

Syria in Figures

Making Sense of Syria's Economy

Powering the Recovery: The Electricity Sector at a Crossroads

Syria's power grid remains on life support, but foreign investments offer hope. A close look at fuel supply, output, and costs helps clarify the significance of recent announcements.

Cutting Zeros, Restoring Trust: The Redenomination Debate

Amid a liquidity crunch and monetary uncertainty, redenomination emerges as a potential technical fix and a symbolic reset, but is the timing right?

Why the EU Should Grant Syria Tariff-Free Access

Granting Syria temporary tariff-free access helps shift its recovery from humanitarian aid to partnership. What can we learn from Ukraine's case?

Taxes in Syria, Episode Three: The Unseen Burden of Indirect Taxation

Syria's reliance on indirect taxes and fees burdens lower-income households disproportionately. A modern, fairer tax regime—featuring VAT and excise reform—is long overdue.

External Contribution: Gönül Tol, Director of the Middle East Institute's Türkiye Program

From reconstruction contracts to refugee returns, Türkiye is racing to shape Syria's future—and Erdoğan's own political survival may depend on it. Gönül Tol examines Türkiye's ambitions, rivals, and red lines in the wake of Assad's collapse.

Interview: Andrea Quaden, Executive Director, Aid Fund for Syria

The Aid Fund for Syria expanded from the northwest to formerly regime-held areas after Assad's fall, aiming to localize aid in support of early recovery. Emphasizing its apolitical approach, it faces funding cuts and sanctions hurdles.

Powering the Recovery: the Electricity Sector at a Crossroads

Six months after Assad's fall, Syria's public power output remains stuck at 1,600 megawatts (MW) per day. But a patchwork of emergency repairs, foreign-backed plans, and strategic investments is beginning to lay the groundwork for broader recovery. New gas deals with Qatar and Türkiye could double current output, supplying one-third of daily gas needs.

Domestic electricity production [dropped](#) to just 12,900 gigawatt hours (GWh) in 2023, down from nearly 49,000 GWh before the conflict. More than 30% is [lost](#) in transmission and distribution, leaving most people with [only a few hours](#) of power per day. Current output [stands](#) at less than one-fifth of pre-war levels—1,600 MW today versus 9,500 MW in 2010. (As [noted](#) in a previous edition of Syria in Figures, estimates of current capacity, assuming full fuel supply, vary widely.) The energy shortfall continues to severely constrain economic recovery.

The Interim Government (IG) has [made](#) the recovery of the electricity sector a top priority. Yet for years, international sanctions and overcompliance [made investment nearly impossible](#). The US [Caesar Act](#), in particular, discouraged third-country entities from engaging in “[significant transactions](#),” effectively preventing foreign participation in infrastructure projects. That began to shift in early 2025, when the US issued [General License 24](#) and the EU [suspended key sanctions](#).

Italy and Germany were among the first to act. In January 2025, Italian officials and representatives from [Ansaldo Energia](#) [visited](#) the Deir Ali power station, Syria's largest, and expressed readiness to assist with repairs and spare parts. Germany followed suit: [after EU-wide easing](#), Special Envoy Stefan Schneck [confirmed](#) that Siemens would begin work on another section of the same plant with a capacity of up to [1,500 MW](#).

Regional actors also moved to support the sector. In January, Syria's General Organisation for Electricity Transmission and Distribution [announced](#) that two electricity-generating ships from Türkiye and Qatar, expected to add 800 MW, were en route. Some reports [suggested](#) the ships had been dispatched following US sanctions relief, but no evidence of their arrival or integration into the grid has emerged. In parallel, efforts were made to revive energy connectivity and imports from [Jordan](#) and [Egypt](#) via restored pre-war infrastructure.

The turning point came in May 2025, when the EU [lifted most sectoral sanctions](#) and the US [expanded relief](#) via the issuance of [General License 25](#) and a [180-day suspension of the Caesar Act](#). This cleared the way for a USD 7 billion [Memorandum of Understanding](#) with a consortium led by Qatar's [UCC Holding](#), in partnership with Türkiye's [Kalyon](#) and [Cengiz Enerji](#) and with US-based [Power International](#). The deal includes the [construction](#) of four combined-cycle gas turbine power plants (totaling 4,000 MW) and a 1,000 MW solar facility in the south, nearly tripling current output. On 13 June 2025, UCC [secured](#) sites at [Deir Ezzor's al-Taym complex](#) for a 750 MW plant, a 1 GW solar

park, and the upgrade of three substations.

Not A Straightforward Recovery

Despite high-profile deals and renewed international interest, recovery of the electricity sector is far from assured. The IG [inherited](#) deep-rooted structural and institutional challenges that continue to hinder progress.

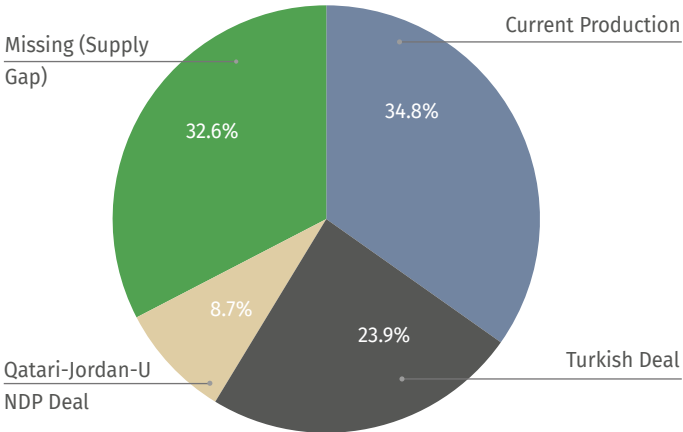
First, while sanctions relief by the [US](#), the [EU](#), and the [UK](#) has reopened the door to foreign engagement, the financial architecture behind large-scale projects remains fragile. Syrian banks remain [disconnected](#) from the global financial system, making fuel procurement and project financing difficult. Some banking channels still exist (e.g., UNDP funded power plant [rehabilitation](#) projects before the regime's fall), but it is unclear whether such channels are now accessible to private actors. Eased sanctions, however, may gradually improve the situation.

Second, fuel shortages persist. Many thermal power plants [remain idle](#) due to a lack of oil and gas; domestic production has [collapsed](#) and key fields [lie outside](#) government control. The IG's immediate priority is to secure enough fuel, something the Assad regime consistently failed to do without external support. In March 2025, the Caretaker Minister of Energy stated that meeting daily existing power plant [needs](#) would require about 23 million cubic meters of gas and 5,000 tonnes of fuel oil.

To help close this gap, Qatar and Türkiye have pledged gas supplies. Under a [deal](#) signed by the [Qatar Fund for Development](#) and Jordan's [Ministry of Energy and Mineral Resources](#), with UNDP serving as facilitator, Qatar would supply enough gas to generate [400 MW](#) via the [Arab Gas Pipeline](#) from Aqaba, or [roughly](#) 2 million cubic meters per day (cmd). Meanwhile, Türkiye has [committed](#) to supplying 5.5 million cmd via the recently [rehabilitated](#) Kilis–Aleppo pipeline beginning in early June, enough to generate 1,200 to 1,300 MW.

Combined, the two deals total 7.5 million cmd, roughly one-third of daily gas needs. When added to the 8 million cmd [produced locally](#), total available supply now stands at 15.5 million cmd, or 67% of daily requirements. In terms of output, the deals are expected to raise generation from 1,600 MW to 3,200 MW.

Breakdown of Syria's Natural Gas Supply (June 2025)



Source: Online media reports. Calculations and data compiled by Karam Shaar Advisory Ltd.

As of this writing, the Turkish deal's implementation and financing remain uncertain. Based on official figures, gas requirements to produce 1 MW vary between 4,390 cmd (Turkish figures) and 5,000 cmd (Qatari figures). Using current gas [prices](#) the Qatari contribution could be valued at USD 95.6 million per year, while the Turkish commitment could reach USD 262.1 million.

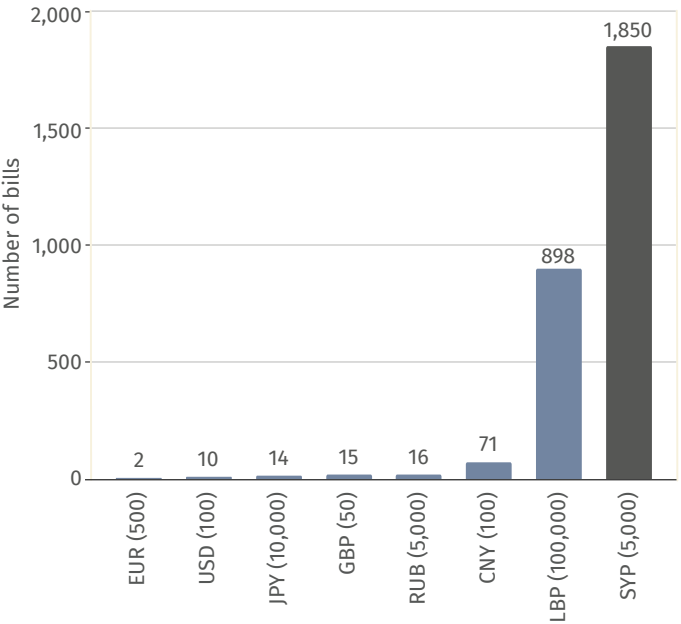
Third, the national grid is severely [degraded](#). Years of conflict have damaged or destroyed much of the transmission and distribution infrastructure. Technical [losses](#) remain high, and [theft](#) is common in some areas, limiting the effectiveness of increased generation. Without parallel investments in the grid, added capacity will not reliably reach consumers. According to unpublished government figures accessed by Karam Shaar Advisory Ltd., restoring the grid will require an estimated USD 1.5 billion and at least five years.

Finally, concerns are growing that the sector has become entangled in politics and potential corruption. The company heads of [UCC Holding](#), the lead partner in the flagship recovery deal, are currently at the center of a [legal case](#) in the UK. Moutaz and Ramez al-Khayyat have been accused of [financing](#) terrorism by supporting the [Al-Nusra Front](#). (The Front, once headed by now-Interim President Ahmad al-Sharaa, later became [Hay'at Tahrir al-Sham](#) and was recently [dissolved](#).) Their apparent proximity to the new leadership raises concerns about transparency in the award process, which could undermine public trust and discourage broader investment.

Cutting Zeros, Restoring Trust: The Redenomination Debate

The Syrian pound (SYP) now circulates in denominations as high as SYP 5,000, a note worth barely 50 US cents at the [current black market exchange rate](#). Since 2011, the currency has [lost](#) over 99.5% of its value, making everyday transactions increasingly burdensome. The equivalent of USD 1,000 in SYP 5,000 notes weighs two kilograms, compared to just 10 grams in USD 100 bills. This collapse not only disrupts commerce but also [strains](#) accounting systems and [reinforces](#) public perceptions of continued economic decline.

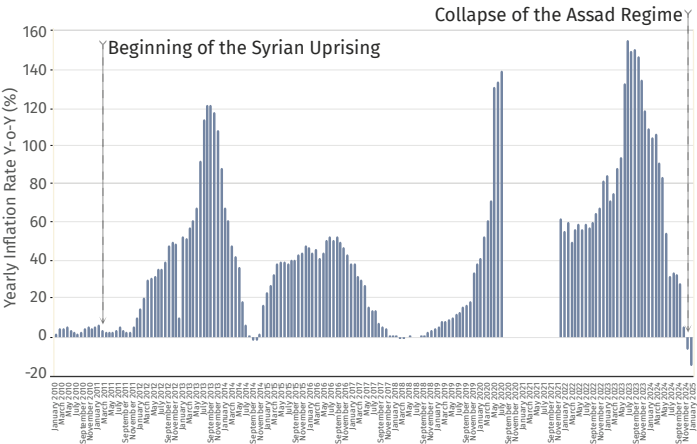
Number of Bills Required per Currency to Equal USD 1,000



Source: Online exchange rates platforms. Calculations and data compiled by Karam Shaar Advisory Ltd. Figures are calculated using the largest denomination available in each currency and the results are rounded to the nearest digit.

Redenomination, in principle, is a nominal adjustment that [does not affect](#) real purchasing power: what cost SYP 10,000 before would cost SYP 10 after removing three zeros. But its effects extend beyond arithmetic. It [improves](#) transactional efficiency by allowing prices to be expressed in Perhaps more importantly, redenomination [carries](#) psychological weight, especially among those who wrongly [equate](#) currency strength with economic health. Some experts [argue](#) that it could reassure the public that inflation, once rampant during the conflict, is now under control.

Inflation in Syria



Source: Central Bank of Syria. Data compiled by Karam Shaar Advisory Ltd.

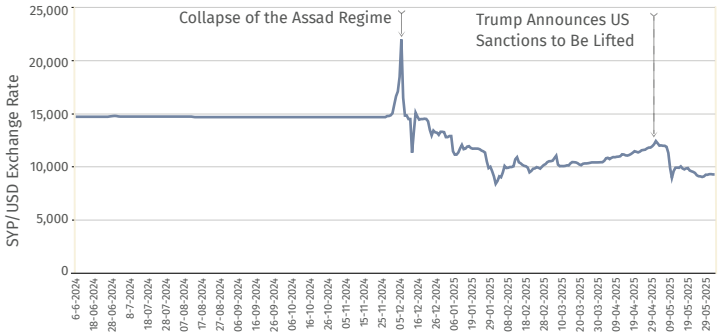
In this context, the psychological aspect may be even more pronounced. The current SYP 2,000 note prominently [features](#) the image of former dictator Bashar al-Assad. Redenomination would allow the Central Bank of Syria (CBS) to redesign the currency series, both as a practical step and as a symbolic break with the past. Issuing new banknotes free of Assad’s iconography could help reinforce public confidence in the emerging political and economic order, influencing behavior and potentially encouraging investment.



The SYP 2,000 banknote (left) bears a portrait of Bashar al-Assad. An earlier design of the SYP 1,000 note (above), still widely circulated, depicts his father, Hafez al-Assad (1970–2000).

If implemented carefully, redenomination could also [strengthen](#) monetary sovereignty. After the regime’s fall, black market speculation [surged](#) with dramatic swings in the exchange rate (see chart below). The standard deviation of the SYP black market rate—a key measure of volatility—jumped from 369.4 over the period from 8 June to 7 December 2024 to 1,518.6 in the six months that followed. This fourfold increase makes business planning more difficult and threatens recovery by undermining investor confidence.

SYP Black Market Exchange Between 8 June 2024



Source: Average black market exchange rates in major Syrian cities, based on three black market trackers. Data compiled by Karam Shaar Advisory Ltd.

In a largely [cash-based economy](#), large volumes of old banknotes held outside the formal system pose a serious challenge to monetary control. Redenomination could offer the CBS a chance to reset the monetary base. By declaring only the new notes as legal tender, monetary authorities could reassert control over money supply, weaken offshore hoarding, and improve tools for combating money laundering and terror financing.

Still, redenomination alone won't restore confidence in the SYP if the economy remains heavily dollarized. Since the regime's collapse, US dollar use has expanded in both [government-held areas](#) and the northeast, particularly following what appears to be [decriminalization](#) of foreign currency use in former regime zones. In the northwest, the Turkish lira has long been the dominant [medium of exchange](#). This widespread currency substitution presents a structural challenge to monetary reform. Without complementary measures, such as legal tender mandates, SYP-based pricing, or incentives to use local currency, the new pound may fail to take hold.

Getting Into the Process

Redenomination is not merely a technical exercise. It involves several [key phases](#): stabilizing macroeconomic conditions, preparing a rollout plan, printing the new currency, and finally introducing it into circulation.

In weak regulatory environments like Syria's, merchants may exploit the transition by [rounding up prices](#) or inventing unofficial exchange rates between the old and new currency. To counter this, authorities could implement a dedicated [redenomination policy](#), such as Türkiye's [Currency Law of 2005](#), that includes price-rounding caps, penalties for speculative pricing, and consumer protection units to monitor compliance in real time.

Equally important is a strong public communication strategy. In Türkiye, the government and central bank coordinated a [nationwide campaign](#) to educate the public, build trust, and ensure a smooth

transition to the New Turkish Lira.

International experience shows that timing is key. Countries that [implemented](#) redenomination after improving economic stabilization—such as [Türkiye](#) (2005), [Poland](#) (1990), and [Ghana](#) (2007)—reaped lasting benefits. In contrast, those that acted [during crises](#)—[Argentina](#), [Brazil](#), [Zimbabwe](#), and [Venezuela](#)—saw their new currencies quickly lose value, undermining public confidence and replicating the very conditions redenomination was meant to fix.

Syria, however, may be entering a more favorable moment. Many of the [drivers](#) behind the SYP's collapse, including [conflict](#), [sanctions](#), [capital flight](#), and [corruption](#), have either eased or disappeared. With Bashar al-Assad [ousted](#), sanctions [lifting](#), and a [reform-minded](#) government in place, the country has a rare opportunity. Inflation is already beginning to slow, as [noted](#) in a previous *Syria in Figures* issue.

That said, the SYP is not yet ready for redenomination. As long as the government [continues](#) financing deficits by [printing money](#) without boosting real economic output, inflationary pressure will return.

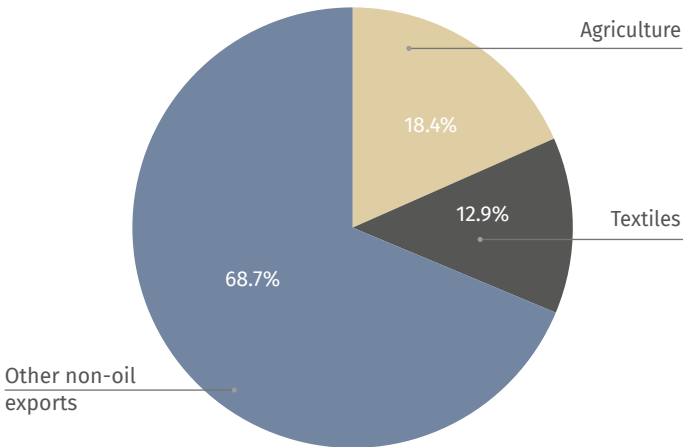
Given limited domestic capacity, authorities could benefit significantly from international support, particularly in capacity building, financial aid, and policy guidance from institutions such as the [International Monetary Fund](#). Countries that have undergone successful redenomination, including [Türkiye](#), could also offer valuable technical expertise. Finally, as part of a broader reform support package, donors could consider covering the cost of printing the new currency.

Why the EU Should Grant Syria Tariff-Free Access

As sanctions continue to [ease](#), the EU should take concrete steps to support Syria's recovery, starting with [Autonomous Trade Measures \(ATMs\)](#) that temporarily suspend tariffs and quotas on Syrian exports. Similar steps taken for [Ukraine](#) in 2022 stimulated production, investment, and trade without requiring a formal free trade agreement.

With Syria's economy today marked by a [collapsed industrial base](#) and a persistent [trade deficit](#) draining [foreign currency reserves](#), tariff-free access could boost recovery on multiple fronts. Favorable export terms would help revive key sectors—particularly [agriculture](#) and [textiles](#), which accounted for a [major share](#) of non-oil European imports before the conflict.

Share of Agriculture and Textiles in Total Syrian Non-Oil Exports to the EU in 2010

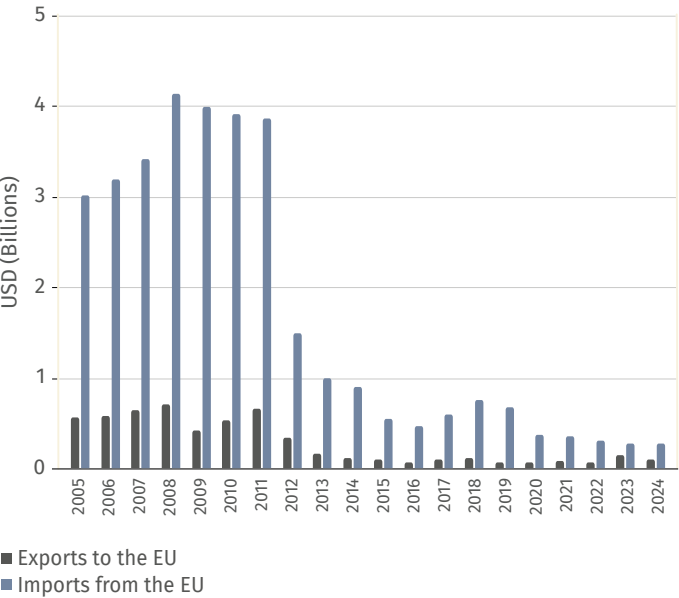


Source: Central Bureau of Statistics. Data compiled by Karam Shaar Advisory Ltd.

For the EU, tariff-free access offers a way to shift from [dwindling humanitarian aid](#) toward longer-term support. It could help restore [trade and banking ties](#), promote regional stability, and improve conditions for [refugee returns](#) by supporting post-conflict recovery.

Before the conflict, the EU was Syria's top export destination, accounting for 54% of total exports in 2010, according to UN Comtrade. Of the country's USD 8.8 billion in exports, USD 4.8 billion went to the EU, [largely in oil products](#). A return to such volumes is unlikely in the short term, given territorial [fragmentation](#), reduced [output](#), and the need to [prioritize domestic consumption over exports](#).

Syria's Non-Oil Trade with the EU



Source: UN Comtrade. Calculations and data compiled by Karam Shaar Advisory Ltd.

Excluding oil, exports to the EU totaled approximately USD 534.4 million in 2010 (15.2% of total non-oil exports), still making the bloc the top market. Among key products with export values over USD 10 million, which made up 84% of non-oil trade with the EU, were spices, nuts, cotton yarn, T-shirts, and various animal products (see table below). This underscores the existence of broad non-oil demand at least before the conflict.

Top EU Imports from Syria (2010)			
HS Code	Short Product Name	Sector	Value (USD)
27	Mineral fuels and oils	Energy	4,225,970,605
25	Salt, sulfur, earths, and stone	Minerals / Raw Materials	129,429,257
52	Cotton and cotton products	Textiles / Agriculture	65,993,558
61	Knitted apparel	Textiles / Apparel	53,242,202
41	Raw hides and leather	Leather	43,176,049
84	Machinery and mechanical parts	Machinery / Industrial	32,986,940
76	Aluminum and articles thereof	Metals / Manufacturing	32,451,000
05	Animal products (e.g., guts)	Agri-Food / By-products	20,381,768
09	Coffee, tea, and spices	Agriculture / Spices	16,881,251
62	Woven apparel	Textiles / Apparel	15,059,868
39	Plastics and articles thereof	Chemicals / Manufacturing	14,739,972
85	Electrical machinery	Electronics / Industrial	12,948,232
08	Edible fruits and nuts	Agriculture / Food	11,571,277

Source: UN Comtrade. Data compiled by Karam Shaar Advisory Ltd.

Today’s modest trade figures stand in stark contrast to pre-conflict levels. Between 2005 and 2010 average annual non-oil exports to the EU reached USD 594.4 million, compared to just USD 103.7 million between 2012 and 2024.

One useful point of comparison is Ukraine, where the impact of ATMs [since June 2022](#) is instructive. UN Comtrade data shows sharp increases in EU imports of Ukrainian agricultural goods between 2021 and 2024. Other sectors—such as heavy industry and metals—declined, largely due to wartime [disruptions](#) and shifts toward domestic needs.

Top EU Imports from Ukraine before and after the implementation of Autonomous Trade Measures (2021–2024)					
HS Code	HS Code Name	Direct Military Use?	2021 (before ATMs)	2024 (after ATMs)	% Change (EU)
10	Cereals	No	\$2,068,585,972	\$4,795,237,566	131.81%
15	Animal or vegetable fats and oils	No	\$2,450,598,105	\$3,303,336,278	34.80%
12	Oil seeds and oleaginous fruits	No	\$1,614,233,312	\$2,652,902,875	64.34%
72	Iron and steel	Yes	\$5,914,202,538	\$2,069,145,444	-65.01%
26	Ores, slag, and ash	Yes	\$3,526,880,525	\$2,068,198,714	-41.36%
85	Electrical machinery/ equipment	Yes	\$2,244,821,471	\$1,742,556,478	-22.37%
44	Wood and articles of wood	Possibly	\$1,626,397,095	\$1,396,447,012	-14.14%
23	Residues and waste from food industries	No	\$509,405,094	\$878,117,478	72.38%
94	Prefabricated buildings, furniture, and lighting	Possibly	\$747,842,475	\$728,123,296	-2.64%
73	Articles of iron or steel	Yes	\$597,477,030	\$530,575,018	-11.20%
Source: UN Comtrade. Data compiled by Karam Shaar Advisory Ltd.					

Even in sectors that declined, EU imports from Ukraine fell less sharply than the global average. Between 2021 and 2024, EU imports of iron and steel dropped by 65%, compared to a 73% global decrease. Imports of ores, slag, and ash declined by 41.4%, versus 51.3% worldwide.

In some key agricultural sectors, the EU [introduced](#) safeguard measures to [protect](#) local producers from a surge of cheap duty-free imports, underscoring the effectiveness of ATMs in boosting Ukrainian exports. But similar risks appear minimal in Syria’s case. As of 2024, total exports to the EU—with oil excluded due to existing sanctions—stood at just USD 111 million. Even in 2010, non-oil exports totaled only USD 534.4 million, well below Ukraine’s USD 28.4 billion in exports to the EU in 2021, prior to the introduction of ATMs (per UN Comtrade).

Policy Safeguards and Considerations

While ATMs could provide significant economic benefits to Syria at minimal cost to the EU, certain risks must be addressed.

The primary concern is [trade diversion](#), where neighboring countries may see their exports undercut by less competitive goods rerouted through Syria. To mitigate this, any ATM arrangement should be temporary and framed explicitly as post-conflict support: a bridge to renewed economic ties, increased investment, stronger local production, and eventually a formal trade agreement.

[Widespread smuggling](#) also poses a risk, particularly the re-export of non-Syrian goods under false certificates of origin. In the Ukrainian case, EU ATMs were conditional on rules-of-origin compliance. A Syrian ATM package should likewise be paired with EU-backed efforts to strengthen customs enforcement, origin verification, sanitary controls, and product safety oversight.

Another challenge is ensuring Syrian producers can actually benefit from new trade preferences. For example, Syria qualifies under the EU's [Generalised Scheme of Preferences](#), which removes EU import duties for vulnerable developing countries. But it [used](#) less than 1% of these benefits in 2023, likely due to low awareness, complex documentation, and weak institutional capacity.

Unlike formal trade agreements, ATMs require no negotiations. Given the precedent set with Ukraine, offering similar concessions to Syria represents a straightforward, low-cost, and high-impact step.

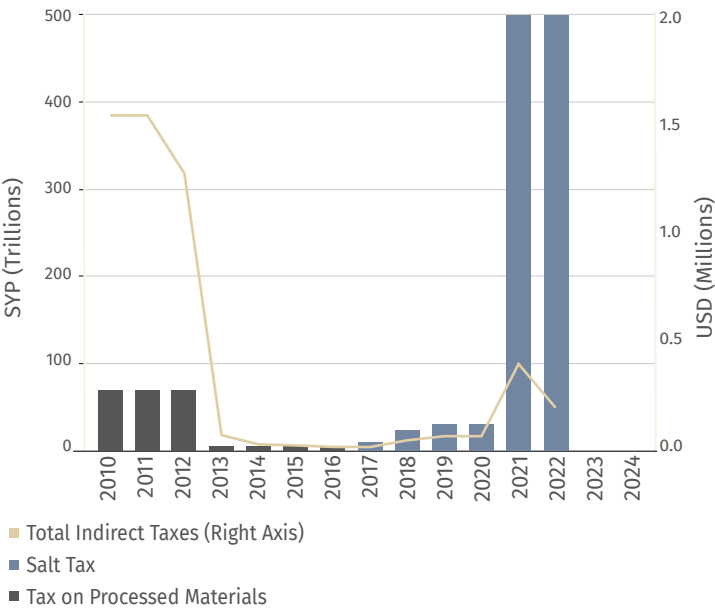
Taxes in Syria, Episode Three: The Unseen Burden of Indirect Taxation

As [highlighted](#) in the April and May 2025 issues of *Syria in Figures*, the Syrian Interim Government (IG) is working to overhaul the national tax system. This article [concludes](#) the series with a focus on indirect taxes and fees.

Indirect taxes and fees are [levied](#) on individuals or institutions but collected through intermediaries (e.g., producers, retailers, or service providers). Built into the price of goods and services, they shift the burden to consumers at the point of purchase, without requiring direct payment to the government. This approach improves [compliance](#) by obliging sellers to remit taxes on behalf of consumers and limits [evasion](#), since it targets visible transactions rather than wealth or profit.

Between 2010 and 2024, the state budget listed four indirect taxes imposed on processed materials, agricultural produce, salt, and sugar. However, forecast revenue appeared only for tax on processed materials from 2010 to 2016, and salt from 2017 to 2022. The 2023 and 2024 budgets projected no revenue from any of these taxes.

Indirect Taxes

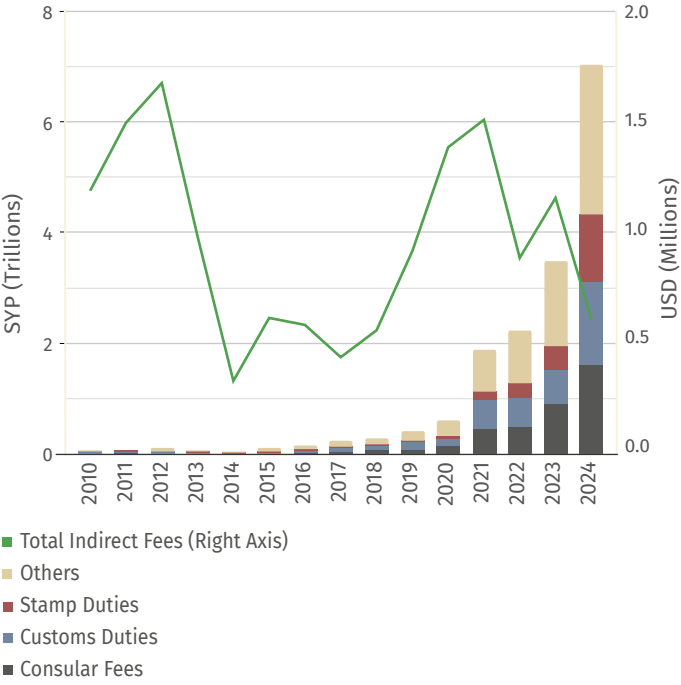


Source: State Budget, accessed through the Official Gazette. Exchange Rate from Media Articles. Data compiled by Karam Shaar Advisory Ltd.

Conversely, reliance on [indirect](#) fees increased during the conflict. These fees are typically [regressive](#) (applied uniformly regardless of income), placing a heavier burden on lower-income households. Yet according to budget data, their share of total revenue rose from 7% in

2010 to 16% in 2024, with nominal revenues increasing a hundredfold. In US dollar (USD) terms, however, indirect fee revenue fell from USD 1.16 billion in 2010 to USD 555 million in 2024. The slower rate of decline, compared to other revenue streams during the conflict, reflects how difficult these fees were to avoid.

Indirect Fees



Source: State Budget, accessed through the Official Gazette. Exchange Rate from Media Articles. Data compiled by Karam Shaar Advisory Ltd.

Throughout the conflict, customs duties remained a steady and significant source of government revenue. Collected under [Customs Law 38 of 2006](#) and amended through various [presidential decrees](#), they have made up roughly a quarter of forecast indirect fee revenues since 2012. However, these duties are among the few indirect fees [prone](#) to widespread evasion through under-invoicing, smuggling, and bribery, [costing](#) Syria tens of millions of dollars each year. Since taking power, the IG has [abolished](#) ten widely criticized customs fees [viewed](#) as corrupt and inconsistent with international norms, signaling a commitment to anti-corruption and customs reform. These changes have also helped [lower import costs](#) and, by extension, retail prices.

Stamp duties represent another major source of indirect revenue. Typically paid by affixing a revenue stamp to official documents, they are anchored by the financial stamp duty applied to documents, contracts, and other official papers, governed by [Legislative Decree 44 of 2005](#). Other types [include](#) the Martyr Stamp, War Effort Stamp,

[National Contribution Stamp for Reconstruction](#), and Engineering Stamp. During the conflict, stamp duties on average contributed about 12% of forecast indirect fee revenues annually.

The leading forecast revenue source for 2024, however, was the consular fee. Regulated under [Law 19 of 2023](#), consular services are [formally priced](#) in foreign convertible currencies—primarily the USD. Fees range from USD 50 to USD 200, with USD 300 for a standard passport and USD 800 for expedited issuance. A 1.5% fee also applies to the value of commercial invoices legalized abroad. Under the Assad regime, where consular fees became a vital revenue stream, many Syrians viewed these charges as [extortion](#), especially amid [reports](#) of abuse in consular operations. By 2024, consular fees accounted for 25% of forecast indirect revenues, up from just 5% in 2010.

As with [direct taxes](#), the indirect tax and fee system requires urgent reform. Customs and import duties, originally [intended](#) to regulate trade and protect local industry, have often been used as blunt revenue tools. This has [fueled](#) inflation and raised consumer costs. Fees on Luxury Consumer Expenditures are [applied too broadly](#), with little distinction between essential and non-essential goods. For example, levies on mobile phones and telecom services exacerbate inequality.

One of the most critical structural gaps is the [absence](#) of a modern, broad-based Value Added Tax (VAT), despite earlier regime [claims](#) it would be introduced in 2024. VAT is globally favored for its efficiency, resistance to evasion, and neutrality across supply chains—it collects revenue without distorting production decisions.

Targeted [excise taxes](#), particularly on tobacco and alcohol, could further improve equity if revenues are directed toward public health.

Looking ahead, [post-conflict](#) tax policy must shift from short-term revenue extraction to long-term development and fairness. This means easing the burden on essential goods, taxing luxury consumption more heavily, and adopting policies that are fiscally sound and socially just. Strategically, building a fairer, more transparent tax system will be [vital](#) to restoring public trust and supporting both economic and social resilience.

External Contribution: Gönül Tol, Director of the Middle East Institute's Türkiye Program



Turkish president Recep Tayyip Erdoğan is betting that a stable, prosperous post-Assad Syria will bolster his chances in the 2028 elections—and he's not wrong. But while post-Assad Syria offers openings, major hurdles still stand in his way.

Türkiye aims to dominate the economic landscape in post-Assad Syria

Following the collapse of the Assad regime, Syria entered a new phase of recovery. Türkiye, which [supported](#) opposition forces throughout the conflict, quickly emerged as a [central actor](#) in reconstruction—across infrastructure, the economy, and governance. Leveraging geographic proximity, pre-war trade ties, and its deep involvement in the north, Türkiye moved swiftly to integrate its public and private sectors into the rebuilding process.

Turkish construction firms and government agencies [spearheaded](#) major rebuilding projects, particularly in housing, public works, and utilities. Cement and steel exports [surged](#), and Turkish contractors began [bidding](#) on infrastructure contracts across Syria. A flagship initiative is the [large-scale housing program](#) in the northwest, aimed at enabling the voluntary return of up to one million refugees from Türkiye. These projects are backed by Turkish agencies and NGOs such as [AFAD](#) and [Kızılay](#), with additional funding from Qatar.

Türkiye has also positioned itself as a crucial energy partner. In May 2025, Syria signed a USD [7 billion energy deal](#) with a Qatar-led consortium—including Turkish companies [Kalyon](#) and [Cengiz Holding](#)—to build gas and solar power plants. In the meantime, Türkiye agreed to temporarily [supply](#) Syria with electricity and natural gas via a dedicated [cross-border grid connection](#).

Trade between the two countries [rebounded](#) sharply after Assad's ouster. Turkish exports [rose by approximately 37%](#) in early 2025, particularly in construction materials, food, and machinery, as reported by Reuters. The two governments also [agreed](#) to reinstate their pre-war [Free Trade Agreement](#) and streamline customs procedures, improving logistical efficiency.

Plans are underway to establish Turkish-run industrial zones inside Syrian territory, offering Turkish firms lower operating costs while creating jobs for Syrians. Turkish ports such as [Mersin](#) and [İskenderun](#) are being expanded to handle increased cargo flow.

Turkish agribusinesses are [investing](#) in agricultural revival by providing seeds, fertilizer, equipment, and contract farming opportunities. In parallel, Turkish and Syrian financial authorities are [coordinating](#) to reconnect Syria's banking system to regional markets, aiming to facilitate trade and capital flow, according to [Reuters](#).

The Turkish Cooperation and Coordination Agency ([TİKA](#)) has resumed operations, focusing on cultural restoration, vocational training, and healthcare infrastructure. Humanitarian organizations like [Kızılay](#) and [AFAD](#) remain actively involved in building clinics and housing, often in coordination with Gulf and Western donors.

Despite Türkiye's efforts to take the lead, it faces stiff competition from regional heavyweights. Gulf states—particularly [Saudi Arabia](#), the [UAE](#), and [Qatar](#)—are investing heavily, both to limit Iranian influence and to [counter Türkiye's regional expansion](#). While Ankara and Riyadh have [cooled tensions](#), their economic rivalry in Syria is intensifying. Meanwhile, Iran and Russia, both [long-time backers](#) of the Assad regime, are determined to protect their stakes. Even China is quietly [positioning itself](#) for a role in infrastructure and energy projects.

Yet the Syrian state itself poses serious challenges. Years of war have [left](#) a devastated economy, shattered infrastructure, and a weak transitional government with limited institutional capacity—creating major risks for Turkish firms seeking stability and legal clarity.

Security risks loom large as well. The [resurgence of ISIS in June 2025](#) threatens the Syrian Interim Government's (IG) stabilization and reconstruction efforts. With an [estimated](#) 2,500 active ISIS fighters in Syria and Iraq—and thousands more in prisons and detention camps—the group is exploiting fragile governance, broken infrastructure, and the power vacuum left by Assad's fall. The IG, already stretched thin and lacking robust administrative or military capacity, must now divert scarce resources to counterterrorism, undermining economic priorities and stalling rebuilding just as it was gaining momentum.

Türkiye's Push to Return Syrian Refugees Faces Harsh Post-Assad Realities

The return of refugees is also central to both Türkiye and Erdoğan's Syria policy. Indeed, one of his biggest vulnerabilities remains [public resentment](#) toward Syrian refugees—a factor in his party's [2019 municipal election losses](#). With Assad gone, Erdoğan is banking on improved conditions to enable large-scale returns and ease political pressure at home. As a result, Türkiye has expanded border processing and promoted "[go-and-see](#)" [visits](#) to encourage voluntary returns. Over 130,000 refugees have returned since December, but that figure remains a small fraction of the total. Turkish officials insist repatriation will be humane and voluntary, yet nationalists continue to demand quicker, broader action.

Yet the vast majority of refugees are unlikely to return soon.

Despite the regime's collapse, Syria remains unstable and divided. The IG faces [militia clashes](#), Israeli airstrikes, and collapsing infrastructure. Forced returns remain prohibited under international law, and the UNHCR still considers the country unsafe. Many returnees arrive to find their homes destroyed, services absent, and livelihoods impossible. While a few returned quickly, most remain

wary. A January 2025 UN survey [found](#) that 80% of respondents expressed hope of returning “someday.” In another survey question, only 27% said they planned to return “in the next 12 months.”

Syria Complicates PKK–Türkiye Talks

A key factor in Erdoğan’s political future is the ongoing dialogue with the Kurds, an issue that also intersects with developments in Syria. Barred from [running again in 2028](#) under the current constitution, Erdoğan is pushing for a new charter to lift term limits and needs pro-Kurdish parliamentary backing to succeed. As a result, his nationalist coalition engaged with Kurdistan Workers’ Party (PKK) leader Abdullah Öcalan, resulting in the [PKK’s landmark decision to disband](#) and abandon armed struggle.

But the future of the talks now hinges on negotiations between Damascus and the PKK-linked Syrian Kurds.

On 10 March, the Syrian Democratic Forces (SDF)—dominated by PKK-affiliated groups—and the transitional government in Damascus [signed an agreement](#) outlining the SDF’s phased integration into a unified national military, the disarmament of non-state armed actors, and new administrative arrangements offering local autonomy to Kurdish areas. Stuck between its hostility toward the SDF and its support for Syrian state institutions, Ankara has now repositioned itself as a conditional supporter of the agreement. But its backing depends on three red lines: full disarmament of the People’s Protection Units (YPG), no Kurdish autonomy near the Turkish border, and the exclusion of PKK-linked actors from Syria’s future security structure.

Implementation remains shaky, however. Syrian officials have called Ankara’s demand for YPG disarmament unrealistic, suggesting instead that the group may be absorbed—armed—into the national army. Turkish nationals within YPG ranks add to Erdoğan’s dilemma. Nationalist ally Devlet Bahçeli has already warned that disarmed PKK fighters could simply reemerge across the border.

Interview: Andrea Quaden, Executive Director, Aid Fund for Syria (AFS)



What is the Aid Fund for Syria, and what led to its recent transformation?

The Aid Fund for Syria (AFS) evolved from the Aid Fund for Northern Syria (AFNS), a multi-donor pooled fund established in late 2022 with support from Germany, the US, the UK, and France. AFNS was created as a contingency mechanism for the UN CHA Syria Cross-Border Humanitarian Fund, in anticipation that the UN's cross-border access might be revoked or politicized—a concern that materialized in July 2023 due to Russian opposition at the UN Security Council.

AFNS sought to channel funding outside of UN frameworks, prioritize early recovery, and promote localization. Following the fall of the [Assad] regime on 8 December 2024, AFNS expanded into AFS, with a nationwide mandate. It now supports Humanitarian-Development-Peace programming and aims to become a fully localized fund that places Syrian actors at the center of both delivery and decision-making.

What do you mean by “localization,” and how is AFS putting this into practice?

Localization goes beyond partnering with big national NGOs. It's about empowering community-based local actors such as women-led organizations, neighborhood initiatives, and emerging civil society organizations (CSOs) that are closest to the community. However, these local groups often lack the capacity to absorb larger grants, which has historically made them more challenging to work with in the Syrian context. That's why we use an “anchor organization” model: a trusted national partner channels funds and supports smaller CSOs in designing and implementing projects. This keeps the process locally driven, and transfers leadership and ownership while avoiding costly international intermediaries.

We're also reforming our governance structure, which has historically been dominated by international NGOs (INGOs) from the northwest. We plan to launch a process to make it more representative of Syria as a whole. The aim is to give a stronger voice to diverse communities and platforms across the country. For us, localization means shifting both funding and decision-making power to Syrians themselves.

How do sanctions affect your operations, especially regarding fund transfers?

Sanctions are a major concern, but we have a strong risk management framework adapted to Syria. AFS finances humanitarian activities that are permitted under Syria sanctions regulations. Since our inception we have been working with partners that are registered in Türkiye and transfer money into Syria using the Turkish Post (PTT), which has

branches in the north of Syria. As we expand our scope beyond northern Syria, we and our partners are exploring additional compliant channels for transferring money across the country.

Who are your current donors, and how are they involved in the AFS governance?

Our donors include the UK, US, Germany, France, the Netherlands, Qatar, and Jersey (UK Crown Dependency). Together, they've contributed over USD 110 million since the start of our operations. The fund is governed by a Steering Board composed of three donors (UK, US, and a seat shared by Germany and France), three INGOs, and three national NGOs. I serve as the Executive Director, but decision-making lies with the Board.

Unfortunately, due to the American [Trump] administration's funding cuts, we recently lost about USD 6 million in US support. These cuts affected one of our key allocation envelopes focused on piloting the anchor organization model for localization. We prioritized urgent multi-sectoral humanitarian interventions for displaced people and in areas not accessible to us before the fall of the regime. The larger challenge now is planning: we no longer have multi-year visibility, especially due to the current funding environment. This affects both staff planning and our ability to support local partners long-term.

Could reconstruction funds counterbalance declining humanitarian aid? Are donors more inclined to support early recovery today?

Even within the context of US funding cuts, no significant donor surge has occurred. The overall aid trend remains downward. Events like the 2023 earthquake triggered a temporary spike in funding. But structurally, support for Syria has been in a steady decline for years. Western donors are under increasing fiscal pressure, and although Syria remains on their radar, it now competes with multiple global crises.

Look at what happened in Brussels: all the announced funding created the impression of a renewed commitment. But anyone who has worked in this space knows that much of that money isn't actually new. It's often loaned, rebranded, or recycled, and most of it is earmarked for the Syria response broadly, not necessarily for the areas or priorities most in need.

Gulf donors are playing a growing role, with a current focus on reconstruction and state-led efforts. There may be opportunities ahead to engage them more around humanitarian and recovery priorities.

How do you distinguish between aid, early recovery, and reconstruction?

Even before the regime fell, we were pushing the envelope on early recovery within the Humanitarian Response Plan. For example, we allowed 24-month project durations and funded system-strengthening initiatives like blood banks, projects not classically funded by humanitarian donors. After 8 December [2024],

we've taken this further with area-based interventions like supporting the reconstruction of Marat al-Numan Hospital, improving the surrounding infrastructure and services. Projects are not designed top-down; instead, we take a bottom-up approach, with our partners co-designing projects alongside communities to ensure relevance and sustainability.

Do you work with the UN or coordinate with their operations?

Historically, our relationship with UN agencies like OCHA was strong, though sometimes challenging. AFNS was designed as a contingency mechanism for the OCHA Syria Cross-Border Pooled Fund. We have been coordinating with the cluster system and adhere to the Humanitarian Response Plan.

Now, with the new political landscape, we aim to redefine our role as a complementary actor. We coordinate with a range of actors (such as the UN, bilateral donors, the Syrian Recovery Trust Fund, line ministries, and technical bodies) to avoid duplication and increase impact. It is essential for us to work collaboratively with all actors involved to support Syrians through this critical transition phase.

How are you navigating the politically fragmented recovery landscape and engaging with new authorities in Damascus?

We have always retained our humanitarian mandate and political independence. This is central to our model and a key difference from UN-led or stabilization actors. Our relationship with the new authorities in Damascus is good. We've been operating in northern Syria for several years, which has helped us build longstanding relationships with local authorities. Since January [2025], we've engaged technically with new ministries, many of which are led by individuals we already know from previous roles and have kept our consultations focused on sectoral matters only.

SYRIA IN FIGURES

What is Syria in Figures?

Syria in Figures is a monthly publication that provides data-driven and insightful analysis of developments shaping Syria's political economy. It prioritizes relevance and novelty, which makes it a vital resource for policymakers, humanitarian implementers, researchers, and other stakeholders attempting to understand Syria's complex landscape.

Recent publications and contributions:

[It's Time to End the EU's Assad-Era Sanctions on Syria \(Middle East Institute\)](#)

[Syrian Mercenaries in Ukraine \(Observatory of Political and Economic Networks\)](#)

[Iran's Economic Involvement in Syria and its Implications, 2011-2024 \(Observatory of Political and Economic Networks\)](#)

[Russia's Economic Footprint in Syria and the Implications of Assad's Downfall \(Observatory of Political and Economic Networks\)](#)

[Syria and the FATF Gray List: Barriers to Financial Reintegration and Pathways Forward \(Observatory of Political and Economic Networks\)](#)

Syria in Figures is produced by Karam Shaar Advisory Limited. It is funded by a generous grant from the German Stabilisation Platform (SPF).

The views and opinions expressed in this publication are those of the authors and do not necessarily reflect SPF's official policy or position.

Editor in Chief: Karam Shaar

Coordinator and Contributor: Benjamin Fève

Contributors: Mohamad Ahmad

Fact-Checking: Vittorio Serracapriola

Designer: Amin Qurabi

Copy Editor: Traci Lawrence

We Value Your Feedback!

Let us know what you think about our newsletter.

Share your thoughts and suggestions with us at

Benjamin@karamshaar.com

