnawing away at the will and stamina to develop the capabilities to improve their lives.

With the prolongation of the conflict, education has become an instrument of contending powers that seek to use the education system to foster their own worldview and values. This has resulted in the establishment of new curricula and promotion of values and attitudes that serve the viewpoint of various powers. Each fighting party has involved children as part of the machinery of violence and deprived them of key life and learning skills. In a governorate like Al-Hassakeh, for example, three different curricula were implemented that included different languages, values and historical narratives, as well as different scientific and social content. Within an environment dominated by a culture of fear, intolerance toward the other and the promotion of violence, the learning process is being directly distorted with any notion of a

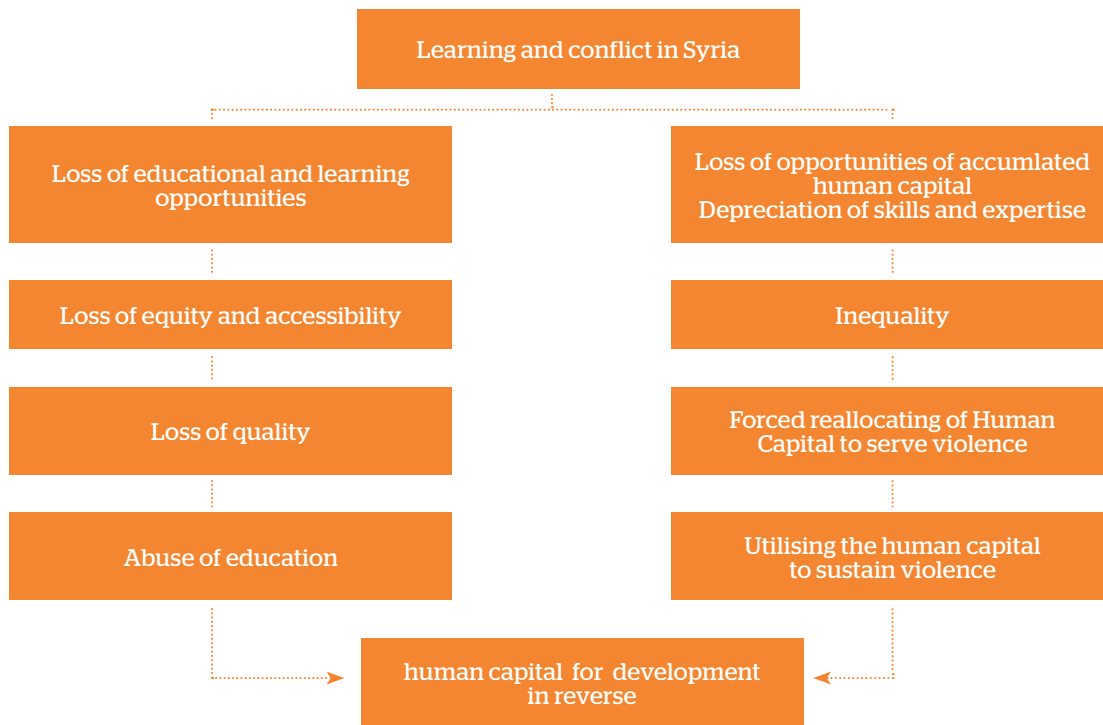
There is also polarization and tensions within the education system reflective of broader conflict within society.

Figure 16: (A) Average Years of Schooling, (B) Accumulated estimated cost of lost schooling years



* Source: SCPR 2014

Figure 17: Process of learning and conflict in Syria



* Source: SCPR 2014

unified or collective identity being undermined.

The institutionalization of violence is reflected in the distortion of the formal and informal education and learning processes. These processes affect, in addition to children, the accumulated human capital of the country that enabled people above 15 years old to enter the labour market. The loss of normal work opportunities has accelerated the degradation of human capital. Inequality between regions and discrimination against IDPs and other vulnerable groups is widening the gap between people as they lose their ability to sustain and utilize their human skills, with the extremely high and uneven unemployment and employment rates between the regions indicating the extent of this phenomenon.

Furthermore, with the crisis, human capital

is being diverted from regular economic activity to serve violence. In the midst of poverty and the absence of employment, skilled people are being recruited as combatants serving different forces. Thus the ability of the subjugating powers to form institutions of violence has systematically caused a reallocation of human capital to sustain the conflict.

HEALTH: CURRENT AND FUTURE DISASTER

The armed-conflict in Syria continued to deepen its catastrophic impact on the health sector as indicated in the collapse and closure of health institutions and related organizations in several areas of the country, while also reflected in the increasing death toll. The conflict is also indirectly increasing the loss of human life through the lack of treatment for medically

preventable deaths, which is expected to continue into the post-crisis period. Several studies show that prolonged armed-conflict has indirect effects on mortality and morbidity in the post-war period that are often more critical than the immediate effects. (Li and Wen, 2005)

As a direct impact of the crisis, the tragic death toll continues to increase due to the intensification of offensive activities and eruption of new frontlines. Since the beginning of the conflict in March 2011, the number of mortalities resulting from violence increased from 130,000 deaths in December 2013 to 191,369 deaths by the end of April 2014. (UN-OHCHR, 2014) By December 2014, the death toll is estimated at 210,000 deaths¹³, with the number of wounded expected to reach 840 thousand people¹⁴. Thus, by the end of 2014, it is estimated that almost 6 per cent of the population inside Syria were killed, injured or maimed during the armed-conflict.

Continuing military operations have led to further damage and destruction of health infrastructure. Data from WHO, MoH, and civil society workers indicate that the governorates of Aleppo, Deir Ezzor, Raqqa, Rural Damascus, Homs, and Dar'a are most affected by the loss of functional health facilities due to warfare. But the scale of damage in areas of highly intensive conflict such as Aleppo, Deir Ezzor, Raqqa, Dar'a, Idleb, Hama and Al-Hassakeh is likely to remain significantly understated because of information gaps due to limited humanitarian access. But it is safe to assume that these most deprived populations have the worst health services.

The network of primary health centres were devastated by the crisis, with only half of those centres that existed before the conflict still working by the end of 2014. The mid-2014 data of MoH and WHO shows that 21 per cent of health centres were partially functional, while 18 per cent were not functioning and

there was no information on 10 per cent of facilities. (MoH and WHO, 2014) The areas with the lowest number of operating centres are Aleppo, Ar-Raqqa and Deir Ezzor. However, the impact of the conflict on hospital infrastructure across the country was more destructive than to primary health care facilities due to the higher institutional and political significance of hospitals.

Moreover, the majority of hospitals face shortages of health workers, with a serious shortage of emergency physicians. In Idleb governorate, all working hospitals reported no emergency physicians among working staff, similarly 8 out of 11 hospitals in Aleppo, 4 out of 5 in Deir Ezzor, 7 out of 8 in Rural Damascus, and 3 out of 4 in Al-Hassakeh reported that they had no properly trained emergency physicians. (WHO and MoH, 2014) Such scarcity is not exclusive to the conflict areas but also affects hospitals in relatively safer regions, for example, in Damascus city 10 out of 13 hospitals lack emergency physicians.

According to the WHO and MoH, there is a tragic lack of health workers in all fields of health service. (WHO, 2013) Moreover, the shortage of trauma and specialized physicians impacts on the survival rate of wounded and trauma patients, while increasing disability rates. The conflict zones are especially blighted by the lack of emergency and specialized physicians, creating a worse health profile than in other regions. As in education, such shortage is largely due to the flight and movement of people who have left the country or been displaced, while those medical staff that remain face difficult working conditions where they often lack medicines and equipment.

Broader public health concerns are amplified by the deterioration of nutritional status of the population that is facing shortage and limited access to food, drinking water, sanitation and basic medications. The population in many areas is depending increasingly on alternative drinking water resources that expose them,

The subjugating powers continue to distort health institutions as a means of punishing their enemies and rewarding their supporters

13. Syrian Observatory for Human Rights, Feb 2015.

14. This is based on the assumption that the number of mortalities to wounded persons is estimated on a conservative ratio of 1:4.

Alienation reflects the gap between institutions and the human being, whereby individuals become incapable of real participation in representing their priorities and aspirations in the socio-economic and political sphere

especially children, to higher risk of disease and illness. In some regions the population is dependent upon foodstuff and pharmaceuticals that lack quality control as they are sourced from the black markets and often smuggled across borders. Such goods are often contaminated or expired. Moreover, the health of Syrians continues to be compromised by scarcity and availability of pharmaceutical products, with growing disparities among different regions in the country. Additionally, the reduction of food subsidies and increase in the cost of medication by the government is likely to harm the public health status of the poor, especially the poorest.

Deteriorating social and living conditions are exposing the population to higher levels of vulnerability, with children affected more than others as they are deprived of proper nutrition and exposed to a broad spectrum of infectious diseases with insufficient healthcare due to the collapse of public health services. Moreover, increasing militarization of society is shaping children's life experiences, exposing them directly to militarized violence in which they are often directly or indirectly abused by formal and informal institutions involved in the armed-conflict.

The subjugating powers continue to distort health institutions as a means of punishing their enemies and rewarding their supporters. Many have used conflict related networks to exploit people in urgent need for health services through monopoly, corruption, smuggling, and discrimination, in contravention of all medical ethics and the principle of neutrality. The high mortality rate and widespread incidence of disease and infection are expected to continue during the post-conflict period.

ALIENATION AND VIOLENCE¹⁵

This report examines the phenomenon of human alienation in Syria before and during the crisis. In light of the different meanings of alienation,

this report adopts a concept that reflects the gap between institutions and the human being, whereby individuals become incapable of real participation in representing their priorities and aspirations in the socioeconomic and political sphere, whereby human subjects are alienated and estranged from the objectives, policies and relations that are being formed under such existing institutions.

"Alienation" is a complex concept that is rich with meaning and connotation. The complexity and richness of this concept stems from the socioeconomic, political and cultural phenomena it refers to. This shows the deep and far-reaching impact of alienation on individuals' consciousness and perceptions about the universe and human being, as well as on their identity, self-esteem, effectiveness, and way of thinking. Alienation also reflects the mutual relations between individuals and among the groups they belong to. In that sense, it is a useful concept to consider when approaching human matters. As a human-centred framework it can help us understand human reality and destiny.

Alienation reaches its climax when the being, social status, and legal and moral personality of individuals are squandered, culminating in the loss of their freedom; the essence of their humanity and their rights. Such alienated subjects become the object of political and social subjugating institutions, including family, tribe, religious and political entities.

The report assumes that the phenomena of alienation were a root cause of the current crisis embodied in both internal and external factors. Alienation needs also to be understood within the international context, because of the strong relation between alienation both at the national and universal levels. This helps explain some of the contemporary World Order phenomena including marginalization, exclusion, subordination, hegemony, dominance, inertia and inequality. It also reflects society's inability

15. This part of the paper is based on an in-depth research paper by Jad Karim Jebaie: Jebaie, J. (2015): "Alienation", the Syrian Centre for Policy Research, Damascus

to effect real control of its resources, wealth, labour force and institutions, while undermining its ability to determine the direction of its development. Furthermore, alienation can be found in manifestations of isolation, avoidance, animosity, and in extreme form in terror and violence that motivates subjects to act beyond normal social, human and ethical limits.

Institutional Bottleneck and Alienation

The previous report, "Squandering Humanity, 2014", by the Syrian Centre for Policy Research examined the issue of the "subjugating powers" in society, summarizing these powers in the form of political oppression, fanaticism, and fundamentalism, both at the international and local levels. It also addressed the contribution of these powers to marginalizing society and squandering the human being. Through the domination and control of institutions, the subjugating powers were able to determine the "rules of the game" in society that controlled the various interactions among individuals and groups. This included political and socio-economic relations (Acemoglu, 2009). In this context, institutions are the set of rules that are agreed upon within society with the aim of coordinating the behavior of individuals with each other and towards others. Such agreement evolves with the development of societies. Institutions can be categorized into: Formal (de jure) institutions, which are a set of formal restrictions (constitutions and laws) and government policies which constitute the framework for socio-economic and political interaction of members of society; or informal (de facto) institutions, which are the set of customs and traditions that influence the behaviour of individuals, and the set of policies and procedures that are imposed by the controlling powers on society informally (Ismail, 2013).

At the national level, the Syrian society has suffered from the hegemony of political and social institutions, including the religious, cultural and economic ones. These institutions

have sought to achieve their objective of reinforcing their institutional control to serve elites at the expense of the rights, aspirations and dignity of the Syrian people. The Syrian Centre for Policy Research has diagnosed this situation developmentally as a form of "Institutional Bottleneck", which means that the dominant institutions were diverted from the interests, priorities, and expectations of people. The relationships between people and institutions have deteriorated over time, as the gap between people's aspirations and their reality has widened, especially with the failure of attempts at reform, and the persistence of institutions that squander the human being. This "Institutional Bottleneck" has aggravated the phenomenon of alienation and its consequences (SCPR, 2013).

This "Institutional Bottleneck", at the national level, is also correlated with the hegemony of the New World Order institutions, which reflects the balance of international power that do not often represent the aspirations of human beings in different countries. The institutions of the New World Order have contributed to widening inequality among and within countries. They have marginalized many states and societies, often using hard (military) power, but more often utilising soft (economic and cultural) power. This is reflected in inequality in the distribution of wealth, political and economic status among countries. Syria is one of many countries that have suffered from marginalization, whether in the hard form of direct colonization or occupation, and soft domination through economic and cultural policies. The international subjugating powers have often sought to delimit the self-determination of marginalized countries. The policies of such powers have alienated states from the World Order through submission, dependency and adaptation to existing powers of subjugation.

The paradox of the New World Order is manifested in the formation of institutions

Alienation reaches its climax when the being, social status, and legal and moral personality of individuals are squandered, culminating in the loss of their freedom; the essence of their humanity and their rights

The Syrian society has suffered from the hegemony of political and social institutions, including the religious, cultural and economic ones

that make the normative call for human rights, democracy and justice, while the de facto hegemonic powers have emptied these values and rights of their true meaning, while, to large extent, imposing their own priorities on others. Nevertheless, there is competition between international subjugating powers, with each aiming to increase its gains at the expense of the others. Yet, despite such rivalry, these powers can agree on excluding and marginalizing people, while monopolizing knowledge, power and wealth.

The Syrian tragedy represents a forceful manifestation of this paradox at the international level. It also represents the overlap of the interests of both international and local subjugating powers. The status and personality of human being are squandered and used as justifications for policies justified by "public opinion". Moreover, civil society movements, which are supposed to stand up for the right of peoples in the face of subjugating powers, are themselves subject to various forms of hegemony, including marginalization from participating in political life, exclusion from the media, blackmail on funding issues, together with pressure from legal and security institutions. They are tolerated and even encouraged when dealing with marginal issues, but face de-legitimation when taking up issues that are essential to reform and change.

The state of the "Institutional Bottleneck" in Syria, before the crisis, deprived the majority of its citizens from active economic, social, cultural, and political participation. Economic deprivation was manifested in low labour force participation rates, poor productivity, high poverty rates and acute inequality of income and living standards, expansion of the informal sector and restrictions on new initiatives. The adoption of policies of economic liberalisation that were unconnected to a deeper development vision produced further marginalization, widespread corruption and the predominance of the rentierism and low value-added activities. Social and cultural deprivation was manifest in the meagre provision for

independent institutions and initiatives serving the public interest, combined with a widespread culture of fear that reinforced adaptation to the existing situation. The common values of trust and acceptance of others declined. Finally, political deprivation was expressed in a narrowing of civil liberties, with citizens excluded from institutions and deprived of political participation. There was also an absence of accountability that aggravated the sense of repression and submission (SCPR, 2013).

These complex forms of deprivation have resulted in a multidimensional state of alienation, whereby the human being became alienated from the state because of the tyranny of political institutions and from a society which lost its vitality and ability to achieve its potential and to represent the aspirations of its members. Therefore, the traditional institutions, such as the family and religious institutions have become increasingly important, even as these are themselves characterized by hierarchy and oppression.

Alienation is a squandering of the human being, society and homeland. Alienation has obliged many people to adapt to the existing situation, either by identifying with oppressors and tyrants, or by seclusion, submission and indifference, or by emigrating from the country in search of a humane setting and circumstances better suited to their aspirations. Despite the alienating context, part of society continued to work for change, reform and transition for institutional guarantees of civil liberty, personal dignity and the protection of rights. The accumulating frustration and despair of any prospect of change, which was increasingly viewed as a necessity, resulted in a growing gap between individuals and existing institutions.

Alienation aggravation during the Crisis

The social movement which began in March 2011 produced a sense of optimism among

those interested in positive change; those who had hoped to build new institutions in order to go beyond the state of deadlock. The movement has proposed values that were at the heart of the desired change to promote freedom and dignity. However, the subjugating powers, both at the local and international levels, resisted change, while the situation turned into confrontation and armed-conflict that was a deviation from its purpose. The increasing violence created deep frustration among Syrians, who experienced a boundless gap between their aspirations and reality, where dignity, personality and humanity were squandered. Their alienation became even more profound as a consequence of the catastrophic results of the conflict in which destruction, displacement, looting, killing, kidnapping and rape were all too common. This is especially troubling as these results have been produced by their own "institutions".

The subjugating powers continue to undermine the potential for positive interaction and participation by Syrians to reach agreement on a new social contract. One that honours the potential of citizens to integrate and become part of political and social institutions that help empower them and realise their creative and productive capabilities in manner that respects their rights, personality, dignity, freedom, diversity and self-determination.

However, the state of alienation and estrangement has led to the eruption of unprecedented levels of violence among Syrians, leading to increasing reliance on institutions that are alien to them from both inside and outside the country. This has fermented social disintegration and aggravated hatred and fanaticism. On the one side, security institutions have become overtly predominant, while on the other side, traditional institutions have abused religion. Both attempt to dominate the human being and the resources and capacities of society.

The squandering of consciousness and status of the human being that was practiced before the crisis has increased manifold, even to the level of eradication of the human being's right to life. The subjugating powers have taken advantage of the state of violence to instil a culture of fear, terror, polarization and submission. They have mobilised local economic resources to fuel the machinery of violence, where they have been deployed as incentives to feed the conflict and economies of violence. Within this state of exception, the remaining economic powers have been leveraged to continue the conflict. The tools used by the parties to the conflict to serve their ends are not ones that are available to those who seek positive change through non-violent means.

All of this could not have been sustained without substantive external support to the conflict parties. Cultural symbols, media and local forces have been utilized to reinforce violence amongst members of the same society, resulting in polarization and rejection of others and the destruction of human values such as solidarity, cooperation and trust. The political powers involved in the armed conflict have predominated and repressed other voices based on using "times of war" as a justification to prevent real participation by Syrians.

The mounting destructive violence, exclusion and repression of the majority of Syrians have resulted in varying responses and positions that oscillate between involvement in the cycle of violence and terrorism or indifference to the homeland and its fate. Between those two poles are a continuum of positions that are close to this or that end such as submission, feeling helpless and the search for individual salvation.

The subjugating powers have succeeded in recruiting many individuals to become part of the machinery of killing, looting, and pillage by influencing their consciousness and using financial, social and political incentives. Those

The state of alienation and estrangement has led to the eruption of unprecedented levels of violence among the Syrians

To create a new epistemological system to address the root causes of the crisis in order to avoid reproducing it and to develop the national alternatives in a participatory manner

recruited are sacrificing themselves and their dignity to reinforce these powers that work against their interest. Moreover, they have been squandered and abused to squander others. Tens of thousands have been recruited to take part in the battles amongst Syrians, while others were recruited to be part of looting, smuggling, kidnapping, abuse and monopolies.

All subjugating powers involved in the armed-conflict have developed and formed violence-based institutions in order to perpetuate and sustain their hegemony. This created the formation of advanced forms of tyranny and terrorism, while the latter is considered to be the ultimate form of alienation, creating a nihilist state that involves alienation from the world, modern times, and the human self. Terrorism has contributed to destroying human values, rights and freedoms. Furthermore, terrorism has been able to recruit many squandered individuals from outside the country, using their alienation from themselves and from their societies to abuse Syrians.

However, in different ways, many Syrians have rejected the phenomenon of violence as they lost all sense of human security, including the lack of personal and societal security. Many retreated from society in an attempt to adapt to inhumane daily living conditions. Many fled from their homes to other areas inside the country where they suffer from inhumane conditions, while others migrated and others were forced to seek refuge outside the country where they are subject to blackmail, submission, and deprivation. Adaptation to these conditions led to a state of fear and despair of any possibility of change for the better, estranging them within a culture of indifference to public issues.

Early Signs to Awareness of Alienation

The crisis has revealed the evolution of societal powers that have rejected all forms of violence;

condemning it intellectually, politically and ethically, while searching for a political solution to path the way for reconciliation and justice through guaranteeing the dignity and rights of the human being. Despite the catastrophic impacts of the crisis on these people, and the pressures they have been subject to by internal and external subjugating powers, they have continued to work to introduce substantial change within the situation. They have confidence in the ability of people to actively participate in building and developing political, social, economic and cultural institutions that represent their aspirations and objectives and their capacity to achieve these objectives effectively, transparently and in a participatory manner.

Making this change happen requires the collective efforts of all those interested in such change. Additionally, the purpose should be to restore the confidence of all individuals and social groups that have suffered from despair, submission and indifference. It is also to create a new epistemological system to address the root causes of the crisis in order to avoid reproducing it and to develop the national alternatives in a participatory manner. This could be done by deeply examining the critical issues that faced and are still facing society, and to involve squandered and alienated people in this process as a gateway to overcome the catastrophic impact of the crisis and to make a meaningful leap towards a better future. This includes confrontation of the subjugating powers and dismantling of the institutions of violence, which were the primary contributors to the state of alienation before the crisis and which were further reinforced during the crisis. These forces and institutions cannot be the ones to save Syrians from the crisis nor represent the aspirations of individuals and society.

Concluding Summary



The agonising tragedy and violent conflict in Syria continues to wield its catastrophic effect over all aspects of development throughout the country. It has fashioned a destructive transformation that is creating new institutions and distorting existing organisations to serve expanding economies of violence.

While crushing the aspirations of the Syrian people and their ability to build and form institutions that can restore human security and respect human dignity and rights, the armed-conflict has depleted the capital and wealth of the country. Measured in terms of human development capacity and choices, the HDI value of Syria degraded by 32.6 per cent since 2010, falling from just below a middle ranking position to 173rd position from 187 countries. This is indicative of the widening gap between the existing institutions and the deepening state of alienation of the Syrian people.

As the economy continued its downward cycle, by the end of 2014 total economic loss reached USD 202.6 billion. At 2000 constant SYP prices, this is equivalent to 383 per cent of GDP in 2010. GDP loss is estimated at USD 119.67 billion over the period of the conflict, accounting for 59 per cent of total economic loss. The loss of capital stock, resulting from damage and destruction, pillage and theft, continued to grow; with loss of capital stock of USD 71.88 billion accounting for 36 per cent of losses, while additional military expenditure

of USD 11 billion accounted for 5 per cent of economic loss.

The continuing closure of businesses and the shedding of labour have resulted in a fundamental restructuring of the economy, with a lacerating contraction of most economic sectors, including internal trade, mining, transportation and communication and construction. As the private sector component of GDP has shrivelled, the government sector and agriculture have assumed an increasing significant share of diminishing production, jointly accounting for 44 per cent of GDP in 2014. While manufacturing experienced a small bounce in 2014, it is still accounted for less than 5 per cent of GDP. Even as social and NGO services grew significantly throughout the conflict they accounted for minor share of GDP, with such growth failing to keep pace with the rapidly accelerating pace of escalating social and humanitarian needs.

During the conflict, the population of Syria was hollowed out by 15 per cent during the conflict as 3.33 million Syrians fled as refugees to other countries, together with a 1.55 million persons who migrated to find work and a safer life elsewhere. Within the remaining population of Syria, some 6.80 million people had been internally displaced from their homes and neighbourhoods by violence, fear, intimidation and homelessness. More than 12 million people lost their primary income

support as almost 3 million employees lost their jobs during the conflict. By the end of 2014, more than half of the workforce (57.7 per cent) was unemployed, while over half of those in employment (55 per cent) worked in government paid public sector jobs. As huge swathes of the community have lost the opportunity to work and earn an income, just over 4 in every 5 Syrians now live in poverty. As it has become a country of poor people, 30 per cent of the population have descended into abject poverty where households struggle to meet the basic food needs to sustain bare life. This is much more common in conflict zones and besieged areas where the poorest and most marginal households face hunger, malnutrition and, in the most extreme cases, starvation. As violence mounted and intensified, fatalities from conflict almost doubled in 2014 to 210,000 deaths. Thus, 6 per cent of the population have been killed, maimed or injured during the course of the armed-conflict.

Thus, in the midst of economic and social desolation, various internal and external subjugating powers have recruited supporters and investors to be part of the machinery, institutions and economy of violence, where oppression, fanaticism, fundamentalism and terror are commonly used to subjugate and suppress civil society and people. The interests and incentives used by the subjugating powers often encourage those they have recruited to act against their own benefits and the aspirations of their community, often at the expense of community values and the squandering of human life.

Most have refused and avoided violence through different means even though their lives are dominated by violence, they have become alienated and estranged from civil and political society during this state of exception that leaves them in fearfulness, subordination and exclusion. Most are bewildered and

disempowered, often beaten down by apathy, despair and hopelessness, as they see no end to this horrid dystopia. However, some people and institutions also refuse violence, aware of the state of alienation, and continue to struggle peacefully against the internal and external subjugating powers to overcome the catastrophe that has befallen Syria. They labour to achieve change and progress towards just, inclusive and transparent institutions that will restore human security while respecting the rights and dignity of all Syrians.

Appendix



METHODOLOGY

This series of quarterly-based reports take into account seasonality to estimate the quarterly GDP in Syria, especially for the agriculture sector which fluctuates across the seasons. The seasonality of agriculture production in 2011 is used as a benchmark to weigh growth rates of the sector in 2014 quarters. The estimation of GDP real growth/contraction in 2012, 2013, and 2014 depends on a production approach to estimate the supply-side dynamic of different economic sectors. This approach faces three main challenges in Syria: first, National Accounts usually releases the annual output of different economic activities of a specific year in the second half of the following year; second, official statistics have never published a quarterly GDP; and, third, there is a lack of surveys and secondary data due to the difficulty of conducting such work under the prevailing circumstances.

The dynamics of crisis have increased the need of various stakeholders for updated estimation of the economic situation. In order to overcome the above challenges, the report used changes of production quantities of key goods and services as proxies to the growth/contraction of GDP by sectors. For instance, changes in the production of main crops are used as a proxy to estimate the growth of the agriculture sector, and changes of daily

oil and gas production are used to estimate the growth/contraction in the mining sector. In several cases, econometric models were applied to estimate GDP. The team consulted sector experts to diagnose the main challenges for each sector and to check the reliability of GDP estimations. Annual growth rates of GDP in 2014 quarters are now compared with GDP in the parallel quarters in 2013.

Moreover, the report used the financial programming, which is an integrated system of macroeconomic accounts that includes national accounts, balance of payments and fiscal and monetary accounts, which provide the information needed to assess the impact of the crisis on the Syrian economy and the options for policy adjustment. The tool also provides a framework for policy analysis and indicates key consistency checks. SCPR integrated capital stock calculations, money-metric poverty at the household level and labour market performance, with standard financial programming. The financial programming tool has been chosen over macroeconomic time-series and CGE models as these do not efficiently account for dramatic changes in economic variables. The financial programming model more efficiently reflects the current situation of the Syria economy in a time of dramatic change.

In terms of the GDP components from the demand-side; the public consumption and investment elements are based on estimations of the public budget components, private investment is estimated by the changes in private output in real sectors, and exports and imports are estimated using the gravity model for Syria and checked with the quantities of imports and exports through ports. (Mehchy et al, 2013)

The estimation of capital stock and depreciation rates are based on the 2013 SCPR report (SCPR, 2013a). The total loss of capital stock is calculated on the loss of residential buildings (using updated estimations) and the loss in non-residential buildings, while equipment and tools are estimated using the output capital ratio. This loss consists of three main components: reduction in net investment due to the crisis; idle capital reflecting the cessation in production process; and, partial and total damages of the capital stock. The last component is not included in GDP loss and is thus added to overall economic loss.

The GDP in current prices is computed using the projections of GDP deflator which depends primarily on the Consumer Prices Index (CPI). Until May 2014, the CPI was produced by the Central Bureau of Statistics (CBS), and until December it was projected by SCPR team using the elasticity between CPI and nominal exchange rates. Within the framework of the financial programming model linking real sector, public budget, external sector, monetary sector, employment and poverty, the report estimated the number of lost jobs and unemployment rates until fourth quarter of 2014, using the elasticity of GDP with respect to employment.

The report projected public budget items depending on government decisions related to public expenditure in terms of wages, subsidies, and public investment, while the revenue

projections depended on oil production, tax collection, and State Owned Enterprises performance. Consequently, the report computed the fiscal deficit which reflected an increase in public debt.

In terms of poverty, using national lower and upper poverty lines (based on poverty research from HIES surveys in 2009) the report estimated poverty rates in Syria until December 2014 across governorates.

It should be noted that the estimation of losses in GDP, capital stock, employment, and poverty indices are the difference between the crisis scenario (real indices) and the continuing scenario, which include indices as if the crisis did not happen. That helps in estimating direct and opportunity loss of the conflict.

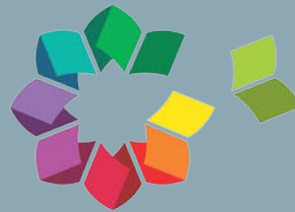
The methodology of the alienation section is based on formulating the concept of "Alienation" from primary sources and identifying its connotations as revealed by the Syrian crisis, and investigating its manifestations in the socio-economic, political and cultural relations, as well as in formal and informal institutional structures, and in the human conditions that have reached a catastrophic level, in order to reveal the relationship between aggravated alienation and eruption of violence. The report relied, for that purpose, on theoretical and field studies and modern data and surveys. The report illustrates briefly the possibility to reduce and avoid the consequences of alienation.

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المركز السوري Syrian Center For
لبحوث Policy
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info@scpr-syria.org
scpr-syria.org