

## Syria's New Investment Law Establishes Special Economic Zones

26-05-2021

Last week the Syrian president issued Investment Law No. 18 of 2021, which replaces Investment Law No. 8 of 2007. The most important aspect of the new law relating to HLP rights is a new method of employing private investment for establishing a diverse range of economic projects in some areas that were damaged by the war.

The new text also increases the powers of the [Syrian Investment Agency](#) which was established under Legislative Decree No. 9 of 2007.

Among the powers added by Law No. 18 of 2021 is that the [Syrian Investment Agency](#)'s board of directors has the right to propose the establishment of special economic zones. Such zones were not mentioned in previous investment laws but are defined in Law No. 18 as "an investment zone located within the Syrian Arab Republic, created with the aim of establishing a certain economic activity".

One of the first drafts of Law No. 18 of 2021 introduced the concept of special industrial zones, though this developed in subsequent drafts to special economic zones that would be open to investment from the private sector in partnership with the state.

Under Law No. 18, the goal of the special economic zones is to encourage specific business sectors as well as to establish an "interconnected group of economic activities, as production or service clusters." With regard to their impact on HLP rights, the zones will serve "to develop damaged or developing areas in order to achieve comprehensive growth".

There are three types of special economic zones under Law No. 18. The most important type with regard to HLP rights is the so-called development zone, which is defined as "an investment zone for purposes of development or [real estate development](#), or for reconstruction in cases where the area was damaged by the war".

A distinction must be made between the two types of projects that are included within the scope of Law No. 18: the first refers to projects established by the investor alone or through joint companies with public sector entities, excluding banks; the second refers to projects offered by public sector entities on lands they own - referred to as privately-owned state properties - to private investors and that are not subject to [Public Private Partnership Law No. 5 of 2016](#).

Under Private State Property Law No. 252 of 1959, so-called privately-owned state properties are properties that are not allocated for public benefit but that are under the state's control. State private property is classified in 12 types, most important of which are Amiri lands, properties listed in the [Land Registry](#) in the state's name, properties listed in the records of the State Property Administration, certain vacant properties, "Khaliyah Mubaha," and [dissolved properties](#).

As a result, one of the most dangerous consequences of applying the new law may be to place some Amiri lands belonging to forcibly displaced people within the category of development zones, according to a legal source familiar with the new law. Some [informally built neighbourhoods](#) located on state-owned land may also be at risk of being categorised as damaged zones and be offered for private investment.

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There may also be a risk of private investors buying properties and lands in areas that faced widespread destruction, such as in the [Qaboun](#) residential area of Damascus, and demand these areas be converted into special economic zones, the source added. Law No. 18 granted the investor the right to amend the zoning category of special economic zones in line with the goal of the investment project following approval from the High Investment Council (HIC). The HIC acts as a regulating body for investments while the SIA has executive powers. The investor may also own or rent the lands and properties needed to establish or expand the project. The HIC, which was reconfigured and defined under Law No. 18, is tasked with establishing the special economic zones proposed by the SIA, as well as deciding on the rental fees for privately owned state properties. The council also has the right to allocate lands for investors to carry out projects. It has a number of tasks, most importantly approving strategies and general plans related to investment, as well as approving the general investment map.

Though Law No. 18 is keen to grant guarantees to investors, the law does permit seizure of these projects from their owners for the [public benefit](#). Compensation for such seizures is given according to the “real value” of the project, in line with the prevailing price on the date of the seizure.

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