

# Economic Map of New Syria

## Fiscal & Monetary Policies

Briefing



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### Abstract

This is just a summary of the complete study. It covers an overview of the Water Sector in Syria and the recommendation for three-phase planes. immediate. medium and long terms.

### Overview

This study has been prepared about the fiscal and monetary policies sector and institutions responsible for the monetary and financial planning in terms of reality and restructuring in the reconstruction phase after the crisis. The study defines a set of proposals and recommendations; the most important proposals and recommendations are:

#### In the field of fiscal policy:

1. Rationalizing the investment expenditure; and denying to adopt any projects without including a review of social and economic feasibility study.
2. Reviewing the ongoing expenditure and the methods of distribution of appropriations and reducing any unnecessary expenditure. as well as applying the rule of “Rational Spending”.
3. Defining an integrated support policy with focusing on the importance of the finding ways to channel support to those who need it.
4. Focusing on revenues’ reform and increasing revenues of income and budget through the collection of taxes and fees and spreading public awareness that paying taxes is a patriotic and national duty.
5. Restructuring the tax administration; and improving the efficiency of workers in the monetary and financial sector and maintaining qualified experts in all financial and monetary institutions.
6. Revising the tax exemptions in accordance with the intended purpose. which should be set to serve the developmental goals and to stimulate investments in sectors that create job opportunities and increase the degree of industrialization and value-added.
7. Revising the indirect taxation. which form an important source for the budget.

## In the field of the monetary and funding policy:

1. Granting the Central Bank a complete independence in formulating monetary policy in accordance with international standards and making it accountable directly to the President of the republic.
2. Improving the control over banks through the activation of the government commissariat for banks in order to achieve more flexibility in financing operations.
3. Using the indirect instruments of monetary policy, such as discount rates and using governmental bonds gradually to influence the compulsory reserves ratios for banks.
4. Utilizing the cash reserves through investment projects.
5. Activating the role of interest rate and making it flexible in accordance with the current economic conditions with a focus on the main objective of the monetary policy (Economic growth and overall stability)
6. Developing indirect instruments to guide lending towards vital sectors (Secondary manufacturing, research and development centers).
7. Encouraging micro-loans to combat poverty in marginalized areas.
8. Issuance of governmental securities (treasury bills and bonds) to enable the central bank of Syria to manage liquidity in the market.
9. Developing the Islamic funding formulas and utilizing it in the process of financing the budget in the reconstruction phase. In particular, the issuance of instruments or Islamic bonds to benefit from the Malaysian experience.
10. Investing the fund of social insurance in income-generating projects and avoiding retaining these funds in the form of deposits or financial savings.

In addition, the study suggests the implementation of the proposed recommendations through three phases:

### The Ambulatory Phase (Six Months):

This phase suggests steps to be implemented by the government since the first day after its inauguration, especially with regard to the return of all displaced and refugees to their homes and resuming the work of all public institutions, which had been either destroyed or damaged during the crisis. It also identifies the roles of each of the Ministry of Finance and the central bank during this period. In addition, it suggests the issuance of the decree to form

the Reconstruction Fund

### The Medium Phase (Two Years):

This stage included the necessary suggestions to implement for the rehabilitation of the infrastructure and the reconstruction of what have been destroyed during the past two years. It also discuss the role of banks in the funding process and the role of the securities market to achieve and support the stability of the exchange rate of the Syrian pound.

The third phase (Five Years): This stage includes the necessary recommendations to enable each of the Ministry of Finance and the Central Bank to formulate fiscal and monetary policies. These policies should contribute in enabling the Syrian economy to prosper through:

- Achieving the desired economic growth rates.
- Curbing inflation
- Stabilizing the exchange rate

The study also includes what kind of support the Financial sector requires from the Syrian. Arab and International business communities as well as from the countries in the Group of the Friends of the Syrian People.