

# Priorities for Economic Reform in Syria

Towards a politically viable strategy

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# Why Syria must reform

- Syria has many strong points – entrepreneurship, beauty, location, but it is not taking proper advantage of these.
- Syria faces many challenges:
- Oil revenues (financing 50% of the budget and accounting for 2/3 of exports) are running out
- Productivity is extremely low
- Unemployment is high and growing
- The population is growing very fast
  - Another 8 million in 10 years
  - An extra 200,000 per annum seeking to join the workforce
- Growth is weak
- Continuing oil revenues provide a short window for reform

# A poor investment climate

- Too many taxes and an inefficient, corrupt and unpredictable tax administration
- Extremely restrictive labour legislation
- Excessive business licensing and operating permits and associated corruption and anti-competitive practices
- Poor and inefficient customs and trade regulations and practices and overall regulatory policy uncertainty
- Poor economic infrastructure, especially electricity, telecommunications and transport
- Poor access to finance and cost of financing
- Inadequate workforce skills

# The public sector is a barrier to growth

- State enterprises (SOEs) are highly inefficient, consume subsidies, and divert resources from productive uses
- SOE monopolies in key sectors and value chains hold back the entire economy
- Both SOEs and the civil service are heavily overmanned, with many employees non-productive
- The civil service cannot recruit and retain sufficient qualified staff to manage complex reforms

# Reforms to date

- Significant but insufficient
- Hesitant, partial, delayed
- Patchy quality of implementation
- New legislation often based on out of date models
  
- Needed:
  - A stronger commitment to co-ordinated action across a much wider field of reforms
  - Faster & higher quality implementation

# Elements who fear reform

- Managers of SOEs who want to keep their jobs and privileges and the subsidies that sustain them
- Employees of overmanned SOEs who are fearful of losing their jobs
- Senior civil servants, who want to keep their jobs and privileges
- Ordinary civil servants, who want to keep their jobs
- Businessmen who benefit from privileges & protections
- Employees of private businesses mainly dependent on protection from competition

# A politically viable strategy

- Avoid short-term threats to the position of groups that oppose reform
- Try and convince them of the benefits to all of economic growth as opposed to economic collapse
- Focus on growing a new economy within the old
- Privatize the private sector
- Strengthen the government's capacity to design and implement reform

# Ideas for a first phase of a comprehensive reform programme

- Create an alternative legislative framework for the new economy
- Reform those parts of the public sector that most affect the rest of the economy
- Create a minimal regulatory environment for small businesses
- Focus on creating state-of-the-art telecommunications and IT infrastructure
- Remove monopolies of SOEs
- Corporatise and commercialise SOEs
- Upgrade workforce training efforts



# Running the reform programme

- Introduce a senior executive service within the public administration
- Strengthen the reform apparatus and improve the quality of the legislative and decision-making process
- Produce a coherent, sequenced and comprehensive timebound reform programme and allocate responsibilities
- Communicate the case for reform