

Rebuilding Syria

Syria's reconstruction: challenges and opportunities



**FRIEDRICH NAUMANN
STIFTUNG** Für die Freiheit.

The
Syria Report

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Abstract

Syria's reconstruction represents one of the most complex post-conflict recovery efforts in recent history. Following fourteen years of conflict (2011–2024), reconstruction needs are estimated by the World Bank at approximately USD 216 billion¹. Around one-third of the country's housing stock has been damaged or destroyed, critical infrastructure has been severely degraded, and economic losses far exceed the value of destroyed assets.

In this paper, the term reconstruction is framed as the process of rebuilding physical infrastructure, restoring the capacity of the public administration to provide basic services, and laying the foundations for a revival of economic activity.

Although the political transition has improved Syria's international engagement, a comprehensive national reconstruction programme has yet to emerge. The government has adopted several initiatives, including a Statement of Recovery Priorities, the Syria Without Camps initiative, and new investment legislation. The government has also established new institutions such as the Syrian Sovereign Fund, the Syrian Development Fund, and the restructured Syrian Investment Authority, all of which are directly affiliated with the Syrian presidency. However, reconstruction efforts remain fragmented, with no unified national strategy, central coordinating authority, or transparent implementation framework capable of aligning government agencies, donors, investors, and humanitarian organisations.

This report on the challenges and opportunities facing Syria's reconstruction drive highlights the fact that funding will depend on a combination of private investment, international financial institutions, humanitarian assistance, concessional lending, and local resource mobilisation. Gulf investors have announced significant infrastructure and real estate projects, while organisations such as the World Bank, KfW, AFD,

and UN agencies have expanded their engagement. Nevertheless, financing remains far below requirements, donor fatigue is increasing, concessional lending has yet to materialise at scale, and Syria's fiscal capacity is insufficient to finance reconstruction independently.

The report argues that Syria's current governance structure represents a central obstacle to successful reconstruction. Weak institutional capacity, overlapping responsibilities, limited transparency, uncertain rule of law, and the absence of a coherent national plan will undermine investor confidence and reduce the effectiveness of public spending. Drawing on experience from post-war Europe, the Balkans, Rwanda, Iraq, Afghanistan, Lebanon, and Libya, the report concludes that reconstruction is fundamentally a political as much as an economic process. Successful recovery requires inclusive institutions, local ownership, clear strategic priorities, and balanced participation between the public and private sectors.

Methodology

This paper adopts a combination of qualitative and quantitative research methods to provide an assessment of Syria's reconstruction process.

The scope of this analysis is to provide an overview of the current state of reconstruction efforts, identify the main actors involved, assess government policies and initiatives, and examine the key constraints and opportunities facing investors and the Syrian government. The paper does not attempt to catalogue all reconstruction initiatives currently underway in Syria. The analysis draws on information available up to August 2026.

Primary research included interviews conducted during the spring and summer of 2026 with key stakeholders involved in Syria's reconstruction, including humanitarian organisations, government officials and representatives of international financial institutions. These

¹ World Bank (2025), Syria Physical Damage and Reconstruction Assessment 2011-2024.

interviews provided qualitative insights into the implementation of reconstruction policies, the challenges facing the process, and the perspectives of institutions and actors directly involved in it.

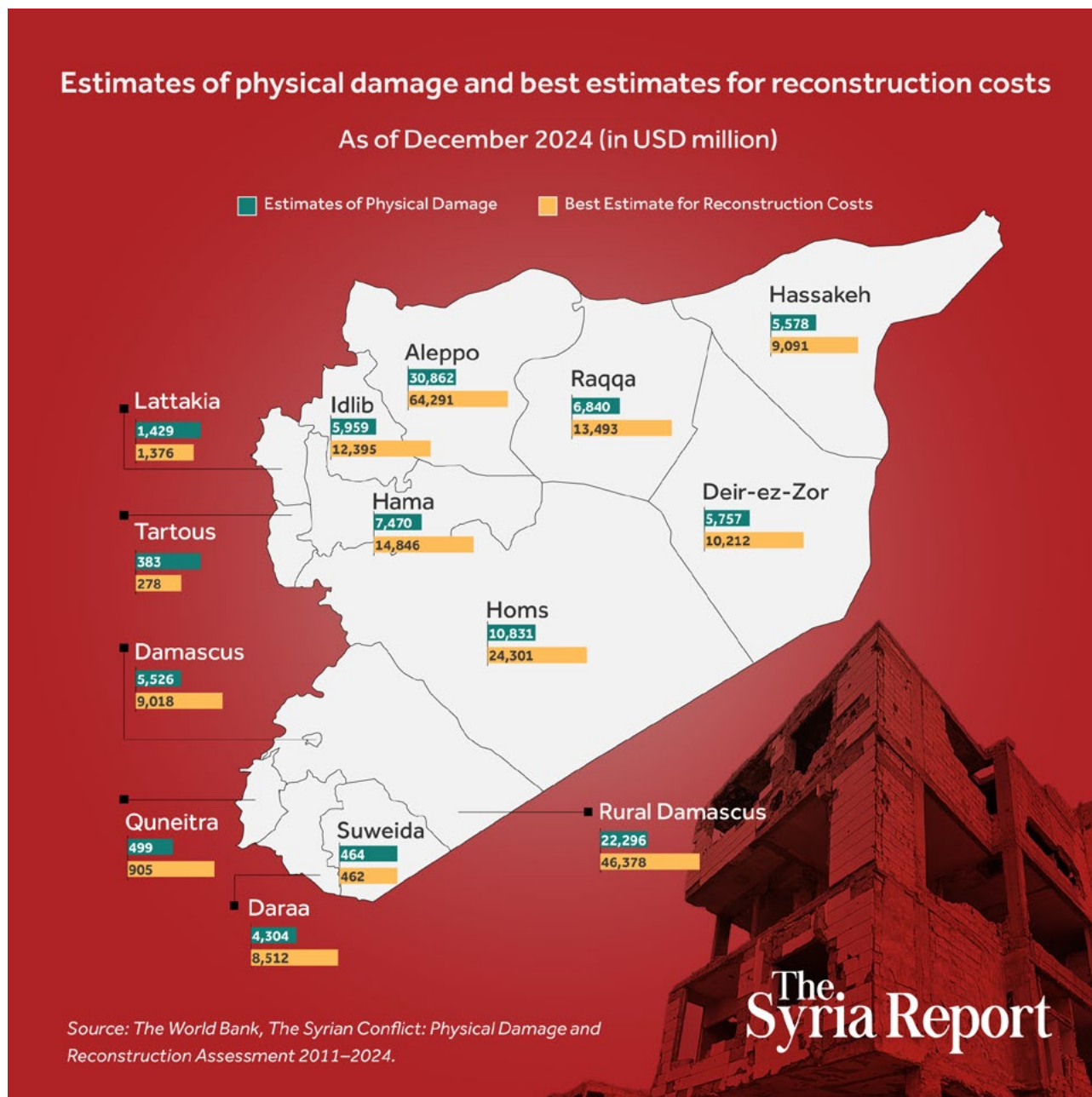
The research also draws on an extensive review of the existing literature and specialised publications.

Quantitative and qualitative data were extracted from specialised sources, including The Syria Report, as well as from official Syrian and international sources. Syrian sources include the Ministry of Local Administration and Environment, the Official Gazette, government decrees, official speeches, and information published by the Syrian Investment Authority, the Central Bank of Syria and other public bodies. International sources include data and publications from the World Bank, the International Monetary Fund, United Nations agencies, and other relevant international institutions.

Given the severe disruption of Syria's statistical system during the conflict, there remains significant limitations to the availability, consistency and reliability of quantitative data. In several areas, comprehensive or comparable statistical indicators are unavailable.

The reconstruction process is taking place in a rapidly evolving climate, with new policies, investment announcements, agreements and institutional developments emerging constantly. Thus, the findings of this paper should be understood as a snapshot of the reconstruction process at a particular point in time, rather than as a definitive assessment of its eventual trajectory.

1. Destruction levels



The Syrian conflict (2011-2024) has led to high levels of destruction, with damages to physical infrastructure estimated at over USD 100 billion, and reconstruction costs estimated at USD 216 billion.

The estimate for the reconstruction cost is larger than the value of the physical damage because it takes into account inflation, build-back-better

approaches, increased labour costs, and security costs.

The World Bank² estimates physical damage to infrastructure and buildings - excluding damage to cultural heritage sites and minor damages to homes - at USD 108 billion. The UN estimated in 2020 that destruction of physical infrastructure stood at USD 118 billion but updated this figure

² World Bank (2025), Syria Physical Damage and Reconstruction Assessment 2011-2024.

Table 1. Estimates of physical damage and best estimates for reconstruction costs, as of December 2024

Governorate	Estimates of Physical Damage (in USD millions)				Best Estimate for Reconstruction Costs (in USD millions)			
	Residential	Non-Residential	Infrastructure	Total	Residential	Non-Residential	Infrastructure	Total
Aleppo	11,317	7,121	12,423	30,862	26,281	17,964	20,046	64,291
Rural Damascus	6,785	5,983	9,529	22,296	15,897	15,364	15,117	46,378
Homs	3,028	2,403	5,400	10,831	7,714	7,088	9,499	24,301
Hama	2,086	1,175	4,208	7,470	4,893	2,991	6,962	14,846
Raqqqa	1,084	707	5,050	6,840	5,167	4,972	3,354	13,493
Idlib	1,960	1,730	2,269	5,959	3,044	2,544	6,808	12,395
Deir-ez-Zor	1,291	887	3,579	5,757	1,242	2,252	6,718	10,212
Hassakeh	714	862	4,002	5,578	1,706	1,373	6,012	9,091
Damascus	2,300	1,336	1,890	5,526	4,549	2,401	2,069	9,018
Daraa	1,480	737	2,087	4,304	3,299	1,883	3,331	8,512
Lattakia	390	330	709	1,429	371	313	692	1,376
Quneitra	84	22	393	499	171	35	698	905
Suweida	106	97	260	464	101	112	248	462
Tartous	88	53	241	383	64	38	175	278
Total	32,714	23,443	52,040	108,197	74,498	59,331	81,728	215,557

Source: *The Syrian Conflict. Physical Damage and Reconstruction Assessment (2011-2024)*. World Bank.

to include USD 5.1 billion in damages during the 2023 earthquake, and USD 0.5 billion from hostilities-related destruction in northern Syria.

In terms of residential properties, thirty-one percent of the housing stock, around 1.32 million units, has been damaged or destroyed, of which 328,000 housing units are uninhabitable, according to UN estimates³. The 2025 ‘Syria Nationwide Housing Damage Assessment’⁴, based on a survey conducted in 1,221 communities in late 2025, found that among the

damaged housing, 17 percent was fully or largely collapsed and required full reconstruction, 35 percent was partially damaged and required rehabilitation, and 48 percent of the reported damaged housing was negligible, but safe.

In terms of essential infrastructure, 30 percent of schools⁵ (around 8,000) are non-functional or partially functional, only 57 percent of hospitals and 37 percent of primary health-care centres⁶ (PHC) are fully functional; 70 percent of power plants⁷ and transmission lines are damaged; half

3 United Nations (2025), UN Country Results Report: Syrian Arab Republic.

4 UNHCR, REACH and Syria Shelter NFI Sector (2026), Syria Nationwide Housing Damage Assessment: October–November–December 2025.

5 OCHA (2026), Syrian Arab Republic: 2026 Humanitarian Needs and Response Plan.

6 United Nations (2025), UN Country Results Report: Syrian Arab Republic.

7 UNDP (2025), The Impact of the Conflict in Syria.

Table 2: Assessment of damages per governorate

	Hama	Homs	Aleppo	Daraa	Rural Damascus
Hospitals					
Little Damage	1	3	4	23	5
Medium Damage	0	8	2	12	5
High Damage	3	8	1	4	9
Destroyed	3	4	2	13	2
Dispensaries					
Little Damage	16	20	28	17	18
Medium Damage	14	21	39	14	14
High Damage	10	36	19	8	4
Destroyed	8	7	12	6	6
Bakeries					
Little Damage	10	15	26	23	-
Medium Damage	11	8	22	12	-
High Damage	18	4	22	4	-
Destroyed	18	35	21	14	-
Schools					
Little Damage	168	231	555	225	-
Medium Damage	199	150	480	177	-
High Damage	155	83	227	107	-
Destroyed	133	63	215	63	-
Mosques					
Little Damage	73	59	358	106	-
Medium Damage	108	62	273	63	-
High Damage	92	78	229	36	-
Destroyed	92	48	258	20	-
Churches					
Little Damage	0	8	-	-	-
Medium Damage	0	2	-	-	-
High Damage	0	1	-	-	-
Destroyed	1	2	-	-	-
Housing Units					
Little Damage	-	10.1 percent	105,408	34,950	-
Medium Damage	-	9 percent	42,857	27,053	-
High Damage	-	7 percent	24,606	21,925	-
Destroyed	-	5.2 percent	24,262	11,482	-

Source: Ministry of Local Administration and Environment and UN-Habitat

of water supply infrastructure⁸ and 70 percent of wastewater treatment plants⁹ are severely damaged ; and around 60 percent of irrigated land¹⁰ remains underutilised due to damages in irrigation infrastructure.

The most impacted governorates are Aleppo, Rural Damascus and Homs.

Offering more granular data, the Ministry of Local Administration and Environment and UN Habitat are in the process of conducting an assessment of the houses, schools, bakeries, hospitals, mosques, churches and dispensaries damaged in each governorate. As of August 2026, only data for five governorates had been made public, and data for some categories was not provided (see Table 2).

The World Bank estimates the cost of reconstruction between USD 140 billion and USD 345 billion with a “conservative best estimate” of USD 216 billion¹¹. These figures refer to the reconstruction of physical assets and do not include service restoration. The cost of reconstruction can be divided into USD 74.49 billion for residential buildings, USD 59.33 billion for non-residential structures, and USD 81.72 billion for infrastructure.

The conflict has damaged one third of Syria's Gross Capital Stock (GCS). GCS is the value of fixed assets in use prior to the conflict valued at the prices of new capital goods of the same type. Estimated at December 2024 values, Syria's GCS stands at USD 359 billion, of which USD 143 billion are for residential buildings and its contents, USD 87 billion for non-residential buildings and contents, and USD 130 billion in infrastructure¹².

The Syrian conflict did not only lead to the destruction of physical assets, it also led to a very sharp decline in economic activity, which economists value as a loss of economic wealth. According to UNDP, the GDP loss in 14 years of conflict, comprising the value of goods and services that were not produced due to the conflict, is estimated at USD 800 billion (at 2010 prices)¹³.

8 World Bank (2026), Syria: World Bank Approves US\$225 Million Financing to Restore Water and Health Services.

9 United Nations (2025), UN Country Results Report: Syrian Arab Republic.

10 United Nations (2024), Syria Common Country Analysis: 2024.

11 World Bank (2025), Syria Physical Damage and Reconstruction Assessment 2011-2024.

12 Ibid

13 UNDP (2025), The Impact of the Conflict in Syria.

2. Key Players

This section will outline the key actors playing a role in the reconstruction process and their contribution to the reconstruction efforts.

While many Syrians have started rebuilding their homes across the country and several large real estate projects have been announced, Syria's economic reconstruction, understood as a state-led countrywide capital-intensive programme, has yet to materialise.

Before the end of the conflict, many humanitarian organisations had already begun small-scale reconstruction or rehabilitation projects that were categorised as 'early recovery.' During the Assad era, international donors had conditioned reconstruction¹⁴ funding on political democratic overtures¹⁵ of the Assad government that never took place¹⁶.

With the ousting of the Assad regime and the broad international acceptance of Syria's transitional government, promises and commitments to contribute to reconstruction have proliferated since December 2024.

The Syrian state, with budgets of USD 3.4 billion in 2025¹⁷ and USD 10.5 billion in 2026, lacks the capacity to fund reconstruction and is set to heavily rely on external funding, be it in the form of international aid, concessional lending or foreign direct investment. With no Marshall Plan in sight and the touted wave of funding from the Gulf not arriving at the needed scale, the government's capacity to undertake reconstruction projects is limited. Direct state implementation could in theory reduce costs, but it is complicated in the current context.

The actors that are set to contribute to reconstruction can be divided in the following categories: citizens and private corporations, the pu-

blic administration, humanitarian organisations (UN agencies, local and international NGOs) and international financial institutions and development banks.

2.1 Citizens and Private Corporations

Across the country, many citizens - thanks vastly to remittances from the diaspora - are rebuilding their own homes. It is difficult to estimate the share of homes being rebuilt this way, but several indicators suggest that the construction sector is regaining momentum.

For instance, cement production is nearing pre-conflict levels, with 4.07 million tonnes produced in the first half of 2026¹⁸, while workers in the construction sector are in short supply and their wages have increased. During 2025 and the first half of 2026, 238 and 141 companies related to the construction sector were established, according to the Official Gazette. This figure is far from comprehensive as the gazette only records limited liabilities and joint stock companies, not other forms of companies such as individual enterprises, which are very common in Syria; also, many companies that register as trading houses and therefore are not considered as specifically active in the construction sector, likely trade building materials.

Collecting data on investment by private corporations in the real estate or infrastructure sectors is difficult, although some large investments involving in a way or another a partnership with state institutions have been made public. Many of these involved the Syrian diaspora or investors from Turkey or Gulf countries. Many engineering firms from the region have started exploring opportunities with some already establishing offices.

14 SWP (2020), Reconstruction in Syria: Challenges and Policy Options for the EU and its Member States.

15 Kodmani, B. (2018), Europe Is the Key Player in Syria: An Alternative Template for Transition, Arab Reform Initiative.

16 UNDP (2025), UNDP Syria Annual Report 2025.

17 The Syria Report (2026), Government Provides Data on 2025 and 2026 Budgets.

18 The Syria Report (2026), Chart: Production of Cement in Syria (2010–2026).

Table 3. Large private investments announced in 2025 and 2026 related to infrastructure and real estate projects

Parties involved	Project and budget
UCC Holding (Qatar)	- USD 7 billion deal to build eight power plants with a total production capacity of 5,000 megawatts. - USD 4 billion contract to develop the Damascus International Airport.
ACWA Power (Saudi)	- Building solar, wind and hybrid power generation plants. - And in cooperation with the Saudi state-owned Water Transmission Company, a project to develop water desalination projects.
DP World (UAE)	USD 800 million deal to manage and up-grade infrastructure in the Tartous Port.
Vertex Investment Group (Iraq)	USD 300 million MoU to rehabilitate the Hama Cement Plant.
UBAKO (Italy)	A USD 2 billion MoU signed in August 2025 to build 60 residential towers in Damascus.
Kuzey Star Shipyard (Turkey)	USD 190 million deal to build a ship-building yard at Tartous Port.
Bayt Al-Ebaa (Saudi Arabia)	Building of residential and commercial projects in Homs.
Al-Muhaidib Group (Saudi Arabia)	USD 200 million deal to invest in the cement, industrial and agricultural sectors.
Syrian-Turkish Electric Power Company	Building a 100 MW solar power plant in the Hama governorate.
Saudi Elaf Fund	USD 2 billion agreement to develop, upgrade and operate the Aleppo airport.
Saudi Telecommunications Company	USD 1 billion deal to implement the Silk Link project (deploying advanced fibre optic network).
Bomaco (Turkey)	Establishing and operating a free zone in Idlib.
CMA CGM (France)	Operating several dry ports.
Zain (Kuwait)	USD 800 million deal to operate a mobile telecommunications network.
Conoco Philips and Novaterra	Developing gas fields.
Chevron, TI, UCC (US and Qatar) and Bas-ra Oil Company (Iraq)	Rehabilitating the Kirkuk Baniyas oil pipeline
Abyat (Saudi Arabia)	Developing two large residential projects in Damascus: Abyat Hills (USD 200 million) and Modern Urban Community (USD 1 billion).

Source: *The Syria Report*

The table above provides a non-exhaustive list of the major deals announced in 2025¹⁹ and 2026²⁰. While some of these projects have advanced into their implementation phase (like the UCC deal to build power plants, or the upgrade of Tartous Port by DP World), other deals (like the UBAKO deal) remain just ink on paper. In September 2025²¹, the government tightened the regulations on the signing of MoUs.

2.2 Humanitarian Organisations

In recent years, humanitarian organisations have become key economic players in Syria. Many NGOs are implementing minor to heavy housing repairs, although major reconstruction and large-scale infrastructure recovery are outside humanitarian scope²².

The key UN organisations leading reconstruction and rehabilitation efforts are UNDP, UNICEF, UN HABITAT and UNIDO.

UNICEF's rehabilitation efforts focus on schools, water and sanitation facilities, and primary healthcare centres. In 2024-2025, UNICEF repaired 178 schools, and in 2026-2027 it is repairing 200 schools. By mid-2026, works in 65 water and sanitation facilities had been completed and 73 were ongoing; rehabilitation and solarisation work in 84 primary healthcare centres had been completed while 270 were ongoing²³. While the needs for rehabilitating water, health and education infrastructure are "in the billions of dollars," UNICEF receives around USD 100 million per year.

UNDP has a broader scope: rubble removal, rehabilitation of neighbourhood markets, restoring bakeries and productive facilities (wheat

milling, food processing, asphalt production), rehabilitating electricity, education, health and water infrastructure. UNDP's budget²⁴ increased from USD 22 million in 2024 to USD 213 million in 2025.

UNIDO has developed an Industrial Recovery Programme for Syria (2026-2030)²⁵ with a budget of USD 150 million to rebuild industrial infrastructure and modernise industrial zones. The programme is led by the Ministry of Economy and Industry with the following partners: UN agencies, regional organisations, multilateral donors, private sector and Syrian diaspora. Talks are ongoing to establish an Industrial Recovery Fund²⁶ to mobilise funding towards the industrial sector.

UN Habitat focuses on developing recovery plans and rehabilitating urban infrastructure and restoring public spaces.

2.3 International Financial Institutions

Development banks and international financial institutions are set to play a key role in boosting Syria's capacity to foot the reconstruction bill.

Since 2025, many agreements signed between the government and development banks have translated into grants and capacity-building, but as of August 2026, other financing tools like concessional lending and the provision of guarantees are yet to materialise.

As of August 2026, the World Bank Group had approved five grant-based projects and had three more in the pipeline; the combined value of all the projects stands at USD 931 million.

19 The Syria Report (2025), Transition Year: Sectoral Analysis of the Private Investment Wave in 2025.

20 The Syria Report (2026), In Focus: The Fate of the 54 Economic MoUs and Agreements Signed in 2026

21 The Syria Report (2025), Syria Tightens MoU Rules as Investors Fail to Show Up.

22 OCHA (2026), Syrian Arab Republic: 2026 Humanitarian Needs and Response Plan.

23 Interview with a UNICEF representative.

24 UNDP (2026), UNDP Syria Annual Report 2025.

25 UNIDO (2026), Industrial Recovery Programme for the Syrian Arab Republic (20

26 UNIDO (2026), UNIDO Advances New Partnership Architecture for Industrial Recovery in the Syrian Arab Republic, the State of Palestine and Sudan.

Table 4. World Bank portfolio in Syria

Active projects	Projects in the pipeline
Syria Health System Recovery and Strengthening Project (USD 75 million budget)	Syria Smallholder Transformation for Agriculture Revitalization Project (USD 175 million)
Syria Emergency Water Security and Re-silient Services Project (USD 150 million budget)	Syria Railway Rehabilitation and Modernization Project (USD 200 million budget)
Syria Public Financial Management Capacity Strengthening Project (USD 20 million budget)	Syria Integrated Education Recovery Project (USD 65 million)
Syria Electricity Emergency Project (USD 146 million budget)	
Syria Financial Sector Modernization Project (USD 100 million)	

Source: *The Syria Report*²⁷.

The WB and the government are defining priority²⁸ areas for financial and technical assistance and are in talks to establish a Multi-Donor Trust Fund to pool international contributions for reconstruction initiatives.

The Multilateral Investment Guarantee Agency (MIGA), part of the World Bank Group, is in talks²⁹ with the government for the provision of political risk insurance, supported by the IDA Private Sector Window. The International Finance Corporation (IFC), the private-sector arm of the World Bank Group, has engaged in talks to establish a knowledge centre for Public-Private Partnerships (PPPs) in Damascus and to support reforms in the state-owned enterprises sector.

Another active development bank is Germany's Kreditanstalt für Wiederaufbau (KfW), with a total ongoing portfolio of EUR 674 million.

France's Agence Française de Développement currently has four active projects with a combined budget of EUR 9 million and Proparco, its affiliate, is exploring inroads into the microlending scene.

The European Bank for Reconstruction and Development and the Central Bank of Syria are in talks to support recovery projects. To date, Syria is not a country of operations for the EBRD. The European Investment Bank³⁰ "maintains contacts with relevant stakeholders as appropriate," but the bank, which was very active before 2011, has not reengaged with Syria.

The International Monetary Fund has focused its engagement on offering technical assistance for economic and institutional reforms.

The OPEC Fund for International Development, the Arab Gulf Program for Development and the Islamic Development Bank Group have pledged support, but concrete projects have not yet materialised.

2.4 Government

The government has not formulated a comprehensive nationwide reconstruction plan or established a specific body tasked with centralising reconstruction efforts; instead, the reconstruction file is still being managed in an unstructured manner, with projects implemented individually and without a central reference framework, despite the scale of destruction requiring the existence of a specialised sovereign body composed of planners and economic experts³¹.

27 The Syria Report, (2026), World Bank, Germany and France Lead Development Banks Reengagement in Syria.

28 Interview with a World Bank representative.

29 Interview with a World Bank representative.

30 Interview with an EIB representative.

31 Melhem, N. (2025), New Syria: Broken Economic Promises and Unimplemented Plans, The New Arab.

2.4.1 Reconstruction-related Plans and Initiatives

Statement of Recovery Priorities

In March 2026, the Ministry of Foreign Affairs published the Statement of Recovery Priorities for International Cooperation, which sets out the guiding framework for the strategies and plans of international partners, including donors, development agencies and international humanitarian and development organisations. The statement identifies the priority areas towards which international assistance should be directed from the government's perspective³².

The statement identifies the restoration of critical infrastructure as the government's first priority, including rehabilitating and modernising the energy and electricity sector, repairing water and sanitation networks, strengthening water security, and restoring transport connectivity, including roads, bridges, railways, airports and ports.

The second priority is the restoration of basic services aimed at rebuilding the state's capacity to deliver healthcare, education, social protection, justice and judicial services on a sustainable basis.

The third priority focuses on strengthening economic and social resilience by enabling households to secure income, housing, food and employment opportunities.

The fourth priority is the development of state institutions and core systems, including public finance and public investment management, financial and banking sector reform, monetary stability, digital transformation, national databases and registries, and improving the capacity of public institutions and civil servants.

Syria Without Camps

One of the most ambitious state-led efforts is the 'Syria Without Camps' initiative, launched in March 2026 with the goal of rehabilitating civil infrastructure, remove rubble, carry out demining, and rebuild homes to ensure the voluntary return of the 851,887 internally displaced people that live in 1,247 camps.

This initiative focuses on Idlib, Hama and Aleppo, since 87 percent of internally displaced people live in those governorates. The government is seeking to unlock a USD 1.5 billion grant from the Saudi Fund for Development to operationalise this initiative³³.

Decree No. 59 of 2026 established the *Committee for the Preparation of Infrastructure in Destroyed Areas*, tasked with rehabilitating infrastructure and implementing the 'Syria Without Camps' initiative.

The committee includes representatives from several ministries, as well as the governors of Aleppo, Homs and Idlib, which are the three governorates where most IDPs originate from.

Undisclosed plans

Neither the 'Statement of Recovery Priorities' nor the 'Syria Without Camps' initiative can be considered comprehensive national reconstruction plans that translate priorities into specific projects, implementation timelines, or financing sources.

Despite the Syrian authorities not announcing any reconstruction plan, there are some indications of undisclosed plans. In March 2025, President Ahmad Al-Sharaa said the government was working on two parallel reconstruction plans.

32 The Syria Report (2026), Statement of Recovery Priorities for International Cooperation by the Ministry of Foreign Affairs and Expatriates.

33 The Syria Report (2026), Government Finalising Details for Disbursement of USD 1.5 billion Saudi Grant for the 'Syria Without Camps' Initiative

However, he said that they would postpone making them public “in order to avoid any misunderstanding with the population³⁴”.

President Sharaa said their first plan focuses on rebuilding infrastructure in devastated areas such as Deir-ez-Zor, Daraa, Homs, Rural Aleppo and East Ghouta. The works include road construction, debris and rubble removal, the construction of hospitals, clinics, and schools, in addition to securing basic services for residents in camps to enable their temporary return by establishing tents on their land as an initial phase until their homes are rebuilt.

The second plan concerns areas where destruction levels reached between 90 percent and 100 percent. President Sharaa stated that the state alone is incapable of rebuilding these areas due to the enormous costs involved, and that the solution lies in relying on private investment. The plan is based on capitalising on the “surplus land” available. Investors would invest in infrastructure works (roads, sewage, etc) and in exchange they will receive part of the land they are investing in³⁵.

2.4.2 Multiplicity of Bodies Related to Reconstruction Efforts

Some governorates and ministries have launched, at a small scale, some real estate projects and rehabilitated civilian infrastructure, but there is not a single central authority dedicated to reconstruction.

The absence of a body that would be responsible for attracting investment, unifying legal procedures, and providing an institutional reference point for donors and investors, is a key obstacle affecting international confidence and capital flows, according to academic literature³⁶.

International investors and donor entities in such cases face a structural dilemma: who represents the trusted sovereign counterpart in contractual agreements? And what legal framework governs concessions and reconstruction contracts?

Since taking power in late 2024, the new authorities have created numerous economic institutions.

Higher Council for Economic Development

On June 24, 2025, Decree No. 115 of 2025 established the Higher Council for Economic Development (HCED)³⁷. President Sharaa chairs the HCED. The council includes the ministers of economy, energy, finance, tourism, communications, local administration and environment, public works and housing, and agriculture. The General Authority for Borders and Customs, the Syrian Investment Authority (SIA), the Syrian Sovereign Fund, and the Syrian Development Fund, one legal expert and two economic experts are also on the board of the HCED.

The HCED is tasked with revitalising and developing the Syrian economy and directly oversees three new institutions, the Syrian Sovereign Fund, the Syrian Development Fund, and the Syrian Investment Authority (SIA).

The public activity of the HCED has been limited to a single meeting held on October 8, 2025³⁸, indicating that the council currently operates on an irregular basis.

Syrian Investment Authority

The Syrian Investment Authority, also called the Syrian Investment Agency, was actually established in 2007³⁹, so it is not a new institu-

34 Syria TV (2026), President Sharaa Reveals Reconstruction Plans

35 Syria TV (2026), President Al-Sharaa unveils reconstruction plans.

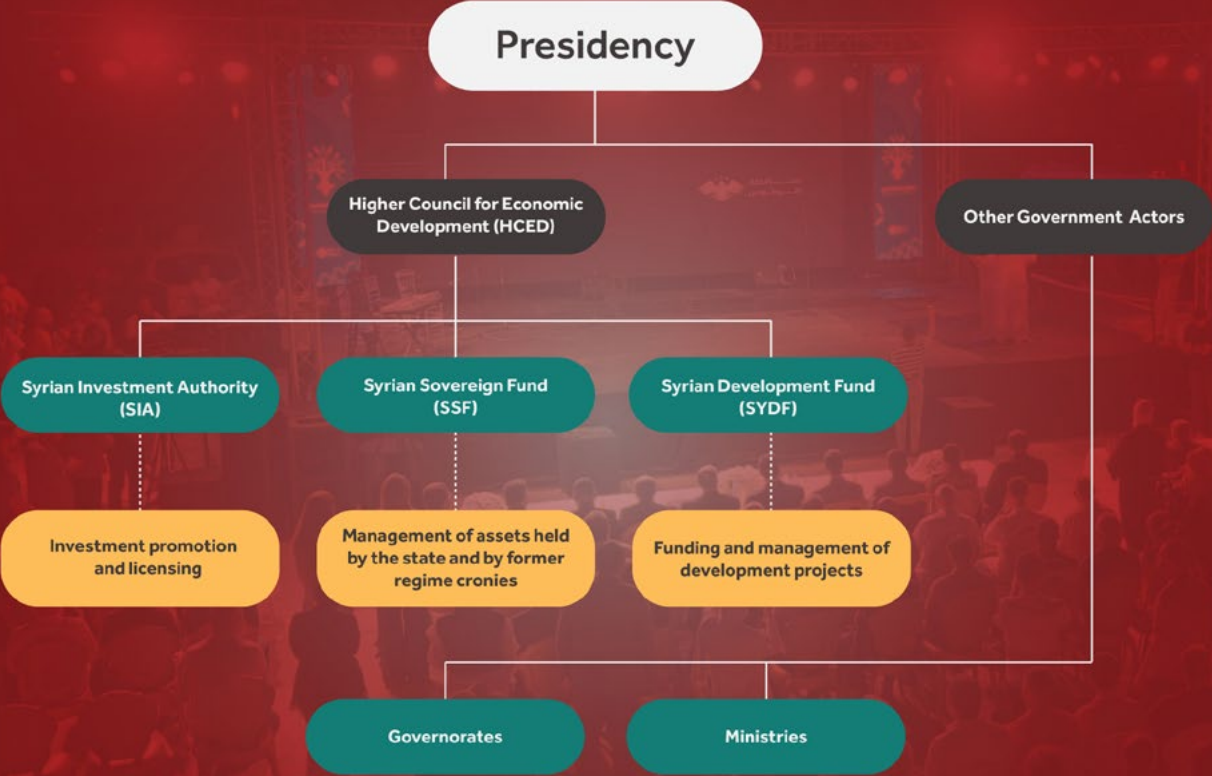
36 Barakat, S., & Zyck, S. A. (2009), The Evolution of Post-Conflict Recovery. Third World Quarterly.

37 The Syria Report (2025), Presidential Decree Number 115 for the Formation of the Higher Council for Economic Development.

38 Al-Ikhbariah (2025), President Al-Sharaa discusses economic and service policies with the HCED.

39 Syrian Parliament (2007,) Legislative Decree 9 of 2007.

Key Government Players in Syria’s Reconstruction



The Syria Report

tion per se. However, it was restructured in July 2025 and now reports directly to the Presidency rather than the Ministry of Economy as it used to. The decree establishing the SIA, but also the Syrian Sovereign Fund and the Syrian Development Fund, stipulates that they report to the Presidency, while the decree establishing the HCED says that they are affiliated institutions, highlighting the confusion of many texts issued during the first few months of Syria’s new rule. In any case, there is little doubt that final deci-

sions pertaining to any of these institutions are practically in the hands of the presidency. Since August 2026, the SIA is headed by Rawad Ramadan, who succeeded Talal Al-Hilali. The mission of the SIA is to attract domestic and foreign investments and direct them toward priority sectors, while enhancing investor and business confidence in the Syrian business environment.

The SIA issues licences to investors allowing them to benefit from the incentives granted by

the amended investment law (see below section on regulations). The SIA website contains hundreds of investment opportunities presented to investors⁴⁰, although it is unclear which opportunities have actually been seized by investors.

Syrian Sovereign Fund

The Syrian Sovereign Fund was established under Presidential Decree No. 113 of 2025⁴¹, which affiliates it with the Presidency.

Key executives at the SSF include its head, Ibrahim Sukkariéh (Director General), and Mohammad Abdallah Al-Far, his deputy. Mohammad Al-Khayyat, from the Khayyat family - a key economic player in post-Assad Syria -, is the head of the Real Estate Development Sector within the SSF.

Formally, the revenues of the SSF consist of appropriations and funds allocated by the state, resources generated from its activities, and grants, aid, and donations accepted by the fund. In practice, its portfolio includes a large number of state-owned companies, land and assets as well as companies seized from former Assad regime cronies that are being offered for investment. In November 2025, Finance Minister Yusr Barniya estimated the assets of the SSF at approximately USD 50 billion, consisting primarily of state-owned companies offered for investment and real estate assets. Here are some of the key investment deals announced by the SSF:

- November 2025: Saudi Arabia's Riyadh Cables Group (RCG) signed a non-binding memorandum of understanding with the SSF to manage and develop the Syrian Modern Cables (SMC) factory⁴².

- February 2026: Saudi Telecom Company (STC) announced it will implement the Silk-link project, which involves the construction of a fibre-optic network, establishing data centres and international submarine cable stations. The project is implemented in partnership with the SSF, with STC holding a 75 percent stake and the SSF holding 25 percent.

- April 2026: Tourism Minister Mazen Salhani stated that the SSF had acquired half of the stake previously owned by businessman Samer Foz, who was close to the former regime, in the Four Seasons Hotel⁴³.

- June 2026: the Ministry of Communications announced that Kuwait's Zain Group was selected as Syria's second mobile telecommunications operator to replace MTN Syria, in line with the ownership structure specified in the Request for Applications (RFA). According to the licence, the SSF holds a 25 percent stake in the company, while 75 percent goes to Zain Group⁴⁴.

The SSF has become a major economic player, but it remains a very opaque body, with little public information available regarding its operational structure or spending allocation mechanisms. The SSF's relationship with ministries and the state's general budget are also unclear⁴⁵. More worryingly the decree establishing it does not specify where the profits it generates go to.

Syrian Development Fund

The SYDF was established under Presidential Decree No. 112 of 2025 and aims to contribute to reconstruction, the rehabilitation and development of infrastructure, and the financing of various projects through interest-free loans.

40 Syrian Investment Authority (2026), Investment Map in Syria.

41 The Syria Report (2025), Presidential Decree Number 113 of 2025: Establishing Syria's Sovereign Fund.

42 The Syria Report (2025), Riyadh Cables Group Company announces the signing of a memorandum of understanding with the Syrian Sovereign Fund. Eurolandir.,

43 The Syria Report (2026) Hyatt Hotels to Open First Property in Damascus as Sovereign Fund Launches Huge Real Estate Project.

44 The Syria Report (2026), Kuwait's Zain Awarded MTN Syria Licence After Outbidding Ooredoo and Vodafone..

45 Jabr, G. (2026), Enab Baladi The lack of transparency weakens confidence in the Syrian sovereign fund. Enab Baladi.

The SYDF's resources consist of individual donations from Syrians inside and outside the country, recurring donations through a dedicated programme, and grants⁴⁶.

The board members are not known but its general manager is Mohammad Safwat Raslan, who does not seem to have been replaced after he was appointed Governor of the Central Bank of Syria (CBS) on May 15, 2026. Mr Raslan held several positions while in exile in Germany between 2014 and 2025, including Business Manager Credit at apoBank and Senior Credit Management Consultant at Ernst & Young, in addition to advisory and managerial positions at institutions such as Deutsche Bank, Capco, and Targobank⁴⁷.

Since its establishment, the SYDF has organised reconstruction fundraisers across various governorates, and as of June 2026, the fund had gathered around USD 83 million in donations and pledges, but had only collected USD 45.48 million with around USD 37.75 million not having been paid yet. The SYDF lists on its website the pledges that have not yet been fulfilled. The largest is a USD 20 million pledge made on the basis of an auction to be held for the luxury vehicles seized from the Presidential Palace during Bashar Al-Assad's time, but the cars have not yet been sold.

One of the largest donors to the SYDF fundraisers is the Khayyat family, the Syrian-Qatari powerhouse that has landed major investment deals. As of March 2026, they had paid USD 21 million from their USD 25 million pledge.

The fund has announced the beginning of the implementation of 45 projects worth USD 15 million, with projects within the microfinance sector valued at USD 6 million, health sector valued at USD 5 million, education at USD 3 million, and debris removal and early warning systems at USD 1 million.

Unclear parliamentary role

Parallel to this expansion in creating economic executive structures and concentrating powers in the hands of the Presidency and entities affiliated with it, the role of the Syrian People's Assembly (Parliament) in the reconstruction process is unclear. Whether the legislative authority will be involved in shaping future economic policies or overseeing the work of newly established institutions such as the HCED, SSF, and SYDF, through approving legislation regulating their work or holding them accountable, is unclear. It is also not clear if the Parliament will play an effective role in approving reconstruction plans, endorsing major investment agreements, and monitoring the allocation of public resources, or whether it will occupy a secondary role limited to legitimising decisions taken outside its framework.

This ambiguity raises fundamental questions concerning the balance of powers in the coming phase and the extent to which it will be possible to run a reconstruction process subject to institutional accountability and democratic oversight.

"Security Sheikhs"

In the post-Assad period, the governance model has veered towards greater centralisation of authority in the hands of the Presidency. This shift included the abolition of the position of prime minister and a significant reduction in the powers and role of ministers.

At the centre of this shift emerged the role of the so-called "security sheikhs" as a key instrument of centralised control over the institutions of the state. These sheikhs are not necessarily religious figures, but rather individuals directly linked to the central authorities who are appointed by the Minister of Interior in coordination with the General Secretariat of the Presidency.

⁴⁶ The Syria Report (2025), Presidential Decree Establishes Development Fund to Support Reconstruction Efforts.

⁴⁷ LinkedIn (2026), Safwat Raslan.

These figures operate as a parallel management and oversight network within ministries, with one or two “security sheikhs” appointed in each ministry to manage and monitor the workflow. The powers of these sheikhs extend beyond the traditional supervisory role to the point of intervening in actual decision-making. Their authority at times overlaps with that of ministers themselves, granting them a potential role even in investment decisions and relations with investors⁴⁸.

These parallel power structures contradict the orientation of the Syrian constitutional declaration toward adopting an economy based on the principle of free competition, encouraging investment, and protecting investors⁴⁹. While open markets require full transparency and equal opportunities, the networks of sheikhs function as bureaucratic and security barriers that work under the logic of loyalty at the expense of efficiency.

This environment of institutional shadow economy might deter the flow of capital seeking a stable legal and institutional environment.

48 The Syria Report (2026), Syria’s Governance Structure: Executive Power Centralised in the Presidency.

49 SANA (2025), Constitutional Declaration of the Syrian Arab Republic.

3. Legislation and Regulations Related to Reconstruction and Investment

For investors, Syria's legal landscape is a key factor in assessing their possible engagement in reconstruction efforts. This section offers an overview of the amendments introduced to the investment law, the new draft tax law under discussion, and other legislation relevant to understanding the regulatory framework applicable to companies more broadly.

Except for the amendment of the country's Investment Law, few texts have been introduced by the transitional government, reflecting the fact that the formal legal environment for businesses was already relatively attractive even before the regime's fall. The Syrian authorities have been under criticism for passing laws without the seal of Parliament, which held its first session in July 2026. The next months and years should see, however, more laws being amended or passed.

3.1 The New Syrian Investment Law of 2025

In July 2025, Presidential Decree No. 114 of 2025⁵⁰ amended Law No. 18 of 2021, which is known as Syria's Investment Law. The law provides specific incentives to investors, particularly for large scale ones, provided they meet certain requirements.

To benefit from the incentives provided by this law, investors must apply and receive a licence from the Syrian Investment Authority. The law stipulates that investment projects may not be subjected to precautionary seizure, placed under guardianship or expropriated, except by judicial decision. The older version of the law permitted expropriation for "public benefit" in exchange for "fair compensation."

The new text grants foreign investors a renewable temporary residence permit valid for one year even before the issuance of their investment licence. The law also permits foreign workers, experts, and technicians to transfer the full amount of their wages and compensation abroad. It also allows foreign investors to own 100 percent of the investment project without the need for a Syrian partner⁵¹, and allows foreign investors to recruit approximately 40 percent non-Syrian labour.

The new law grants a new status to the Syrian Investment Authority (SIA), which becomes affiliated with the Presidency rather than the Ministry of Economy, thereby giving the President greater influence over investment and economic policy. The SIA is tasked with implementing investment plans approved by the Higher Council for Economic Development (HCED), reviewing investment proposals submitted by other entities, recommending legal reforms to improve the investment climate, and issuing investment licences.

The law also grants automatic exemptions from customs duties and financial fees on industrial machinery, real estate development equipment, and new medical devices to be used in hospitals and healthcare centres. Unlike the previous version of the law, which provided discretionary sector-based incentives subject to council approval, the updated provisions offer direct, project-based benefits tied to the investment licence.

The amendments also streamline tax incentives. The law now establishes a 100 percent permanent income tax exemption for agricultural and animal production projects (in the older version this exemption was granted for 10 years) and introduces an 80 percent permanent reduction for projects located in designated development zones. Development zones are administrative areas established by the 2021 Investment Law

50 The Syria Report (2025), Presidential Decree Number 114 of 2025: Amendments and Provisions to Law No. 18 of 2021.

51 Al-Arabia (2025), Syria opens the door to foreign investment.

that host investments for development purposes, real estate development, or reconstruction in areas damaged during the conflict. Projects established outside development areas may also benefit from an 80 percent tax reduction if they meet specific criteria, such as exporting more than 50 percent of their output or operating in sectors such as medical industry, agro-industry, recycling, or handicrafts. In addition, the previous law linked tax exemptions to the recruitment of Syrian citizens in the projects, which is no longer the case under the new amendments.

3.2 Draft New Income Tax Law

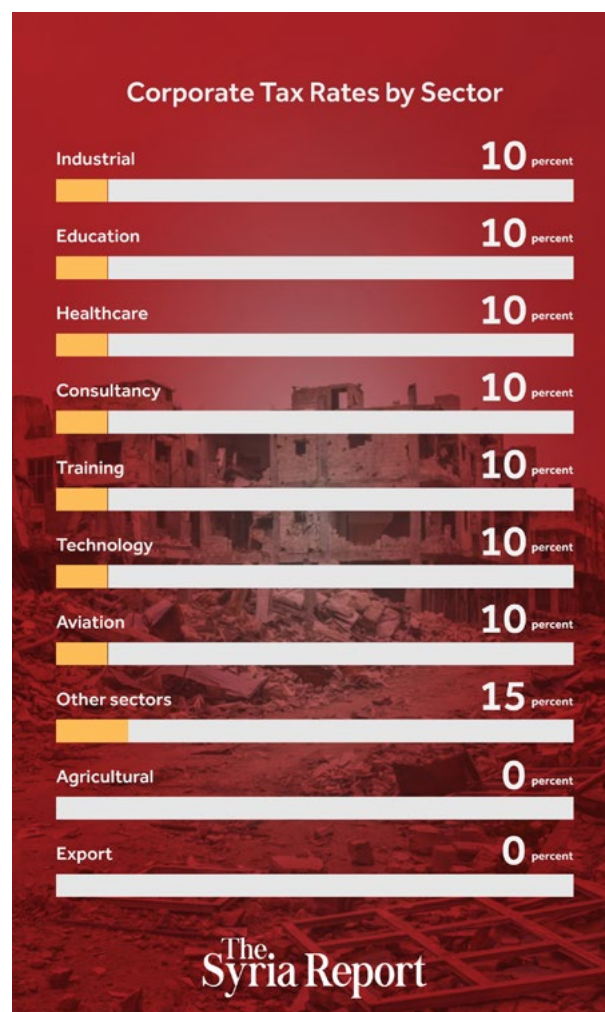
In September 2025, the Ministry of Finance published a draft new income tax law. Under the new draft, the annual tax-exempt income threshold for individuals and companies is set at SYP 60 million, equivalent to approximately USD 4,918 according to the official exchange rate of Old SYP 12,200 per dollar as of the end of August 2026.

For individuals whose income exceeds this threshold, a 6 percent tax would apply to the first SYP 5 million (equivalent to approximately USD 384), while income exceeding this amount would be subject to an 8 percent tax.

Companies may also exclude up to 25 percent of their income from taxation if the amount is donated for religious, charitable, humanitarian, scientific, environmental, cultural, sports, or professional purposes.

For companies whose annual income exceeds the exemption threshold, the draft law imposes a 10 percent income tax on the sectors of industry, education, healthcare, consulting, training, technology, and aviation. Other sectors would be subject to a 15 percent tax rate.

Article 9 of the draft law stipulates exemptions from income tax for exports of locally produced goods and services, as well as for profits generated from bank deposits and stock trading. The new text also preserves previous exemptions,



such as the full exemption granted to agricultural income and dividends distributed by companies operating inside Syria.

The new draft law represents a major departure from the previous legislation, under which the minimum tax-exempt income threshold was linked to the minimum wage, while a progressive tax system ranging from 5 percent to 15 percent applied to high incomes.

As for companies, tax rates previously ranged between 15 percent and 20 percent, rising to 25 percent for banks and 35 percent for oil and gas companies.

Key Numerical Incentives of the 2025 Investment Law



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3.3 Syria Companies Law

The Syrian Companies Law, issued by Legislative Decree No. 29 of 2011 and its amendments⁵², establishes the legal framework governing the incorporation, operation, management and dissolution of companies. It defines the five legal forms that companies may take in Syria: general partnership companies, limited partnerships,

dormant partnerships, limited liability companies and joint-stock companies.

The law primarily regulates the relationship between the company and its partners or shareholders, and between the company and third parties through provisions governing incorporation procedures, publication, registration and the acquisition of legal personality. It

⁵² The Syria Report (2011), New Company Law Brings Improvements to Business Sector and Opens Door for Privatisation.

also defines rules related to capital, ownership shares, stocks, partners' liability, management structures, decision-making mechanisms, oversight and auditing of accounts. The law is the main legal basis for regulating companies in Syria and has served as a reference for recent legislation and official decisions issued in 2025 and 2026.

3.4 Syrian Commercial Law

The Syrian Commercial Law, Law No. 33 of 2007⁵³, regulates the nature of activities considered commercial, the status of merchants, obligations arising from conducting trade, and the legal elements associated with commercial establishments and transactions. The law determines when an individual acquires merchant status and the obligations arising from this status, most notably registration in the Commercial Register and the maintenance of commercial books in accordance with legal requirements.

It also regulates commercial establishments and transactions, and covers commercial instruments such as cheques, promissory notes and bills of exchange, as well as a wide range of commercial transactions and activities, including supply, manufacturing, transport, insurance, brokerage and banking. The law also includes provisions addressing cases of merchant insolvency.

3.5 Industrial Organisation and Promotion Law

The legal framework governing industry in Syria has historically been based on the Industrial Organisation and Promotion Law No. 21 of 1958⁵⁴, alongside subsequent investment and regulatory legislation and decisions.

The law regulates the relationship between the state and industrial actors, regulates the issuance

of industrial licences, obliges owners of industrial establishments to provide information related to their activities and comply with the conditions upon which licences were granted.

The law allows licences to be revoked in cases where projects are not implemented or where legal requirements are violated. In recent years, additional investment and regulatory provisions have been introduced within this framework, including the investment system for industrial cities approved in 2025⁵⁵.

3.6 Competition and Anti-Trust Law

The Syrian Competition and Anti-Trust Law No. 7 of 2008⁵⁶ aims to protect free competition in the market and prevent monopolistic behaviours that exclude competitors or unlawfully control prices, production or distribution.

The law subjects activities related to production, trade, services and other economic activities to rules preventing agreements and practices that restrict competition, such as collusion to set prices, divide markets or customers, or control supply sources.

It also prohibits dominant enterprises from abusing their position to prevent others from entering or competing in the market and addresses certain commercial practices that exploit imbalances in economic power between parties. The law also regulates economic concentration operations, including mergers and acquisitions that may lead to significant market dominance, and subjects transactions affecting competition to oversight and approval in accordance with legal requirements.

Taken together, these legislative provisions provide investors with a relatively favourable formal framework, particularly following the 2025 amendments to the Investment Law, which

53 The Syria Report (2007), Syria Has a New Commercial Law.

54 The Syria Report (1958), Industrial Investment Promotion Law.

55 The Syria Report (2025), Investment system (for investors) in the industrial cities.

56 The Syria Report (2008), Syria Approves Competition and Anti-Trust Law.

strengthened investor protections and expanded tax and customs incentives.

The principal challenge, however, lies less in the absence of legal rules than in their consistent and predictable implementation.

For investors, the effectiveness of competition rules, investment guarantees and other statutory protections will ultimately depend on the capacity and independence of the institutions responsible for enforcing them, the transparency of administrative procedures, and the availability of credible mechanisms for resolving disputes. Strengthening implementation and institutional reliability is therefore likely to be more important for improving investor confidence than the adoption of additional incentives or legislation.

4. Business model

A major challenge of Syria's reconstruction will be identifying a clear business model. Where will the money come from? Under which financial, legal, economic and political terms will it be available? Who will eventually pay back the bill, taxpayers or future generations?

At the 2025 IMF-WB Annual Meeting, Economy Minister Nidaal Al-Shaar told investors that destruction could be turned into an investment opportunity. He said that subsidised housing projects, which by nature were not very profitable, were offered to investors in exchange for which they could use extra land to build commercially more attractive projects, such as malls, or tourist establishments. This approach has materialised through the 'investment programme' proposed by the General Housing Establishment, whereby foreign construction companies are allowed to develop land owned by GHE, which will use part of the money to fund their social housing programmes.

Syrian officials initially claimed that they would take no loans and only rely on grants and foreign direct investment to fund the country's reconstruction.

However, a year and a half after the fall of the regime, and with the exception of a USD 1 billion commitment from IDA, a World Bank affiliate that supports low-income countries by providing grants and concessional loans, and some support from Gulf countries, mainly Qatar and Saudi Arabia, to pay for civil servants and import gas from Azerbaijan, very little grants seem forthcoming.

Some European development banks and other government agencies, mostly from Western countries, are continuing to fund efforts by UN agencies.

Getting access to funding on concessional terms will also not be easy for the Syrian government because of a change of priorities in most Wes-

tern countries (Ukraine war, defence spending, etc.) but also in the Gulf, where funding is now provided on much more restrictive terms than it was the case in previous years and decades. The latest regional war also increases economic challenges for Gulf economies and reduces further their capacity to fund and invest in Syria.

As such, Syrian government officials are increasingly suggesting they would accept other forms of funding and are discussing the issuance of sukuks, i.e., Islamic bonds.

While borrowing, from local and foreign sources, may be easier to access, the poor legal and regulatory environment for lenders will also make this challenging.

5. Reconstruction Models in Other Post-Conflict Contexts

Around the world, countries that have gone through a conflict have adopted a variety of reconstruction models from which lessons can be drawn: from the Marshall Plan in post-WWII Europe, the international-led, market-driven reconstruction approach in the 90s, the demise of the concept that recovery can be engineered from the outside in the 2010s, to the current debate about the need to localise reconstruction efforts.

5.1 Post-WWII

The Marshall Plan⁵⁷, launched in 1948 by the United States, injected USD 13.3 billion (mostly in grants but also loans) to rebuild Europe from the ashes of World War II.

The plan boosted industrial and agricultural production. While key aspects of the plan included the political motivation of the US to counter the expansion of communism in Europe and the need to find new markets for American goods, it is also largely credited for helping kickstart European economies after the war, ensuring the supply of foreign currencies, which stabilised currencies, and help boost investment, not only consumption. While these economies were largely destroyed during the war, they had a history of strong institutional capacity, skilled workers and engineers, and a network of existing businesses to capitalise on.

The Plan also required European countries to coordinate their reconstruction efforts, helping establish the Organisation for European Economic Co-operation, which was eventually suc-

ceeded in 1961 by the Organisation for Economic Co-operation and Development (OECD).

Meanwhile, the economic recovery of the Soviet Union post-WWII was not based on external funding, but on central planning and the mobilisation of local resources, and a large backlog of unexploited economic potential⁵⁸.

5.2 Post-Cold War (90s- early 2000s)

In the post-Cold War world, the peace and reconstruction processes in several countries that went through long wars - Namibia (1960s-1988), Mozambique (1977-1992), and Cambodia (1965-1991) - were characterised by “externally-mediated peace agreements followed by supervised elections, market reforms, and institution building producing stable democratic governance” where international interventions were “substantial but time-limited, with clear exit strategies and relatively cooperative local partners,” according to a study comparing post-conflict reconstruction⁵⁹ in 17 countries between 1990 and 2020.

During the late 1990s and early 2000s, the UN “assumed direct governance authority,” establishing transitional administrations in Bosnia-Herzegovina (1995), Kosovo (1999), and East Timor (1999). The task was to build a state from the ground up and then transfer power to national authorities. The United Nations Transitional Administration in East Timor is generally considered the most successful⁶⁰.

These mainstream post-war reconstruction models followed a “top-down approach⁶¹” based on security, state-building, and good governance, usually supervised by international organisa-

57 Office of the Historian, U.S. Department of State (1948), Marshall Plan.

58 Harrison, M. (2010), *The Soviet Union after 1945: Economic Recovery and Political Repression*, Department of Economics, University of Warwick.

59 Pokorni, L. (2026), *Governance Models and Post-Conflict Reconstruction Outcomes: A Comparative Analysis with Implications for Gaza*, HAL Open Science.

60 Criswell, D. M. (2002), *Durable Consent and a Strong Transitional Peacekeeping Plan: The Successes of UNTAET in Light of the Lessons Learned in Cambodia*, Washington International Law Journal.

61 Goenaga, A. (2017), *Post-Conflict Re-Construction in MENA: Previous Experiences and Stakeholders' Inclusive Involvement in the Future Reconstruction of Libya, Syria and Iraq*, European Institute of the Mediterranean.

tions, aiming to achieve a liberal democracy and a market economy.”

In the 1990s, a key outlier to this mainstream internationally led market-driven approach was Rwanda.

After the Rwandan genocide (1994), a highly centralised and authoritarian state that rejected the liberal peace model managed to achieve economic stability⁶². The Rwandan case poses a “fundamental challenge to Western state-building theories, demonstrating that an endogenous, disciplined, and authoritarian government can be far more effective at state-building than many externally supported liberal democratic projects”.

In the case of Lebanon, following the country’s civil war (1975-1990), the reconstruction model relied on concessional lending, public debt, and private investment (mostly from the Gulf). However, it was not engineered from the outside and was largely led by Lebanese millionaire Rafik Hariri and, in the case of Beirut, by his company Solidere.

The reconstruction focused on Beirut to the detriment of the rest of the country, was framed as an investment opportunity for Arab capital and the Lebanese diaspora, and destroyed the socio-economic fabric, urban identity and heritage of downtown Beirut by demolishing most damaged buildings that were replaced by luxurious skyscrapers. This approach emptied the centre of its dwellers⁶³. The reconstruction efforts were also marred by lack of transparency, state capture and corruption scandals.

Although they did not go through a conflict, the post-Soviet economies radically changed their

economic model following the fall of the Iron Curtain. There, liberal economic reforms and integration into supranational structures (i.e. the E.U.) were key to the success of those states, particularly the Baltic states, but also other central European states such as Poland or the Czech Republic.

5.3 From the Mid-2000s

The failures in the reconstruction processes in post-2003 Iraq and Afghanistan - where the Taliban took over in 2021 after two decades of US intervention - spelled the end of the ‘liberal peace paradigm.’

Iraq’s case highlights the fact that “post-conflict reconstruction must prioritise the preservation and reform of state capacity wherever possible, and that imposing a formal democratic structure without addressing the underlying security vacuum is a recipe for state failure⁶⁴”.

Afghanistan’s reconstruction was challenged by the “lack of inclusive governance structures, endemic corruption, and weak rule of law;” and it underscored that the effectiveness of external assistance “hinges on alignment with local priorities, capacities, and ownership⁶⁵”.

The “international state-building” approach can lead to “governance without government” and create “hollow state structures that are entirely dependent on external actors for their functioning and legitimacy⁶⁶.” This type of approach can also lead to the reinforcement of rentier dynamics, as in the case of Iraq.

This “exposed the limitations of assuming that governance templates successful in post-World War II Europe or post-Cold War Latin America

62 Shahabudin, O. (2022), *Securocratic State-Building: The Rationales, Rebuttals, and Risks Behind the Extraordinary Rise of Rwanda After the Genocide*, African Affairs.

63 Balanche, F. (2024), *The Reconstruction of Lebanon or the Racketeering Rule*.

64 Pokorni, L. (2026), *Governance Models and Post-Conflict Reconstruction Outcomes: A Comparative Analysis with Implications for Gaza*, HAL Open Science.

65 Ename Minko, A. (2025), *Post-War Reconstruction After State-Building Failure in Afghanistan*, Istanbul University, Security Science Journal.

66 Chandler, D. (2006), *Empire in Denial: The Politics of State-Building*, Pluto Press.

could be transplanted to fundamentally different contexts,” and a debate emerged over the need to adopt a “more nuanced appreciation of local dynamics”⁶⁷.

In the last decade, in parallel with increasing donor fatigue and new political priorities, a push towards localisation has emerged.

Currently, there is a need for a “shift in focus from top-down, externally driven models to bottom-up, locally owned processes” with the central premise being that “sustainable peace must be rooted in local agency, knowledge, and institutions.”⁶⁸

From the mid-2000s, there was a focus on finding “synergies and equilibrium between top-down and bottom-up approaches [...] empowering local agents (local governments, local associations and civil society) in order to reach more locally adapted and inclusive reconstruction outcomes”⁶⁹.

Despite the push towards localisation in the last five years, “international funding mechanisms are often too rigid and complex for local organisations to access, [...] and the short-term project cycles of international aid are often misaligned with the long-term, non-linear process of building peace from the ground up”⁷⁰. In his study, Mr Pokorny cautioned “against an uncritical romanticisation of the ‘local’ [...] because local actors are not inherently peaceful or just; they can be exclusionary, despotic, and complicit in violence.”

A 2024 study on the reconstruction of heritage sites in Benghazi underscores those limits. In Libya, the post-conflict recovery has been “predominantly local, with negligible involvement from international organisations,” and efforts have been “marred by uncoordinated demolitions and reconstruction projects lacking transparency and community involvement, effectively disregarding the community’s needs”⁷¹.

5.4 Lessons Learned

From the successes and failures of reconstruction strategies, several lessons for designing a successful approach can be drawn.

According to the comparative analysis of 17 post-conflict cases⁷², a successful reconstruction model requires “a clear political horizon, international unity, a governance model adapted to the local context, a phased approach to building local ownership, and a focus on building inclusive institutions.” The effectiveness of the international oversight is “contingent on having a clear and credible exit strategy tied to the development of local capacity, rather than becoming a permanent feature of the political landscape.” In addition, while “governance structures lacking popular legitimacy are inherently fragile, [...] legitimacy alone does not guarantee success without adequate capacity and security.” Finally, a predictor of reconstruction success is the pre-conflict institutional capacity.

According to a paper gathering the input of stakeholders in post-conflict reconstruction in

67 Pokorni, L. (2026), Governance Models and Post-Conflict Reconstruction Outcomes: A Comparative Analysis with Implications for Gaza, HAL Open Science.

68 Pokorni, L. (2026), Governance Models and Post-Conflict Reconstruction Outcomes: A Comparative Analysis with Implications for Gaza, HAL Open Science.

69 Goenaga, A. (2017), Post-Conflict Re-Construction in MENA: Previous Experiences and Stakeholders’ Inclusive Involvement in the Future Reconstruction of Libya, Syria and Iraq, European Institute of the Mediterranean.

70 Pokorni, L. (2026), Governance Models and Post-Conflict Reconstruction Outcomes: A Comparative Analysis with Implications for Gaza, HAL Open Science.

71 Abdelzayed Valdeolmillos, N. A. and Furlan, R. (2024), Impact of Conflict Dynamics on Heritage Reconstruction and Post-Conflict Recovery: A Comparative Study of Mosul, Iraq, and Benghazi, Libya, University of Pennsylvania Press.

72 Pokorni, L. (2026), Governance Models and Post-Conflict Reconstruction Outcomes: A Comparative Analysis with Implications for Gaza, HAL Open Science.

the MENA region⁷³, the success of the reconstruction process depends on the “capacity to rebuild and restore the human capital,” establishing an inclusive programme that does not “focus on restoring the system as it was before the war but on transforming it,” and that seeks to neutralise “the grievances and/or socioeconomic imbalances that led the country to war.” For instance, it needs to “overcome geographical imbalance in distributing resources during the reconstruction processes.”

The author cites the Bosnian and Lebanese cases as examples of a focus on urban centres but neglect towards rural areas. The authorities need to “clearly define short- and long-term objectives as well as the mechanisms to achieve them.” Experts agreed that the first aspects to be tackled in a post-conflict country are the “security needs, relief aid, food security, basic energy infrastructures, health, and sanitation infrastructures.” Long-term priorities are “structural political and socioeconomic reforms, and the reconstruction of infrastructure in general.” Finally, to achieve inclusive growth, the state must “guarantee a balanced involvement of both the public and the private sector in the reconstruction process.”

Reconstruction efforts must address “the underlying drivers of conflict and instability [...] Building resilient institutions that deliver essential services, promote social cohesion, and foster inclusive political participation is imperative⁷⁴.”

73 Goenaga, A. (2017), *Post-Conflict Re-Construction in MENA: Previous Experiences and Stakeholders’ Inclusive Involvement in the Future Reconstruction of Libya, Syria and Iraq*, European Institute of the Mediterranean.

74 Abdelzayed Valdeolmillos, N. A. and Furlan, R. (2024), *Impact of Conflict Dynamics on Heritage Reconstruction and Post-Conflict Recovery: A Comparative Study of Mosul, Iraq, and Benghazi, Libya*, University of Pennsylvania Press.

6. Challenges

The challenges in Syria's reconstruction process extend beyond the vast scale of physical destruction and limited financing capacity. Rather, they should be understood as a system of interconnected constraints, including weak institutions and rule of law, absence of a central authority coordinating reconstruction efforts, a fragile investment climate with a weak financial system, overstretched service networks, shortcomings in policy design, lack of participation of different social actors (trade unions, professional associations, business chambers), and the complex legal and social disputes regarding housing, land, and property (HLP) rights.

6.1 Governance and institutional capacity

6.1.1 Lack of a Central Coordinating Authority and Central Plan

Besides the Statement of Recovery Priorities, the 'Syria Without Camps' initiative, and some comments by officials regarding undisclosed plans, the government has not produced a centralised reconstruction plan detailing goals, timelines and funding strategies. There is no central body coordinating efforts, and several ministries and government bodies have announced reconstruction initiatives independently of each other.

More generally, public discussions about a countrywide reconstruction plan or even strategy have been largely absent.

The Syrian Development Fund is formally entrusted with leading reconstruction and infrastructure rehabilitation, but the scale of the projects announced so far - USD 15 million - illustrates the gap between theory and practice.

The existence of a unified, publicly announced, and verifiable national strategic document is a precondition for attracting international funding and coordinating the efforts of multiple stakeholders⁷⁵, according to academic literature on post-conflict reconstruction.

The absence of a broad plan and a central coordinating body could lead to three outcomes: the fragmentation and overlap of efforts between ministries, governorates, and international agencies; the waste of scarce resources on repetitive or contradictory projects; and the lack of accountability given the impossibility of measuring performance without publicly defined objectives^{76 77}.

The absence of a clear plan could also lead to what is called 'the fragile state trap', which encourages deeper corruption and entrenches patronage networks, particularly in post-conflict environments endowed with commodity wealth⁷⁸. Post-conflict recovery literature demonstrates that injecting financial resources into a fragmented institutional environment may reproduce pre-war grievances, reinforce corruption and patronage networks⁷⁹.

In post-conflict environments, the consequences of an overlap between different administrations extend beyond administrative delays. They increase the likelihood of duplicate projects, competition among institutions for limited resources, inconsistencies in technical standards, and the implementation of isolated initiatives outside the framework of an officially declared national priority-setting process.

Centralisation does not mean monopolising executive decision-making; rather, it requires a unified national authority responsible for establishing standards, financing mechanisms and

75 Collier, P., Elliott, V. L., Hegre, H., Hoeffler, A., Reynal-Querol, M., & Sambanis, N. (2003), *Breaking the Conflict Trap: Civil War and Development Policy*. World Bank and Oxford University Press.

76 OECD (2018), *States of Fragility 2018*. OECD Publishing.

77 Barakat, S. (2005), *After the Conflict: Reconstruction and Development in the Aftermath of War*.

78 Collier, P., Elliott, V. L., Hegre, H., Hoeffler, A., Reynal-Querol, M., & Sambanis, N. (2003), *Breaking the Conflict Trap: Civil War and Development Policy*. World Bank and Oxford University Press.

79 Barakat, S., and Zyck, S. A. (2009), *The Evolution of Post-conflict Recovery*. *Third World Quarterly*, 1069–1086.

oversight, while leaving detailed planning and implementation close to governorates and local communities.

Ukraine provides a useful comparative example. The Organisation for Economic Co-operation and Development (OECD) recommended the establishment of a national body to coordinate recovery financing, including representatives of local governments, while assigning needs assessments, project design, and project monitoring to sub-national authorities operating under unified and transparent rules⁸⁰.

In Syria, this could be translated into the establishment of a public national project registry that could include a clear matrix allocating institutional responsibilities, economic feasibility and social impact, and a mechanism for resolving disputes between institutions. Such a central authority should also be accompanied by a public financial management system capable of controlling budgeting, procurement, and financial flows.

A centralised plan could also shed light on the criteria for choosing, for instance, the areas that will be rebuilt first. Given the scarce resources, humanitarian partners have been advocating for an ‘area-based approach’ and a focus on areas with high levels of returns in order to maximise the impact of funding. The logic is that if you repair a school in a village but the bridge to that school is damaged or the water network in the area is destroyed, efforts are wasted. “We cannot rebuild the whole country; some prioritisation by the government is needed, but it is a very political decision⁸¹.”

With the ‘Syria Without Camps’ initiative the government has in fact prioritised the governorates of Aleppo, Idlib and Hama, which

concentrate together 87 percent of IDPs⁸². The counterpoint to this approach would be that some governorates – where the needs are lower - might feel left behind. The choice to give priority to certain governorates - where the level of destruction is higher or areas with high levels of refugee return - could raise tensions between different communities.

6.1.2 Policy Design

The design of a reconstruction policy can lead to diametrically opposed outcomes. A strategy that incorporates civil society voices, addresses longstanding social grievances and regional disparities, and places housing needs at the core of the agenda is more likely to lay the foundation for sustainable recovery. Conversely, a top-down approach shrouded in opacity, in which local voices are marginalised, and reconstruction choices are primarily driven by foreign capital and commercial interests, risks undermining long-term stability, “potentially contributing to the reproduction of inequality and exclusion⁸³.”

Private investment naturally gravitates toward locations offering higher profitability and lower risk, particularly around major cities, with a few exceptions such as in oil and gas fields. This creates the risk of a two-speed recovery: urban areas attracting real estate development, services, and large-scale investment projects, while rural peripheries may be deprioritised. For instance, while the three governorates where reconstruction needs are greatest are Aleppo, Rural Damascus and Homs, a large share of private investment in the construction sector since the fall of the regime has focused on the Syrian capital.

Government officials seem to excessively rely on the announcement of luxurious real estate

80 OECD (2022), *Rebuilding Ukraine by Reinforcing Regional and Municipal Governance*. OECD Multi-level Governance Studies. Paris: OECD Publishing.

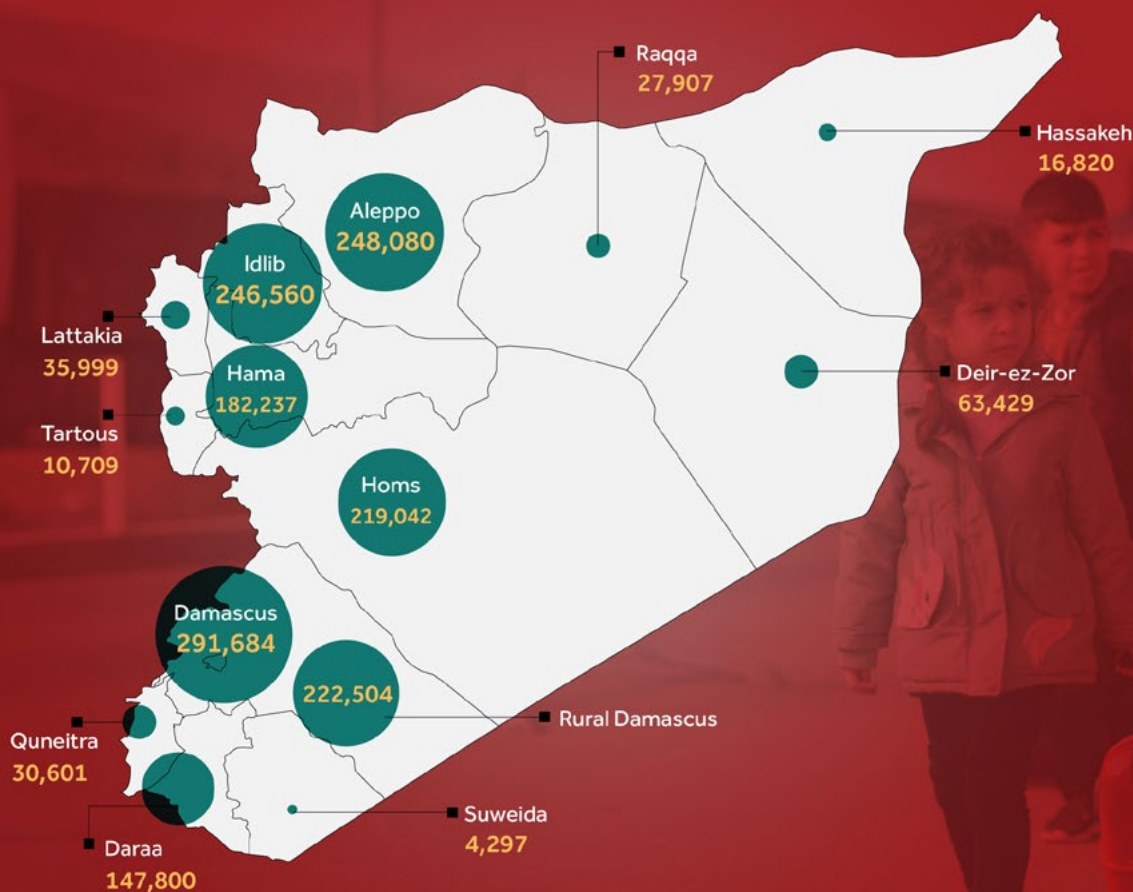
81 Interview with a UN representative.

82 The Syria Report (2026), *Government Finalising Details for Disbursement of USD 1.5 billion Saudi Grant for the ‘Syria Without Camps’ Initiative*.

83 Al-Hamed, M. (2026), *Syria’s Reconstruction: How Recent Political Developments Impact Sovereign Risk Assessment and Financing Opportunities*, MEIS.

Syrian Refugees returnees by governorate

From December 2024 to July 2026



Source: UNHCR border monitoring and population movement reporting tool.

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projects targeted to wealthy segments of society, while less attention has been given to affordable housing programmes. The high-end real estate projects are key to attracting capital and investment in the tourism sector can bring much needed foreign currency, but the current approach risks becoming exclusionary and detached from reality in a country where thirty-one percent of the housing stock is damaged. “Reconstruction risks favouring places and sectors that can at-

tract capital, rather than communities with the greatest need⁸⁴.”

Another element when designing the reconstruction policy is who gets a seat at the negotiating table. The government has adopted a top-down approach and civil society has, in most cases, not been meaningfully included. As a consequence, reconstruction plans in Jobar, Qaboun, Homs and Raqqa⁸⁵ have received

84 Haid, H. (2026), *Rebuilding Without Buy-In: The Risks of Syria's Top-Down Reconstruction*, Arab Reform Initiative.

85 Enab Baladi, (2026), *Raqqa: Protests against the decision to demolish neighbourhoods north of the railway tracks*.

wide backlash⁸⁶ following the exclusion of local voices⁸⁷.

“Key decisions are often made within narrow official and business circles before affected communities are meaningfully informed and engaged. The assumption appears to be that political authority, administrative approval, and visible delivery will be enough to secure public acceptance. Yet in a country where property rights, displacement, and urban redevelopment remain deeply contested, this is a risky calculation⁸⁸.”

The “building for peace” approach of the World Bank emphasises that reconstruction should address the grievances and power structures that contributed to the conflict, while bottom-up participation should serve as a mechanism for identifying priorities and ensuring the equitable distribution of reconstruction benefits⁸⁹.

Meaningful participation requires a clearly defined institutional framework specifying who participates, at which stage of the process, and with what decision-making authority. Without such institutional design, participation risks becoming little more than a consultative exercise with limited practical impact⁹⁰.

Reconstruction, particularly at the scale Syria requires, is foremost a political process. The amounts involved are so large and the sectors impacted and the geographic areas affected so wide that the material interests of very large segments of Syria’s population, if not all the population, will be affected in one way or another by the reconstruction effort. As such, reconstruction cannot be a process that is discussed and debated by technocrats only, however well-in-

tioned they are. Syria’s society must be an integral part of the process.

The beginning of operations in July 2026 of Syria’s first Parliament post-Assad is good news, but there are major doubts about its representativeness, given the process through which MPs were elected and appointed. Their limited capacities - no assistants, funding or offices – further restrict their ability to act.

Other ways could be found to involve the larger Syrian society, from public debates across governorates and cities, through the involvement of local representatives – at a lower level than MPs – when programmes and projects involve them, through open discussions in the media and a call for suggestions and opinions to be expressed.

Local actors (trade unions, professional unions, local NGOs) could also play a role in that process.

6.1.3 Transparency and Rule of Law

Since the fall of the regime, the lack of transparency in how the government and many of its institutions operate and how contracts are awarded, as well as the weak rule of law, are often cited as an important deterrent by investors. The role of ‘sheikhs’ in the ministries and the opacity around how the Syrian Sovereign Fund⁹¹ and the Committee to Combat Illicit Gains operate are aspects that Damascus urgently needs to tackle.

“Investors often enter high-risk environments, but only if they trust that contracts will be honoured and disputes adjudicated fairly.

86 Agha, M. O. (2025), Is Syria on the Recovery Path?, Italian Institute for International Political Studies.

87 The Syria Report, (2025), Homs Begins Implementing Boulevard Project Amid Objections.

88 Haid, H. (2026), Rebuilding Without Buy-In: The Risks of Syria’s Top-Down Reconstruction, Arab Reform Initiative.

89 World Bank (2020), Building for Peace: Reconstruction for Security, Sustainable Peace, and Equity in the Middle East and North Africa, Washington, DC: World Bank.

90 Sadiqi, Z., Trigunarsyah, B., and Coffey, V. (2017), A Framework for Community Participation in Post-disaster Housing Reconstruction Projects: A Case of Afghanistan, International Journal of Project Management.

91 The Syria Report (2026), Structure and Assets of the Syrian Sovereign Fund Revealed During Emirati Forum.

That means restoring confidence in the courts and ensuring transparent management of economic institutions, beginning with reforming the sovereign wealth fund and the asset-recovery committee⁹².”

The weak rule of law is also an obstacle. “The legal opacity in Syria affects not only the feasibility of investment but also the long-term protection of assets, making any significant financial commitment challenging⁹³.”

Syria’s new government promised to modernise the state and reduce bureaucracy, but there is still a long way to go. Humanitarian actors have complained about the complexity and delays in administrative procedures to obtain import permits or operational approvals that delay and disrupt their operations⁹⁴.

Another key obstacle is the legal uncertainty regarding disputes between foreign and domestic investors. The Syrian Investment Authority has established a committee working on the framework for establishing an international arbitration centre, but at the moment the arbitration structure is far from being aligned with international standards.

Transparency is key in investment decisions. When project pipelines, feasibility studies, selection criteria, contracts, beneficial ownership information, sovereign guarantees, and contingent liabilities are not publicly disclosed, investors are likely to conclude that access to opportunities depends primarily on personal connections. As a result, they either add substantial risk premiums to their investment calculations or decide not to invest altogether.

Similarly, the lack of clarity regarding the relationship between government funds, ministries, and the state budget weakens the ability of parliament, oversight institutions, and the public to

determine whether public assets are being managed in the public interest or are instead being transformed into long-term concessions whose costs are not immediately visible.

This issue becomes particularly significant in public-private partnerships. The International Monetary Fund has emphasised that the Ministry of Finance should play a central role in evaluating major projects and monitoring contingent fiscal liabilities⁹⁵.

Achieving this objective requires the establishment of a unified public portal publishing project pipelines, procurement notices, tender awards, contracts, amendments, and implementation indicators, together with independent audits and periodic reporting on government funds and state-owned enterprises.

Each project should also be linked to a specific budget allocation, identified funding source, implementation timetable, and measurable output indicator, while maps showing geographical distribution and beneficiaries should be made publicly available.

6.2 Finance and Investment

6.2.1 Lack of funding

In 2026, the government’s budget stands at USD 10.51 billion, the equivalent of less than five percent of an estimated reconstruction bill of USD 216 billion. With no Marshall Plan in sight, Syria has no option but to diversify the sources of external funding - from private investments, humanitarian funding, and concessional loans - and double down on efforts to mobilise its own resources.

The level of private investments in Syria’s infrastructure still falls short of the needs, but it has started to pour in, mostly via Gulf investors

92 Young, M. (2025), *An Opaque Revival*, Carnegie Middle East Center.

93 Interview with a UN representative.

94 Al-Hamed, M. (2026), *Syria’s Reconstruction: How Recent Political Developments Impact Sovereign Risk Assessment and Financing Opportunities*, MEIS.

95 International Monetary Fund (2026), *IMF Staff Concludes Staff Visit to Syria*, Press Release No. 26/062.

(See Table 3). Qatar's UCC, in particular, is involved in plans to build 5,000 MW of electric production capacity, renovate and expand Damascus International Airport and repair the Kirkuk - Baniyas pipeline, linking Iraqi oilfields with the port of Baniyas on the Mediterranean. A Saudi company is also rehabilitating Aleppo's airport and building a new one, while UAE's DP World is investing in the expansion of Tartous Port. Other projects offered for investment include the building of a new oil refinery east of Homs, and two highways that should cross Syria from north to south and east to west.

One major issue with the choice of going for private capital to rebuild infrastructure is the eventual cost of the use of this infrastructure. In practice, the government is shifting the cost of building it to the users, i.e., the average citizen and businesses. The increase in electricity prices decided at the end of 2025 aligned Syrian tariffs with those in place in western countries, despite the much lower local purchasing power of the population and the lower prices in neighbouring countries, putting businesses at a comparative disadvantage. Although the government has struggled to attract concessionary lending or grants for its infrastructure projects, the fact that the country extracts from its underground a significant share of the gas that feeds its power plants offered other options, such as a gradual increase in prices or limited subsidies.

With regard to humanitarian funding, donor fatigue has already led to severe underfunding. As of July 2026, the Syrian Humanitarian Response Priorities Plan had received only USD 849 million out of the USD 2.92 billion required, according to OCHA's Financial Tracking Service. A key issue for UN agencies when programming reconstruction-related projects is the lack of "multi-year predictable funding" that could enable them to plan in the long-term, instead of the short or medium-term.

Several international financial institutions and development banks have increased their engagement with the Syrian authorities (World Bank, KfW, AFD, Islamic Development Bank, etc.), and have approved several grants to rehabilitate infrastructure, and offered capacity building to Syrian stakeholders, but to date no concessional lending or risk guarantees for investor programmes has been approved.

As to the country's own means, Syria has diverse resources that it can mobilise: oil and gas, phosphate and other minerals, agricultural products, tourism, and a geographic location that offers strong opportunities. The state also owns large tracts of land that it could capitalise on in a much more efficient way than in the past.

The government has already launched an investment programme⁹⁶ allowing private sector investment into land owned by the Housing Ministry in a bid to obtain funds to finance social housing programmes; so far one contract has been signed with a Saudi company⁹⁷.

The assets held by the SSF, however controversial the institution may be, also highlight the wealth at hand.

While it is clear that the Syrian state's capabilities fall short of the gigantic reconstruction needs and that the government has to rely on private investments, humanitarian funding, and concessional loans, this does not mean that the government should take a back seat and leave private capital and external players to handle the direction of the reconstruction process. The government, in its attempt to make investment more attractive, has proposed a reduction of corporate tax levels. However, this approach is bound to reduce state revenue, thereby limiting the state's capacity to play a constructive role in the economy⁹⁸, and increase the dependency of Syria on external actors.

96 The Syria Report (2026), Q&A: Tamam Al-Dubil, Director General of the General Housing Establishment.

97 The Syria Report (2026), Saudi Investors Launch USD 1.2 Billion Residential Projects in Damascus.

98 International Monetary Fund (2026). IMF Staff Concludes Staff Visit to Syria. Press Release No. 26/062.

6.2.2 Banking Constraints and Alternative Financial Solutions

Syria's banking sector faces a multiplicity of challenges. While sanctions have been eased, enabling the country to reconnect to the SWIFT network and U.S. electronic payment systems, Syria remains on the Financial Action Task Force (FATF) grey list for shortcomings in its compliance with anti-money laundering (AML) and combating the financing of terrorism (CFT) regulations. This has prompted non-regional banks to be risk-averse in re-establishing correspondent banking relations and financial ties with Syrian banks, which is hindering foreign investment in the country as it strives to rebuild.

Banks are also struggling with the overall economic situation, low banking penetration, a large informal economy, defaults on loans granted to people associated with the old regime, the need for recapitalisation and the central bank withdrawal limits imposed on consumer deposits.

The International Monetary Fund has emphasised that improving Syria's investment climate depends on rehabilitating payment systems and the banking sector, strengthening anti-money laundering and counter-terrorism financing frameworks, and improving data systems and public financial management.

Similarly, the World Bank's macroeconomic assessment demonstrates that liquidity constraints, limited access to the international banking system, and the expansion of the informal economy continue to constrain trade and investment even as some legal restrictions have been eased .

The World Bank has approved a USD 20 million grant to provide the Finance Ministry with the basic tools to enhance public financial management systems and a USD 100 million grant to finance payment and financial market infrastructure, operational systems, supervisory and financial integrity tools, banking sector asset quality reviews, foundational credit repor-

ting infrastructure, and related cyber-resilience arrangements.

As confidence in the banking sector has declined and payment systems have become increasingly disrupted, traders and investors have increasingly relied on self-financing, supplier credit, family partnerships, remittances from Syrian expatriates, cash settlements, and informal money transfer channels.

These alternatives have performed an important economic function by enabling trade and small businesses to continue operating. Nevertheless, they remain limited in both scale and duration, increase transaction costs, reduce the ability to verify the origin of funds, and exclude those lacking established social networks or pre-existing assets.

A realistic approach would involve gradually integrating these informal financing mechanisms into formal financial channels. Nevertheless, restoring confidence in the national currency and the banking system, together with addressing legacy debts and restrictions on financial transfers, remains an indispensable foundation that alternative financing instruments cannot replace.

6.2.3 Investment Climate and Economic Factors

The government has embraced an investment-friendly policy framework, talked of embracing a "free market" approach, and announced new incentives and guarantees under the Investment Law passed in 2025. However, unless they are translated into predictable administrative procedures, these provisions will be of limited impact.

In practice, investors assess the investment climate according to a multiplicity of factors, including, for example, the time required to obtain licences, the consistency of regulatory interpretation, the ability to transfer funds, the efficiency of customs procedures, the availability of

land free from legal disputes, the level of security, the quality of infrastructure and the neutrality of judicial and grievance mechanisms. On many of these issues, Syria still lags many regional competitors, although on some aspects, such as business registrations or customs procedures, improvements are clear.

Syria has not yet developed risk-sharing instruments and investment guarantees to attract private sector investment and protect investors from political and economic instability. The government has been in talks with the World Bank's Multilateral Investment Guarantee Agency (MIGA) but no agreement has materialised. In Ukraine, MIGA has provided USD 573 million in guarantees issued since the conflict began in 2022.

The cost and availability of energy are also important issues affecting investors who continue to face shortages in reliable electricity supply. The burden imposed by energy should not be measured solely by its official price. Rather, it should be assessed through its full effective cost, including the need for many projects to rely on generators, fuel, batteries, and energy storage systems, together with the risks of production interruptions, spoilage of refrigerated goods, fluctuations in power quality, and transport costs associated with fuel shortages and limited availability of spare parts.

These costs, many of which remain invisible in conventional calculations, reduce the competitiveness of Syrian products compared with producers operating in neighbouring economies benefiting from more reliable electricity supplies.

Sustainable solutions therefore include rehabilitating the main electricity grid and major power stations, developing microgrids for industrial and agricultural zones, establishing technical standards for decentralised energy systems together with maintenance plans and battery dis-

posal mechanisms, promoting energy efficiency, and maintaining carefully planned reserves of critical production inputs.

Investment in the energy sector has been a priority for the Syrian government, which has signed several deals with private investors to build power plants and increase oil and gas supplies to feed them, but also to reduce losses in the transport and distribution of electricity thanks to a USD 146 million World Bank grant to rehabilitate damaged transmission lines and transformer substations.

6.2.4 Labour and skills shortages

Syria has suffered a severe brain drain during the 14-year conflict. Since late 2024, however, around 1.69 million refugees have returned from exile, boosting local economies with skilled labour and entrepreneurial activity⁹⁹. The ILO and other UN agencies have launched several programmes offering vocational training in a bid to fill the current skills gap.

For high-skilled workers, current salary levels in Syria remain too low. Many professionals in exile are also hesitant to return to Syria out of fear of upending their residency status in their host countries. A relaxation of these regulations granting flexibility for Syrians to return could encourage much-needed returns. "Syrian refugees¹⁰⁰ and expatriates across the world have accumulated substantial skills, knowledge, and capital vital to post-conflict recovery. Facilitating temporary visits for Syrian refugees in Europe without jeopardising their legal status will greatly help them to assess permanent return options, repair homes and initiate enterprises."

Within the public administration there is also a shortage of skilled workers, with a severe lack at middle cadre level. Some ministries are in dire need of capacity building in their planning and statistics department, and some do not even have an information management system in

99 Danish Refugee Council (2026), Syria: Labour Market Assessment Report.

100 Agha, M. O. (2025), Is Syria on the Recovery Path?, Italian Institute for International Political Studies.

place and lack baseline data¹⁰¹. The World Bank and several UN agencies are assisting several ministries¹⁰² to help them gather basic data, such as socio-economic indicators, or the status of school and water infrastructure.

Within the Syrian labour market, the absence of professional trade unions should also be tackled. Historically, trade unions in Syria have played a marginal role due to their lack of independence from the power's structures. Collective bargaining has "the potential to play a central role¹⁰³" in contributing to "good labour market performance," including more and better jobs, labour market inclusiveness and resilience and adaptability.

Reducing labour-market informality and expanding social security coverage should be key considerations in economic policy aimed at ensuring long-term economic prosperity and stability.

6.3 Security and Reconstruction Environment

6.3.1 Internal Security and Regional instability

Regional instability and geopolitics may impact Syria's reconstruction process.

Since the fall of the regime, Israel has been constantly violating the 1974 Disengagement agreement, has occupied parts of Quneitra, and has launched several attacks across the country. If talks between Israel and Syria, sponsored by the U.S., to reach a security deal are inconclusive and a conflict were to break out, reconstruction efforts could be severely derailed.

In parallel, the ongoing conflict between the US-Israeli alliance and Iran that has expanded

across the Gulf could diminish the appetite among Gulf investors in Syria, because of their potential new priorities. At the same time, the conflict has positioned Syria as an alternative regional energy transit hub to the Strait of Hormuz.

This geopolitical calculation could boost investments in Syria. Already, Syria and Iraq are negotiating with a consortium of international oil companies, including Chevron, to rehabilitate an existing pipeline linking Iraqi oil fields with Syria's Mediterranean ports. More generally, the crisis opens an opportunity for Syria to capitalise on its geographic position to act as a hub between Iraq and the Mediterranean.

With regard to the domestic security situation, the Islamic State has perpetrated several attacks, and large parts of Suweida remain outside government control, although overall, the security situation is conducive to reconstruction efforts.

6.3.2 Debris removal

One of the most immediate challenges facing reconstruction is the sheer scale of physical destruction and the associated process of rubble removal. Large parts of Syrian cities and their suburbs, such as Aleppo, Homs, Raqqa, Deir-ez-Zor and Eastern Ghouta were devastated during the conflict, leaving millions of tonnes of debris. The problem is so significant that the Syrian regime enacted a law in 2018 to regulate the removal of rubble from buildings.¹⁰⁴ There are no estimates of the total amount of rubble. UNDP, some NGOs, and the Ministry of Emergency and Disaster Management are leading the efforts in rubble removal. In the last decade, UNDP has removed 2.1 million cubic metres of rubble and for 2026 it plans to clear 550,000 additional¹⁰⁵ cubic meters of debris. UNDP has implemented in northwest Syria a project to re-

101 Interview with a UN representative.

102 The Syria Report (2026), In Focus: Syria's Welfare System in Transition.

103 OECD (2018), OECD Employment Outlook 2018.

104 For a translation of the law, see The Syria Report, Removal of Rubble of Damaged Buildings, July 2022

105 UNDP (2025), From Crisis to Recovery: Securing Peace and Stability in Syria and Beyond.

cycle 257,000 metric tonnes of debris¹⁰⁶ to reuse in road rehabilitation, public squares, and other areas.

6.3.3 Unexploded ordnance contamination

Syria is littered with landmines, cluster munitions, and other explosive remnants of war. Between December 2024 and July 2026,¹⁰⁷ 1,337 explosive ordnance accidents have killed 841 people and injured 1,534 people. The government has established the structures to coordinate demining efforts (the National Mine Action Centre) but they remain extremely understaffed and underfunded. The humanitarian partners are doing the bulk of the work, although the Ministry of Emergency and Disaster Management is also engaging with limited capacity in demining efforts.

The Ministry of Defence has also engaged in de-mining but their teams - in need of capacity building - have suffered several casualties. Some private companies¹⁰⁸ are also doing de-mining (mostly for oil companies), but their role is limited.

The UXO contamination is hampering reconstruction efforts as it impacts the ability of individuals to rebuild their homes, the capacity of humanitarian organisations to rebuild infrastructure, and deters investments in the agriculture sector (878 out of the 1,337 accidents recorded since December 2024 have taken place in farmland) as well as in the oil and gas sectors.

The clearance of agricultural land, roads, and water networks from explosive remnants of war should therefore be regarded as a prerequisite for any reconstruction expenditure rather than as a separate security activity undertaken after construction has already begun¹⁰⁹.

6.4 Rights-Based Dimensions

Syria's reconstruction faces many human rights challenges that will impact the country's long-term stability and development. Reconstruction is not only about rebuilding infrastructure but also about restoring institutions, public trust, and ensuring that recovery is inclusive, equitable, and rights-based.

6.4.1 HLP rights

Maybe the most significant of Syria's human rights-related challenges is the issue of Housing, Land and Property (HLP) rights. HLP rights issues affect not only the rebuilding of cities and infrastructure but also economic recovery, refugee return, and long-term peacebuilding.

More than 13 years of conflict have transformed land ownership, housing occupancy, and real estate property management. Mass displacement, widespread destruction, fragmented governance, and legal changes have created profound uncertainty over property rights. Addressing these issues is therefore key to any reconstruction strategy. Also, any economic reconstruction process will be dependent on secure property rights. Clear ownership encourages households and businesses to rebuild, invest, and obtain financing. Meanwhile, disputed ownership discourages investment and limits access to credit, as financial institutions are reluctant to lend against uncertain property rights.

Resolving HLP disputes is therefore essential for both individual rights and broader economic development. Clearing rubble, which is essential for reconstruction, also raises HLP concerns. Building remnants may provide evidence of property boundaries and ownership, meaning that poorly documented debris removal can destroy evidence needed to resolve future dis-

106 UNDP (2026), Laying the Foundation for Recovery.

107 The Syria Report (2026), National Demining Structure Consolidates, but More Funding and Capacity Building Needed.

108 Ibid.

109 Halkia, S., Caravaggi, I., De Girolamo, L., and Louvrier, C. (2021). Debris Analysis in Post-conflict Syria: The Case of Aleppo. Luxembourg: Publications Office of the European Union, Joint Research Centre.

putes. Decisions over who may access damaged areas, identify plots, and authorise clearance may also affect future restitution claims, particularly where ownership is contested.

The destruction of housing and land records is another major obstacle. Many cadastral offices were damaged or destroyed during the conflict, but even where documentation exists, property owners often struggle to obtain certified copies or verify ownership. The resulting legal uncertainty increases the likelihood of competing claims over the same property. This is compounded by the fact that during the mass displacements witnessed during the conflict, many fled without property deeds or inheritance records, while others lost them during their displacement or through the destruction of their homes.

During much of the conflict, different authorities - including the regime, opposition groups, including HTS¹¹⁰, and the Kurdish-led Autonomous Administration in North and East Syria – ruled the country and implemented separate land registration and property management processes. In some areas new records were created, while elsewhere formal administration largely ceased. Reintegrating these fragmented systems into a coherent national one will be one of the main institutional challenges of reconstruction.

Overlapping ownership claims and secondary occupation represent another major challenge. During the conflict, abandoned properties were occupied by displaced families or armed groups. In certain areas, properties were reportedly allocated to military personnel or individuals affiliated with local authorities. Removing secondary occupants may generate new displacement, while denying restitution undermines property rights and discourages refugee return.

Effective and impartial dispute-resolution mechanisms will have to be established. Legal and regulatory reforms during the conflict have also generated controversy and were largely seen

as extensions of the oppressive policies pursued by the Syrian regime. New laws governing urban redevelopment, property registration, and planning have altered the legal framework for reconstruction. These include Decree No. 66 of 2012, Law No. 10 of 2018 and Law No. 23 of 2015. To date, these texts remain in force. Urban redevelopment projects in formerly contested areas have similarly raised concerns over transparency, consultation, and compensation, fueling fears that reconstruction may permanently alter patterns of ownership and population distribution.

Digitisation of property records would add a layer of protection to HLP rights. However, this is a process that is far from complete, although in some parts of the country the process is well advanced. In the Damascus governorate, for example, the cadastral records have already been fully digitised, and the directorate is now working on developing the electronic service associated with them, with plans to gradually roll out the procedures in other governorates.

Informal housing presents an additional challenge. Before 2011, an estimated 40 percent of Syria's urban population lived in informal settlements lacking registered land titles or planning approval. Although many residents possessed long-established customary rights or informal purchase agreements, they often lacked legally recognised ownership documents. Unless reconstruction programmes recognise these informal tenure arrangements, lower-income households risk exclusion from compensation and redevelopment schemes, deepening inequalities.

Inheritance issues have become increasingly significant because of the conflict's heavy human toll. Hundreds of thousands of Syrians have been killed or remain missing, often without official death certificates, preventing families from completing inheritance procedures. Women and children are particularly affected. Widows may struggle to establish legal autho-

110 The Syria Report, "Review of HTS Policies Concerning HLP Rights in Idlib," December 2024

rity over family property, while orphaned children face prolonged uncertainty over inheritance rights. These difficulties frequently overlap with displacement and documentation problems, further complicating reconstruction.

6.4.2 Other human rights challenges

A major challenge for reconstruction is the lack of accountability for serious human rights violations committed during the conflict and its aftermath, while the fate of tens of thousands of missing persons remains unknown. While reconstruction cannot wait for all accountability processes to be completed and human rights may not be seen by many investors or analysts as a challenge to reconstruction, ignoring these issues risks entrenching impunity, undermining confidence in public institutions and eventually impacting reconstruction in multiple ways.

Environmental degradation is another critical challenge. The conflict damaged industrial facilities, oil infrastructure, water treatment plants, agricultural land, and waste management systems, leading to widespread air, soil, and water pollution. Deforestation and unsustainable exploitation of natural resources have further degraded ecosystems, threatening public health, agricultural production, and access to clean water.

More generally, climate change is a growing challenge as seen in 2024–2025, when Syria experienced its worst drought in decades, generating a significant contraction in agricultural production, followed by floods in 2026. Prolonged droughts and increasing water scarcity place additional pressure on fragile infrastructure and agriculture, a key source of livelihoods. Syria is particularly water insecure as almost all its main sources of water originate from outside its national boundaries: the Euphrates and Tigris rivers that originate from Turkey; the Orontes that originates from Lebanon; while the Golan Heights, a major source of water and legally a Syrian territory, is currently under Israeli occupation.

Conflict debris also poses significant environmental risks. The millions of tonnes of rubble are not only an HLP issue because they contain hazardous materials, including asbestos, heavy metals, chemicals, and unexploded ordnance. Without proper environmental safeguards, debris removal can contaminate soil and groundwater, creating long-term health risks. Safe disposal and recycling where possible should therefore be integral to reconstruction.

7. Opportunities

Syria's reconstruction process presents several opportunities for its population and for local and foreign investors; from the opportunity to build better, more efficient and climate-smart infrastructure, to job creation in the construction sector, and the possibility to correct previous social and geographical imbalances.

7.1 Build Back Better

Reconstruction in Syria should not be viewed merely as a process of restoring damaged assets to their pre-conflict condition. Reproducing the same infrastructure networks, facilities, and organisational models would also reproduce many of the structural vulnerabilities that existed before the conflict, including high levels of system losses, energy-intensive infrastructure, inadequate maintenance, and regional disparities.

The Build Back Better (BBB) approach, a concept that emerged in post-disaster recovery literature in the early 2000s, seeks to use the recovery phase as an opportunity to integrate disaster risk reduction and resilience into physical infrastructure and institutions, in a bid to reduce future losses rather than simply compensating for past damage¹¹¹.

Syria has an opportunity to approach urban planning and construction projects through a climate-smart and more inclusive lens. "The build-back-better approach is the way to go; this refers to solarising water facilities, schools, and health facilities, making sure agriculture projects are flood-proofed, etc."¹¹² For instance, UNICEF, when building schools, is not only solarising them, but also ensuring the backyards have enough greenery to provide shade, and that toilets for people with disabilities are included.

Syria unlocked this year¹¹³ its first Green Climate Fund project, a USD 25 million grant to tackle water scarcity.

The GCF, the world's largest multilateral climate fund helping developing countries tackle the climate crisis, could be a key partner in ensuring reconstruction efforts are climate resilient.

The reconstruction is also an opportunity to adopt stricter energy efficiency codes for new construction and rehabilitation projects - including requirements relating to insulation, shading, natural ventilation, lighting, cooling systems, high-efficiency pumps, and solar-ready rooftops. This would reduce the scale of investments required for electricity generation and transmission while lowering operating costs throughout the lifetime of reconstructed assets.

The International Energy Agency has emphasised that the most effective policy packages combine regulation, information, and financial incentives. Building energy codes represent one of the highest-impact policy instruments, provided they are accompanied by technical training, effective enforcement mechanisms, and energy performance certification capable of translating written standards into measurable energy savings¹¹⁴.

This transition also creates significant market opportunities for small and medium-sized enterprises specialising in energy auditing, renewable energy installation, energy management services, component manufacturing, maintenance, and warranty services.

At the same time, greater energy efficiency reduces businesses' exposure to fluctuations in fuel prices and exchange rates while improving cost predictability.

111 United Nations Office for Disaster Risk Reduction (UNDRR) (2017), Words into Action Guidelines: Build Back Better in Recovery, Rehabilitation and Reconstruction. Geneva: UNDRR.

112 Interview with a UN representative.

113 The Syria Report (2026), Syria Unlocks USD 25 Million Grant from the Green Climate Fund to Tackle Water Scarcity.

114 International Energy Agency. (2026). Energy Efficiency Policy Toolkit: Buildings. Paris: IEA.

Financial incentives, however, should reward measurable performance rather than equipment purchases alone. Tax exemptions or concessional financing could therefore be linked to documented minimum energy efficiency standards, renewable energy service shares, or reductions in operational downtime, verified through independent post-installation inspections rather than granted simply because equipment has been acquired.

Civil infrastructure, even where it is not damaged, is very outdated, and reconstruction is a chance to modernise this infrastructure.

For instance, damaged irrigation networks present an opportunity to move beyond isolated repairs of collapsed infrastructure towards redesigning the entire irrigation service system.

From an investment perspective, irrigation modernisation also presents an opportunity to establish an integrated domestic value chain covering the manufacture and assembly of pipes, filters, pumps, and measuring equipment, alongside engineering design services, installation, maintenance, and digital monitoring and analysis.

Comparative literature demonstrates that the quality of post-conflict recovery is determined by three interrelated dimensions: ensuring that new assets are more resilient, delivering priority investments rapidly enough to prevent continued deterioration and outward migration, and distributing the benefits of reconstruction more equitably across affected populations and regions.

This does not necessarily require adopting the most expensive technical specifications; rather, it calls for applying life-cycle asset analysis that balances initial capital costs against long-term operating and maintenance expenses, service

interruption risks, and the capacity of local institutions to manage the infrastructure effectively.

The large scale of reconstruction needs in Syria creates a rare opportunity to reshape the country's national capital stock to achieve sustainable development. This opportunity can only be realised if reconstruction projects enhance productivity and efficiency, expand access to essential services, reduce regional disparities, and avoid rebuilding the rent-seeking arrangements and exclusionary structures that could generate new grievances¹¹⁵.

7.2 Transition Towards Renewable Energy

The reconstruction process provides an opportunity to build a more diversified energy system that is less dependent on fossil fuels.

The immediate priority is a hybrid model combining rehabilitation of transmission lines and power stations with modernisation of distribution networks and metering systems, alongside the deployment of distributed renewable generation, microgrids, and energy storage solutions in locations where power interruptions impose particularly high economic and social costs.

These include water treatment facilities, hospitals, refrigeration centres, agri-processing facilities, and industrial zones.

This approach is consistent with the Syrian Emergency Electricity Project, which links restoration of grid reliability with broader sector modernisation and preparations for integrating solar energy, wind power, and demand-side energy efficiency¹¹⁶.

Expanding decentralised electricity generation also requires the establishment of national standards governing the entire supply chain.

115 World Bank (2020), *Building for Peace: Reconstruction for Security, Sustainable Peace, and Equity in the Middle East and North Africa*. Washington, DC: World Bank.

116 World Bank (2025), *Syria Electricity Emergency Project*. Washington, DC: World Bank.

Without such regulatory frameworks, the market risks becoming fragmented by equipment of varying quality, increasing maintenance and replacement costs while contributing to recurring technical failures and safety hazards.

7.3 Economic Growth

The vast reconstruction needs are a challenge but can also be seen as an opportunity; as a lot needs to be rebuilt, there are a lot of business opportunities, which will generate more profits for investors and more job opportunities.

The scale of Syria's reconstruction needs creates sustained long-term demand for construction materials, recycling industries, telecommunications and digital solutions, logistics services, industrial rehabilitation, agri-processing, housing, and urban services.

The World Bank has argued that commercially viable investment is likely to begin with scalable, standardised projects that address essential demand or generate clear operational savings before expanding towards large-scale infrastructure requiring long-term sovereign commitments.

In fragile environments, commercial capital is generally unable to absorb political and security risks on its own, while grant financing remains insufficient to meet the scale of reconstruction needs.

Blended finance offers one possible solution, helping to redistribute risks and making socially beneficial projects commercially investable.

Nevertheless, several studies caution that the mobilisation of private finance declines significantly as levels of fragility increase. Financial instruments must therefore be specifically designed for each context and should clearly de-

monstrate additionality - that is, public support should mobilise investments that would not otherwise occur, rather than subsidising private returns that investors would have generated independently¹¹⁷.

To prevent the privatisation of profits alongside the socialisation of risks, Syria should establish an independent national project preparation facility responsible for conducting feasibility studies, environmental and social impact assessments, due diligence regarding property rights, demand and revenue modelling, and evaluations of contingent fiscal liabilities before projects are competitively tendered.

The OECD's guidance on blended finance similarly emphasises that such instruments require a clearly defined development rationale, evidence of additionality, balanced risk allocation, and transparency regarding both financial and development outcomes from the outset¹¹⁸.

7.4 Leveraging legislative incentives

The amendment to Syria's Investment Law provides a legal framework for reducing certain market entry costs while strengthening investor protection. Its implementing regulations¹¹⁹ further expand the range of eligible sectors, guarantees, incentives, investment licensing procedures, and economic zones.

The principal opportunity lies in transforming these legal provisions into a predictable investment process that begins with the transparent publication of licensing requirements, land availability, applicable fees, and expected processing timelines, proceeds through a unified approval procedure, and concludes with implementation monitoring and accessible appeals mechanisms.

In practice, however, investors are likely to compare the present value of these incentives against

117 Basile, I., and Neunuebel, C. (2019), *Blended Finance in Fragile Contexts: Opportunities and Risks*. OECD Development Co-operation Working Papers, No. 62. Paris: OECD Publishing.

118 OECD (2025), *OECD DAC Blended Finance Guidance 2025*. OECD Publishing.

119 The Syria Report, Presidential Decree Number 114 of 2025: Amendments and Provisions to Law No. 18 of 2021

the many challenges, such as the costs generated by unreliable electricity supplies, restrictions on financial transfers or exchange-rate volatility.

Accordingly, publishing an official investment incentive calculator, a unified sectoral investment guide, and a publicly accessible registry of regulatory decisions and legal interpretations would provide greater practical value than expanding incentives, such as those in the investment law, whose implementation remains unpredictable.

An investment law alone cannot compensate for the absence of reliable financial transfers, stable economic policies, or credible information. It can, however, become the focal point for broader reforms if the investor services window evolves into an integrated platform connecting investment licensing, customs procedures, taxation, land administration, public utilities, and payment services under a single accountable authority¹²⁰.

7.5 Mobilising the Human and Financial Capital of the Diaspora

The Syrian diaspora represents far more than a source of household remittances. Its resources include savings, professional expertise, international business networks, and the ability to transfer knowledge, technology, and professional standards. Syria could establish a diversified diaspora engagement portfolio rather than relying on a single financing channel. Such a portfolio could include investment funds supporting small businesses, matching-finance mechanisms for domestic investments, short-term expert missions, and institutional partnerships linking hospitals, universities, municipalities, and professional associations¹²¹.

The International Finance Corporation (IFC) has been engaging with the Syrian diaspora to

identify and leverage potential business opportunities that can support Syria's urgent recovery needs¹²². The Finance Ministry and the WB's Multilateral Investment Guarantee Agency (MIGA) have discussed the possibility of issuing bonds or sukuk for Syrian expatriates (diaspora bonds) to contribute to investment in Syria and reconstruction¹²³.

Financial instruments such as diaspora bonds may also expand available financing. Nevertheless, comparative experience does not support issuing broad sovereign debt instruments before confidence, repayment capacity, and financial transfer mechanisms have been restored.

India, for example, successfully mobilised substantial resources through diaspora bonds, but this success was underpinned by an organised investor base, institutional credibility, and reliable payment systems¹²⁴.

A specialised diaspora investment window could be established to provide unified information, connect investors with local partners through transparent competitive procedures, disclose beneficial ownership, and provide accessible complaints mechanisms.

7.6 Job Creation

The reconstruction process is expected to boost the local job market, especially in the civil and infrastructure engineering sector.

In some of the foreign investments announced, the government has emphasised that the companies are obliged to hire a specified share of local staff. This is key to ensuring that Syrian workers are part of the proceeds of the reconstruction.

Historical experience demonstrates that labour-based implementation approaches can reduce certain project costs, strengthen commu-

120 International Monetary Fund (2025), Syria—IMF Staff Concludes Staff Visit to Damascus. Press Release No. 25/188.

121 McAuliffe et al. (2026), Migration and Development: A Strategic Global Asset at Risk. IOM.

122 World Bank Group (2026), World Bank Group Moves to Boost Infrastructure and Private Investment in Syria.

123 The Syria Report (2025), Syria Courts Investors at the IMF-WB Annual Meeting.

124 Ketkar, S. L. and Ratha, D. (2007), Development Finance via Diaspora Bonds: Track Record and Potential, World Bank.

nity ownership, and integrate environmentally sustainable and climate-resilient public works into long-term recovery strategies¹²⁵.

A recent study examining the skills of returning Syrians, based on 5,335 survey responses across four governorates, found that more than 80 percent of respondents were unemployed despite many possessing previous professional experience, much of which had been acquired abroad. The study also identified significant gaps in technical qualifications, digital competencies, foundational skills, entrepreneurship, and access to recognised training programmes and professional certification¹²⁶.

The International Labour Organization has identified opportunities in construction materials, fruit and vegetable production, olives and olive oil, and medicinal and aromatic plants, based on complementarities between the productive capacities of Syria, Lebanon, and Jordan¹²⁷.

Such an approach would direct investment towards standards development, laboratory services, packaging, cold-chain logistics, transport, and marketing infrastructure, thereby creating employment opportunities for women, young people, and returnees, reconnecting producers with regional markets, and reducing Syria's dependence on real estate development and construction as the sole drivers of economic growth.

7.7 Correcting previous imbalances

The reconstruction process is an opportunity to correct previous social imbalances, adopt a participatory approach, include civil society and defuse grievances, ensuring the investments are equitably distributed among rural and urban areas and between governorates.

A country-wide strategy could help avoid geographical imbalances regarding the level of investments in urban versus rural areas, and avoid a Damascus-centric focus.

The government could adopt a geographical allocation formula combining the scale of physical damage, the number of residents, internally displaced persons, and returnees, service delivery gaps, poverty levels, and local implementation capacity. Offering specific incentives for investment in the least developed areas of the country or those most affected by the conflict could be an additional tool.

Dedicated financing windows should be established for governorates and municipalities, accompanied by continuous technical assistance for weaker regions. This approach is consistent with the place-based recovery framework recommended by the OECD for addressing regionally uneven recovery processes¹²⁸.

125 International Labour Organization (2025), *Employment-Intensive Investment Programme: Recovery and Reconstruction Works*. ILO.

126 International Labour Organization (2026), *Skills Profiling of Syrian Returnees*. ILO.

127 International Labour Organization (2026), *Regional Value Chains for Recovery: Creating Jobs and Shared Growth in Syria, Lebanon and Jordan*. ILO.

128 OECD (2022), *Rebuilding Ukraine by Reinforcing Regional and Municipal Governance*. OECD.

8. Policy Recommendations

Syria's reconstruction should be viewed not simply as a programme of physical rebuilding but as an opportunity to establish a more transparent, inclusive, and resilient economic system. The fate of reconstruction depends not only on financial resources, but on rebuilding institutions, restoring confidence in the rule of law, strengthening public administration, and creating conditions that encourage both domestic and foreign investment. The following recommendations identify the principal priorities.

8.1 Establish a unified national reconstruction framework

The government should create a single national reconstruction authority responsible for drafting a comprehensive country-wide reconstruction plan, as well as coordinating policies, setting priorities, harmonising standards, and monitoring implementation of reconstruction-related projects.

While ministries and governorates should retain responsibility for project execution, planning and financing should be coordinated through a transparent institutional framework that clearly defines responsibilities and avoids duplication. A publicly accessible national reconstruction database should provide information on projects, funding sources, implementation status, and geographical distribution.

8.2 Strengthen transparency and public accountability

Transparency should become a guiding principle of reconstruction. Newly established institutions, such as the Syrian Sovereign Fund or the Syrian Investment Authority, should publish annual reports, audited financial statements, procurement procedures, and information on project selection and implementation.

Major investment agreements, public-private partnerships, and the management of state as-

sets should be subject to parliamentary oversight and independent audit. Greater transparency will reduce investment risks, strengthen public confidence, and improve access to international financing.

8.3 Improve the investment climate through institutional reform

Recent reforms to Syria's investment legislation have improved the legal framework for investors. The priority should now shift towards improving implementation. Administrative procedures should be simplified through a genuine one-stop investment service operating under legally binding deadlines. Digital licensing systems, transparent fee schedules, predictable customs procedures, and independent dispute-resolution mechanisms aligned with international standards would reduce administrative uncertainty.

Eliminating opaque parallel decision-making structures could further enhance investor confidence.

Investment incentives should also be applied selectively and linked to measurable public outcomes, including the number of formal jobs created, the proportion of local procurement, workforce training and technology transfer, geographic distribution of investments, and improvements in water and energy efficiency.

Broad, unconditional tax exemptions may weaken public revenues while rewarding investments that would likely have proceeded regardless of government support. By contrast, performance-based incentives make it possible to withdraw or recover benefits when agreed commitments are not fulfilled.

8.4 Restore the banking sector and expand access to finance

Reconstruction cannot succeed without a functioning financial system. The authorities should prioritise restructuring commercial banks,

strengthening Central Bank independence, restoring payment systems, and improving banking supervision. International financial institutions could support this process through concessional credit lines, risk-sharing mechanisms, and technical assistance.

Particular attention should be given to expanding access to finance for small and medium-sized enterprises, which are likely to generate much of Syria's future employment. Financial products targeting the Syrian diaspora, including diaspora bonds and investment funds, could mobilise additional resources for reconstruction.

8.5 Prioritise infrastructure that supports economic recovery

Investment priorities should focus on infrastructure that generates broad economic benefits. Restoring electricity generation and transmission, rehabilitating water supply systems, repairing irrigation networks, rebuilding transport infrastructure, and expanding digital connectivity should take precedence over prestige projects. Infrastructure planning should incorporate climate resilience, energy efficiency, and renewable energy wherever feasible to reduce future operating costs and improve long-term sustainability.

8.6 Place water and agriculture at the centre of reconstruction

Given Syria's increasing water scarcity, agricultural recovery should be based on integrated water-resource management rather than simply rebuilding damaged infrastructure. Investment should prioritise efficient irrigation systems, rehabilitation of irrigation canals, groundwater management, wastewater treatment, and renewable-energy-powered pumping systems. Strengthening water-user associations and improving local water governance would enhance the sustainability of these investments while increasing agricultural productivity and rural livelihoods.

8.7 Ensure equitable regional development

Reconstruction funding should be allocated according to objective criteria, including conflict damage, population needs, poverty levels, infrastructure deficits, and the return of displaced populations. Without deliberate balancing mechanisms, investment is likely to concentrate in major urban centres while rural and heavily damaged regions continue to lag behind. Dedicated financing windows for poorer governorates, combined with technical assistance for local administrations, would help reduce regional disparities and strengthen national cohesion.

Reconstruction efforts should avoid a Damascus-centred lens and seek to correct previous geographical imbalances.

8.8 Protect housing, land and property rights

Secure property rights are essential for voluntary refugee return, private investment, and social stability. Reconstruction programmes should establish accessible and impartial mechanisms for property restitution, compensation, and dispute resolution while recognising both formal and customary tenure arrangements. Housing, land and property rights should be addressed before large-scale redevelopment projects proceed in order to minimise future disputes and strengthen confidence in the reconstruction process.

8.9 Strengthen local participation and institutional capacity

Successful reconstruction requires effective local institutions. Governorates and municipalities should be given greater responsibility for identifying priorities, supervising projects, and monitoring implementation within a nationally coordinated framework. Local communities, civil society organisations, professional associations, and the private sector should participate in reconstruction planning to improve account-

tability and ensure that projects respond to local needs.

Syria should avoid a Solidere-type reconstruction model catering to an elite and ignoring the existing social fabric. A positive step would be the establishment of recovery committees at the neighbourhood and town levels, bringing together property rights holders, women, young people, persons with disabilities, internally displaced persons, returnees, and representatives of the local private sector. These committees should operate under publicly available conflict-of-interest rules.

These committees should not replace elected councils or the public administration. Rather, they should provide an institutional channel linking local knowledge with national decision-making, while protecting the reconstruction process from domination by powerful interest groups or from reducing community needs to those projects considered most profitable by investors.

While the state needs foreign players to advance in the reconstruction process, it is imperative that the state ensures that the reconstruction responds to the needs of the many Syrians that lost their homes during the conflict. Social housing projects are less attractive than rapid profit projects such as luxury real estate or touristic investments, so the state should find a balance between the interests of investors and society.

8.10 Integrate governance reform into economic reconstruction

Syria's economic recovery depends as much on governance as on financial resources. Reconstruction policies should reinforce judicial independence, combat corruption, strengthen public financial management, and improve administrative professionalism. Clear separation between political, security, and economic decision-making would increase institutional credibility and reduce investment risks.

Economic reconstruction should therefore be pursued as part of a broader programme of institutional transformation. By combining infrastructure investment with governance reform, financial sector rehabilitation, protection of property rights, and inclusive economic policies, Syria can create the foundations for sustainable growth, encourage the return of private capital and skilled labour, and build a more resilient and equitable post-conflict economy.

The International Monetary Fund's consultations have emphasised that enabling private-sector development in Syria cannot be separated from broader reforms involving taxation, customs administration, public financial management, the Central Bank, payment systems, banking sector rehabilitation, anti-money laundering and counter-terrorism financing measures, and improvements in official economic statistics.

8.11 Revamping the statistical capacity

Capacity building is highly needed for local actors to lead reconstruction planning. This applies to both the private and public sectors. Most ministries and public bodies face challenges when gathering baseline data, and in most cases, they rely on figures provided by UN agencies. The revamping of the state's statistical capacity is a must. No successful planned reconstruction can materialise if the government struggles to identify the number of schools destroyed, the number of unemployed people, or the status of the irrigation network.

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