

ACTION FICHE FOR SYRIA

1. IDENTIFICATION

	Title	Trade Enhancement Programme		
	Total cost	€15,000,000		
	Aid method / Management mode	Project approach – <i>Decentralised Management</i>		
	DAC-code	331	Sector	Trade Policy and Regulations

2. RATIONALE

The programme will support trade facilitation and enhancement, capacity-building, liberalisation and (de-)regulation in Syria in respect of its global trade relations. It would therefore facilitate the implementation of the EU-Syria Association Agreement, when this agreement enters into force. It will also prepare Syria for its prospective accession to the WTO and facilitate the general trade climate in Syria to the benefit of current (GAFTA, Turkey) and prospective FTAs to which Syria is or will be part.

The programme will benefit Syria's economy and help towards poverty alleviation through the creation of new opportunities for employment. It will assist in the removal of the main barriers to trade, while simultaneously enhancing the export capacity of Syrian SMEs through the elimination of non-transparent, time-consuming and cumbersome procedures and by the promotion of a trade policy that support Syrian companies in better targeting of export markets. The programme should also contribute to logistics and transport facilitation, although involvement in any infrastructural activities should be minimal.

2.1. Sector context

Over the past years, the government has made trade liberalisation a key element of its reform agenda, along with Syria's participation in the Great Arab Free Trade Area (GAFTA) and the negotiation of an Association Agreement with the EU (AA). Since 2004, the country has considerably reduced its customs duties with the elimination of prohibitive peak tariffs as well as by reducing the number of tariff bands. However, trade liberalisation needs further progress, if the country is to fulfil its future WTO obligations. Syria is not a member of WTO and not even an observer.

The Syrian government has presented the Five Year Plan (FYP) as the blueprint for comprehensive economic and social reform and transition from a centrally planned to a 'social market economy'. In the area of foreign trade, the FYP identifies meeting export challenges as one of the main objectives. Syria's overall trade regime remains restrictive by international standards. Syrian (and foreign) traders face pervasive non-trade barriers, restrictions on current and capital transfers and cumbersome trade licensing procedures. In addition, the remaining public trade monopolies affect negatively the private sector. National trade-related legislation still lacks

transparency and is often not publicly available. Simplification and standardisation of trade and customs procedures and associated flows connected with the import, export and transit of goods, as well as increased transparency of trade regulations should be further enhanced.

2.2. Lessons learnt

- The trade liberalisation process needs to be accompanied by an active national export promotion policy to unlock the export potential of the Syrian private sector and enhance the trade and investment competitiveness of the country in the region.
- Syria has the strategic potential to become a regional transport hub. However, while the ports are being modernised, serious constraints in the provision of road and rail facilities eastwards hamper the capacity of Syria to become the major conduit for West-East trade. Investing in the upgrading and modernisation of transportation facilities would support further trade activities.
- Measures will have to be taken to ensure a clear institutional framework and that the different stakeholders' roles are respected during the implementation.
- The Steering Committee of the programme could use the institutional framework of the Syrian Enterprise Business Centre (SEBC), because it is accepted by all relevant actors.

2.3. Complementary actions

The recently launched **SME Support Programme** (€15 million) works within the Syrian Enterprise and Business Centre (SEBC) to provide technical assistance, policy advice and training in key areas to support SMEs. The **Institutional and Sector Modernisation Facility Programme (ISMF)** (€21 million) aims to help the Syrian government to develop a comprehensive strategy of economic reform and also to work towards the entry into the Euro-Med Free Trade Area by 2010. The **'Banking Sector Support Programme'** (€6 million) backs the ongoing reform and liberalisation of financial system, including facilitating access to funding for the private sector. The EC is already providing assistance to the General Customs Department through its programme on **Modernisation of the Ministry of Finance** (€8 million). Equally, the EC is running a project on **Vocational Education and Training** (€25 million).

A new **'Programme for Strengthening Quality Management, Capabilities and Infrastructure'** (€12 million) starting in 2007 will promote quality at policy, institutional and enterprise levels. The EC is working in close coordination with the European Investment Bank (EIB) operations in Syria under the Facility for Euro-Mediterranean Investment partnership (FEMIP). Also, the **'SME Fund'** developed by the EIB is providing finance to capital investment projects of Syrian SMEs through local banks (€40 million). A new **Business Environment Simplification Programme** (€5 million) will provide support to the reform of the legislative and regulatory framework affecting productive and commercial activities in Syria. Assistance should be provided to develop a bankruptcy law, an appropriate administration of the 'end' of a business and other legal assistance in related areas. A

project for **Promoting Business Development** through corporatisation of state-owned enterprises and industrial upgrading (€30 million), in collaboration with the EIB, is foreseen for 2009.

2.4. Donor coordination

The Trade Enhancement Programme will in particular complement an on-going technical assistance project for trade policy and WTO pre-accession sponsored by **UNDP**, focusing on (i) revising the trade-related legislation and on (ii) awareness raising and capacity building on GATT/WTO rights and obligations. **GTZ** is providing targeted technical assistance to the State Planning Commission in the field of the economic regulatory framework. Germany is equally supporting a project on quality management. The country has initiated the modernisation of its customs administration and the simplification of customs procedures, with support from the EU and the UNDP. The World Bank and the IMF have provided assistance to streamline the new customs code, which should soon be enacted

3. DESCRIPTION

3.1. Objectives

The overall objective of the programme is to assist Syria to take full advantage of globalisation, to facilitate and increase trade flows by enhancing the administrative and legislative procedures, thereby improving Syria's macro-economic situation, create jobs and alleviate poverty.

The specific objectives are:

- (1) To strengthen capacities of Ministry of Economy and Trade and other institutions directly involved in trade issues.
- (2) Facilitate the removal of main barriers to trade in Syria: customs procedures, regulatory trade regime and trade-related aspects of intellectual property rights).The programme shall also contribute to the modernisation of logistics and transport facilitation.
- (3) Enhancing the export capacity of Syrian SMEs through competitive upgrading and a better sector targeting of export markets.

3.2. Main activities and expected results

The programme will include three main areas of **activities** to be implemented through policy advice, institutional capacity-building and technical assistance:

- (1) Trade facilitation: facilitation of transit procedures; modern customs release procedures; customs valuation; rules of origin; enforcement of measures against piracy and counterfeiting; and transport facilitation.
- (2) Trade and export promotion: development of an export promotion strategy and export promotion schemes for enterprises.

- (3) Support for the prospective WTO accession process: revision of Syria's import and export regulations, non-tariff barriers and legislation in the field of investment and intellectual property; and establishment of WTO-compatible mechanisms, procedures and institutions. This should also include contribution to prepare the Association Agreement, when conditions for the Agreement are met.

The expected **results** are:

- Stronger trade and export policy institutions.
- A less and better regulated trade regime and a comprehensive national trade policy.
- Procedures for trade facilitated.
- Diversified and more competitive export sectors.
- Improved export promotion services for enterprises.
- Increased Syrian exports.
- Streamlined and non-discriminatory transit procedures closer to international standards.
- Better enforcement of intellectual property rights.
- Improved channels of communication between private and public sectors.

3.3. Stakeholders

The main stakeholders are: State Planning Commission (SPC), Ministry of Economy and Trade, Ministry of Industry, Governorates and Municipalities. The main stakeholders at the private sector are Chambers of Commerce, Chambers of Industry ,the Syrian Enterprise Business Centre (SEBC) and transport operators.

3.4. Risks and assumptions

Key risks underlying the programme intervention can be summarised as follows:

- The current reform process slows down.
- Regional and/or national instability.
- Overlap with projects of other donors.
- Lack of inter-ministerial co-ordination.
- Blockage of Syria's efforts to access WTO due to political reasons.

Key assumptions underlying the programme intervention can be summarised as follows:

- High level of interest of the government in economic reform and trade liberalisation.
- The main stakeholders will make available sufficient managerial, human and physical resources necessary to ensure a smooth implementation of the Programme.
- Export Promotion framework strategy and policy is set-up.

3.5. Crosscutting Issues

Through reform and modernisation of the Syrian authorities and institutions involved, the project will have a positive impact on Good Governance practices in Syria. Human Rights impact of the programme will be indirect.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

The implementation method for the project will be decentralised management. The authorities responsible for the programme will be the European Commission, the State Planning Commission (SPC) as national coordinator and the Ministry of Economy and Trade (MoET). The EC Delegation in Syria will be the Contracting Authority for service contracts, including audit, monitoring and evaluation contracts. MoET will be the contracting authority for supply contracts. The Commission controls *ex-ante* supply contracting procedures for contracts over €50.000 and *ex-post* for contracts equal or less than €50.000.

Through the programme estimates, payments are decentralised for operating costs and small scale contracts up to the following ceilings:

Works	Supplies	Services	Grants
< €300.000	< €150.000	< €200.000	• €100.000

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. No grants are foreseen in the programme.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Indicative budget and calendar

Heading	EU Contribution €	Beneficiary Contribution ¹	% of total
1. SERVICES			60%
2. SUPPLIES			9%
3. RUNNING COSTS PMU			24%
4. AUDITS, MONITORING AND EVALUATION ²			2%
5. CONTINGENCIES			4%
TOTAL	15,000,000		100%

The programme will have a duration of four (4) years (48 months) following the signing of the financing agreement.

4.4. Performance monitoring

Performance monitoring will be ensured by the European Commission Delegation in Syria. Performance indicators will be reviewed during the inception phase of the Programme in order to establish the baseline at the outset of the Programme. The indicators will be monitored through the Programme internal progress reports and/or by external monitoring.

Orientative indicators:

- Syria adopts and implements trade liberalisation and facilitation policies and regulations compatible with the Association Agreement and the WTO.
- Trade between the EU and Syria increases.
- An increased volume and/or value of Syrian exports.
- Syrian products gain foothold in new markets.
- New Trade legislation adopted.

Project impact and result indicators will be developed at a later stage and integrated into the financing agreement.

4.5. Evaluation and audit

The programme will undergo a mid-term review, a final ex-post evaluation and a final financial audit. The use of the annual Work Plan budgets will be audited. The EC Delegation will prepare the terms of reference and select the contractors for the financial audits and evaluation missions according to internal procedures. All audit

¹ Although there is no formal financial contribution from the Beneficiary to the Programme itself, the implementation of the programme is conditional on participation of the Syrian side in its running costs and in securing sufficient office space and facilities for it.

² The budget for audits, monitoring and evaluation is directly managed by the European Commission.

and evaluation reports will be communicated to the beneficiary by the EC Delegation. In addition, the European Commission may send specific missions at any time to assess programme progress.

4.6. Communication and visibility

The programme will be implemented in such a way that the best visibility be given, at all times, to the support of the European Commission for the programme, the achievements of its objectives and results obtained. The European Commission Visibility Guidelines³ shall be used as guidelines for the programme. The national involved institutions will take appropriate action in order to avoid any confusion between the present Programme and those supported by other international donors so as to ensure the best visibility to the co-operation between EU and Syria.

³

http://ec.europa.eu/europeaid/visibility/pdf/europeaid_guidelines_en.pdf