



Government of Syrian Arab Republic

&

United Nations Development Programme

## **Legal Empowerment of the Poor and Formalization of the Informal sector**

The Project aims at addressing the institutional gaps and challenges regarding property and business environments, encouraging the poor in the informal sector entities to enter the formal system. This will be through offering them as an incentive those essential legal tools that will not only improve their life standard and business, but helps transform their society, preserves their property rights, organizes their businesses and identifies mechanisms to access expanded markets, nationally and internationally.

**United Nations Development Programme**  
**Country: SYRIA**  
**Project Document**

**Project Title : Legal Empowerment of the Poor and Formalization of the Informal sector**

**UNDAF Outcome(s):** A socio-economic environment that enables sustainable growth, employment equity and protection of vulnerable groups in place.

**Expected CP Outcome(s):** *(Those linked to the project and extracted from the CPAP).* A.2 Improving structures and climate for trade, *Investment* and competitiveness

**Expected Output(s):** *Those that will result from the project and extracted from the CPAP)* A.2.2 Liberalization policies improved and legal framework upgraded including competitiveness issues.

**Implementing Partner:** Deputy Prime Minister's Office – Within the framework of the National Programme for Formalizing the Informal Sector

**Brief Description**

The Project aims at addressing the institutional gaps and challenges regarding property and business environments, encouraging the poor in the informal sector entities to enter the formal system. This will be through offering them as an incentive those essential legal tools that will not only improve their life standard and business, but helps transform their society, preserves their property rights, organizes their businesses and identifies mechanisms to access expanded markets, nationally and internationally.

Programme Period: 2007-2011  
 Key Result Area (Strategic Plan):  
 Award ID: SYR/10/001  
 Start Date: 2010  
 End Date: 2012  
 PAC Meeting Date \_\_\_\_\_  
 Management Arrangements     NEX    

Total resources required **US\$ 475,335**  
 Total allocated resources:

- Regular (UNDP) **US\$ 50,335.--**
- Government cost-sharing **US\$ 250,000**
- Other:

Un-funded budget: **US\$ 175,000**

**Agreed by: H.E. Dr. Amer Husni Lutfi**  
 Head of State Planning Commission  
 On behalf of the Syrian Government

**Agreed by: H.E. Mr. Abdullah Al Dardari**  
 Deputy Prime Minister for Economic Affairs  
 On behalf of the Implementing Partner

**Agreed by: Mr. Ismail Ould Cheikh Ahmed**  
 Resident Representative  
 On behalf of UNDP

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: 3/2/2010



## **Part 1a: Situation Analysis:**

Syria has been a centrally planned and relatively closed economy working within protective tariff rates and pervasive non-tariff barriers, as well as a complex exchange rate system, until the early 1990s, when the Government decided to embark on an economic reforms program largely in response to changing external changes, and increasing competitive pressures, which affected adversely its economy. As a corollary to the reform of the business environment, the government engaged in a gradual trade liberalization process through the adoption of various measures.

Trade liberalization was also experimented through the establishment of free trade zones, e.g. allowing industrial investors operating in these zones to devote 25% of the value of their foreign exports for local consumption. More recently, trade and investment have been encouraged through additional measures, in particular the reform of the Banking sector.

Moreover, Syria's integration during the past years with the regional and global economies has been pursued through several channels. In 1997, Syria joined other Arab countries in the Greater Arab Free Trade Area (GAFTA). Trade is nearly fully liberalized with Arab countries since the beginning of 2005, both from a tariff and non-tariff barrier perspective.

In parallel, in 2001, Syria applied for WTO membership, and in 2004, signed an Association Agreement with the European Union and an FTA with Turkey. The latter which provides broadly similar preferences to those in the Association Agreement with the EU is expected to become effective later in 2006.

The above recent changes have been legally more favourable on the organization of the informal sector and thus reinforcing the expansion of private sector in Syria. However, land and housing supply problems remain as challenges for the private sector. The lack of suitable and sufficient mechanisms to release both public and private land has led to a considerable bottleneck in the land and housing market. The consequences are precarious living conditions, limited access to public services, unsafe constructions, people living in informal zones who are marginalized and discriminated, and the like. The Government needs to provide alternatives for ordinary people to gain access to land and housing through a strategy to deal massively with housing market problems and insecure property rights.

The informality touches all population strata: according to 2006 Household Budget Survey (HBS) carried out by the CBS (Central Bureau of Statistics), 38.4% of family income is unrecorded. Moreover, the ISMF estimations, published in the Syrian Economic Trends Bulletin (SETB), conclude that 47.5% of household income is not declared or comes from other unspecified sources. Informality and extra-legality are therefore a generalized phenomenon in Syria. Very little has been done until now on this regard. Around half of the economic activity taking place effectively in Syria is unrecorded and therefore informal. More importantly, considering that even the formal part of the economy has a significant share of extralegal activities, we may expect that more than 75% of the overall activity is extralegal. An enormous economic potential could certainly be triggered if unnecessary legal constraints are eliminated, bureaucratic barriers reduced, and property rights clearly defined.



## Part 1b: Strategy:

The Government of Syria has undertaken important reforms in the last years which have contributed to reach a steady economic growth. Reforms in both the business environment and investment systems have ameliorated the private sector participation in the economy. Nonetheless, these reforms are not enough to boost the economic potential of Syria and to develop the markets which remain unstable and unpredictable. The types of reform that are still missing are those concerning the institutional framework which will contribute to strengthen the property rights and reduce corruption along with develop the financial sector of the country. Identifying the institutional barriers to prosperity and knocking them down is the only way to replace the vicious cycle of poverty, and to boost good governance.

Important implications of the economic reforms would be to address the challenges of unemployment rates among youth and vulnerable groups and to generate jobs for entrepreneurs and start businesses. Within this context, the private sector is the main source for generating employment in most countries. While the formal private sector is very demanding, it avails jobs for mainly skilled labour and runs its operations within set rules and regulations. On the other hand, the informal sector avails jobs for low skilled labour, and runs its operations without set restrictions; it has positive impact on absorbing unemployment, but also has a negative impact on the effective enforcement of business laws and policies is enormous. Even so, enterprises in the informal economy have an entrepreneurial potential that could flourish if some major obstacles to growth were to be removed. Furthermore, even if only a fraction of informal enterprises would have the possibility to upgrade themselves, it will contribute substantially to increased economic growth and decreasing employment.

Enterprises that are functioning under the informal sector are benefitting from their illegal status and hence pass over all financial transactions related to their registration. Moreover, being mostly micro and small enterprises, they establish their business in inhabited areas without observing environmental impact, and illegally access public resources such as electricity and water etc. These practices are profitable for the informal sector despite the high risks entailed.

Considering that Syria has been moving into a social market economy, with all what this entails in terms of trade liberalization, this sector will be dramatically affected and its sustainability will be questionable if not organized and supported. Within the Government endeavors to join the EU association and WTO Agreement, the informal sector will not be able to protect its existence and property rights against any possible dumping and cannot benefit from any government counter support to the SMEs to help them survive against any competition. On the other hand, the informal sector if organized can play a major role in the value chain clusters to support the big industries leading to enhancing the competitiveness of various economic and industrial sectors. It will also be more effective in absorbing unemployment and providing jobs for the unemployed and the poor, especially women and youth.

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## GOVERNMENT STRATEGY

Within the above framework, the government aims at analyzing the informal sector, “formalizing” it, and fostering its role in economic development. For this purpose the government has adopted a National Programme for Formalizing the Informal Sector. It is recommended that the national programme addresses the following outputs:

- 1- Finalization of a comprehensive mapping of the informal sector. The mapping will:
    - (a) identify the size of the informal sector in Syria;
    - (b) identify the characteristics of the sector, including sectoral and geographical distribution;
    - (c) identify the opportunities and challenges facing the informal sector.
  - 2- Conduct a socio-economic feasibility study per sector to identify the impact of formalization in terms of poverty, unemployment, growth, productivity, income etc; through the formation of national teams for each sector (industry, services, agriculture etc) ; wrapping up the main factors that push the informal sector to be formal.
  - 3- Awareness campaigns to highlight the risks and challenges that threaten the informal sector’s sustainability within the Government new direction towards liberalized trade policies and open market economy.
  - 4- Recommendations for policies and legislative changes for formalization of the sector.
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## UNDP STRATEGY :

Building on its extensive experience in private sector development and poverty reduction, UNDP can play a major role in supporting the government efforts to formalize the informal sector at the policy, institutional and capacity development levels. UNDP will support the national programme and work closely with the national teams to provide high policy advice and share best practices.

Through a portfolio of important on-going technical assistance initiatives, UNDP can advise the government of the challenges and high risks that may threaten the informal sector existence and rights; and through the competitiveness indicators, substantive technical advice can be provided to improve the competitiveness of the sector. Within the present project, UNDP can provide technical assistance at the policy and institutional levels.

In addition to its technical support, UNDP can also provide coordination and management support, including financial management and close monitoring for the implementation process, as well as provide support to resource mobilization. The ultimate purpose of the project document is to lay the foundations for a national programme on formalizing the informal sector in Syria

During the implementation of the project, extensive efforts for mobilizing resources will be also made. Project personnel will be identified in order to speed up the implementation of the Project once the Project Document is signed. The outputs of the PD include the following:



- 1- Provide technical support for conducting and finalizing the comprehensive mapping of the informal sector.
- 2- Provide technical support and policy advice for carrying out and finalizing the socio-economic, environmental feasibility studies per sector.
- 3- Design communication strategy and support the implementation of awareness campaigns.
- 4- Provide policy advice for the elaboration of recommendations for policies and legislative changes for formalization of the sector.
- 5- Support the government in organizing a Donors' meeting to mobilize resources for the project implementation.
- 6- Initiate the drafting of Phase II of the project which represents the implementation phase of the policies and legal frameworks that need to be adopted and enforced in order to formalize the informal sector.

The duration of the project is 2 years extending through 2011.

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#### **MANAGEMENT ARRANGEMENTS**

The project will be nationally executed by the Office of the Deputy Prime Minister under the umbrella of the National Programme adopted by the government and in coordination with the State Planning Commission

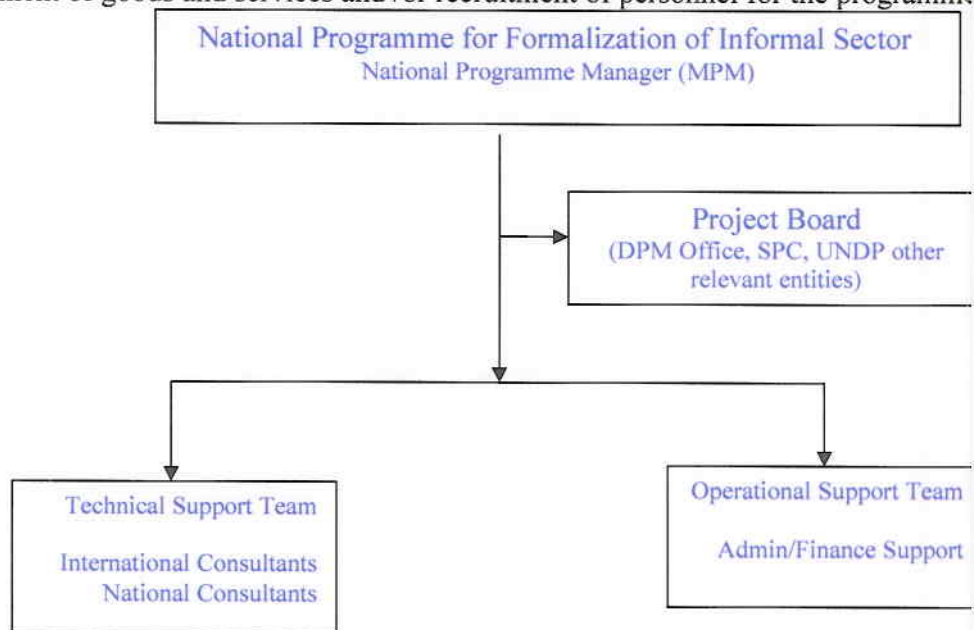
For this purpose, the Government will be assigning a National Programme Manager (MPM) who will be responsible for the overall implementation of the National Programme, and will be working closely with different stakeholders to ensure adequate coordination and implementation process in accordance with the work plan.

UNDP will be supporting the project management unit through the recruitment of administrative and finance support personnel, and a team of national and international advisors and consultants who will be directly supporting the National Programme Manager (MPM) and the government national teams in the implementation of the National Programme within an agreed work plan. The NPM will also be responsible for supervising the project staff and consultants in close coordination with UNDP, ensuring proper and timely processing of all procurement and recruitment activities within UNDP rules and regulations. The NPM also be responsible for organizing all related in coordination with UNDP and State Planning Commission. Throughout the implementation of the PD and formulation of the full-fledged PD, the implementing partner will ensure adequate coordination with other concerned government institutions.

A Project Board (PB) will be established to monitor the project's progress towards results. This board would be responsible for making executive management decisions for the Phase II - project when guidance is required by the stakeholders, including approval of project revisions. The PB will consist of senior representatives from the DPM Office, SPC, and UNDP. Its members should meet at least once per annum during the implementation of the project.

The UNDP National Execution modality will be employed, with the support of the UNDP Country Office. In addition to regular technical backstopping and monitoring activities provided regularly, the UNDP Country Office shall provide the Implementing Partner with support services for the implementation of the Project. This will ensure that technical and substantive expertise is available to the Project for coordination, recruitment, procurement and contracting. All implementation arrangements will be under-taken according to UNDP rules and regulations.

Services shall be provided in accordance with UNDP procedures, rules and regulations. The implementing agency shall retain overall responsibility for the execution of the project and shall be responsible for and bound by any contracts signed by the UNDP Resident Representative, on behalf of the implementing partner and upon its request, for the procurement of goods and services and /or recruitment of personnel for the programme.




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## MONITORING AND EVALUATION

The Project Management Team and the implementing partner will be responsible for delivering the outputs of the project, the implementation, input management, and sound administrative management.

During the PD, the Project Board will meet at least once per annum to discuss achievements, results, and lessons learned, and will provide initial comments on the full-fledged PD.

A final report will be produced at the end of the PD.



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## LEGAL CONTEXT

This Project shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of the Syrian Arab Republic and the United Nations Development Programme, signed by the parties on 12 March 1981. The host-country implementing unit shall, for the purpose of the Standard Basic Assistance Agreement, refer to the government cooperating agency described in that document.

The following types of revisions may be made to this project document with the signature of the UNDP Resident Representative only, provided he is assured that the other signatories of the project document have no objections to the proposed changes:

- Revisions in, or additions of, any of the annexes of the project document.
- Revisions which do not involve significant changes in immediate objectives, outputs or activities of the project, but are necessitated by rearrangement of inputs already agreed to, or by cost increases due to inflation; and mandatory annual revisions, which re-phase the delivery of agreed project inputs or expert or other costs due to inflation or take into account expenditure flexibility.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the executing agency and its personnel and property, and of UNDP's property in the executing agency's custody, rests with the executing agency.

The executing agency shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the executing agency's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The executing agency agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.



## **SCHEDULE OF PAYMENT**

### **One installment:**

**Total Amount: USD 50,000.- to be allocated from UNDP track resources upon the signature of the PD.**

**Total Amount of : USS 250,000.- to be allocated from the Syrian Government from the Cost-sharing including F&A**

## RESULTS AND RESOURCES FRAMEWORK

<p><b>Intended Outcome as stated in the Country Programme Results and Resource Framework:</b>  <b>Outcome I: A socio-economic environment in place that enables sustainable growth, employment equity and protection of vulnerable groups.</b></p> <p><b>Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:</b></p> <p><b>Applicable Key Result Area (from 2008-11 Strategic Plan):</b></p> <ul style="list-style-type: none"> <li>- Promoting inclusive growth</li> <li>- Gender equality</li> <li>- MDG achievement</li> </ul>			
<p><b>Partnership Strategy:</b>          The Institutional Empowerment and Formalization of the Informal sector</p>			
<p><b>Project title and ID (ATLAS Award ID):</b></p>			
INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES
<p><b>Output 1</b>            Finalization of the comprehensive mapping and defining the informal sector</p> <p>Baseline: 0            Indicators: questionnaire for mapping informal sector<sup>i</sup></p>		<ol style="list-style-type: none"> <li>1. Arrange for orientation session to the relevant national authorities on the mapping exercise</li> <li>2. Design the questionnaire to be used for mapping exercise</li> <li>3. Identify the sample in terms of size &amp; target group.</li> <li>3. Conduct the mapping exercise</li> </ol> <p><b>Activity :</b>            1) Recruitment of national &amp; international team of experts to conduct the training and the design of the questionnaire            2) Contracting Central Bureau of Statistics for conducting the survey</p>	<p>National Programme Manager            SPC            UNDP</p> <p><b>US\$ 80,000</b></p>



<p><b>Output 2</b> Design and implement awareness campaigns, including Donors meeting for resource mobilization</p> <p>Baseline : 0 Indicators : 3 workshops + one donors meeting</p>		<p><b>I. PRELIMINARY ANALYSIS OF STAKEHOLDERS</b> 1. Identification of stakeholders</p> <p><b>II. PUBLIC CAMPAIGN DESCRIPTION AND PRESENTATION OF THE PROGRAM</b> 2. Define a Strategy for a communication campaign 3. make presentation on the challenges and risks of the informal sector that threaten their sustainability</p> <p><b>III . RESOURCE MOBILIZATION</b> 5. Organize a Donors Meeting to present the government strategy for formalizing the informal sector and share the road map</p>	<p>SPC UNDP</p>	<p><b>US\$ 25,000</b></p>
<p><b>Output 3: Institutional Empowerment</b> Conduct feasibility socio-economic &amp; environmental feasibility studies/sector to measure impact of formalization</p> <p>Baseline: 0 Indicators: comprehensive study in place</p>		<p>1. Formulation of National Teams to identify the sectors that will be effected by formalization process</p> <p>2. conduct the study to measure impact at the level of poverty, unemployment, income, environment, etc</p> <p>3. identify policies and institutional frameworks that needs to be adopted to motivate the transition to formal sector</p> <p>Activity: Recruitment of national and international team of consultants to work closely with the National Team</p>	<p>SPC UNDP</p>	<p><b>US\$ 155,000</b></p>
<p><b>Output 4</b> Elaboration of recommendations for policies and legislative changes for formalization of the sector</p> <p>Baseline: 0 Indicators: Draft PD for Phase II -</p>		<p><b>DRAFT RECOMMENDATION DOCUMENT</b> 1. Map out the On-Going Reform Programs 2. Write a first draft of the Institutional Empowerment outlines <b>ROAD MAP</b> 1. Analyze the Risks and define Mitigation Measures 2. Design an orderly sequence of reforms</p> <p><b>INVENTORY OF LAWS TO BE REFORMED</b></p>	<p>SPC/UNDP</p>	<p><b>US\$ 50,000</b></p>

implementation		<b>REFORM REPORT</b> 1. Identification of the precise laws and regulations to be affected by the reform, including Frontrunners 2. Elaboration and validation of the Reform Report 3. Recommendation for policies and legislative changes needed for formalization of the sector	
Project management Unit in place		1. Recruitment of national project Director 2. Recruitment of Admin and Finance support 3. Furniture incl. desks, EDP, vehicle  UNDP GMS	<b>US\$ 75,000.- (24 months)</b> <b>US\$ 24,000.- (24 months)</b> <b>US\$ 46,000.-</b>  <b>US\$ 20,335.-</b>
		<b>Total Budget US\$ 475,335.-</b> <b>UNDP Contribution:</b> <b>Syrian Government :</b> <b>Donors contribution (un-funded ):</b>	<b>US\$ 50,335.-</b> <b>US\$250,000.-</b> <b>US\$ 175,000.-</b>