I. INTRODUCTION

While the share of agricultural expenditure in the national budget of Syria decreased from 4% in 2007 to 3.04% in 2009, the agricultural sector witnessed the strongest improvement in its growth rate. The plummeting growth rate of the Syrian agricultural sector between 2006 and 2007 started to improve from 2007, and then between 2008 and 2009 it almost recovered from -9% to more than 8% (IMF, 2010). This also meant that the agricultural sector’s contribution to GDP improved by 12% in 2009 (EIU, 2010). Considering that the ratio of consumer price changes had peaked in Syria during 2008, it is interesting to see how agricultural policies have responded to that challenge. It is also important to envisage any potential changes or development in the agricultural sector in response to gradual but broadly ranged economic reforms, which are expected to bring more diversity and accelerated growth to Syria’s economy (IMF, 2010). To accommodate such interests, this policy review summarizes newly adopted interventions between late 2008 and the end of 2009, which were identified by NAPC using policy classification tools developed by the Food and Agriculture Policy Decisions Analysis (FAPDA) of FAO, and a literature review on current effective measures.

II. CONSUMER ORIENTED MEASURES

Economic policy reforms

Syria has had a multiple exchange rate regime since the 1950s until the end of 2006. During this time, the official budget exchange rate, which was applied to public sector transactions, was pegged to the USD. From 1 January 2007, this official budget exchange rate was abolished. It was subsequently unified with the private sector exchange rate. The Monetary Authority was created for a unified exchange market, and in August 2007, the reference currency was switched from USD to SDR. The SDR/SYP exchange rate was set to react with the flexible exchange rate system, whereas the Central Bank of Syria manages the Syrian pound tightly (EIU). The de facto exchange rate arrangement is classified as a peg to a basket.

Syria, with a less diversified economy, experienced a decline of the main sector revenue such as the oil, and the agricultural and industrial sectors. In 2010, fiscal deficit fell, and non-oil revenues were expected to increase in 2011 with the introduction of a value-added tax (VAT) (EIU, Nov 2010), which was originally planned for 2008. Drafting the VAT law and a tax procedure code, the establishment of the large taxpayer office and the General Commission for Taxes and Fees (GCTF), and substantial modernization of customs system was planned to be carried out in 2010.
Still, food, a major component of the consumer price index, may be exempted from VAT. Rescheduling of loans and cancelation of penalty on arrears are also being undertaken. In 2009, for example, the Ministry of Finance exempted taxpayers from related tax on the real income of and prior to 2007, and from interest, fines and penalties when they abide by payment on taxes and fees of and prior to 2008 (FAPDA, Legislative Decree No. 22, April 2009). Other than consumers, agriculture and industrial producers of private, cooperative and public sectors also profited from this exemption.

**Social safety-net polices**

The Syrian Government carries out aid programs for all citizens at all times (FAO-IFAD, 2009). According to the Law of Competition and Monopoly Prevention (FAPDA, No.7 April 2008), although commodity and service prices are in general subject to free competition principles and market rules, some exceptions apply when the prices of basic commodities and services are defined by certain decrees, limited competitions are available, or when the country faces natural disaster or other emergency.

Since 2006, the country was hit by three consecutive years of drought, the 2007/8 drought being the worst in 40 years. The 2008/2009 drought again hit a population already suffering from the impact of previous droughts, economic difficulties due to high global food and fuel prices, and from the financial crisis. Thus, between 2008 and July 2009, the Government distributed total of 5,600 metric tons of food to 96,600 severely affected households. The main beneficiaries were in Al Hassakeh, Al Rakka and Deir Ezzor. Food rations have varied in terms of quantities according to distribution periods but all have included wheat flour, lentils, oil, pasta, dates and bulgur. In Al Hassakeh, 52,000 households also received 2 litres of oil, 2 kg of ghee and 1 kg of tea (UN, 2010). The State Planning Commission with the cooperation of UNDP (WFP) and Ministry of Agriculture and Agrarian Reform (MAAR) are still distributing food aid to poor households, especially those who migrated for resettlement purposes, when assessed in November 2010.

Other than natural disaster related policies, consumer subsidies continue to allow unlimited quantities of bread to be sold at SP8.5/kg to all citizens (constituting up to 50% of the price per kg), white sugar at SP 10.0/kg but limited quantity of 1kg/month/person, and ½ kg of rice is distributed per month/person at SP12.0/kg (the two commodities are supported by 20-30% of the price). However, rice distribution is subject to its availability at related Governmental establishments. In November 2010, the State Planning Commission, in corporation with UNDP and the MAAR, was still distributing food aid to poor households, especially for those who had migrated for resettlement but also for those poor farmers who were hard hit by disasters (e.g. breeders in Al-badia hit by drought and farmers affected by yellow wheat rust disease in the Northern region).

Besides food items, each Syrian household received diesel coupons to buy up to 1,000 litres of diesel for fuel at a lower price in 2008. In 2009, this was replaced by a more targeted cash transfer of 10,000 SP for diesel for heating to the eligible families in consideration of family possessions, annual income levels and expenditures (FAPDA, Law 29, November 2009). Unlike the oil coupon of which costs had been borne by the state-owned oil company, the cash transfer was to be funded directly from the national budget (IMF, 2010). In terms of domestic water use, those who consume less are
subject to a lower level of tariff. For this reason, five different levels\(^3\) of water use fees were created, and the first two groups of least water consumption groups received price support (FAPDA, Decree 1028, September 2007).

Additionally, a tax rate on salaries of employees in the state and the public sector was reduced (Decree No. 33 in May 2009, Ministry of Finance), and salaries and wages of public and private sector were also increased by 25% to enhance the purchasing power in 2008 (FAO-IFAD 2010; FAPDA, Legislative Decree 24 and 25, 2008). This increase of 25% of the monthly salary was added to monthly salaries, in addition to the regular 9% increase in monthly salaries that the employee could benefit from every two years. Furthermore, 50% of monthly salaries and wages was granted one-off in 2007 to government employees, retirees, military officials, members of the legislative authority, and the president to increase the purchasing power during critical periods such as the beginning of the school year, Ramadan, and Eid (FAPDA, Legislative Decree 57 and 58, 2007). In 2009, 40% of monthly salary was provided to the same public sector employees (FAPDA, Legislative Decree 56 and 57, 2009). The monthly retirement pension to retirees and families of merited martyrs of petty officers was also raised by 50% in 2008. Since June 2010, the minimum pension rate was adjusted to be not less than the minimum wage (FAPDA, Legislative Decree 39, May 2010).

For other types of safety-nets, WFP’s “Food for Education” was also introduced in 5 governorates of Syria (Al-Hassakeh, Al Rakka, Der-Azzor, Aleppo, and Idleb) to prevent students from leaving schools and to encourage more regular attendance at school.

**Consumer rights and food safety**

The Food Safety Law that passed in October 2008 ensures the safety, healthy and good quality of locally produced, and imported or exported foods. It also monitors those products in compliance with the national specifications and international standards, and implements international agreements, quality control systems, and Codex Alimentarius principles. In November 2007, mandatory standards for drinking water were determined. In the meantime, consumer rights were also strengthened as of 2008. An exchange of purchased goods and commodities which did not correspond with the defined standards is now ensured by law, and product information is better provided through barcodes that contained essential information of the product (FAPDA).

**III. PRODUCER ORIENTED MEASURES**

**Market intervention in support of farmers**

The Agricultural Subsidy Fund (ASF) was established in 2008. It has a branch in each Governorate that is responsible for preparing a list of farmers who are eligible to cash support. The list with related supports is submitted to the branches of the Agricultural Cooperative Bank (ACB) to pay farmers the cash payment subsidy. The annual budget of the fund is announced yearly. For example the Government allocated 10 billion SP in 2009.

The role of the Government in providing food items is essential for food security, and is enhanced by promoting the role of price monitoring bodies to control prices and implement government

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\(^{3}\) Five groups of water consumption and charged fees are: (1) 1-15 m\(^3\)/month with the tariff of 3.5 SP, (2) 16-25 m\(^3\)/month with the tariff of 7 SP, (3) 26-40 m\(^3\)/month with the tariff of 15 SP, (4) 41-60 m\(^3\)/month with the tariff of 22 SP, and (5) more than 61 m\(^3\)/month with the tariff of 30 SP (Ministry of Housing and Construction)
regulations related to setting ceiling prices for basic food stuff, and imposing deterrent penalties against price and quality manipulations.

In 2008 fuel subsidy was reduced, and the price of diesel was raised from 7 S.P/litter to 25 SP/litter. In order to compensate for this price increase, the Government provided cotton farmers who irrigate from wells with 30 000 S.P/ha. In 2009, the fuel prices decreased to 20 S.P/litter. Accordingly, the compensation decreased to 25 000 SP/ha.

The Government established the Agricultural Support Fund (ASF) in 2008 (Legislative Decree No 29) in order to achieve food security, and enhance economic efficiency and competitiveness of the agricultural sector. It aimed at incorporating all forms of agricultural subsidies under a single fund. The ASF also aims at ensuring that all types of subsidies and their amounts are consistent with WTO rules in order to facilitate Syria’s efforts in WTO accession. The ASF plays a significant role in mitigating the negative effects of reducing diesel subsidy for certain crops, and the liberalization of the fertilizer market in 2009.

The fertilizer prices were liberalized in April 2009 (FAPDA). Since then, prices of fertilizers of ACB are quoted with reference to international prices. Accordingly, in 2009, the ASF provided area-based direct payments for tomato, potato, maize, and cotton growers with S.P 5000, 6000, 10000, 8000 per hectare respectively. These payments were also applied in 2010. Regarding diesel, the ASF provided only cotton farmers who irrigate from wells that use diesel with 25000 S.P/ha.

As for seeds, farmers have three main sources for seeds namely: self produced seeds in previous season, local market, and General Establishment for Seeds Multiplications (GESM) of MAAR. The GESM produces seeds for some main crops, such as cotton, sugar beet, wheat, barley, etc. the quantity produced of seeds covers 100% of the required quantity of cotton and sugar beet seeds, and less than 100% for the other crops. The prices of seeds that produced by GESM are set by the Ministry of Agriculture and Agrarian Reform. Prices of the other seeds set by the market according to the supply and demand forces.

In Syria, in accordance with Annual Agriculture Production Plan, strategic crops (cotton, sugar beat and tobacco) are controlled and obliged to sell to the government at fixed price whereas wheat farmers can keep some of their production and sell the rest to Government. Barley, lentil and chickpeas could be sold at either government’s fixed price or market prices. For non-strategic crops producers should sell their products in the market.

The Government allowed the price support for the strategic crops by increasing procurement prices of key crops in order to encourage of sales of their products to public institutions, and maintain strategic stock (mainly wheat). For instance, wheat was bought at 20sp/kg (US$ 0.45) in 2009 instead of earlier purchase price of 11.3 sp/kg (US$ 0.23) in 2006, and the purchase price of cotton from 30.75 sp/kg (US$ 0.6) in 2006 to 42 sp/kg (US$ 0.90).

In regards to the agricultural plan, those farmers who don’t follow it are subject to fee penalty of approximately 2000-5000 sp/doum. Between 2008 and 2009, the exemption was made to mitigate negative effect of drought and price increase, notably cereal and oil, especially in the villages where non compliance to the plan is high. Also, general income tax exemption, including farmers,
was applied to real income in 2007 or earlier, and to fines and penalties in 2008 or earlier (Decree No.22 in April September, Ministry of Finance).

**Public/private investment and financial mechanism**

Many regulations and laws have been introduced to encourage investment. The new investment law and the establishment of the Syrian Investment Commission (Decree No. 8 and 9 of 2007) allowed for more advantages for investment in agriculture, for instance, additional tax exemptions for investment in remote areas and export-oriented production were granted.

The national budget for 2011 was approved in October 2010 with 12% increase in total spending. The allocation for investment was increased in particular, by 16%. The Public Private Partnerships (PPPs) law, which will allow the private sector to invest in, operate and own utilities such as transport in infrastructure, drinking water and sanitation plants and power facilities, is expected to pass in next few months after a long delay, and Treasury bills are planned to be introduced for spending on infrastructure. In addition, to increase the efficiency of public spending (better control, evaluation and monitoring of expenditure), result-based budgeting is being introduced (including agriculture), and a new public procurement law is being written to implement a more transparent and effective public expenditure programme.

As regards Credit/financial facilities, the Agriculture Cooperation Bank has exempted interest on the fodder revival fund under the condition of repayment in 5 years. Due and unpaid loans of the Agricultural Cooperative Bank were also exempted in Al-Hassakeh governorate just for the winter season of 2008/09.

According to the Central Bank of Syria, lending to non-financial public enterprises and public sector has increased recently, and for the first time by private banks (EIU, Nov 2010). Borrowing institutions include the government grain establishment that finances grain purchases. A further loan to the cotton establishment is expected soon. Earlier loans are guaranteed by the Ministry of Finance.

The private sector is also allowed to play an active role in marketing, except strategic crops (wheat, cotton, sugar beat and tobacco) that are still restricted to the Government. The private sector’s contribution is not only increasing in manufacturing, marketing and export, but also in input supplies including fertilizers and chemicals.

The Credit and Monetary Council was authorized to establish social, banker, and financial institutions with an aim to provide micro and tiny finance to certain segments of the population. Most of the funds provided by the microfinance institutions were oriented to rural areas and agricultural projects, which focus on women.

**Natural Disaster and Risk management**

As three consecutive years of drought have affected Syria since 2006, and as the 2007/2008 drought turned out to be the worst in 40 years and had a wider geographical reach, the UN has prepared the Syria Drought Response Plan (SDRP) to supplement and enhance the Government’s assistance, particularly for the most drought-affected communities through food and non-food assistance. For the urgency to support the agricultural season of May-June 2010, the response plan was prepared for 12 months from Aug 2009 to July 2010.
In addition, 10,000 destitute farmers (although originally planned to reach 18,000 farmers) in rain-fed areas of the governorates of Al Hassakeh, Al Raqqah and Deir Ezzor are to receive total of 1,455 metric tones of barley seeds, and 7,665 metric tons of wheat seeds. This means that 300kg of high-quality seeds of local varieties of wheat and barley, plus smaller potential drought-tolerant crops, especially food legumes per farmer, enough to produce 60,000 metric tones of wheat, covering consumption needs of wheat (170 kg per household) and a surplus of wheat (380kg), generates a minimum of USD230 of supplementary income per farmer. This sale is also expected to contribute to stabilization of local food prices.

Other than those small-holder farmers who had lost their entire 2008 harvests, another group that was severely affected was herders who had no access to feeds, and had an average of 3 to 10 sheep surviving out of flocks of over 100. To support those livestock farmers, the Government provided subsidized livestock feed, covering 13% of farmers’ annual needs, free medicines and vaccines for livestock, opened access to protected pastures. Furthermore, to be prepared for drought, the General Establishment of Fodder, under the Ministry of Agriculture and Agrarian Reform, increased the quantity of fodder stock in 2008. For 2009-2010, the Government also planned to distribute a total amount of 9,450 metric tons of animal feeds to 20,000 households, but only 12,026 households received 4,417 metric tons due to the lack of financial resources. Micro-grants for an average of USD800 were also planned for distribution to 5,000 of the most severely affected small-scale farmers and herders to implement non-agricultural activities to diversify income sources, but no funding has been matched so far.

**Other sector-specific measures**

Currently, most of agriculture land in Syria is privately exploited (98.5%), and the cooperative sector offers services only when land is owned by farmers. In order to encourage farmers to reclaim their land, when farmers pay part of real reclamation cost (about 40%), the rest is paid by the Government. Moreover, the Government provides farmers with agricultural credits to cover part of their costs at a subsidized interest rate.

In addition to the effort to increase irrigated areas through reclamation projects between 2006-2008, for cultivated crops and fruits covering 6,200 ha and 19,600 ha respectively, the Ministry of Irrigation set a schedule of converting 145 000 hectares of irrigated land from the open irrigation network into the compressed irrigation network over five years, when sufficient investment arrives. Furthermore, to encourage settlement near the border of the three governorates of rural Damascus, Daraa and Quintara, the irrigation fee for the public has been reduced from 3,500 sp/ha to 1,750 sp/ha in the above areas. In the meantime, partial support was provided for the operation and maintenance of irrigated areas under the public irrigation network in 2009. The covered areas constitute about 30% of total irrigated areas.

In line with growing importance of environment, the General Fisheries Commission was created in December 2008, encouraging and supporting the private sector to participate in the production of fish through providing support to fodder (at 34%) for fish farms. Moreover, the Commission provides healthcare services for fish farms free of charge in addition to the more relaxed monopoly of fish trade to further encourage the role of private sector in this field. In forestry, the legislation decree passed in 2007 fosters three investment projects of reforestation of degraded areas, afforestation and fire protection. Access for the extraction of materials for the use of forest and non-forest products to achieve food security was granted.
IV. TRADE ORIENTED MEASURES

To control any trade distortion or improper behavior of local traders and others inside the country, the competition council was established, and the Competition Act aims to prevent monopoly (Act 7 April 2008, Ministry Economy and Trade).

Import favouring/ export control measures
Imports of raisin, walnuts, tri-phosphate fertilizers, crustaceans, molasses, salt, fresh and frozen fish, sunflower oil, flour, wheat (except seeds), barley, peas, pistachio, lentils and chickpeas were allowed since 2008 (see FAPDA report for the exact date of adoption for each item). Additionally, import tariffs for dry legumes, chickpeas, lentils, feed supplement, fish feeds, fruits and husky fruits, spirits, malt, flour, sweet milk and canned fruits were reduced. Cotton, potatoes, and potato seeds were granted for imports under certain conditions, and garlic was allowed temporarily for a season and this temporary allowance was repeated in 2008, 2009 and 2010. Additionally in 2010, fees on maize imports were reduced. Since July 2009 feed import has been encouraged by changing required technical conditions for its import.

In terms of complete export ban, with the exception of temporary measure of tomato export ban from April to May 2008, all other export ban measures introduced in 2008 are still effective. The applied food items are: chickpeas, lentils, dried beans, wheat, barley, semolina and maize flour. Whereas when a manufacturing company intends to export, lentils (May 2009) and fertilizers (except ammonium nitrate fertilizer) (June 2010) are now allowed under certain conditions. For partial bans or export quotas, exports of 50% of noodles and pasta, 60% of milled wheat, and 40% of flour are granted when manufacture enterprises intend to export. Lentil export by manufacturers is only allowed up to 30,000 kg.

Export promotion
To facilitate export, a supreme council that oversees export was created in Feb 2009 as well as a union for exporters in Nov 2009. The fund for the development and promotion of export also announced to create a bank that finances exports.

Unlike complete or partial export bans on the above mentioned food items, certain food such as Soybean flour (from certain types of soy), poultry feed, cotton seeds cake, soybean cake and potato, were permitted for export.

Import barriers
In 2009, imports of maize and barley had been subject to specific duties 3.5 sp per kg. Then, the duties were reduced to 2 sp/kg for barley and 1 sp/kg for maize. In August 2010, in order to support exports, additional fees on imported goods are imposed when their tariffs exceed 15%. Pork importation for industrial or touristic purpose is completely banned since May 2009. Import of mono-phosphate and duel-phosphate fertilizers, and Egyptian eggs are also prohibited.

Free (or preferential) Trade Agreement
Followed by a partnership agreement between Syria and Turkey⁴, which was signed in May 2007, preparation for FTA with Russia, Kazakhstan and Iran were announced in 2010. The Agreement of

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the Greater Arab Free Trade Area (GAFTA) entered into full implementation as of the 1 January 2005. Before joining the GAFTA, most consumer-ready processed food and beverages were not allowed to be imported into Syria. Now customs department allows the purchase of imported goods when the accuracy of the importer’s declared price of goods is confirmed (FAPDA, Decree No. 56, September 2009).

REFERENCE

FAPDA (Food and Agriculture Policy Decisions Analysis) Syria Report, Food and Agriculture Organization of the UN (FAO), December 2010.


(The end)