

**Inter-regional project: How to
strengthen social protection coverage
in the context of the European Union
Agenda on decent work and promoting
employment in the informal economy**

Syrian Arab Republic: A case study

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Abbreviations

CCA	Common Country Assessment
CMO	Cotton Marketing Organization
CPI	Consumer Price Index
DWCP	Decent Work Country Programme
ESSPROS	European System of Integrated Social Protection Statistics
EU	European Union
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GECPT	General Establishment for Cereals Processing and Trade
GHE	Government Health Expenditure
HDI	Human Development Index
ILO	International Labour Office
IMF	International Monetary Fund
ISI	Institution of Social Insurance
LMIC	Low-Middle Income Countries
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MIC	Middle Income Countries
MOH	Ministry Of Health
MOLSA	Ministry of Labour and Social Affairs
MSIT	Ministry of Supply and Internal Trade
PHC	Primary Health Care
PHE	Private Health Expenditure
PPS	Petroleum Price Subsidy
PSF	Price Stabilization Fund
SL	Syrian Lira
SPER	Social Protection Expenditure and Performance Review

SSPTW	Social Security Programmes throughout the World
TDR	Total Dependency Ratio
TFR	Total Fertility Rate
THE	Total Health Expenditure
UN	United Nations
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNRC	United Nations Resident Coordinator
UNRWA	United Nations Relief and Work Agency
WB	World Bank
WDI	World Development Indicators
WHO	World Health Organization
YDR	Youth Dependency Ratio

Acknowledgements

This report is one of six country studies undertaken by the Social Security Department of the International Labour Office as part of the European Commission-funded project “Inter-regional project: How to strengthen social protection coverage in the context of the European Union Agenda on decent work and promoting employment in the informal economy”.

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1. Introduction

1.1. Overview

In spite of the adverse regional environment and decline in its oil production, the Syrian economy has proved to be resilient. Economic growth has been sustained at above 4 per cent since 2004, inflation has been contained and the public debt has been relatively moderate. However, Syria's economic challenges have been mounting and a further decline in oil production is expected. In its 10th five-year development plan,¹ the Government has outlined comprehensive stabilization and structural reforms to respond to these pressing challenges, including phasing out some of the price subsidies. But, the social protection arrangements have not been adapting to make up for the welfare loss and the rapidly changing needs brought about by these reforms.

The main objective of this study is to describe and analyze trends in public social protection expenditure and the coverage of social protection schemes in Syria throughout the period 1996-2006. The timing of this study is also important as it comes at a time when economic change is accelerating. Therefore, it is intended to provide the information necessary to better understand the current situation and possible impact of these changes on the provisions and coverage of social protection, with respect both to individual programmes and the larger context of social protection as a whole in Syria.

The study is divided into seven chapters. Chapter one is an introduction. Chapter two describes the socio-economic environment in Syria, including demography, labour market, and macroeconomic conditions. Each chapter from three to five addresses one area of social protection, trends in expenditure on the different schemes and an analysis of the extent and effectiveness of coverage. Chapter six addresses incidence of poverty and its profile in Syria. Concluding remarks are presented in chapter seven.

1.2. Syria's Decent Work Country Programme (DWCP)

In line with Syria's effort to accelerate the transition from a centrally-planned economy to a "social market economy," the ILO, in consultation with the government, worker and employer organizations, formulated Syria's DWCP, which was officially signed in February 2008. The DWCP seeks to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. The framework for Syria identifies "Contribute to poverty reduction through decent work" as its development goal for the period of 2007-2010. It rightly underscores enhancing social protection as one of its three priority areas. Some of the specific outcomes measuring success in achieving this priority are "Improved capacity of government and social partners in order to strengthen social security policy making and administration and to improve the access to adequate level of social protection to all workers and their families, including those in the informal economy" (ILO et al., forthcoming).

¹ The Syrian government publishes a five-year development plan periodically in which it outlines comprehensive strategies to address a set of sought objectives while ensuring coherence between the several interventions. The most recent plan is the 10th for 2005-2010.coherence between the several interventions.

The DWCP adopts a multi-component package of interventions in line with current national priorities as stated in the 10th national five-year plan, and other international interventions. In this respect, the ILO will provide support and capacity building to the Ministry of Labour and Social Affairs (MOLSA) to assist in the development of a comprehensive national social security action plan. Several activities are to be undertaken: first, the ILO will extend policy support to the MOLSA through a technical report for the policy review of social security reform proposals. Second, the ILO will provide assistance in drafting a new social security law and related legislation consistent with ILO standards, in particular the Social Security (Minimum Standards) Convention, 1952 (No. 102) and relevant international best practices. Third, it will assist in developing comprehensive policy options for pension reform based on a Social Protection Expenditure and Performance Review (SPER) and Social Budget, which will address the current schemes, identify problems and make recommendations to ensure long-term sustainability. Finally, it will provide assistance to related Ministries to explore new social security mechanisms for the uncovered population including the feasibility of establishing a minimum social security benefit package for all based on the findings in the SPER, Social Budget, and an actuarial valuation (ILO et al., forthcoming).

The DWCP is also in line with key areas of the UN interagency initiatives to support Syria in achieving its national priorities. The Common Country Assessment (CCA) of 2005 and the United Nations Development Assistance Framework (UNDAF) for 2007- 2011 places a balance between economic growth and social protection and seeks to promote stronger social protection, including social assistance for the poor and the vulnerable (UNDAF outcome 1) (UNCT, 2007), which are important elements of the DWCP. Good governance (UNDAF outcome 2) and the delivery of basic social services (UNDAF outcome 3) will be integrated throughout the DWCP.

1.3. Definitions and Methodological Approach²

This study uses the definition of social protection developed by EUROSTAT and employed in the European System of Integrated Social Protection Statistics (ESSPROS). According to this definition, social protection “encompasses all interventions from public or private bodies intended to relieve households and individuals from the burden of a defined set of risks and needs, provided that there is neither a simultaneous reciprocal nor an individual agreement involved.” (EUROSTAT 1996). The use of this definition is appropriate for the purpose of our study as it narrows the scope of intervention to those provided by public and/or private institutions, excluding all direct private transfers between households and individuals. Furthermore, due to data limitations, we will limit the scope to social protection provided by public sector institutions only.

There are several risks and needs that are subject to social protection coverage. For the purpose of this study, we will examine the availability and coverage of the following contingencies set out in Table 1.3.1.

² Definitions in this chapter are derived from Hagemejer (2001).

Table 1.3.1. Definitions for the various risks/ benefits examined in the Study

Risk/Benefit	Definition
I. Long term benefits	
Old-age	income maintenance and support in cash or kind, except health care, in connection with old age
Survivors	income maintenance and support in cash or kind in connection with the death of a family member
Disability	income maintenance and support in cash and in kind, except health care, in connection with the inability of physically or mentally disabled people to engage in economic and social activities
II. Short term benefits	
sickness	income maintenance and support in cash in connection with physical or mental illness, excluding disability
unemployment	income maintenance and support in cash or kind in connection of unemployment
maternity	income maintenance and support in cash or kind in connection with maternity
III. None-contributory benefits	
social exclusion not elsewhere classified	benefits in cash or kind, except health care, specifically intended to alleviate poverty and social exclusion where they are not covered by one of the other provisions
IV. Health Care	

To assess the performance of the social protection system in Syria, emphasis will be placed on coverage. Coverage will be measured in three dimensions:

- scope of coverage: expressed by the range of contingencies and needs covered by the existing social protection schemes;
- extent of coverage: expressed by the percentage of persons covered within either the total population or some specified target group;
- depth of coverage: expressed by the level of protection i.e. benefit levels and replacement ratios.

1.4. Providers and Scope of Public Social Protection in Syria

Social protection benefits are mainly provided by government bodies and the Institution of Social Insurance (ISI). The Government runs multiple social programmes and provides several types of consumer and producer price subsidies. In addition, the government provides universal health care to the population. The United Nations Relief and Work Agency (UNRWA), the UN's regional programme serving the resident Palestinian refugee population, runs a social protection programme for eligible Palestinian refugees. The following matrix (Table 1.4.1) illustrates contingencies covered by the various public arrangements.

Table 1.4.1. Contingencies covered by public social protection providers among various population groups

	Old-age	Survivor	Disability	Work Injury	Unemployment	Sickness	Maternity	Health Care	Poverty and Vulnerability
Private Employees	MC	MC	MC	MC	–	–	–	UC	PS
Civil Servants	MC	MC	MC	MC	–		–	UC	PS
Military Personnel	MC	MC	MC	MC	–	–	–	UC	PS
Self-Employed	VC	VC	VC	VC	–	–	–	UC	PS
Unpaid Worker	–	–	–	–	–	–	–	UC	PS
Unemployed	–	–	–	–	–	–	–	UC	PS
Poor/Vulnerable	–	–	–	–	–	–	–	UC	PS
Elderly	–	–	–	–	–	–	–	UC	PS
Other Economically Inactive	–	–	–	–	–	–	–	UC	PS
Registered Refugees	–	–	–	–	–	–	–	UC	PS
MC: Mandatory Coverage		MT: Means-tested Benefit		VC: Voluntary Coverage					
PS: Price Subsidy		–: No coverage		UC: Universal Coverage					
Source: ILO compilation from various sources.									

2. Determinants of social protection

2.1. Demographic developments

Syria's population was estimated at 18.2 million according to the 2003 census and was projected to have increased to 19.372 million by 2006 (UN, 2007a). Approximately 48 per cent of inhabitants live in urban areas with almost one out of four urban inhabitants residing in the capital, Damascus. Between 2000 and 2005, Syria's population grew at a high average annual rate of 2.7 percent, compared with 1.8 and 0.9 per cent for MENA and Lower Middle Income Countries (LMIC), respectively (UN, 2007a). However, there has been an overall slowdown in the population growth over the past decades as illustrated in Table 2.1.1.

Table 2.1.1. Population growth rate in per cent and population change in thousands, 1980-2005

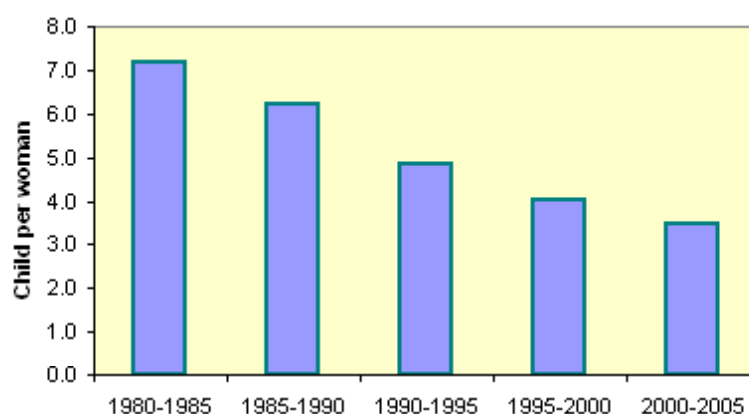
Period	Population growth rate	Population change per year	Birth	Death	Net Migration
1980-1985	3.7	368	456	71	-17
1985-1990	3.3	382	477	67	-28
1990-1995	2.8	378	455	63	-14
1995-2000	2.5	381	467	60	-26
2000-2005	2.7	477	500	63	40

Source: Based on data from UN (2007a).

The recent increase in the population growth rates was mainly driven by a significant influx of refugees in the wake of the U.S. invasion of Iraq in 2003, which totaled 1.5 million according to one estimate (IMF, 2007). Some recent news reports have indicated that refugees are returning in large numbers to their country of origin (NPR, 2007), although concrete numbers are still difficult to obtain.

The pattern of declining natural population growth (excluding migration) can be explained by two underlying factors: fertility rates and mortality rates. Since 1980, the Total Fertility Rate (TFR) almost halved, from 7.18 children per woman in early 1980s to 3.48 children per woman in early 2000s (UN, 2007a). (See Figure 2.1.1)

Figure 2.1.1. Total fertility rates, 1980-2005



Source: Based on data from UN (2007a).

The second factor, the mortality rate, has also shown significant improvement over the same period. The crude death rate declined from a rate of 7.1 deaths per 1,000 in early 1980s to 3.6 deaths per 1,000 in early 2000s. The infant mortality rate was estimated at 18.6 infant deaths per 1,000 live births in early 2000s, significantly down from the rate of 50.3 infant deaths per 1,000 live births in early 1980s. Life expectancy at birth, therefore, increased steadily and reached 73.1 years in 2000-2005, compared with 70 and 71 for MENA and LMIC, respectively (UN, 2007a). (See Table 2.1.2.)

Table 2.1.2. Life expectancy at birth, 1980-2005

Life expectancy	1980-1985	1985-1990	1990-1995	1995-2000	2000-2005
Both Sex	64.6	67.0	69.2	71.5	73.1
Male	62.9	65.3	67.6	69.7	71.2
Female	66.5	68.9	71.2	73.4	74.9

Source: Based on data from UN (2007a).

As a result of declining fertility rates, improved mortality and increased life expectancy, the population structure has changed notably over the past few decades. The median age of the population increased from 15.4 years in 1980 to 20.6 years in 2005 (UN, 2007a). Nevertheless, Syria's young population continues to be the main demographic feature that most characterizes Syria's population compared with other lower-middle income countries. (See Table 2.1.3 and Figure 2.1.2.)

Table 2.1.3. Population by age group in thousands, 1980 – 2005

Population	1980	1985	1990	1995	2000	2005
Total	8,971	10,812	12,722	14,607	16,510	18,892
Pre-working age (0-14)	4,409	5,344	6,157	6,574	6,706	6,913
Percent	49.1	49.4	48.4	45.0	40.6	36.6
Working age (15-64)	4,324	5,190	6,226	7,624	9,306	11,385
Percent	48.2	48.0	48.9	52.2	56.4	60.3
Post-working age (65+)	238	278	339	409	498	594
Percent	2.7	2.6	2.7	2.8	3.0	3.1

Source: Based on data from UN (2007a).

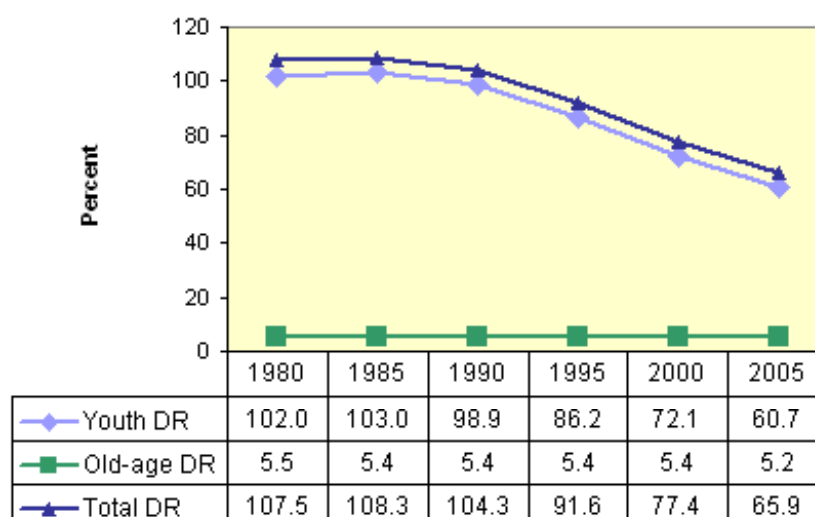
Figure 2.1.2. Population pyramid, 1980, 2005, and 2050



Source: ILO calculation based on data from UN (2007a).

Similarly, decreasing trends have been observed in the Youth Dependency Ratio (number of children under 15 year-old for one working-age person) and the Total Dependency Ratio (number of children under 15 year-old and elderly above 65 year-old for every working-age person). (See Figure 2.1.3.)

Figure 2.1.3. Dependency ratios, percent, 1980–2005

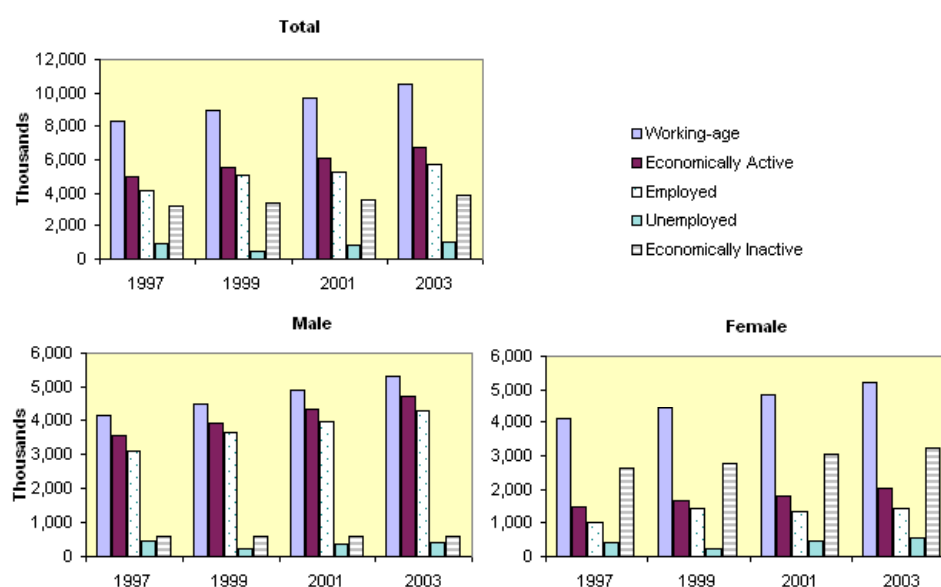


Source: ILO calculation based on data from UN, (2007a).

2.2. Labour Market Developments and Trends

Syria, as in many MENA countries, has a low labour force to population ratio, estimated at 40 per cent of the total population in 2006 (WB, 2007). Two main interlinked factors contribute to this low rate: the large proportion of the population in the pre-working ages, and the low participation rate³ among females.

Figure 2.2.1. Working-age Population in Thousands



Source: ILO calculation based on data from UN, (2007a) and WB, (2007).

³ Participation rate is measured as the ratio of working or seeking work female to working-age.

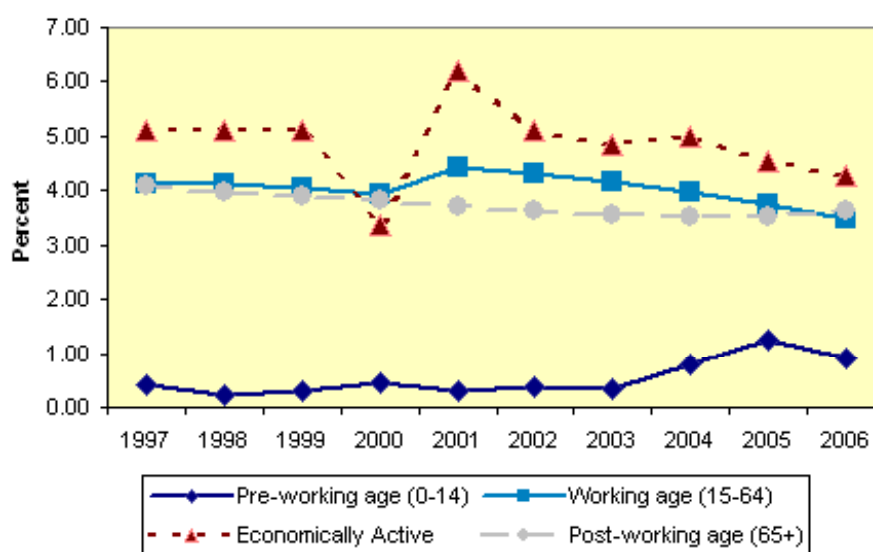
Table 2.2.1. Labour force rates, per cent, 1996-2006

	1996	1998	2000	2002	2004	2005	2006
Participatio Rate	60.2	61.4	61.7	63.2	64.3	64.8	65.3
Labour force / population	31.9	33.6	34.8	36.8	38.4	39.0	39.7
Participation Rate, male	85.5	86.0	86.7	88.3	88.8	89.2	89.6
Participation Rate, female	34.7	36.5	36.3	37.7	39.3	39.9	40.5

Source: Based on data from UN (2007a) and WB (2007).

This has, however, been changing rapidly over the past years. The declining fertility rates, as shown in Figure 2.1.1, have expanded the relative size of the working-age population and subsequently enlarged the base of the labour force. Moreover, the female participation rate has increased steadily from 34.7 per cent in 1996 to 40.5 per cent in 2006 (WB, 2007). Nevertheless, Syria's labour force is predominantly male with 2 out of 3 economically active being men. (See Table 2.2.1.)

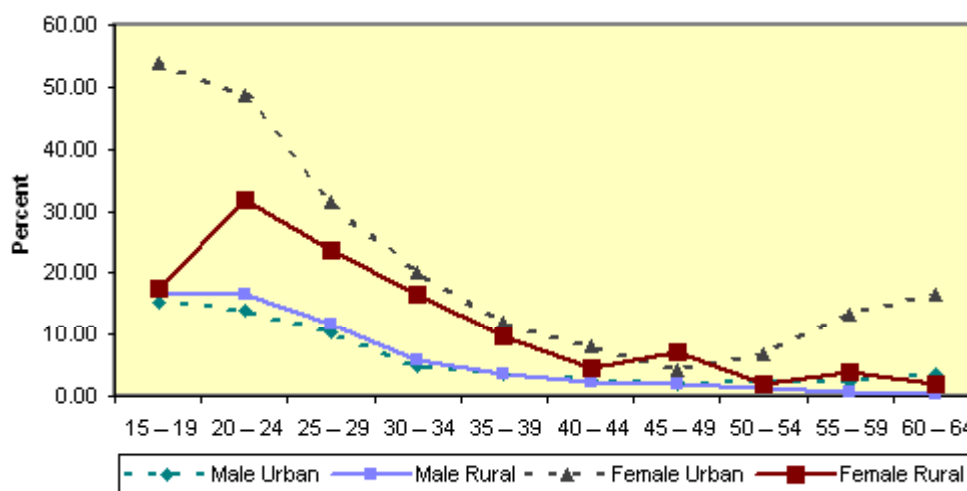
As a result of these changes, Syria entered a new phase in which the labour force expanded at a rate higher than the individual growth rates of the working age, pre-working age, post-working age populations.

Figure 2.2.2. Population growth rates, by working status, per cent, 1997-2006

Source: ILO calculation based on data from UN, (2007a) and WB, (2007).

The fast expanding labour force represents a substantial challenge for the local economy to create enough jobs to absorb more than 300,000 new entrants to the labour market every year. In 2001 the Unemployment Commission was established and tasked with creating several hundred thousand jobs over a five-year period through capacity building, institutional strengthening and micro-finance (UNCT, 2005). However, high unemployment rates are one of the features that characterize the Syrian labour market. The most recent figure estimated it at 14.8 per cent of the labour force for 2003, with significantly higher rates for female participants estimated at 28.3 per cent of the female labour force, compared with 9 per cent of the male labour force (WB, 2007). While there are many socio-economic factors that might have contributed to unemployment rate differentials between male and female, one possible explanation is discriminatory labour market conditions against female participants, especially in their productive years, as shown in Figure 2.2.3.

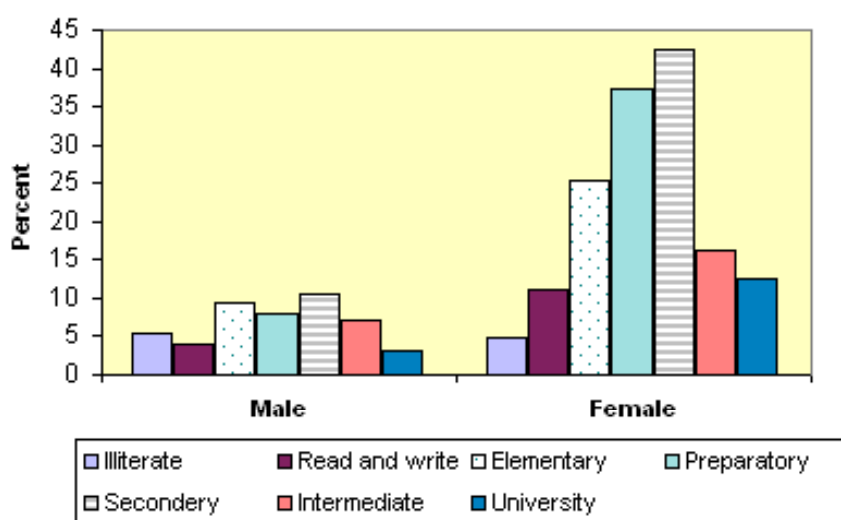
Figure 2.2.3. Unemployment by gender, rural/urban, and age group, 2003



Source: Based on data from Øvensen et al. (2007).

In addition to the gender dimension, Figure 2.2.3 shows that unemployment in Syria falls disproportionately on the young. The highest unemployment rate was recorded at 53.90 per cent for urban females in the age group of 15-19 (Øvensen et al., 2007). One possible reason for the high youth unemployment is the inability of the local economy to absorb the rapid entry into the labour market of new participants as explained earlier. The issue of education could also shed light on high youth unemployment. The highest unemployment rates were recorded for participants with secondary education (10.5 male, 42.5 female) (Øvensen et al., 2007). The entry age to the labour market by those who finish secondary school is most likely to coincide with the age groups of 15 – 24, which was shown to have scored the highest unemployment rates across the different age groups.

Figure 2.2.4. Unemployment by gender and education attainment, 2003



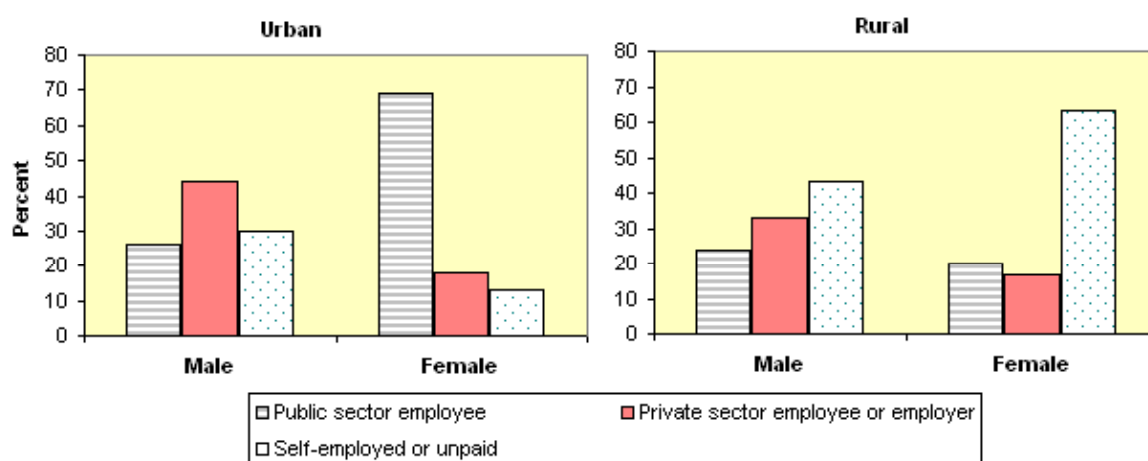
Source: Based on data from Øvensen et al. (2007).

While male unemployment rates seem to be linked less to education, female unemployment rates increase with education up to secondary education, after which the unemployment rates decline sharply. This is likely because traditional norms associate female employment with certain occupations. The female labour force, especially in urban areas, is concentrated in public administration, health and education (68.4 and 18.2 per cent of the overall female employment for urban and rural areas, respectively) (Øvensen et

al., 2007). Such careers are likely to require post secondary education. As women pass this education requirement, it becomes easier to find employment in these areas.

More generally, public sector employment is relatively high in Syria and totaled 28 per cent of overall employment. However, Syria's labour market is characterized with a high degree of informality. The self-employed and unpaid is the largest employment category with 37 per cent of total employment, followed by private sector employment (employee and employer) with 35 per cent (Øvensen et al., 2007).

Figure 2.2.5. Percentage distribution of employment by sectors, 2003



Source: Based on data from Øvensen et al. (2007).

2.3. Macroeconomic Developments

Following almost a decade of high economic growth in the 1990s, Syria's economic performance between 1999 and 2003 was adversely affected by a number of internal and external factors. Real economic growth averaged less than 2 per cent annually between 1999 and 2003 (WB, 2007), below the population growth estimated at an average of 2.6 per cent annually over the same period (UN, 2007a). The main reasons for this slowdown were general uncertainties resulting from the volatile regional environment and a sharp decline in oil production. Although these challenges have remained largely unchanged, Syria's economy has proven itself. GDP growth has been sustained at high rates that averaged slightly less than 5 per cent annually between 2004 and 2006 (WB, 2007a). (See Table 2.3.1.)

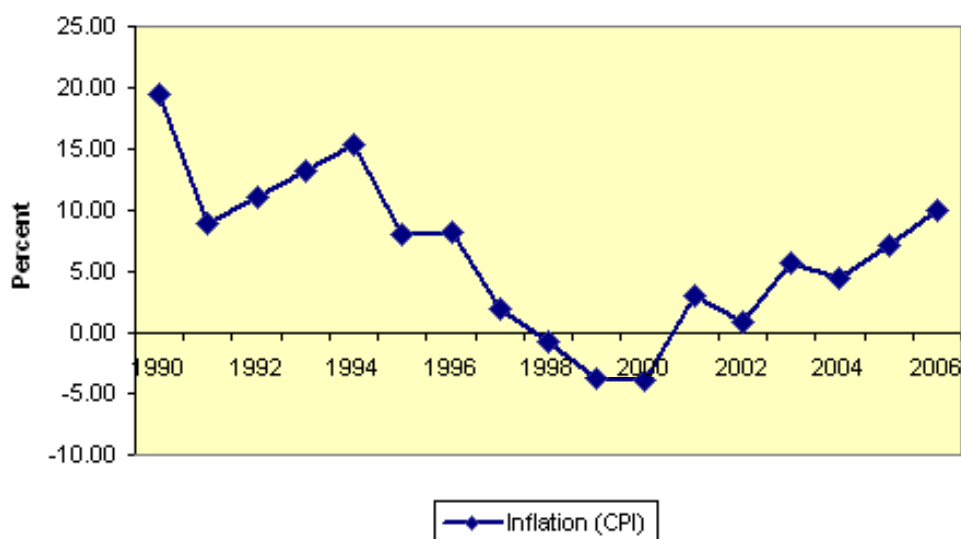
Table 2.3.1. Main economic indicators, 2000-2006

Economic Indicators	1997	1999	2001	2003	2004	2005	2006
GDP, current prices, Billion SL	745.57	819.09	1,015.53	1,102.15	1,243.05	1,482.55	1,815.62
GDP per capita, current SL	48,578.8	50,847.7	59,880.2	61,630.1	67,655.1	78,474.9	93,725.2
GDP per capita, current US\$	945.1	985.4	1,244.1	1,252.4	1,322.9	1,505.1	1,801.7
Inflation (CPI)	1.89	-3.70	3.00	5.80	4.40	7.20	10.00
GDP growth, real	1.80	-3.55	5.20	1.64	4.93	4.70	5.00
Average nominal wage, SL (annual)	–	37,914.00	51,836.00	63,850.00	–	–	–
Wage growth, real	–	9.70	15.90	-0.20	–	–	–
Official exchange rate, SL per US\$	52.14	52.14	52.14	52.14	52.14	52.14	52.14

Source: Based on data from WB (2007) and IMF (2005).

This economic recovery since 2004 has been accompanied by a steady rise in inflation, estimated at 10 per cent in 2006 (WB, 2007). However, this is still much lower than the historical high inflation rates, estimated at 19 per cent in 1990 (see Figure 2.3.1). The establishment of an official parallel exchange rate (based on traded rates in Amman and Beirut markets) in 1990 largely contributed to the improved inflation environment as it provided incentives for remittances and exports through official channels. It also improved supply of basic commodities and removed the risk premiums on smuggled commodities.

Figure 2.3.1. Inflation rates, 1990-2006

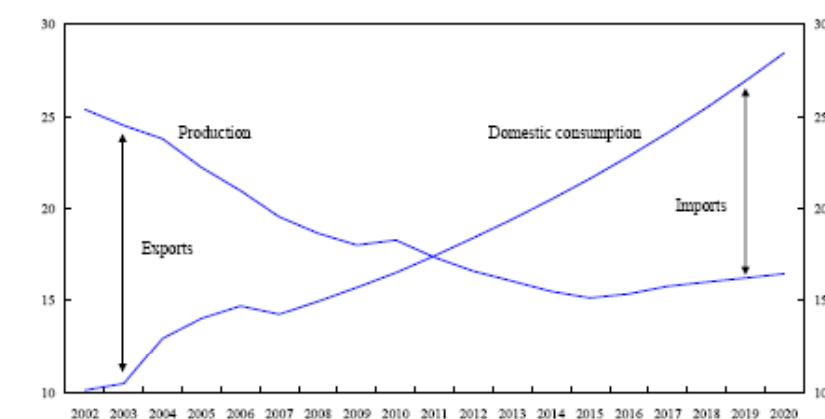


Source: Based on data from WB, (2007) and IMF, (2005).

Other recent economic reforms in Syria have been aimed at addressing structural deficiencies in the economy. The legalization of private banking in 2001 was most important, as well as the forming of a committee in 2004 to supervise the establishment of a stock market, and the enacting of major changes to tax laws.

Unlike other Arab oil-producing countries, Syria has a more diversified economy. Nevertheless, the oil sector remains important, representing 24 per cent of GDP as in 2006 (IMF, 2007). However, based on the oil output projections estimated by the IMF, the share of oil in GDP is projected to fall to less than 12 per cent by 2015 and Syria will become a net oil importer by 2010-2011. The proceeds from net oil exports will swing from a surplus of 3½ per cent of GDP in 2006 to a deficit of about 10 per cent in 2015 (IMF, 2006b). (See Figure 2.3.2.)

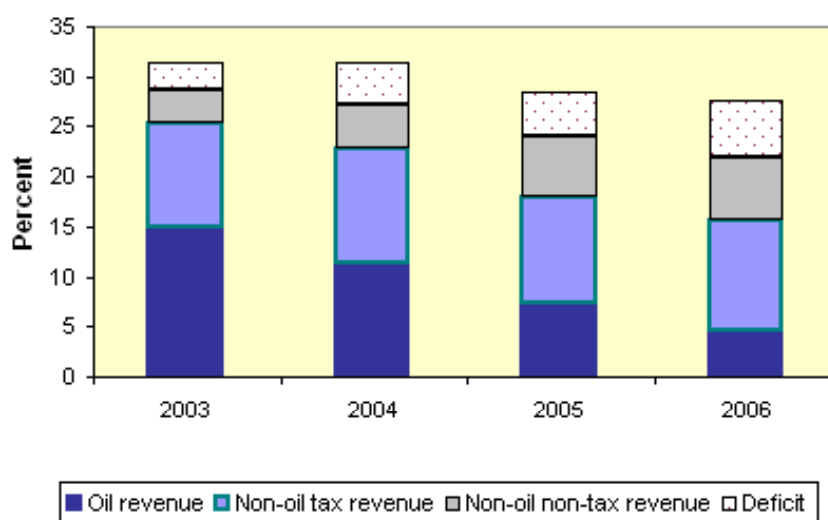
Figure 2.3.2. Production and domestic consumption of Oil (millions of tons)



Source: IMF, (2006b).

The reduction in oil revenues consequent on lower production poses a threat to overall national fiscal sustainability. The public budget already suffered a decline in oil-related revenues by 10.2 percentage points of GDP between 2003 and 2006. This was offset by an increase in non-oil revenue (non-oil tax and non-oil non-tax revenues) by 3.3 percentage points of GDP over the same period, expenditure were also cut by another 3.7 percentage points of GDP. However, Deficit/GDP ratio reached 5.7 percentage points of GDP in 2006, compared with only 2.6 percentage points of GDP in 2003 (IMF, 2007). (See Figure 2.3.3.)

Figure 2.3.3. Public finance revenue and expenditure as a percentage of GDP



Source: Based on data from IMF (2007).

3. Public social insurance

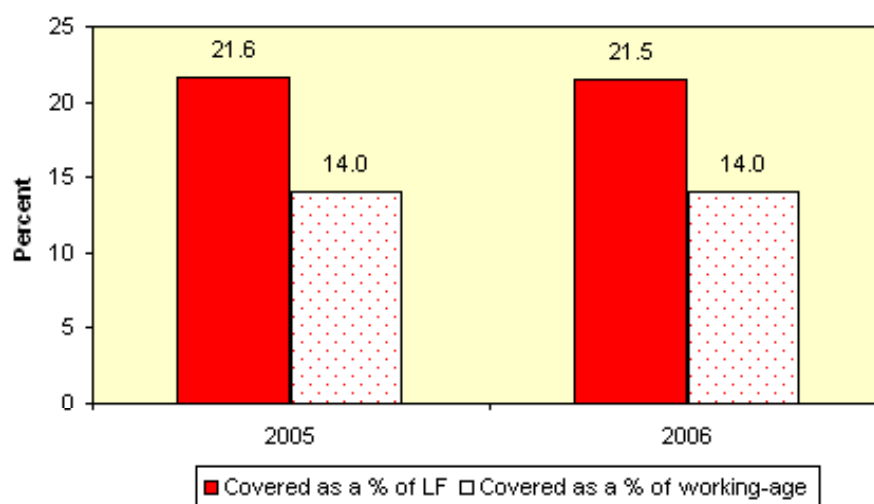
The social insurance system in Syria is the oldest in the Arab region and is regulated under Social Insurance law number 92 of 1959 and subsequent amendments in 1976 and 2001 (Syria, 2001). Social insurance arrangements are administered by the Institution of Social Insurance (ISI), which is managed by a tripartite board of directors and it administers regional and district offices throughout the country. In addition, there is a special scheme for civil servants and military personnel. Due to data limitation, the discussion in this chapter covers only the ISI system.

3.1. Scope and Extent of Coverage

The ISI scheme comprises two branches of social insurance: a long term branch and short term branch. The long term branch covers the contingencies of old age, permanent disability and survivor. Membership is compulsory for employees in industry, commerce, and agriculture. Domestic workers, self-employed and employers can choose to join the scheme, but family labour is excluded. Syrians working abroad can also voluntarily join the scheme. The short term branch covers work-related injury and is compulsory for employees in industry, commerce, and agriculture. It also covers municipal workers and public employees. It excludes, however, domestic servants and the self-employed (Syria, 2001).

In 2006, there were 184,150 actively insured establishments with a total membership of 1,651,011 insured (ISI, 2007), representing only 21.48 per cent of the overall labour force and 14.02 per cent of the working age-population in Syria.

Figure 3.1.1. The ISI contributors as a percentage of labour force and working-age population, 2005-2006



Source: ILO calculation based on the ISI financial statements 2005-2006.

The low coverage of the working population is largely due to the high degree of informality of the labour market in Syria, in particular rural employment. For instance, almost two out of three working females and one out of two working males in rural areas are unpaid or self-employed, compared with one out of nine and one out of three, for urban working female and male, respectively (see Figure 2.2.5.). Although the ISI does not produce membership data disaggregated by gender, the gap in coverage between male and female of working-age is expected to be much wider than that within the working male/female populations. That is mainly due to lower participation rates among females

(see Figure 2.2.1), but more generally the lack of universality of the insurance scheme is thought to discriminate against the female population.

3.2. Benefit Levels

The ISI pension scheme is defined-benefit scheme. The following Table 3.2.1 summarizes the standard calculations for each benefit.

Table 3.2.1. The ISI pension benefit calculations and provisions

Pension	Basic formula	Eligibility	Other provisions	Minimum pension	Maximum pension
Old-age	2.5% final year of career average monthly earnings x years of contribution	<ul style="list-style-type: none"> - Age 60 (male), 55 (female) - Age 55 (male), 50 (female) with 240 months of contributions - Physically demanding and dangerous work: at any age with 180 month of contributions - At any age with 300 months of contributions 	<ul style="list-style-type: none"> - A lump sum is paid equal to 1 month's pension for every complete covered year beyond 30 years of coverage, up to a maximum of 5 month's pension - not eligible persons age 60 (male), 55 (female) gets a lump sum equal to 11-15% of total covered earnings 	Legal minimum wage	SL 3,450 or 75% of final year of career average monthly earnings if less
Disability	(40% + 2% x years of covered employment) x final year of career average monthly earnings	<ul style="list-style-type: none"> - Loss of 80% of working capacity - disability began during employment or within 6 months after leaving employment - disability is not only due to occupational injury - contributions made throughout the last 12 months or 24 months of contribution including the last 3 months 	<ul style="list-style-type: none"> - For voluntary insurance, the assessed degree of disability must exceed 35% and might be due to an occupational injury. The benefit is equal to 50% of the insured's insurable earnings in the last year. The benefit is increased by an additional 50% if the insured is totally disabled due to work injury 	Legal minimum wage <ul style="list-style-type: none"> - temporary disability: SL343 a month, plus SL25 for each dependent 	80% of final year of career average monthly earnings
Survivor	Survivor gets 37.5% of deceased disability pension <ul style="list-style-type: none"> - first orphan gets 25% (37.5% for full orphan), second orphan gets 12.5% - each dependent parent gets 12.5% 	<ul style="list-style-type: none"> - death was not resulted from work injury - contributions requirement as of disability pension or was a pensioner at time of death - eligible survivors: unemployed widow, disabled widower, orphans less than 21 (24 if disabled), and dependent parents 	<ul style="list-style-type: none"> - Funeral grant: a lump sum of 1 month's earning is paid with a minimum of SL100 - For voluntary insurance, a lump sum of 100% of deceased's earnings in the last year is paid. The lump sum is increased by an additional 50% if the insured's death was due to work accident 	SL400 a month for the widow, SL 96 for each other survivors	Total pension is equal to 75% of the deceased's disability pension

Source: SSPTW: Asia and the Pacific, 2006.

For work injury, there is no minimum contribution period for eligibility. Benefit levels vary with the assessment of disability. Temporary disability benefit is equal to 80 per cent of the insured earnings for the first month of the disability and thereafter increased to 100 percent. The minimum benefit is SL 2,000 a month for a maximum period of 12 months from the day the injury occurred (SSA, 2006).

If the injured person is assessed as suffering from a permanent disability with a degree of 80 percent, the pension benefit is calculated as 75 per cent of the insured's average monthly earnings in the last year. If the assessed degree of disability is between 35 – 79 percent, the benefit level will be adjusted. The pension is calculated as the percentage of the disability level multiplied by the full pension. A lump sum benefit will be paid for any disability assessed at less than 35 percent. Workers are also entitled to medical treatment. Survivor benefits in the work injury insurance branch are calculated as 75 per cent of the insured person's average monthly earnings in the last year and divided between eligible survivors with a minimum pension of SL400 for the widow and SL96 for each other survivor. A lump sum of monthly earning is also paid as a funeral grant, with a minimum amount of SL80 (SSA, 2006).

3.3. Financing and Financial Trends

The system is financed by contributions collected from both employees and employers. (See Figures 3.3.1 and 3.3.2; Tables 3.3.1 and 3.3.2.)

Table 3.3.1 Contribution rates

Insurance type	Employee (per cent of earning)	Employer (per cent of payroll)	Combined
Old age, disability, and survivors	8	14	22
Work injury	0	3	3
Total	8	17	25

Source: SSPTW: Asia and the Pacific, 2006.

Voluntary participants can contribute for the risks of old-age, disability, and survivors but it was not possible to obtain information on the rate of contribution. There is no coverage for the self-employed for work injury.

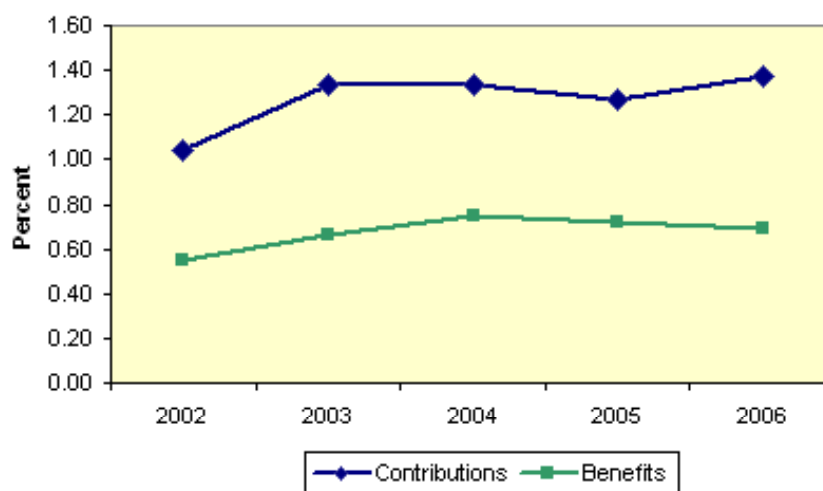
The ISI total contributions amounted to SL 24,925.5 million in 2006, this is almost double the amount paid in benefits and other expenses. The reserve as of December 31, 2006 totaled SL 116.194 billion (ISI, 2007), which represents 6.48 per cent of the GDP.

Table 3.3.2. Financial indicators, ISI, 2002-2006

In thousand SL	2002	2003	2004	2005	2006
Insurance income	11,405,235	15,178,036	17,115,708	19,405,284	25,584,393
Income from contributions	11,092,398	14,691,089	16,534,947	18,801,518	24,925,494
Employers	7,798,988	10,724,215	11,696,023	13,045,198	17,812,345
Employees	3,293,410	3,966,874	4,838,924	5,756,320	7,113,149
Other income	312,837	486,947	580,761	603,766	658,899
Expenditure	5,850,811	7,294,517	9,304,641	10,679,401	12,546,354
Pension expenditure	3,479,571	4,464,701	6,100,545	7,502,223	9,235,474
Old age	2,361,445	3,120,223	4,409,429	5,451,438	6,775,017
Survivor	833,089	1,003,811	1,289,563	1,588,748	1,901,826
Old age, disability, survivor branch	667,446	822,713	1,068,311	1,322,047	1,613,696
Work injury branch	165,643	181,098	221,252	266,701	288,130
Disability	285,037	340,667	401,553	462,037	558,631
Old age, disability, survivor branch	68,709	87,842	120,687	141,155	196,247
Work injury branch	216,328	252,825	280,866	320,882	362,384
Lump sum and other benefits	2,371,240	2,829,816	3,204,096	3,153,184	3,279,452
Funeral, family, marriage grants	366,075	660,364	806,835	689,854	738,514
Lump sum	994,504	916,681	1,021,253	982,395	977,114
Heating grant	956,543	1,196,635	1,314,043	1,411,746	1,492,399
Health expenses	54,118	56,136	61,965	69,189	71,425
Administrative cost	-	-	-	23,994	31,428
Surplus/deficit	5,554,424	7,883,519	7,811,067	8,725,883	13,038,039
Reserve development					
Reserve at the beginning of the year	73,192,834	78,747,258	86,630,777	94,441,844	103,167,727
Reserve at the end of the year	78,747,258	86,630,777	94,441,844	103,167,727	116,194,248
Reserve ratio (reserve as a multiple of expenditure	13.46	11.88	10.15	9.66	9.26
Change in reserve	5,554,424	7,883,519	7,811,067	8,725,883	13,026,521

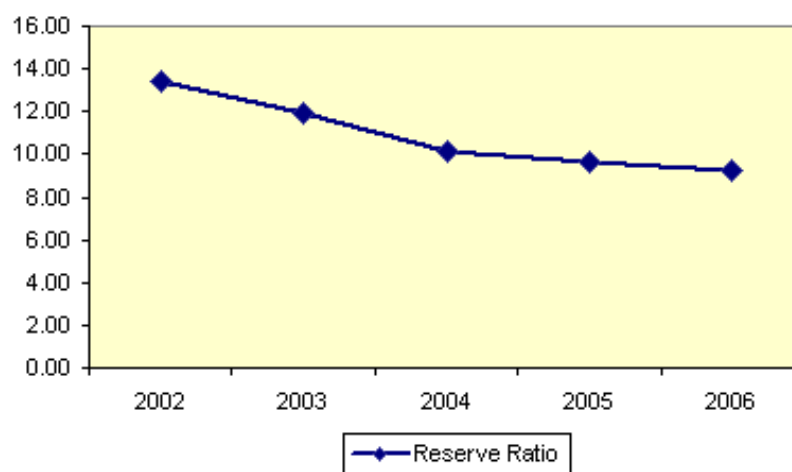
Source: ILO calculation based on the ISI financial statements 2005-2006.

Figure 3.3.1. ISI total contributions and paid benefits as a percentage of GDP, 2002-2006



Source: ILO calculation based on the ISI financial statements 2005-2006.

Figure 3.3.2. Terminal reserve as a multiple of annual expenditure, 2002-2006



Source: ILO calculation based on the ISI financial statements 2005-2006.

4. Health Care System

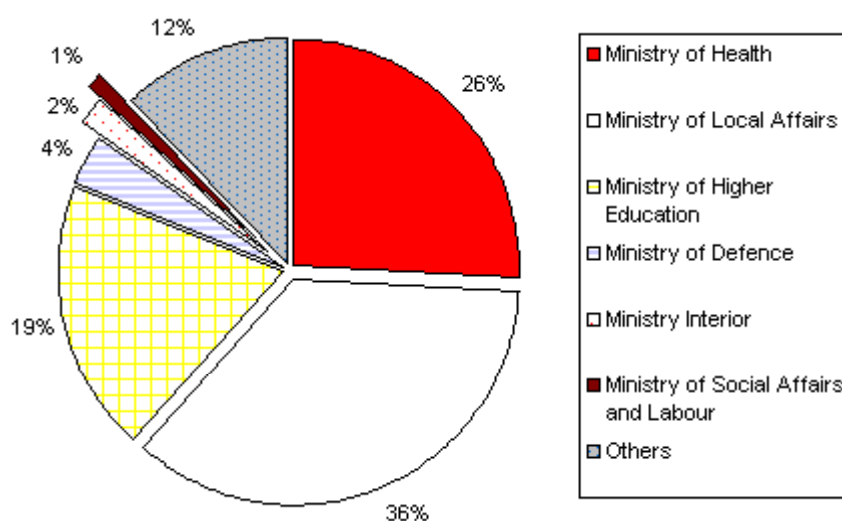
Health care services in Syria are financed from the state budget and provided on a universal basis to all persons. In addition, the private sector participates in the delivery of a mix of health care services, the fees of which are paid from household sources.

In the coming sections, we first briefly describe the actors in the health care delivery system. We then examine trends in health care expenditure. Lastly, we discuss issues related to equity in utilization.

4.1. Health Care Delivery System

The organization of the public health care delivery system follows a pyramidal structure. At the bottom is the village level including rural community development centres administered by the Ministry of Local Affairs providing primary and preventive health care. Secondary health care is provided at the district level and tertiary care is provided at the provincial level. The Ministry of Health (MOH) is in charge of administering and planning the overall health care system. The following diagram lists the public institutions that make up the health care delivery system in Syria along with their relative size in terms of public expenditure channeled through each institution as a percentage of the overall public spending on health care.

Figure 4.1.1. Distribution of public spending on health care among public institutions, 2003



Source: Based on data from Dashash et al. (2006).

In addition to the health care services provided by public institutions, the private sector plays a significant role in health care delivery through various clinics, hospitals, labs, and pharmacies. Private health services are fee-for-service and directly financed by users in the form of out-of-pocket expenses. In 2005, there were 373 private hospitals with an average of 20 beds per hospital, compared with 85 public hospitals with an average of 193 beds per hospital (Al-Khatib, 2006). The overall ratio of bed for every 10,000 inhabitants is still low at 12.6, a slight improvement from the rate of 11 beds for every 10,000 inhabitants in 1990. (See Figure 4.1.1 and Table 4.1.1.)

Table 4.1.1. Hospitals and beds distributed by ownership, 2005

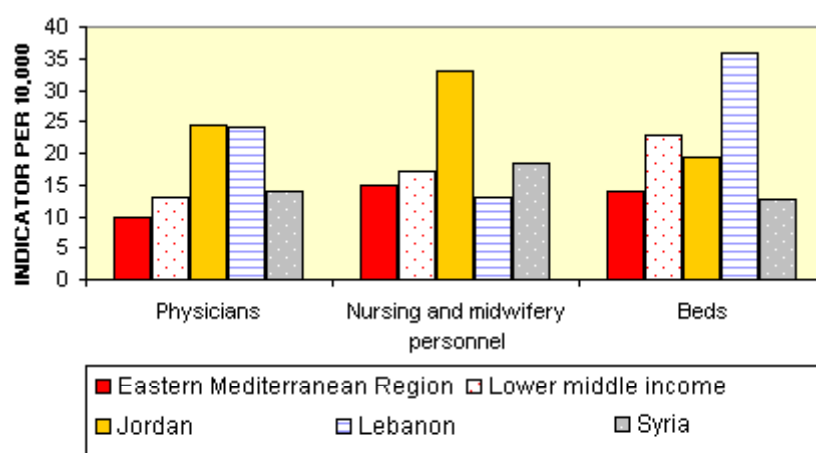
Sector	Hospitals	Beds	Bed per 10.000 population
Public	85	16.402	8.68
Ministry of Health	72	11,988	6.35
Higher education	12	3,888	2.06
Central hospital	1	526	0.28
Private	373	7.396	3.91
Total	458	23.798	12.60

Source: Based on data from Al-Khatib (2006).

Syria aims to provide health centres for every 10,000 population in the rural areas and for every 20,000 population in the urban areas, and consequently has witnessed a substantial growth in the number of health facilities across the country over the past few decades which reached a total of 1,795 primary health facility in 2005, compared with 1,188 in 2000 and 670 in 1990 (Al-Khatib, 2006).

With respect to human resources, in 2004 there were a total of 25,890 physicians, 15,312 dentists and 34,108 qualified nurses and midwives (Al-Khatib, 2006). The overall rate per 10,000 population of physicians, dentists, and nursing and midwifery personnel was 14.09, 8.33 and 18.56, respectively in 2004. (See Figure 4.1.2.)

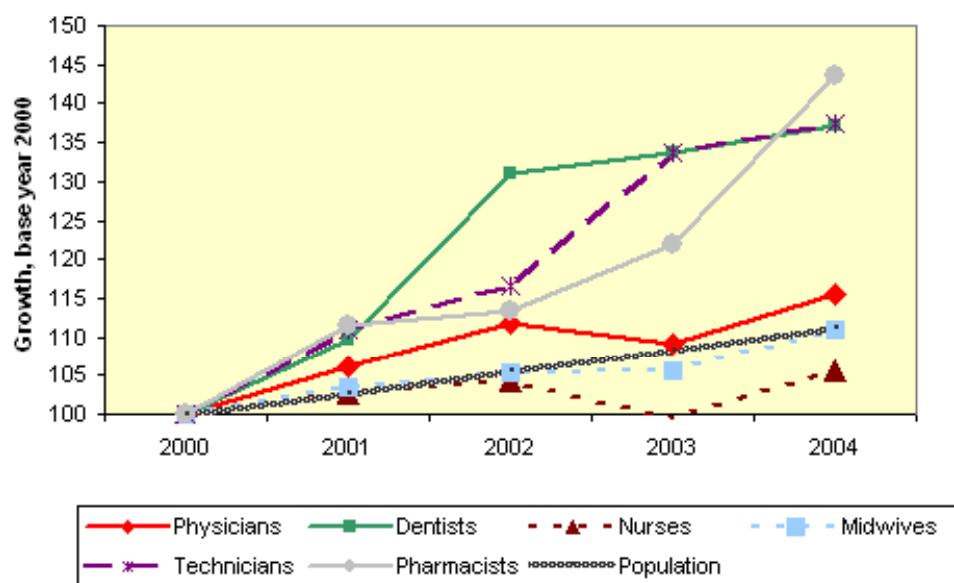
Figure 4.1.2. Comparison of some health care indicators, per 10,000 population, 2005



Source: Based on WHO (2007a), Al-khatib (2006) and UN (2007a).

While the rate improved significantly for physicians and dentists from a rate of 10.9 and 5.6 per 10,000 population of physicians and dentists, respectively in 1995, the rate for nurses and midwives worsened over the same period compared with the 1995 rate of 21.2 per 10,000 population. The convergence between the number of physicians and nurses indicates an inefficient mix of health resources. Moreover, the growth of nursing and midwifery personnel was lower than the general population growth rate, as shown in Figure 4.1.3. This issue highlights the necessity of creating more coherence between the educational system's outcomes and the health care system's needs.

Figure 4.1.3. Growth in medical personnel, 2000 (base year =100)-2005

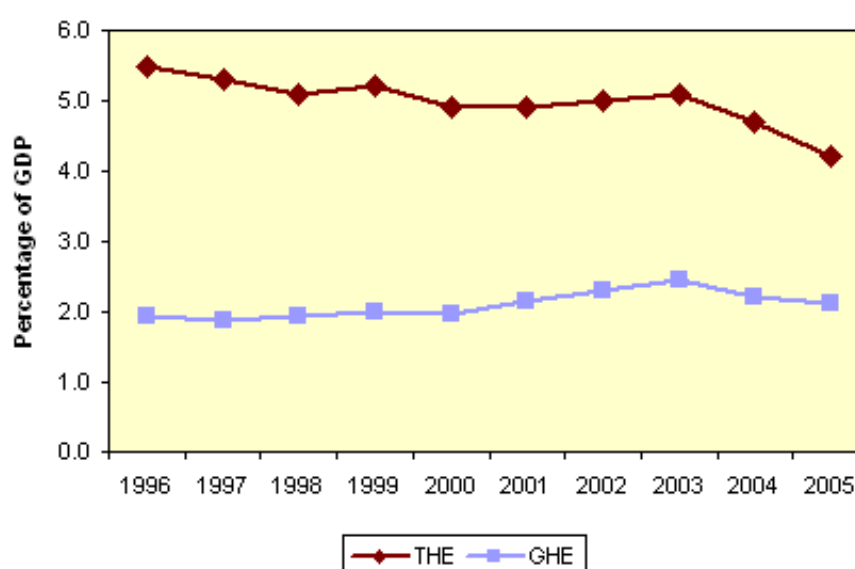


Source: ILO calculation based on data from Al-Khatib (2006).

4.2. Health Care Financing and Expenditure

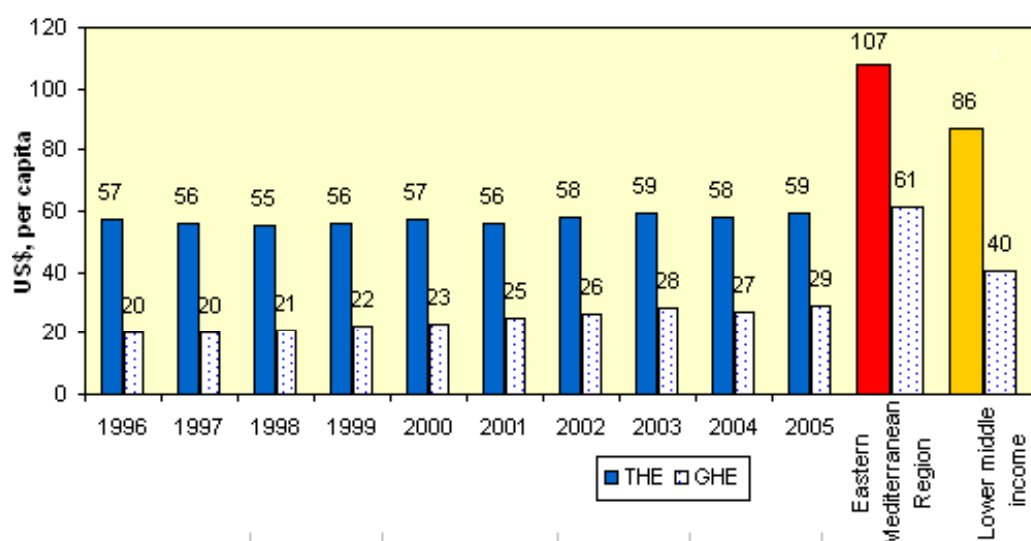
Total Health Expenditure (THE) in Syria increased modestly between 1996 - 2005 and was just sufficient to maintain the level of per capita expenditure at around 55-60 in US dollars. As a percentage of GDP, THE declined over the same period from 5.5 per cent in 1996 to only 4.2 per cent in 2005 (WHO, 2007a). (See Figure 4.2.1 and Figure 4.2.2.)

Figure 4.2.1. Total health expenditure (THE) and government health expenditure (GHE) as a per cent of GDP



Source: Based on data from WHO (2007a).

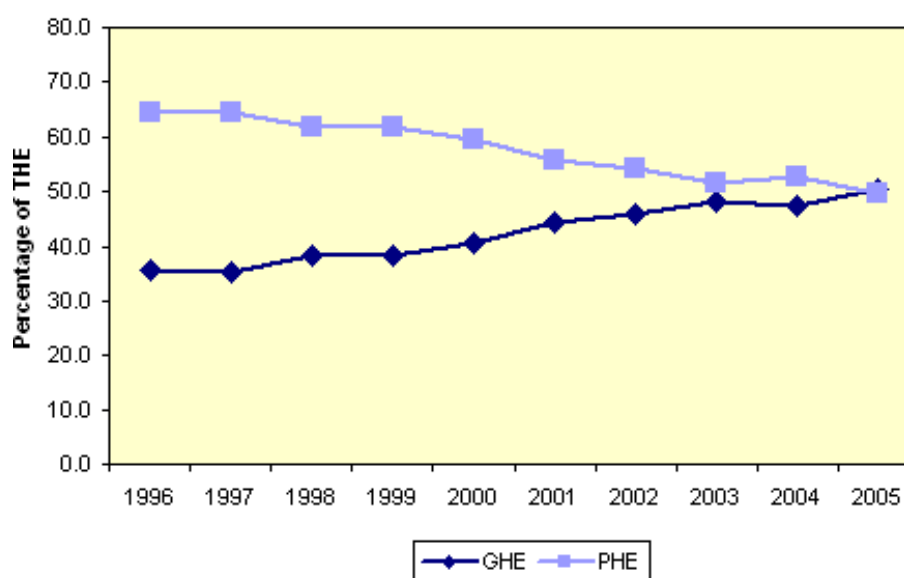
Figure 4.2.2. Total health expenditure (THE) and government health expenditure in per capita \$US, 1996-2005



Source: Based on data from WHO (2007a).

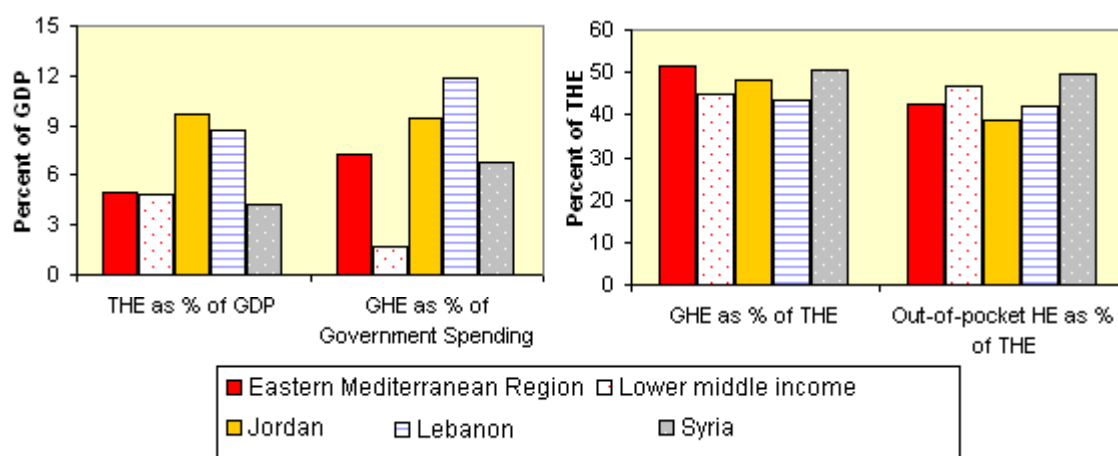
Despite the increase in government spending on health from \$20 per capita in 1996 to \$29 per capita in 2005, the government allocation to health care declined as a percentage of overall general government spending from 7.2 per cent in 1996 to 5.9 per cent in 2004 before it picked up again to 6.8 per cent in 2005. Nevertheless, its share of THE increased steadily over the analysis period, as shown in Figure 4.2.3.

Figure 4.2.3. Government health expenditure (GHE) and private health expenditure (PHE) as a per cent of total health expenditure (THE), 1996-2005



Source: Based on data from WHO (2007a).

Figure 4.2.4. Comparison of health spending, 2005



Source: Based on WHO (2007), Al-khatib (2006) and UN (2007a).

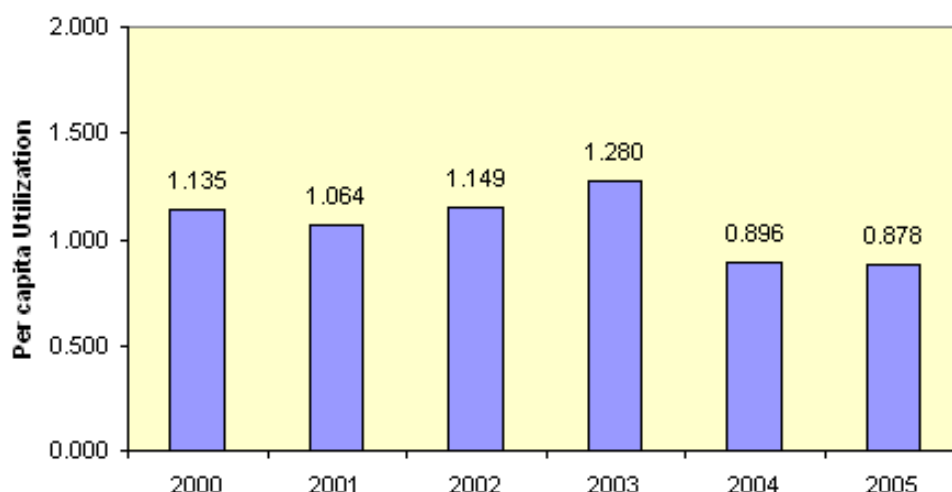
External resources allocated to health are very low (only 0.3 per cent of THE in 2005) and mostly aimed at capacity building and training. The most significant programme is “the Health Sector Support Programme,” funded by the EU Commission and totalling €30 million (Al-Khatib, 2006). The main objective is to provide technical assistance to the Ministry of Health to undertake reforms.

The flow of funds from the sources of funding to the health care providers follows a fairly straightforward pattern. The Ministry of Finance channels funds directly from the general budget to each ministry as shown in Figure 4.1.1. Households pay directly in the form of user fees to consult at private health facilities and to procure drugs from pharmacies. Syria does not have social health insurance and the insurance industry is still very under-developed. See Figure 4.2.4 for comparisons of health spending in 2005 with other middle eastern countries.

4.3. Public Health Care Utilization and Equity Issues

In 2005, a total of 16,585,855 outpatient cases consulted at one of the public health care centres (Al-Khatib, 2006). Public hospitals also provide both in patient and outpatient treatment. Due to the unavailability of data on hospital utilization, we are only able to estimate the per-capita utilization rate for out-patient treatment at health centres, as shown in Figure 4.3.1.

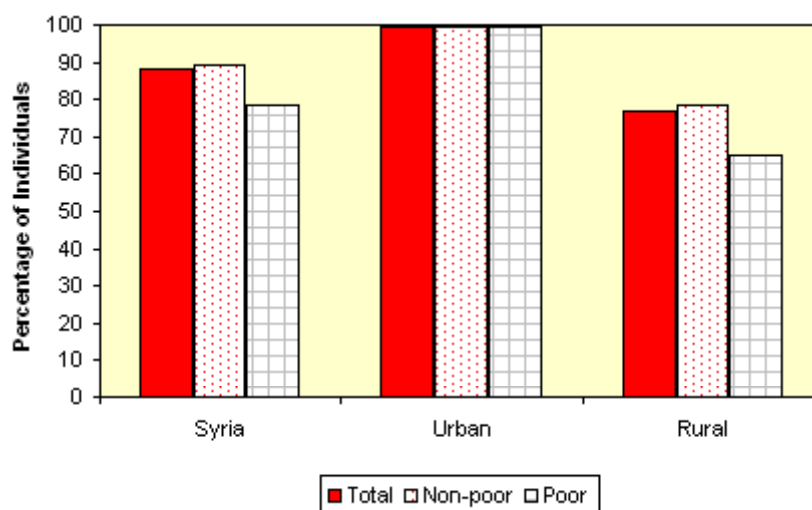
Figure 4.3.1. Outpatient utilization rate for public health centres, 2000-2005⁴



Source: ILO calculation based on data from (Al-Khatib, 2006).

The ability to receive health care when needed is generally correlated with several factors, including: distance to health facility, cost, and the availability of health personnel and perceived quality of health care provided at health facilities. Proximity to a health care facility is a particularly significant impediment to accessing health care in rural communities. In 2003, while almost all urban populations, poor⁵ and non-poor, were living within 5 km from health facility, one out of four in rural areas (for the rural poor, one out of three) lived farther than 5 km from a health centre (El-Laithy and Abu Ismail, 2005). (See Figure 4.3.2.)

Figure 4.3.2 Percentage of individuals residing within 5 km from a health facility, 2003/4



Source: Based on data from El-Laithy and Abu Ismail (2005).

Although health care services are provided at nil cost by public providers, half of health care financing comes from household budgets in the form of out-of-pocket payments

⁴ The drop in utilization in 2004 and 2005 is due to the ending of the National Vaccination Programme.

⁵ Based on absolute poverty line, see chapter 6 for more discussion.

(WHO, 2007a). According to the last household survey of 2003/4, annual per capita out-of-pocket expenditure on health amounted LS 1,536 (Dashash et al., 2006), which is 8.4 per cent of average income of the same year. A multi-country study by the WHO showed that people, particularly in poor households, can be protected from catastrophic health expenditures by reducing the health system's reliance on out-of-pocket payments and providing more financial risk protection (Xu et al., 2003). Finally, a household's willingness to pay for private health services rather than using free public services can indicate dissatisfaction with the quality of public health care either because of unavailability of care, or because of its perceived bad quality.

4.4. Review of Recent Reforms

The 10th five-year development plan lists a set of health care outcomes measured by benchmarks. Some of the objectives related to health care financing. The plan sets a goal of increasing the per capita the to an average of \$100 for Syria as a whole, with a floor of \$75 in any district. The plan recognizes the need to integrate a national health insurance scheme starting with three provinces and later extended gradually to cover Syria as a whole. The plan also aims at increasing private investment in the health sector by three folds. In terms of coverage, the plan sets the objective of extending primary health centres so that all citizens have easy access to health care services. It also seeks to increase the number of beds to 18 per 10,000 inhabitants in every district. The plan sets also goals for the human resources productivity and availability (Al-Khatib, 2006).

5. Non-contributory public social protection programmes

Syria provides extensive social welfare programmes to its citizens free of charge or at heavily-subsidized fees i.e. orphanages homes, centres for handicapped, and rural community development centres. However, Syria still lacks a comprehensive and well-defined social programme that is specifically targeting the poor and the vulnerable parts of the population. Syria's social assistance systems consist mainly of the traditional family-based social protection networks and the system of price subsidies for consumers and producers.

While the price system of subsidies is believed to have been effective in maintaining poverty at a relatively low and shallow level in Syria (see chapter six) and helped alleviate the impact on the poor of sharp increases in food and oil price, it is generally considered poorly targeted, vulnerable to international price fluctuations, and burdensome on the budget. In this chapter, we examine the price system of subsidies for consumers and producers.

5.1. Consumer Food Subsidy

Food subsidies in Syria are administered by the Price Stabilization Fund (PSF). The PSF subsidy system comprises a general subsidy on flour, which in effect makes bread available at desirable prices. It also includes an entitlement for each citizen to purchase a limited amount of subsidized goods (rice and sugar) at less than market prices. The PSF operates as a financially autonomous institution, with funding sources that include an earmarked surcharge levied on subsidized goods and the budgetary allocation by the central government. (see Table 5.1.1.)

Table 5.1.1. Price stabilization fund (PSF) operations, 1999-2003

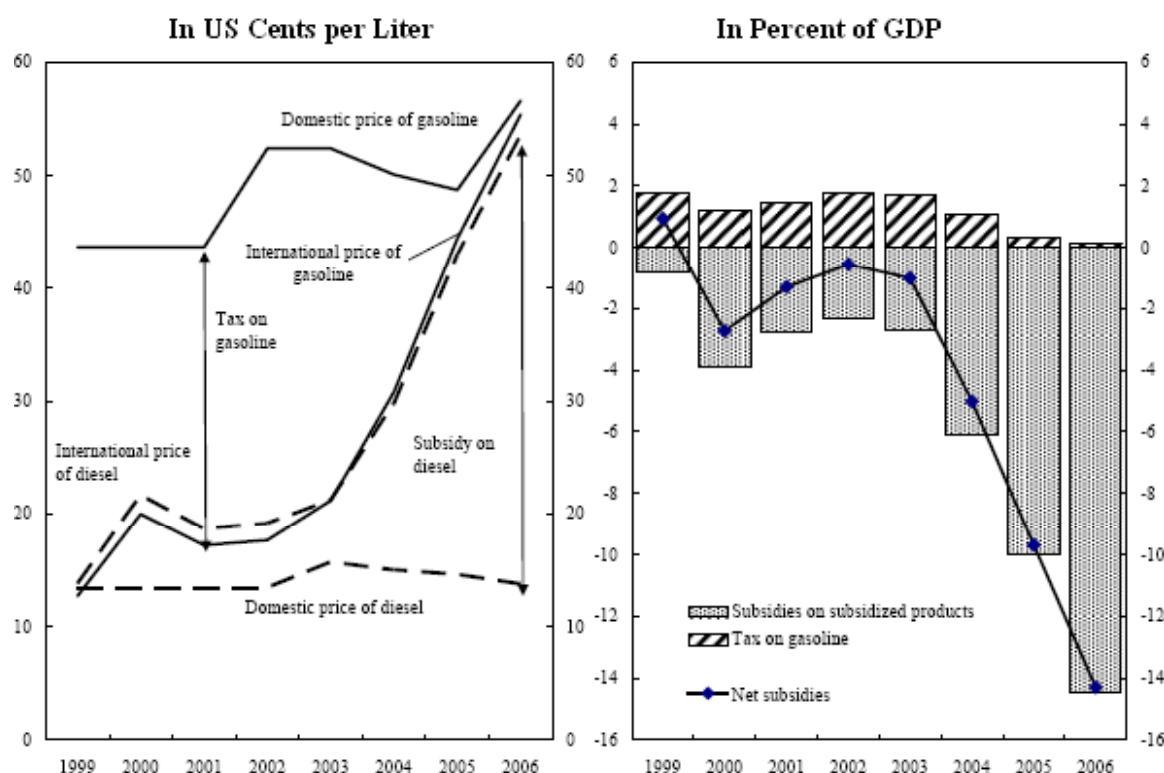
SL 000,000	1999	2000	2001	2002	2003
Revenue	9,660	15,700	18,731	20,700	25,725
Earmarked surcharge	660	700	731	700	725
Budgetary transfers	9,000	15,000	18,000	20,000	25,000
Expenditure	31,297	33,591	32,092	31,118	27,762
Generalized subsidy on wheat	25,092	27,120	29,000	26,089	22,935
Subsidy on rice	6,205	5,622	2,300	4,609	4,126
Subsidy on sugar	0	849	792	420	701
PSF balance	-21,637	-17,891	-13,361	-10,418	-2,037
Percentage of GDP					
Revenue	1.18	1.70	1.84	1.95	2.33
Earmarked surcharge	0.08	0.08	0.07	0.07	0.07
Budgetary transfers	1.10	1.62	1.77	1.88	2.27
Expenditure	3.82	3.64	3.16	2.93	2.52
Generalized subsidy on wheat	3.06	2.94	2.86	2.46	2.08
Subsidy on rice	0.76	0.61	0.23	0.43	0.37
Subsidy on sugar	0.00	0.09	0.08	0.04	0.04
PSF balance	-2.64	-1.94	-1.32	-0.98	-0.18

Source: IMF (2005).

5.2. Petroleum Price Subsidy (PPS)

As part of its poverty alleviation strategy, the government provided a Petroleum Price Subsidy (PPS) for selected products. The policy aimed at maintaining low prices for energy products consumed mostly by the poor and/or used for electricity generation and mass transport by setting local prices for these products below world market levels and subsidizing their consumption by charging above-market prices for gasoline. Prior to the increase in the trend of international oil price, the PPS constituted a relatively insignificant share of Syria's budget and the government's cross subsidization policy achieved net positive revenue. However, the fiscal cost of petroleum subsidies has risen sharply since 1999 and was estimated to have reached 14.5 per cent of GDP in 2006 (IMF, 2006b). (See Figure 5.2.1.)

Figure 5.2.1. Domestic and international prices for petroleum products (left) and tax and subsidies in petroleum products (right), 1999-2006



Source: IMF, (2006b).

The system of generalized open-ended oil subsidies had a number of serious problems. First, by lowering the relative price of subsidized diesel without setting any limit on the quantity of purchases, it resulted in considerable smuggling across the border to neighboring countries, exacerbating the required subsidy from the budget. Second, the size of the subsidy was subject to wide fluctuations, depending on the level of international market prices. Third, it distorted the market price structure and created incentives for consumers to substitute cheaper subsidized diesel for gasoline, which may be harmful for the environment and may result in inefficient product allocation. Finally, since the subsidy was not targeted at the poor, all income groups could benefit from the low prices, resulting in perverse income distribution effects. For example, the World Bank estimates that the richest population decile benefited 25 times more than the poorest decile, while the poorest half of the population captures less than 20 per cent of total benefits (IMF, 2006b).

The government recognized potentially significant efficiency gains, improved equity, and large fiscal savings to be made by replacing the PPS with other more targeted and

equitable expenditure programmes. Thus it initiated a process to phase out the PPS over a five-year period. According to some news reports, the Syrian government more than tripled the price of gas oil as of April, 2008 (Reuters, 2008). To mitigate the impact on poor families, the government accompanied the measure with a 25 per cent increase in public sector salaries. It has also began distributing subsidized diesel coupons of 1,000 liters a year for every married male and widowed mother. However, these measures might not be sufficient to make up for the welfare loss when the currently strong safety net in the form of untargeted, generalized subsidies are fully phased out; therefore, it is important to put in place a parallel expenditure programme that is well-targeted, efficient, and ensures access, especially that most expenditure items in Syria are at fairly moderate levels.

5.3. Producer Subsidies

While the existing pricing policies and marketing systems for certain agricultural crops, most importantly cereal and cotton, are driven by economic and strategic justifications (self sufficiency for cereal and the protection of the textile industry for the cotton crop), they constitute a major component of the poverty alleviation programme in Syria for two important reasons: First, 38.25 per cent of the poor are farmers (El-Laithy and Abu Ismail 2005) and the income they generate plays a crucial role in their well being and that of their dependents. Second: dietary intake of the poor largely depends on the food-crops. In this section we briefly examine the pricing policies of wheat and cotton crops as they are by far the largest crops in terms of their value and employment, and size of the respective subsidy.

Syria's objective of becoming self-sufficient in wheat was accomplished in the early 1990s and further generated export surpluses between 1993 and 1997, but output fell in 1998, 1999 and 2000 when production was severely affected by drought (Fiorillo et al., 2003). The public institution involved in the wheat production policy implementation in Syria is the General Establishment for Cereals Processing and Trade (GECPT), which follows and is financed by the Ministry of Supply and Internal Trade (MSIT). The GECPT subsidizes wheat production by purchasing around 70 per cent of a farmer's crop at above-market prices. The remaining 30 per cent are consumed on the farm, sold to a private mill or used for the local production of crushed wheat. In 2000, the official price per ton of soft wheat was SL 10,800, compared with only SL 6,504 import-parity producer price for one ton of soft wheat. This resulted in a producer subsidy of SL 9.04 billion (Fiorillo et al., 2003) or 1.1 per cent of GDP.⁶

Cotton is the second most important crop in Syria. Two point seven (2.7) million farmers and their dependents (about 15 per cent of the population) are engaged in cotton production, and it is closely related to the development of the textile industry, which accounts for about 20 per cent of production and employment in the industrial sector (IMF, 2006b). By law, the state Cotton Marketing Organization (CMO) is the sole permitted buyer and ginner of seed cotton. It is also the only exporter of cotton fiber (Fiorillo et al., 2003). The CMO purchases cotton from producers at an administered price set by the ministry of agriculture. The administrative price takes into account the cost of input, labour, and a profit margin of LS 2 per kg. The government bears the difference between the two prices through its agriculture bank. The price premium borne by the government is high and reached 105 per cent and 95.33 per cent for the year 2004 and 2005, respectively. The corresponding subsidy amounted SL15.8 billion and SL14.2 billion, or 1.3 per cent and 1.1 per cent of GDP for the year 2004 and 2005, respectively (IMF, 2006b).

⁶ This in addition to the consumer subsidy shown in Table 5.1.1.

6. Poverty and human development

6.1. Poverty and Income Distribution

The difficulty of analyzing poverty in Syria over a long period of time arises from differences in the methods used to measure poverty. For the purpose of this study and in order to preserve comparability of results, we will mainly use throughout this section data and results from the UNDP's comprehensive work on poverty titled "Poverty in Syria: 1996-2004".⁷

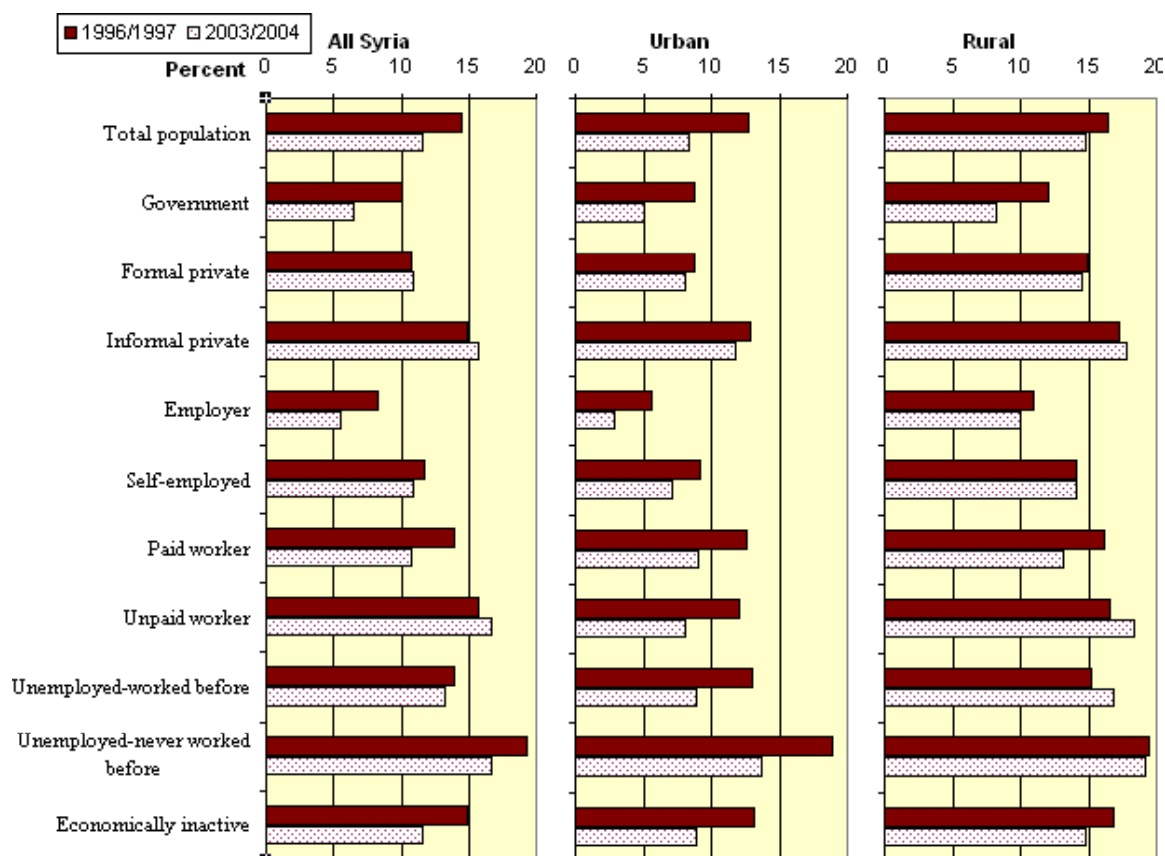
Despite the slowdown in economic growth during the late 1990s and early 2000s as discussed earlier, poverty, no matter which measure used, declined in Syria unambiguously between 1996 and 2004. Using the percentage of poor to total population, the poverty rate declined from 14.26 per cent in 1996/7 to 11.39 per cent in 2003/4. The poverty gap (the deficit of per-capita expenditure from poverty line) was also found to have declined from 2.88 per cent in 1996/7 to 2.13 per cent in 2002/3 (El-Laithy and Abu Ismail, 2005). A positive feature of poverty in Syria is that it is shallow. At the average annual per-capita poverty line for Syria as a whole, estimated at LS 17,508 (335.7 US\$) for 2004, an annual amount of SL 780.4 million (only 0.06 per cent of GDP) is required to eradicate poverty (assuming perfect and costless targeting).

Progress in poverty reduction in Syria has been uneven across rural-urban dividers as well as between those of different working statuses. At the rural-urban level, poverty in rural areas declined more slowly than in urban areas between 1996/7-2003/4, resulting in a widening rural-urban gap. In terms of economic activity, all working and none-working individuals benefited from poverty reductions in urban areas. However, reductions in poverty in rural areas were noticed among governmental employees, paid workers, and the economically inactive. Whereas poverty among participants in the informal sector, especially unpaid workers, and the unemployed increased during the analysis period, as shown in Figure 6.1.1.

Figure 6.1.1 also shows that unemployment increases the risk of poverty in Syria. Unemployed individuals, especially those who have never worked, are significantly more likely to be poor – 16.75 per cent of the unemployed who never worked before are below the poverty line.

⁷ The report follows the cost of basic needs methodology to construct the poverty line. It is specific to family composition (age and sex of family members) and where the family lives.

Figure 6.1.1. Poverty rates by location and economic activity, 1996/7 and 2003/4



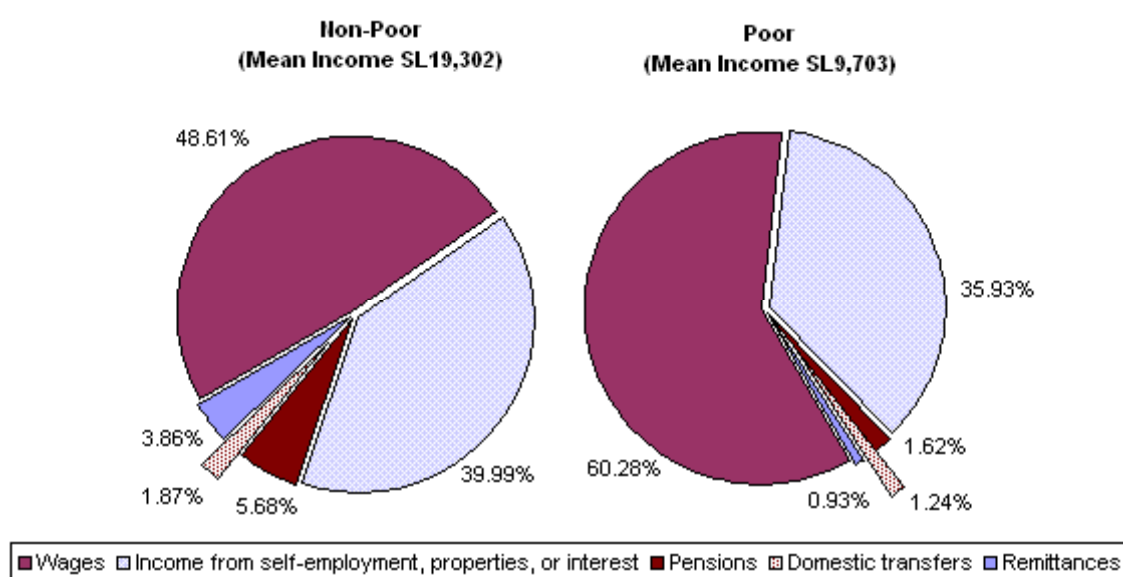
Source: Based on data from El-Laithy and Abu Ismail (2005).

While GDP per capita remained unchanged in real terms between 1996/7 and 2003/4, the fall in poverty shown above was mainly driven by a growth in real per capita expenditure, estimated at an average annual rate of 1.99 per cent over the same period.⁸ However, growth in per-capita expenditure during 1996/7-2003/4 was not equally shared across all expenditure groups. Non-poor groups enjoyed a marginally faster rise in their expenditure than the poor. For instance, the share of the poorest three expenditure deciles of total expenditure declined from 13.51 per cent in 1996/7 to 13.03 per cent in 2003/4. At the same time, the share of the richest three expenditure deciles of total expenditure increased from 53.94 per cent in 1996/7 to 55.78 per cent in 2003/4. Inequality, therefore, in Syria, measured by Gini index, increased over the same period from 0.33 to 0.37 (El-Laithy and Abu Ismail 2005).

Labour is the most valuable asset held by the poor. Figure 6.1.2 shows that wages constitute 60.27 per cent of the total income for the poor, as compared with 48.61 per cent for the non-poor. This asset, therefore, exerts significant influence on determining expenditure levels and poverty status.

⁸ The excess growth in per capita expenditure over that of per capita income might have been due to a recovery in expenditure trends that was mainly policy driven in response to greater confidence in economic prospects in light of the set of reforms undertaken around the same period. Another reason could have been an increase in the proportion of transfers (pensions, domestic transfers and remittance) to the household income. However, these arguments are speculative and there were no sufficient information to conclude on this.

Figure 6.1.2. Composition of mean per-capita income by poor and non-poor, 2003/4



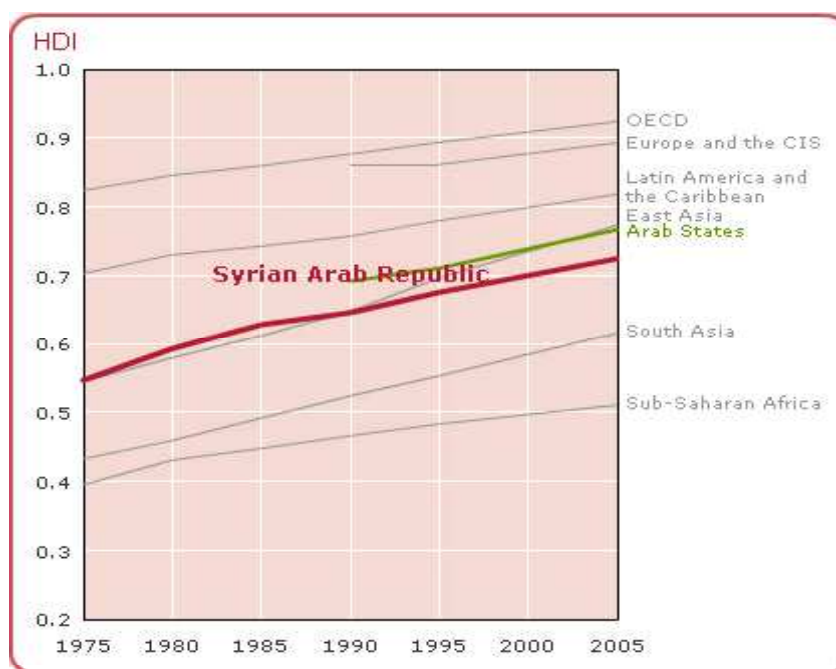
Source: Based on data from El-Laithy and Abu Ismail (2005).

Figure 6.1.2 reveals major differences between the poor and non-poor in terms of the share of transfers (pensions, domestic transfers and remittances) in their incomes. Most notably, pension transfers represent only 1.62 per cent of the total income for the poor, as compared with 5.68 per cent for the non-poor. Taking into account the size of the poor, pension payments are highly regressive with the poor receive only 1.81 per cent of the overall pension payments, compared with 98.19 per cent received by the non-poor. A reason for this inequality could be the lack of universality of the pension system as the poor are more likely to engage in the informal sector that is not covered by the existing social insurance arrangements as explained in chapter three.

6.2. Human Development and Millennium Development Goals

According to the UNDP's human development classification, Syria is classified as a medium development country. The Human Development Index (HDI) was estimated for the year of 2005 at 0.724, ranking 108 among the 177 countries (UNDP, 2008).

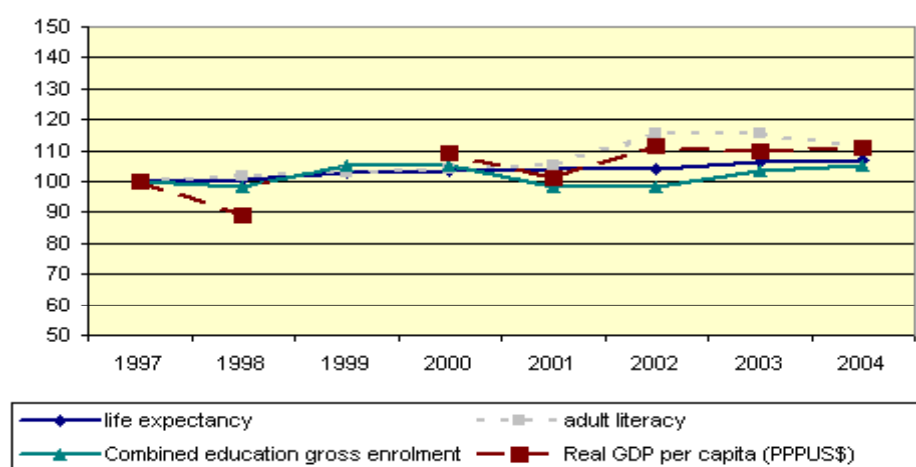
Figure 6.2.1. Developments of HDI by region, 1975 - 2005



Source: UNDP web page http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_SYR.html

The moderate improvement in the HDI illustrated in Figure 6.2.1 is reflecting the development in the underlying factors used to construct the HDI (namely, life expectancy at birth, educational attainment, and per-capita income). It illustrates that Syrians gained in income and non-income dimensions. The following chart (Figure 6.2.2) traces developments in these three components between 1997 (the base year with value = 100) and 2005.

Figure 6.2.2. Growth in human developments factors used in constructing HDI, 1997 (bases year)-2005⁹



Source: ILO calculation Based on data from the Human Development Reports 1997- 2007/8, UNDP.

⁹ The UNDP's report indicated an unexplained significant increase in the Real GDP per capita (PPUS\$) for the year 1999, which seems inconsistent with other sources. The author omitted this observation.

Although Syria's human development achievements are lower than neighboring Arab countries (Jordan's HDI is 0.773, Lebanon's HDI is 0.772 and Palestinian territories' HDI is 0.731), it compares fairly well with developing countries at the same level of GDP. For instance, while India's per capita income is similar to that of Syria, its HDI is only 0.619 (ranks 128). On the other hand, South Africa enjoys a per capita income level of almost 3 times that of Syria; Syria comes ahead of South Africa in terms of its HDI score (UNDP, 2008).

Syria has also achieved notable success in realizing the Millennium Development Goals (MDGs). The UNDP indicated that Syria is on track to meet almost all of the MDGs. (See Table 6.2.1.)

Table 6.2.1. Progress towards Millennium Development Goals

	Millennium Development Goal	Progress Status
1	Eradicate extreme poverty and hunger	Very likely to be achieved, on track
2	Achieve universal primary education	Very likely to be achieved, on track
3	Promote gender equality and empower women	Very likely to be achieved, on track
4	Reduce child mortality	Very likely to be achieved, on track
5	Improve maternal health	Very likely to be achieved, on track
6	Combat HIV/AIDS, malaria and other diseases	Very likely to be achieved, on track
7	Ensure environmental sustainability	Possible to achieve if some changes are made
8	Develop a global partnership for development	Insufficient information

Source: MDG monitor web page (UNDP, 2007), http://www.mdgmonitor.org/country_progress.cfm?c=SYR&cd=760

7. Conclusion

Throughout this report we examined issues related to scope and extent of coverage of the social protection system in Syria and the linkages to the country's poverty profile. We specifically examined the contributory schemes within the social insurance system of the ISI, health care and the non-contributory benefits in the form of price subsidies.

In terms of the contributory social insurance, the study points to three main drawbacks: First, coverage is generally limited to workers in formal employment, which leaves significant segments of the population, especially the rural population and women, without coverage. Second, the system has limited scope of contingencies covered, especially the lack of unemployment and maternity schemes. Last, pension payments are highly regressive in Syria with the poor (11.39 per cent of the population) receive only 1.81 per cent of the overall pension payments.

Although Syria provides health care on a universal basis for all citizens, expenditure on health in the form of out-of-pocket payments is high and accounted for 8.4 per cent of the per-capita average income. The government's plan to reduce reliance on out-of-pocket payments through the integration of a national health insurance is timely and appropriate. Other positive developments in the health care delivery system include the expansion of primary health care geographical coverage throughout the country and improvement in physician/population ratio. However, the growing inefficient mix of health care personnel highlights the need to create more coherence between the educational system's outcomes and the health care system's needs.

The high degree of informality of the Syrian labour market and the social insurance system's reliance on employer/employee relationships puts emphasis on the non-contributory benefits to fill the coverage gap. However, Syria still lacks a comprehensive and well-defined social assistance programme that is targeting the poor. Government interventions are mainly price subsidies for consumers and producers and the petroleum price subsidy. Despite its lack of targeting, the consumer food subsidy is believed to have been effective in keeping poverty low and shallow in Syria, and has helped to alleviate the impact on the poor of sharp increases in the price of food. However, the petroleum price subsidy is currently being phased out due to its fiscal unsustainability and the regressivity of its benefits.

The ILO DWCP has identified the priority of extending social protection coverage and has set out a number of interventions. The findings of this report support the priorities in the DWCP and show the need for extension of coverage for old age, unemployment and maternity to prevent people from falling into poverty and for the development of a social assistance programme to alleviate poverty.

Finally, almost all reports in the development area have indicated the issue of data unavailability as a major impediment. It is hoped that the national authorities will address this issue. It could also be an area where other international technical assistance programmes brought in to assist the national counterparts to overcome it.

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