More than half a million deaths
6.6 million IDPs and 5.6 million registered refugees
13.4 million people in Syria in direct need of humanitarian assistance
A Syrian child is now expected to live 13 years less than before the conflict
This talk

The wrath of war (so far)
- Inside Syria
- In Syria’s neighbors

The steep road ahead
- Recovery in Syria
- The return of Syrian refugees
- Implications for Syria’s neighbors

What is to be done?
Syria Analytical Roadmap (2017-2020)
The wrath of war (so far)
Ironically, the welfare impact of the Syrian war is largely about the misery faced by the survivors.
What caused the income loss?

Infrastructure damages and functionality of facilities (2018)

<table>
<thead>
<tr>
<th></th>
<th>PHYSICAL DAMAGE</th>
<th>OPERATIONAL STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DESTROYED</td>
<td>PARTIAL DAMAGE</td>
</tr>
<tr>
<td><strong>SCHOOLS</strong></td>
<td>6.8</td>
<td>35.2</td>
</tr>
<tr>
<td><strong>HEALTH FACILITIES</strong></td>
<td>11.2</td>
<td>37.2</td>
</tr>
<tr>
<td><strong>HOUSING</strong></td>
<td>4.4</td>
<td>15.9</td>
</tr>
</tbody>
</table>
Disentangling the impact

**BEFORE CONFLICT**
- **CAPITAL**: Depreciates at a normal rate, replenished by investment
- **NETWORKS**: Link active capital and active workers at a normal rate (allows equilibrium unemployment)
- **LABOR**: In each period, decides to move to another region/sector or not in a “smart” way (by taking all future outcomes into consideration)

**AFTER CONFLICT**
- **CAPITAL**: Depreciates at a high rate (calibrated by using remote-sensing damage assessments), replenishment by investment slows down
- **NETWORKS**: Link active capital and active workers at a lower rate (calibrated by targeting actual GDP and migration patterns)
- **LABOR**: Given higher probability of death and low livelihood opportunities, emigrates at a faster rate
Drivers of the impact: destruction vs. disorganization

Economic disorganization has hurt the Syrian economy much more than infrastructure destruction.
Not everything in Mashreq since 2011 was caused by the Syrian conflict...
Regional impact: the channels of transmission

... and the regional impact of the Syrian war was not only about refugees.
The regional impact of the Syrian war has been larger than those in comparable cases, globally.

The pre-conditions of the impact matter
The steep road ahead
A scenario approach to future uncertainty

Security in Syria

By 2023, insecurity index decreases from 1.4 in 2017 to:
- 0.15 in the baseline
- 0.07 in the optimistic case
- 0.54 in the pessimistic case

Reconstruction in Syria

By 2023, the percent of lost service restoration is:
- 16 percent in the baseline
- 30 percent in the optimistic case
- 5 percent in the pessimistic case
Will refugees return to Syria?

**Actual returns so far**

- *Refugees*
- *Returnees (RHS)*
- *Resettlement (RHS)*

**Return simulations**

- *Returns relative to baseline path (%)*
- *Optimistic*
- *Pessimistic*
Refugees return more when:

- Conditions in Syria are better
- But not necessarily when conditions in exile are worse

### The “mobility calculus” of refugees

<table>
<thead>
<tr>
<th>Model</th>
<th>(1) OLS</th>
<th>(2) PQML</th>
<th>(3) OLS</th>
<th>(4) PQML</th>
</tr>
</thead>
<tbody>
<tr>
<td>Δ Conflict Events Index</td>
<td>-0.019***</td>
<td>-0.0087***</td>
<td>-0.023***</td>
<td>-0.060**</td>
</tr>
<tr>
<td></td>
<td>(0.0053)</td>
<td>(0.026)</td>
<td>(0.0056)</td>
<td>(0.024)</td>
</tr>
<tr>
<td>Δ Avg Luminosity Index</td>
<td>0.042***</td>
<td>0.044***</td>
<td>0.046***</td>
<td>0.038***</td>
</tr>
<tr>
<td></td>
<td>(0.014)</td>
<td>(0.0089)</td>
<td>(0.015)</td>
<td>(0.011)</td>
</tr>
</tbody>
</table>

### Model Specifications

- **Sample**: All
- **Observations**: 1505326
- **Tenured Refugees**: 1412159
- **Recent Refugees**: 93167
- **R²**: 0.163
- **Country of Origin Controls**: Yes
- **Demographic Controls**: Yes
- **District FE**: Yes
- **Arrival Year FE**: Yes
- **Country of Asylum FE**: Yes
Does the math check out?

Payoffs:

\[ W_i = \begin{cases} 
    u(w_i) + lu(w_i) & \text{if no return} \\
    u(w_i - \tau) + lu(v_i) & \text{if return} \\
    u(w_i - \tau) & \text{if failed return}
\end{cases} \]

Gains from return:

\[ \Delta_i = [u(w_i - \tau) - u(w_i)] + l[\pi_iu(v_i) - u(w_i)] \]

Comparative statics:

\[ \frac{\partial \Delta_i}{\partial w_i} = \left[ \frac{u'(w_i - \tau) - u'(w_i)}{\text{Opportunity cost}} \right] - \left[ \frac{lu'(w_i)}{\text{gain}} \right] \geq 0 \]

where:

\[ \lim_{w_i \to \infty} \frac{\partial \Delta_i}{\partial w_i} < 0, \quad \lim_{w_i \to \tau^+} \frac{\partial \Delta_i}{\partial w_i} > 0 \]
Limited positive fallout in the Mashreq Region from a limited recovery in Syria.

The future impact on Syria’s neighbors

GDP growth gains from security and service restoration in Syria

<table>
<thead>
<tr>
<th>Incremental Growth Effects (Annual Average, 5-Year Forward)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRAQ</td>
</tr>
<tr>
<td>GAIN IN GDP GROWTH (P.P.)</td>
</tr>
<tr>
<td>First scenario (baseline)</td>
</tr>
</tbody>
</table>

GDP growth gains from security and service restoration in Syria

The future impact on Syria’s neighbors
A “low equilibrium” is regenerated by daunting political-economy challenges and suboptimal policies.
What is to be done?
Progress within current political economy constraints possible by targeting “low-hanging” synergies.

A unilateral perspective

Two distinct but interconnected priorities:
1. Improve provision of public services to own constituents
2. Strengthen the medium-term perspective on conflict-driven protracted problems

- Protecting vulnerable populations
- Improving service access for all
- Investing in state capacity
In the Mashreq region, many problems are transboundary; their solutions should be too.
The regional perspective requires an ambitious level of regional and external coordination, which may be difficult to muster. But what is the alternative?
Bonus: Lessons learned
Practical lessons

- The political economy of knowledge
- Leadership
- Not “believing” in science
- Multidisciplinary vs. anti-disciplinary

Analytical spectrum

- Broad scope, low causal inference
- Narrow scope, better causal inference

Incomprehensible complexity

Streetlight effect